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REPUBLIC OF KENYA



**TREASURY MEMORANDUM**

**ON THE**

**IMPLEMENTATION STATUS**

**ON THE**

**ELEVENTH REPORT**

**OF THE**

**PUBLIC INVESTMENTS**

**COMMITTEE**

**VOLUME II**

**2004**

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**TREASURY MEMORANDUM**

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## INTRODUCTION

The Treasury Memorandum on the implementation status of the Eleventh Report of the Public Investments Committee on the audited accounts of State Corporations is presented herewith. This is the Eleventh Treasury Memorandum since the Committee identified Treasury to prepare and submit such a report.

The Memorandum contains the recommendations of the Committee as adopted by Parliament. The status of implementation is given immediately after each recommendation for ease of discussions.

In order to ensure that the recommendations and resolutions of the Committee are implemented, the Treasury will continue to follow-up with relevant Chief Executives of the various State Corporations on outstanding issues.

The Treasury memorandum is hereby forwarded for discussion and adoption.



**JOSEPH K. KINYUA, EBS**  
**PERMANENT SECRETARY/TREASURY**

# KENYA PORTS AUTHORITY

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA PORTS AUTHORITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999

### 1. FIXED ASSETS

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should place caveats on the irregularly allocated plots and liaise with Commissioner of Lands with a view to have the allocations revoked.

*Status: The Chief Executive confirms that cases have been filed against allottees and the Commissioner of Lands on plot XLVII/III/112. and 117. On plots 113,114,115,116 and 118, a notice of intention to sue had been served on the Commissioner of Lands who has neither responded nor taken any remedial measures to rectify the titles. The Chief Executive has consequently instructed the Authority's lawyers to institute legal proceedings against the commissioner of lands and other interested parties seeking rectification of the titles and recovery of the plots. The instructions are contained in letter Ref. MCS/4/3/830 date 15<sup>th</sup> July 2004.*

- 1.2 The Committee recommends that Geometer Surveys Limited and its Directors be precluded from award of contracts by the Authority and Government in general.

*Status: The Chief Executive vide letter Ref.MMN/4/1/01A dated 21.10.2003, confirms that Geometer Surveys Limited has been blacklisted*

- 1.3 The Committee recommends that Geometer Surveys Limited be reported to the Board of Surveyors for professional misconduct

*Status: The Chief Executive confirms that the Company has been reported to the Board of Surveyors for professional misconduct vide letter Ref.MMN/4/1/01A dated 21.10.2003.*



- 1.4 The Committee recommends that the Chief Executive should ensure that the Agreement between the Authority and Grain Bulk Handlers Limited is reviewed and regularized in order to safeguard the interest of the Authority

*Status: The Chief Executive confirms that the Authority regularized the operations of Grain Bulk Handlers Ltd. in the past by signing the agreement dated 17<sup>th</sup> December 2002.. He also confirms that the lease Agreement was not reviewed as it was used by Grain Bulk Handlers Ltd to obtain external credit for the project.*

*In the meantime, the Minister for Transport and Communications appointed an Inter Ministerial Committee to address other issues related to the presence and operations of GBHL in the past following intense pressure from the Foreign lenders of GBHL. The Board of Directors, of Kenya Ports Authority considered, approved and adopted the recommendations of the Inter-ministerial committee regularizing the presence of GBHL by issuance of a license with exclusivity for their type of operations for a period of (8) eight years with effect from February, 2000 to allow the lenders to recover their money. The license also expressly recognized the presence of other service providers commonly referred to as quayside bagging plant operators.*

*In view of this current status, the Chief Executive notes the recommendation and that the renewal of the license will be subject to negotiations that will be in favour of Kenya Ports Authority.*

## **2.0 SUPPLY OF REACH STACKERS**

### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Attorney General and the anti-corruption agencies should investigate the circumstance under which the original agreement was amended which culminated in unjustifiable interest payment with a view to establishing whether a felony was committed or not for possible prosecution.

*Status: The Chief Executive confirms that he has already forwarded the matter to the Attorney general vide letter Ref.MMN/3/2/09 dated October 16, 2003.*

### **3.0 ENGINE OVERHAUL – VIP LAUNCH MKIZI**

#### **RECOMMENDATIONS**

- 3.1 The Committee recommends that The Chief Executive should ensure that procurement procedures are enforced without exception and effective internal controls put in place

*Status: The Chief Executive confirms that internal controls are in place to ensure that the procurement of materials and services are done in accordance with the Exchequer and Audit (Public Procurement) Regulations 2001.*

- 3.2 The Committee further recommends that the Inspector-General (Corporations) takes surcharge action against the two officers.

*Status: The Chief Executive confirms that vide copy of letter ref. MMN/3/2/09 dated 23<sup>rd</sup> October, 2003, the Inspector General (Corporations) was asked to take surcharge action against the two officers who were implicated in the fraud.*

### **4.0 IRREGULAR PROCUREMENT OF GOODS**

#### **RECOMMENDATIONS**

- 4.1 The Committee recommends that the Chief Executive should ensure that procurement procedures are enforced without exception.

*Status: The Chief Executive confirms that effective internal controls are in place to ensure that procurement regulations are enforced in accordance with the Exchequer and Audit (Public Procurement) Regulations 2001.*



- 4.2 The Committee further recommends that the Inspector-General (Corporations) takes surcharge action against the two officers.

*Status: The Chief Executive confirms that the matter of surcharge is being pursued in conjunction with the Inspectorate of State Corporations. Correspondence has already been send to the Inspector General to enable him adhere to this recommendation – vide letter ref.MMN/3/2/09 dated October 23, 2003.*

## **5.0 STOCKS AND STOCKS EVALUATION CONSULTANCY**

### **RECOMMENDATIONS**

- 5.1 The Committee reiterates its earlier recommendation under paragraph 11 of the 1997/98 financial year of the Tenth Report that the Chief Executive should ensure that the stores are only expensed after use and not after being transferred to sub-stores.

*Status: The Chief Executive confirms that it now has a sound inventory management system in place to ensure that the recommendation is adhered to.*

- 5.2.1 The Committee further recommends that the Chief Executive must streamline the store management, including stock taking exercise so that all stocks are accounted for.

*Status: The Chief Executive confirms that the recommendation is being adhered to.*

- 5.2.2 The Committee further recommends that the Chief Executive should ensure that the Corporation does not hold excessive stocks.

*Status: The Chief Executive confirms that the recommendation is being adhered to.*

## 6.0 DEBTORS

### RECOMMENDATIONS

- 6.1 The Committee recommends that the Chief Executive should ensure that recoveries on advances to employees are made in accordance with the laid down regulations

*Status: The Chief Executive confirms that the overdrawn balance of Kshs.1,419,456.49 outstanding as unaccounted for as at 30<sup>th</sup> June 1999, has since been fully recovered. Recoveries are now being made in accordance with the laid down staff regulations.*

- 6.2 The Committee recommends that the Chief Executive should ensure that the Authority should use all possible means including taking legal action to recover the Kshs.13,974,400 from M/s Marship Shipping Co. Limited

*Status: The Chief Executive confirms that the total amount of Kshs.13,974,400.00 has been settled.*

- 6.3 The Committee recommends that the Chief Executive should ensure that effective credit control system is put in place.

*Status: The Chief executive confirms that effective credit control has been put in place to ensure that recoveries and debt collections are prompt.*

- 6.4 The Committee recommends that the Chief Executive should ensure that the Criminal Investigation Department should carry out further investigation with a view to prosecuting and recovering the amount from the former Directors of M/s Marship Shipping, Messina Vessels and other related Companies.

*Status: The Chief Executive confirms that in an effort to recover the debt from M/s Marship Limited, a company that went bankrupt, the Authority entered into a commercial agreement with M/s Messina Shipping Line, who were the principals of Marship Limited for a*



50% settlement of all their debts. This amount has been settled by M/s Messna as agreed.

## 7.0 INVESTMENTS

### RECOMMENDATIONS

- 7.1 The Committee recommends that the Chief Executive should liaise with the Central Bank's Deposit Protection Fund with a view to recovering the entire Kshs.100,336,682

*Status: The Chief Executive confirms that action is being taken as recommended. The management is taking up the matter with the Central Bank Deposit Protection Fund to help recover the entire amount of Kshs.100,336,682 lost in the collapsed Financial institutions. So far the Authority has received Kshs.4,980,515.70 from the Central Bank's Deposit Protection fund.*

- 7.2 The Committee further recommends that surcharge action be taken by the Inspector-General (Corporations) against officials of the Authority who flouted the Treasury Circular No.10 of 1992 in making the said investments.

*Status: The Chief Executive confirms that management is unable to take action on the concerned officers since they are no longer in the public service. However, the matter has been forwarded to the Government through the parent Ministry – vide letter ref.MMN/3/2/09 October, 23, 2003.*

# COMMUNICATIONS COMMISSION OF KENYA

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF COMMUNICATIONS COMMISSION OF KENYA FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2000

### 1.0 KAREN PLOTS – LR.12445 AND 12550

#### RECOMMENDATIONS

- 1.1 The Committee strongly reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts Ninth Report page 6 that the Attorney General should expeditiously investigate and institute criminal charges against Mr. Chege Kirundi and Mrs Lucy Wamaitha Chege

*Status: The Chief Executive confirms that correspondence has been written to the Attorney General vide letter Ref. CCK/CS/091(765) dated October, 22, 2003 requesting him to adhere to this recommendation.*

- 1.2 The Committee strongly reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts Ninth Report page 6 that Messrs Kirundi and Company Advocates be reported to the Law Society of Kenya Complaints Commission for professional misconduct and breach of trust.

*Status: The Chief Executive confirms that this has been done. However, by a letter Ref. CCK/17/14/913/00/(28) dated April 2, 2002 the Advocates Complaints Commission wrote a letter to the CCK indicating that KPTC seems to have made a deliberate decision to use Mr. Chege Kirundi as their lawyer in the same (Karen Plots) transaction. Under the Circumstances the Advocates complaints Commission advised that any charges against Mr. Kirundi based on conflict of interests would seem to be tenuous. The Chief Executive therefore, confirms that, the CCK is to pursue a Civil action to*



recover the amounts in issue. This is Vide High Court Civil Case No. 943/1999

- 1.3 The Committee strongly reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts Ninth Report page that the Chief Executive should pursue the refund of money paid to the vendor by the defunct KP&TC to its conclusion

*Status: The Chief Executive confirms that the pursuit of the refund of money paid to the vendor is being undertaken vide High Court Civil Case No.943 of 1999 – Kenya Posts and Telecommunications Corporation Vs Benja Investments Limited and another. The matter was listed for hearing on 26<sup>th</sup> and 27<sup>th</sup> May 2004 but the hearing never took off due to an overcrowded court calendar.*

## **2.0 FIXED ASSETS**

### **RECOMMENDATION**

- 2.1 The Committee recommends that the Chief Executive should ensure that an up-to-date Fixed Assets register is maintained.

*Status: The Chief Executive confirms that this has been done by procurement of a Sun Accounts System Fixed Asset Register module which is used to update the fixed Assets position as the assets are acquired.*

## **3.0 BAD AND DOUBTFUL DEBTS**

### **RECOMMENDATION**

- 3.1 The Committee recommends that the Chief Executive use all means possible including litigation to recover the outstanding amount in full

*Status: The Chief Executive confirms that out of the amount outstanding as at 30<sup>th</sup> June, 2000 of Kshs.411 million, a total of Kshs.300 million has since been collected. Out of the balance of Kshs.111 million, Kshs.65.3 million fall under bad and doubtful debts. So far the corporation has not managed to collect any of these amounts as most of the cases that contributed to it are*

yet to be concluded. Some are under receivership like KTN was placed under receivership back in 1988. The debt was inherited from KPTC and since then KTN BARAZA has taken over the running of the company as a different entity altogether, the amount involved here is Kshs.15 million; others are court cases that have not been concluded e.g. Royal Media was entangled in a court case with CCK over non-payment of frequency fees amounting to Kshs.35 million. The debt is still outstanding while a court ruling is still awaited on the matter. The Chief Executive further admits that during the period under review vendors and contractors owed the commission Kshs.1,539,502.00. These customers have not responded to payments and the commission has consequently stopped invoicing them. The outstanding debt therefore is highly doubtful and may end up being written off the books.



# KENYA SUGAR AUTHORITY

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SUGAR BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999

### 1.0 SHORT TERM DEPOSITS

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should invest any surplus funds strictly in accordance with requirements of the Treasury Circular No.10 of July 15, 1992 and that in future any Chief Executive of the Authority who contravenes Treasury Circulars on investments of surplus funds should be relieved of his duties forth with and accordingly surcharged.

*Status: The Chief Executive confirms full compliance to this recommendation. At the same time, the correspondence has been copied to the parent Ministry to enable it adhere to the recommendation*

# KENYA SUGAR DEVELOPMENT FUND

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SUGAR BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999

### 1.0 TISSUE CULTURE PROGRAMME

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should seek post facto authority from the Board for variation of the propagation period from five years to one year for the four cane commodities.

*Status: The Chief Executive confirms compliance with this recommendation.*

- 1.2 The Committee recommends that the Office of the Controller and Auditor should carry out a verification exercise to ascertain that plantlets totaling 4,003,571 were actually propagated and delivered to Research stations

*Status: The Chief Executive has requested the Controller and Auditor General to undertake this exercise as recommended.*

- 1.3 The Committee recommends that the then Chief Executive Mr. Chahonyo should be investigated by anti-corruption agencies for possible abuse of office and corrupt practices in the culture tissue programme.

*Status: The Chief Executive confirms that Investigations have been completed by the Efficiency Monitoring Unit and subsequent investigations by the Anti-Corruption Agencies are going on.*



## **2.0 LOANS TO COMPANIES**

### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Chief Executive should use all means possible, including legal redress, to be carried out by the Board's Legal Department, to recover the overdue loans amounting to Kshs.2,108,097,058.86.

*Status: The Chief Executive confirms that the Government waived interest and penalties on outstanding loans and interest on levy arrears on 28<sup>th</sup> July, 2003. This was a way of easing the debt burden on Sugar and Outgrowers Companies. In the meantime, negotiations are going on with the debtors with a view to rescheduling the principle amount.*

## **3.0 LEGAL FEES**

### **RECOMMENDATIONS**

- 3.1 The Committee recommends that the Chief Executive should ensure that the money paid to lawyers is recovered in full and where there was justification for payment, claims be referred to the Registrar of the High Court for taxation.

*Status: The Chief Executive confirms that as directed by the Public Investment Committee, all the Law Firms have been requested to file their bills before court for taxation. The Chief Executive confirms that this process is on-going and where there will be no justification for payment appropriate recoveries will be made.*

- 3.2 The Committee further recommends that the Chief Executive Mr. F. Chahonyo should be investigated by the anti-corruption agencies for possible abuse of office and corrupt practices with a view to having him prosecuted.

*Status: The Chief Executive confirms full compliance as recommended. Mr. Chahonyo is already being investigated.*

3.3 The Committee further recommends that Mr. Francis Chahonyo be barred from holding any public office conferred by the Republic of Kenya.

*Status: The Chief Executive confirms that correspondence has been copied to the parent ministry to enable it adhere to the recommendation.*



# NATIONAL HOUSING CORPORATION

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998

### 1.0 FINANCIAL POSITION

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should ensure that the cost of construction is controlled through prudent commercial practices.

*Status: The Chief Executive confirms that the cost of construction is controlled through efficient project management involving the control of finances and time element by avoiding unnecessary variations, competitive tendering to ensure that the corporation gets the best rates available in the market and through analysis and verification of the contractors payments.*

- 1.2 The Committee recommends that the Chief Executive should ensure that before any project is initiated, there is adequate budgetary provision.

*Status: The Chief Executive confirms that the Corporation confirms total compliance with this recommendation. The Corporation now ensures that there is adequate funding before any project is commenced.*

- 1.3 The Committee recommends that the Chief Executive should liaise with the Parent Ministry and the Ministry of Local Government to ensure that loan arrears amounting to Kshs.2,268,335,975 is repaid.

*Status: The Chief Executive confirms that recommendation is being implemented. The Corporation has written to the parent Ministry as well as the Ministry of Local Government with a view to having the council pay the outstanding arrears.*

## **2.0 LOAN ARREARS DUE**

### **RECOMMENDATIONS**

- 2.1 The Committee reiterates its earlier recommendation under paragraph 2 of the 1995/96 Accounts in the 9<sup>th</sup> Report that the Chief Executive should liaise with the Parent Ministry and the Ministry of Local Government to ensure that the loan arrears of Kshs.1,595,814,916 is recovered in full.

*Status: The Chief Executive confirms that action is being taken. Communication is going on between the Corporation, parent Ministry and Ministry of Local Government with a view to having the Councils pay the outstanding arrears.*

## **3.0 MOTOR VEHICLES VOLVO KAE 965T, PAJERO KAD 954R AND PEUGEOT KAJ 172J**

### **RECOMMENDATIONS**

- 3.1 The Committee recommends that the Chief Executive should in future ensure that all vehicles belonging to the Corporation are registered with blue number plates as required of State Corporations' vehicles.

*Status: The Chief Executive confirms that the Corporation has registered the three motor vehicles with blue number plates as required of State Corporations' vehicles.*

## **4.0 SHORT TERM DEPOSITS**

### **RECOMMENDATIONS**

- 4.1 The Committee recommends that the officials of the Corporation who invested the funds contrary to the Treasury regulations be surcharged by the Inspector-General (Corporations)

*Status: The Chief Executive confirms that former Managing Director Mr. L. K. Langat has already been issued with a surcharge letter by the Inspector General, State Corporations for Kshs.6,935,556.00 the amount of*



*which he invested in Prudential Bank Limited, contrary to Treasury regulations. The Corporation has filed a suit against him for this amount Vide Nairobi HCC No. 131 of 2002.*

## **5.0 SCHEMES IN PROGRESS**

### **RECOMMENDATIONS**

- 5.1 The Committee recommends that the then Managing Director Mr. Lawi Kiplagat should be investigated by anti-corruption agencies for possible abuse of office and other corrupt practices.

*Status: The Chief Executive confirms that the Corporation communicated to the Anti-Corruption Police Unit to investigate Mr. L. K. Kiplagat for abuse of office Vide letter Ref. No. NHC/CONF/LKK/1257(86) AJO dated 27<sup>th</sup> August, 2003.*

## **6.0 TERMS AND CONDITIONS OF SERVICE**

### **RECOMMENDATIONS**

- 6.1 The Committee recommends that the Chief Executive should ensure that in future, any review of terms and conditions of service of the Corporation should be referred to the State Corporations Advisory Committee for approval.

*Status: The Chief Executive confirms that the Corporation confirms full compliance with this recommendation.*

- 6.2 The Committee further recommends that all benefits enjoyed and allowances paid to Mr. Lawi Kiplagat during his tenure as the Managing Director of National Housing Corporation including the imprest of Kshs.6,471,801.10 should be treated as a debt and be recovered from him with immediate effect.

*Status: The Chief Executive confirms that the recovery is being pursued. The Corporation has filed suit for the recovery of Kshs.6,471,801.10 in form of imprest and Kshs.5,352,552 for all allowances and other benefits which were paid to the former Managing Director, Mr.*

*L.K. Kiplagat Matter is pending in court vide civil case No. 131 of 2002..*

- 6 3 The Committee further recommends that the then Chief Executive Mr Lawl Kiplagat should be investigated by anti-corruption agencies for abuse of office and corrupt practices

*Status The Chief Executive confirms that the Corporation has communicated to the Anti-Corruption Police Unit to investigate Mr. L K Kiplagat for abuse of office Vide letter Ref NHC/CONF/LKK/1257(86)AJ0 dated 27<sup>th</sup> August. 2003*

## **7.0 TENANT PURCHASE SCHEMES**

### **RECOMMENDATIONS**

- 7 1 The Committee recommends that the Chief Executive should ensure that the outstanding rent arrears are recovered from the defaulters.

*Status The Chief Executive confirms that two defaulters whose total arrears was Kshs.2,682,406 had their shops repossessed and sold to other people at a total cost of Kshs 2.774.300 00 As at 31<sup>st</sup> December, 2003 only three loanees had arrears totaling Kshs 247 762 89 and which they have made proposals to clear*



# **KENYA RAILWAYS CORPORATION**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA RAILWAYS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998**

### **1.0 FINANCIAL POSITION**

#### **RECOMMENDATION**

- 1.1 The Committee reiterates its earlier recommendation under paragraph 1 of the 1996/97 in the 9<sup>th</sup> Report that the Government should continue to restructure the Corporation to make sure that it operates commercially to enable it meet its obligations including all loan repayments.

*Status: The Chief Executive confirms the recommendation is being adhered to. The restructuring is on-going to enable KRC to operate commercially and meet its financial obligations including all loan repayments. The Government has injected Kshs.890.37 million under the survival plan for maintenance of the track, rolling stock and equipment. It has also assisted the Corporation in the staff rationalization through financing the retrenchment programme. KRC has asked the Government to exempt it from paying Road maintenance levy which stands at Kshs.5.80 per litre. Non-core functions have been privatized and some of the loans are to be converted to equity. At the same time KRC has abolished value and cash discounts and re-examined all existing M.O.U.s and contracts. It has also standardized rates for all customers.*

### **2.0 FIXED ASSETS**

#### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Chief Executive should ensure that an up-to-date fixed assets register is maintained.

*Status: The Chief Executive confirms that an up-to-date fixed assets register is maintained and was availed to the Auditors for review.*

- 2.2 The Committee recommends that the Chief Executive should ensure that its land is surveyed and valued by March 2003.

*Status: The Chief Executive confirms that due to financial constraints it has not been possible to survey or value Railways lands. The Corporation is examining possibilities of using Government valuers to assist in the valuation exercise.*

### **3.0 IRREGULAR ALLOCATION OF LAND**

#### **RECOMMENDATIONS**

- 3.1 The Committee recommends that the Chief Executive should take all the necessary action to ensure that the irregular allocation of the two plots KSM/MUN/410 and 411 to Messrs Peter Nyakiamo and Oloo Aringo in Kisumu is revoked.

*Status: The Chief Executive confirms that Kenya Railways has petitioned the Commission of Inquiry on grabbed land to have titles to the two plots KSM/MUN/410 and 411 irregularly allocated in Kisumu revoked and titles returned back to Kenya Railways.*

- 3.2 The Committee recommends that the Commissioner of land reverts the two irregularly allocated plots to the Corporation

*Status: The Chief Executive confirms that the recommendation has been noted and the same forwarded to the commissioner of Lands who has been informed to take action as recommended .*

- 3.3 The Committee recommends that the Chief Executive should collect rents due from Mrs Catherine Nyamweya and dispose of the plot to the highest bidder in accordance with the Procurement Regulations currently in force

*Status: The Chief Executive confirms that the Corporation is pursuing the outstanding rents due from Mrs Catherine*



*Nyamweya through the courts. The land allocated to her has been sold to the Numerical Machines complex.*

- 3.4 The Committee recommends that the Parent Ministry including the Minister must cease interfering in the matter between the tenant, Mrs Catherine Nyamweya and the Corporation.

*Status: The Chief Executive confirms that Mrs Catherine Nyamweya was evicted from the said plot that she illegally occupied.*

#### **4.0 WORK-IN-PROGRESS**

##### **RECOMMENDATIONS**

- 4.1 The Committee recommends that supporting documents in respect of Works-In-Progress valued at Kshs.3,328,747 should be availed to the Auditor-General (Corporations) for verification by 31<sup>st</sup> December, 2002.

*Status: The Chief Executive confirms that supporting documents in respect of work in progress valued at Kshs.3,328,747 have been availed, reviewed and accepted by the Auditor-General (Corporations).*

#### **5.0 DEBTORS**

##### **RECOMMENDATIONS**

- 5.1 The Committee recommends that the Chief Executive should ensure that effective debt collection machinery is put in place.

*Status: The Chief Executive confirms that this recommendation is being adhered to. All Customers except oil firms pay for services in advance. Aggressive reconciliation is going on to determine and clear all outstandings.*

- 5.2 The Committee recommends that the Chief Executive should strengthen the credit control measures.

*Status: The Chief Executive confirms that the Kenya Railways corporation (KRC) no longer gives its services on credit*



*terms. All customers except oil firms pay for services in advance. This will eliminate the issue of debt collection with regard to freight charges.*

## **6.0 BANK BALANCES**

### **RECOMMENDATIONS**

- 6.1 The Committee recommends that the Chief Executive should ensure that cheques are only issued subject to availability of funds.

*Status: The Chief Executive confirms that the Corporation has instituted measures to ensure that cheques are only issued subject to availability of funds.*

## **7.0 NET PUBLIC DEBT**

### **RECOMMENDATIONS**

- 7.1 The Committee recommends that the net Public debt should be reconciled on annual basis and agreements for the loans be availed to the auditors during the audit review.

*Status: Reconciliation of the net public debt is ongoing. Currently the ongoing reconciliation is for the year 2000/2001. Agreements for the loans have been availed to the auditors for review.*

## **8.0 STAFF PENSION FUNDS**

### **RECOMMENDATIONS**

- 8.1 The Committee recommends that the Chief Executive should ensure that all pension funds and gratuities in the Corporation's Books of Accounts are transferred to an Independent Pension Fund to be administered in accordance with the Retirement Benefits Act.

*Status: The Chief Executive confirms that this recommendation is being adhered to. A letter has been written to the parent Ministry seeking approval to transfer identified assets to The Kenya Railways Pension Fund recognized by the Retirement Benefits*

*Authority Act. The ministry has also been requested to get a waiver of Land rates of Kshs 189,087,969.95 from the Ministry of lands to facilitate the transfer of assets to the Kenya Railways Pension Fund.*

- 8.2 The Committee recommends that schedules in respect of assets estimated at Kshs.13,689,600,000 be availed to the Auditor-General (Corporations) for verification by 31<sup>st</sup> December 2002.

*Status: The Chief Executive confirms that this has been done as per the recommendation.*

# **AGRICULTURAL FINANCE CORPORATION**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF AGRICULTURAL FINANCE CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998**

### **1.0 OPERATING PERFORMANCE**

#### **RECOMMENDATIONS**

- 1.1 The Committee recommends that the Chief Executive should liaise with the Parent Ministry with a view to completing the ongoing restructuring of the Corporation.

*Status: The Chief Executive confirms that the recommendation is being adhered to. The cabinet has already approved the financial restructuring of the Corporation. AFC is at an advanced stage of implementing the approved financial restructuring. This will be reflected in the Accounts of the Financial Year ending 30<sup>th</sup> June 2003.*

### **2.0 LOAN ARREARS**

#### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Chief Executive should improve the Corporation's debt recovery machinery and recover all the loans as per law and agreements.

*Status: The Chief Executive confirms that the Corporation's loan portfolio in arrears was KShs.2, 644,127,663/= as at 30<sup>th</sup> June, 1998. Out of this an amount of KShs.1, 427,168,000/= have remained outstanding for over ten (10) years which indicated that the loans may eventually become non-recoverable.*

*However, the corporation has instituted aggressive recovery process especially on the farmers who are able but may be unwilling to service their loans. However, a large portion of the arrears form the loans that were recommended for write off under the financial*



*restructuring of the Corporation which got parliamentary approval. Those borrowers that are capable of servicing their loans would be made to honour their obligations.*

- 2.2 The Committee further recommends that write offs should only be extended to those loanees where there is full evidence of inability to repay.

*Status: The Chief Executive confirms that the restructuring entails writing off only those loans approved by Parliament.*

### **3.0 DEBTORS**

#### **RECOMMENDATIONS**

- 3.1 The Committee recommends that the Chief Executive should reconcile the suspense account of Kshs.439,486 and avail the reconciliation to Controller and Auditor-General for verification by 31<sup>st</sup> March 2003.

*Status: The Chief Executive confirms that the balance was a computer generated error and has since been rectified and adjusted for in the financial statements for the year ended 30<sup>th</sup> June, 2002. The same were audited by the Controller and Auditor General in December, 2002.*

# SEASONAL CROP CREDIT AGENCY

## REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE SEASONAL CROP CREDIT AGENCY ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998

### 1.0 REDEEMABLE LOANS

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should liaise with the Parent Ministry with a view to completing the on-going restructuring of the Agricultural Finance Corporation in order to address the continued justification of the scheme and implement the recommendations contained in the Sessional Paper once it is adopted.

*Status: The Chief Executive confirms that following Cabinet approval of the AFC financial restructuring and the subsequent approval of the Sessional Paper by Parliament, the Corporation is implementing the approved financial restructuring and the same will be reflected in the books of accounts in the Financial year ended 30<sup>th</sup> June, 2003. At the same time, sessional paper No. 1 of 2002 on Restructuring of the corporation was presented to the National Assembly for consideration, and approval granted on 6<sup>th</sup> November, 2002.. The Corporation is now implementing the recommendations contained in the sessional paper.*

# NATIONAL WATER CONSERVATION & PIPELINE CORPORATION

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL WATER CONSERVATION & PIPELINE CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998

### 1.0 DEFICIT

#### RECOMMENDATIONS

- 1.1 The Committee Recommends that the proposed revision of water tariffs soon after the revised rates of 1999 should be shelved and instead the Corporation should collect all debts from its consumers.

*Status*            *The Chief Executive confirms that the cost of providing services has risen over the years, hence the proposed adjustment required to accommodate changes in the market and also to meet the cost of production.*

*In addition, the corporation has noted the recommendation of the public Investment Committee that it should withhold proposals to increase water tariffs. However, the corporation may not become economically viable if the water tariffs are not adjusted as recommended because the cost of providing water has changed drastically leaving the corporation with no alternative but to raise tariffs to cover the increased cost on power, chemicals, and personnel. Several measures have been put in place to collect debts e.g. disconnections of consumers with huge arrears, installation of accounting billing software that has enabled the Corporation to collect around Kshs.600 million which is 30% of the debts.*

*However, it has been confirmed through investigations that the remaining balance is uncollectable because they were due to billing errors that are now being corrected.*



- 1.2.1 The Committee Recommends that the Chief Executive should ensure that the existing water infrastructure is rehabilitated and properly maintained to reduce water wastage.

*Status: The Chief Executive confirms that the Corporation has undertaken a major rehabilitation of the infrastructure in most parts of the country e.g. rehabilitation of water supplies in Kandara, Othaya, Litein and Siaya Districts. Work on other areas is continuing with a view to reducing wastage and make water affordable to the public.*

- 1.2.2 The Committee Recommends that the management of the Corporation be restructured in order to address debt collection, maintenance of water pipe system and reduction of operational costs in order to make water accessible to all Kenyans at affordable prices.

*Status: The Chief Executive confirms that the rehabilitation that has been undertaken is meant to increase production and make water affordable to the public through reduced cost of operation. The management has also established a commercial division charged with the responsibility of debt collection. In addition, a new billing software was acquired and installed in order to create correct bills and maintain a clean consumer data bank.*

## **2.0 WATER DEBTORS**

### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Chief Executive should continue to use all means possible including disconnection until all debts due are collected.

*Status: The Chief Executive confirms that the recommendation is being adhered to. The Corporation has disconnected consumers who have defaulted to pay their accounts, computerised the billing systems in most of the regions in order to raise accurate bills and collect the outstanding debt. As a result the Corporation has managed to collect 30% of the*

*outstanding debt. However it has been discovered that the remaining 70% may prove uncollectable because investigations have revealed that the bills were raised incorrectly. In some cases bills were raised for no services rendered. A team has been formed to reconcile the accounts with a view to putting the correct balances in place.*

### **3.0 OTHER DEBTORS**

#### **RECOMMENDATIONS**

- 3.1 The Committee reiterates its earlier recommendations under paragraph 4 of the 1996/97 Accounts that the Chief Executive should ensure that in future the Corporation's vehicles are sold on cash terms without any exception.

*Status: The Chief Executive confirms that the Corporation has adopted the recommendation of the Committee regarding the procedures on disposal of vehicles. All vehicles owned by the Corporation are disposed off through the cash method.*

### **4.0 ACCRUED EXPENSES**

#### **RECOMMENDATIONS**

- 4.1 The Committee recommends that the Chief Executive should ensure that all statutory deductions are remitted in full when due as required by law.

*Status*            *The Chief Executive confirms that as at 30<sup>th</sup> June, 1998, a sum of KShs.12,055,924.00 was outstanding. The Corporation has since made efforts and paid all this amount. However, new commitments e.g. pensions, have created additional responsibility on the Corporation. This is being tackled on a continuous basis. The Chief Executive confirms that once the Government Departments and parastatals that owe the Corporation a sum of KShs.268 million pay their debts, the financial position will improve in order to settle any outstanding bills.*

## **5.0 LAND OWNERSHIP**

### **RECOMMENDATIONS**

- 5.1 The Committee recommends that the Chief Executive should ensure that all land owned by the Corporation is registered in the Corporation's name by 30<sup>th</sup> June 2003.

*Status:*            *The Chief Executive confirms that the Corporation currently has eight (8) title deeds, while the rest twenty-three (23) plots have been surveyed and letter of allotment issued to the Corporation.*

*This exercise will continue until all land owned by the Corporation is registered in the Corporation's name.*

## **6.0 NAKURU SEWERAGE REHABILITATION**

### **RECOMMENDATIONS**

- 6.1 The Committee recommends that the project be removed from the accounts of the Corporation and be transferred to the Director of Water Development.

*Status*            *The Chief Executive confirms that the project has been removed from the accounts of the Corporation and transferred to the Director of Water Development under the Ministry of Water Resources, Management and Development.*



## 7.0 INTEREST ON IDA LOANS

### RECOMMENDATIONS

- 7.1 The Committee reiterates its earlier recommendation under paragraph 9 of the 1996/97 Accounts in the Ninth Report that Chief Executive should ensure that the Corporation starts repaying the interest on IDA loan without further delay.

*Status*            *The Chief Executive confirms that the credit was made available with the intention that after the completion of the project, (second Mombasa and Coastal Water Supply Engineering Project) the Corporation would generate sufficient revenue from revised water tariffs to repay the loan. However, the Corporation has not been able to obtain water tariffs that covers the cost of operation and maintenance including depreciation after the completion of the project. Currently, the Corporation has submitted a proposal to raise tariffs to the parent Ministry which if approved will enable the Corporation to generate enough funds to repay off the principal amount plus interest.*

- 7.1.2 The Committee reiterates its earlier recommendation under paragraph 9 of the 1996/97 Accounts in the Ninth Report that the Treasury and the parent Ministry should provide the Corporation with the repayment schedule.

*Status*            *The Chief Executive confirms that currently, the Corporation is not able to repay the loan because the term of the loan that provided for the revision of tariffs was not implemented. If water tariffs were to be revised by the Government as per the Loan Agreement, the Corporation would reschedule and pay the debt.*

# **AGRICULTURAL DEVELOPMENT CORPORATION**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF AGRICULTURAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1997**

### **1.0 LATE SUBMISSION OF ACCOUNTS**

#### **RECOMMENDATIONS**

- 1.0 The Committee recommends that any Chief Executive of the Corporation who, in future, causes delay in the submission of Annual accounts and fails to seek Parliamentary approval for the late submission should be dismissed from the public service

*Status: The Chief Executive confirms full compliance to this recommendation. At the same time, the correspondence has been copied to the parent Ministry to enable it adhere to the recommendation.*

### **2.0 GOING CONCERN**

#### **RECOMMENDATIONS**

- 2.1 The Committee reiterates its earlier recommendations under paragraph 1 of 1996 Accounts that the Chief Executive should liaise with the parent Ministry with a view to restructuring the Balance Sheet of the Corporation.

*Status: The Chief Executive confirms that the matter is being followed up as recommended. Key among the actions being taken are valuation of assets including livestock at realisable values, approval of writeoff of uncollectable amounts owed to debtors who have since died, increasing land under seed maize cultivation to 7,000 acres this year, this being ADC's core business.*

- 2.2 The Committee reiterates its earlier recommendations under paragraph 1 of 1996 Accounts that The Chief Executive should explore other avenues of generating income.

*Status: The Chief Executive confirms that the Corporation has embarked on buying Steers from the pastoralists, fattening and selling them at a profit at ADC Mutara and ADC Galana Ranches, Commercialisation of Artificial Insemination centre in Kitale is in place. ADC has also expanded ADC Swarm Orchards Complex and Citrus fruits production to raise more income.*

### **3.0 DEBTORS**

#### **RECOMMENDATIONS**

- 3.1 The Committee recommends that the Chief Executive should ensure that proper procurement procedures are followed in the procurement of goods and services without exception.

*Status: The Chief Executive confirms that the recommendation is fully adhered to.*

- 3.2 The Committee further recommends that the Chief Executive should promptly install the machine and put it to good use.

*Status: The Chief Executive confirms that the Milk Parlour and cooling tanks were installed by 31<sup>st</sup> March, 2004. The pasteurizer and packaging items will require an additional Kshs.16 million to install. Once the above items are in place the machine at Nambale will be operationalized.*

### **4.0 FIXED ASSETS**

#### **RECOMMENDATIONS**

- 4.1 The Committee recommends that the Chief Executive should ensure that the Corporation gets value for its non-moveable assets valued at Kshs.7,675,927 at Zea Complex.



*Status: The Chief Executive confirms that a total of Kshs.2,987,790.00 has been collected from the financial year 1996/1997 to date. Demand notes have been sent to the allottees for all the outstanding balances.*

## **5.0 ADVANCES TO GARISSA PROJECT KSHS.20,342,000**

### **RECOMMENATIONS**

5.1 The Committee recommends that the Chief Executive should liaise with the parent Ministry and the Treasury with a view to making a final decision on the future of the project including its operations by 31<sup>st</sup> December, 2002.

*Status: The Chief Executive confirms that he has consistently written letters to the Government for appropriate action but to date no concrete decision has been made. However, the Corporation is still pursuing the matter.*

5.2 The Committee further recommends that the Corporation must never fund projects from commercially borrowed funds.

*Status: The Chief Executive confirms full adherence to the recommendation. The Corporation will ensure that projects are not funded from commercially borrowed funds.*

## **6 LOAN REPAYMENT**

### **RECOMMENDATIONS**

6.1 The Committee recommends that the Chief Executive should ensure that the overdraft figure of Kshs.62 million is settled.

*Status: The Chief Executive confirms that the overdraft was converted into a loan and is being repaid without fail at the rate of Kshs.1.5 million per month for over three years period. The balance as at 31<sup>st</sup> March 2004 was Kshs.48,177,587.39.*

6.2 The Committee further recommends that the Corporation should not exceed the authorized overdraft limit.

Status: *The Chief Executive confirms that the recommendation will be fully adhered to.*

# **AGRICULTURAL DEVELOPMENT CORPORATION**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF AGRICULTURAL DEVELOPMENT CORPORATION (LANDS LIMITED) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1997**

### **1.0 OPERATING RESULTS**

#### **RECOMMENDATIONS**

- 1.1 The Committee recommends that the Chief Executive should explore other avenues of generating income including the possibility of operating commercially.

*Status: The Company is a wholly owned subsidiary of Agricultural Development Corporation, established with the objective of management of State owned farms, which are currently being utilized by the holding body for commercial oriented activities. By March 31<sup>st</sup> 2003 the Company had made a profit of Kshs.419,910,000 as per the unaudited accounts. However, the Chief Executive confirms that the Corporation does not expect any future profits from the Company as it is a holding Company. However, the Corporation continues to receive payments for land which has been disposed off.*

### **2.0 DEBTORS**

#### **RECOMMENDATIONS**

- 2.1 The Committee reiterates its earlier recommendations under paragraph 1 of the 1996/97 Accounts that the Chief Executive should step up recovery measures against defaulters including causing them to be surcharged.

*Status: The Chief Executive confirms that recovery measures against defaulters have been stepped up since 1996/97 financial year. As at 31<sup>st</sup> March 1997, there were five (5) house loan defaulters, since then three of*



them have cleared their loans totaling Kshs.294,264.35. Two defaulters with outstanding loans totaling Kshs.857,261.70 have their cases pending in court.

At the same period, there were nine (9) car loan defaulters. Since then three (3) of them have cleared their loans totaling Kshs.194,734.35. The six (6) remaining defaulters with a total outstanding loan of Kshs.827,924.35 have their cases pending in court. All the outstanding cases continue to attract interest penalties.

- 2.2 The Committee reiterates its earlier recommendations under paragraph 1 of the 1996/97 Accounts that the Chief Executive should ensure that staff loans are adequately secured.

*Status: The Chief Executive confirms that the recommendation is being adhered to.*

### **3.0 TRANSFER OF ADC FARMS TO SETTLEMENT FUND TRUSTEES**

#### **RECOMMENDATIONS**

- 3.1 The Committee recommends that all parcels of land allocated irregularly in contravention of the provision of ADC's enabling Act be revoked and reverted to the Corporation.

*Status: The Chief Executive confirms that the Corporation has noted the recommendation and the same forwarded to the Government through the Parent Ministry for action Vide letter Ref. MD/19/A/C/JCO of 20<sup>th</sup> January, 2004.*

- 3.2 The Committee recommends that allocation of the eight farms be investigated with a view to establishing whether there was abuse of office by the concerned officers.

*Status: The Chief Executive confirms that Management is unable to take action and that the matter has been forwarded to the Government through the Parent Ministry.*

- 3.3 The Committee recommends that the Chief Executive should ensure where there is need for allocation and/or disposal of land, the parcels should be surrendered to the Settlement Fund Trustees for allocation in accordance with the law.

*Status: The Chief Executive confirms that there is full compliance to this recommendation. Any land that could be allocated to the Public has been transferred or surrendered to Settlement Fund Trustees (SFT).*

- 3.4 The Committee recommends that the Chief Executive should obtain title deeds for the parcels of land belonging to the Corporation.

*Status: The Chief Executive confirms that ADC (lands limited) has fourteen(14) farms with fifty five (55) title deeds, while title deeds for two(2) farms i.e Kulalu Ranch and Lanet Feedlot are being processed. At the same time ADC has three (3) plots with title deeds i.e. ADC Kitale Division office, Kitale staff quarters and ADC molo Godown LR.553/4/1(part.) Title deeds for three plots i.e ADC Molo cold store, ADC Molo Godown(part) and Kitale Godown are being processed.*

# **KENYA MEDICAL RESEARCH INSTITUTE**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA MEDICAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999**

### **1.0 KEMRI PLOTS OF LAND**

#### **RECOMMENDATIONS**

- 1.1 The Committee recommends that the Chief Executive should obtain title deeds for the Institute's plots in Langata Road, Kwale, Kilifi and Taveta by 31<sup>st</sup> March 2003.

*Status: The Chief Executive confirms that the Institute has already received title deeds for the Kilifi and Kwale plots. Arrangements have been made for the survey of both the Taveta and Langata Roads plots. However, the Institute is facing problems in doing the final surveys due to the refusal of the Commissioner of prisons to access the Langata site.*

### **2.0 PURCHASE OF RECONDITIONED VEHICLES KAL 935E**

#### **RECOMMENDATIONS**

- 2.1 The Committee recommends that, in future, the Chief Executive should ensure that laid down procurement procedures are adhered to and that all vehicles belonging to the Institute are insured comprehensively.

*Status: The Chief Executive confirms full compliance to the recommendation. Further, all Institute vehicles are now comprehensively insured.*



# **NZOIA SUGAR COMPANY LIMITED**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1995**

### **1.0 FINANCIAL POSITION**

#### **RECOMMENDATIONS**

- 1.1 The Committee recommends that the Government should facilitate the restructuring of the Balance Sheet of Nzoia Sugar Company.

*Status: The Chief Executive confirms that the Government has already received Nzoia Sugar Company Limited financial proposals, and the same is being given due consideration.*

### **2.0 PHASE II EXPANSION**

#### **RECOMMENDATIONS**

- 2.2 The Committee recommends that the Chief Executive should use all means possible including legal redress to recover the overpayment of Kshs.23,749,889 from Arkel International.

*Status: The Chief Executive confirms that the contractor (Arkel International) wound up the business and cannot be traced.*

- 2.3 The Committee further recommends that phase II factory expansion project be resumed and completed.

*Status: The Chief Executive confirms that the Company is following up the matter with the Government.*

### **3.0 PROCUREMENT OF GOODS AND SERVICES AND DISPOSAL OF ASSETS**

#### **RECOMMENDATIONS**

- 3.1 The Committee recommends that in future, the Chief Executive should ensure that regulations governing the procurement of Goods and Services are adhered to without exception

*Status: The Chief Executive confirms that procurement is being governed by the Procurement Regulations currently in force.*

### **4.0 SERVICE TO OUTGROWERS**

#### **RECOMMENDATION**

- 4.1 The Committee recommends that the Chief Executive should put in place strict internal controls to ensure that seeds supplied and received are recorded.

*Status: The Chief Executive confirms that the recommendation is being adhered to. With the installation of a new computer system all services rendered to the farmer are captured and charged to the farmer before paying the contractor who rendered the Service.*

### **5.0 FUEL STOCKS**

#### **RECOMMENDATION**

- 5.1 The Committee recommends that the Chief Executive should ensure that strict internal control systems are put in place to stem pilferage of fuel stocks.

*Status: The Chief Executive confirms full compliance to this recommendation.*

## 6.0 MOLASSES STOCKS AND SALE

### RECOMMENDATION

- 6.1 The Committee recommends that the Chief Executive should ensure that a committee involving heads of relevant Departments is formed to be reviewing molasses prices from time to time.

*Status: The Chief Executive confirms that the Company has instituted a marketing section headed by Marketing Manager which constantly monitors market prices and advises the management.*



# **NZOIA SUGAR COMPANY LIMITED**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NZOIA SUGAR COMPANY LIMITED FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1996**

### **1.0 GOING CONCERN**

#### **RECOMMENDATION**

- 1.1 The Committee recommends that the Government should facilitate the restructuring of the Balance Sheet of Nzoia Sugar Company.

*Status: The Chief Executive confirms that the Government has already received Nzoia sugar Company Limited Financial proposals and the same is being given due consideration.*

### **2.0 PHASE II EXPANSION**

#### **RECOMMENDATION**

- 2.1 The Committee recommends that the Chief Executive should use all means possible including legal redress to secure the overpayment of Kshs.23,749,889 from Arkel International.

*Status: The Chief Executive confirms that the Contractor (Arkel International) wound up the business and cannot be traced.*

- 2.2 The Committee further recommends that phase II factory expansion project be resumed and completed.

*Status: The Chief Executive has noted the recommendation and is following up the matter with the Government.*

### **3.0 BANK OVERDRAFT**

#### **RECOMMENDATION**

- 3.1 The Committee recommends that the Chief Executive should liaise with the Parent Ministry and the Treasury with a view to settling the issue of accrued interest totaling Kshs.125 million.

*Status: The Chief Executive confirms that the Corporation is negotiating with the National Bank of Kenya to write off the accrued interest.*

- 3.2 The Committee further recommends that the then management be censured for the escalation of the overdraft.

*Status: The Chief Executive confirms that the management is unable to take action on the concerned officers since they are no longer in the Public Service. However, the matter has been forwarded to the Government through the parent Ministry.*

### **4.0 BUDGETARY CONTROL**

#### **RECOMMENDATION**

- 4.1 The Committee recommends that the Chief Executive should in future ensure that prudent budgetary controls are observed.

*Status: The Chief Executive confirms that prudent budgetary practices are now being observed.*

### **5.0 DEBTORS AND PREPAYMENTS**

#### **RECOMMENDATION**

- 5.1 The Committee recommends that the Chief Executive should speed up the collection of all outstanding debts.

*Status:* The Chief Executive confirms that in August 2000, Nzoia Sugar Company engaged the services of Vanguard Management Ltd for debt recovery from the following:-

1. Cane debtors – Kshs.2,821,668.00 (Prepayments to farmers)
2. Ms Turbo Highway – Kshs.2,535,500.00 (Dishonoured cheques issued for sugar purchase)
3. Advanced payments to suppliers
  - (i) FMD (E.A) LIMA Ltd – Kshs.,261,204.00
  - (ii) ASEA Brown Bover Ltd – Kshs.2,518,519.00
  - (iii) Numerical Engineering works – Kshs.250,000.00Total = Kshs.8,386,891.00

Out of the above total amount, Vanguard managed to collect Kshs.261,204.00 from FMD (E.A.) LIMA Ltd in form of spares that were supplied in full to Nzoia Sugar Co. However, there was no collection fee paid. The Rest of the debt amounting to Kshs.8,125,687.00 is still outstanding. Since Vanguard has not managed to collect this outstanding debt, the corporation is in the process of engaging another company to undertake the exercise.

## **6.0 STOCKS AND STORES**

### **RECOMMENDATION**

- 6.1 The Committee recommends that the Chief Executive should ensure that regular stocks reconciliation is carried out to avoid occurrence of stock discrepancies.

*Status:* The Chief Executive confirms that the recommendation is being adhered to. The Company has installed on-line computer system which has enabled stocks to be up-dated and reconciled on daily basis.



## 7.0 INSURANCE POLICY CERTIFICATES

### RECOMMENDATION

- 7.1 The Committee recommends that the Chief Executive should ensure that supporting documents are available for audit verification as and when required in accordance with the law.

Status: *The Chief Executive confirms that the Company is complying with the recommendation*

## 8.0 FIXED ASSETS

### RECOMMENDATION

- 8.1 The Committee recommends that the Chief Executive should ensure that the Fixed Assets Register is regularly updated.

Status: *The Chief Executive confirms that with the installation of a new computer system, purchased assets are easily captured in the General Ledger and up dated in the fixed assets register regularly.*

# **NYAYO TEA ZONES DEVELOPMENT CORPORATION**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NYAYO TEA ZONES DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1995**

### **1.0 FINANCIAL PERFORMANCE**

#### **RECOMMENDATION**

- 1.1 The Committee recommends that the Chief Executive should, in future ensure that prudent budgetary practices are observed without exception.

*Status: The Chief Executive confirms that the recommendation has been noted and that there will be full compliance in future.*

### **2.0 ESTABLISHMENT COST – (KSHS.287,233,021)**

#### **RECOMMENDATION**

- 2.1 The Committee recommends that the Chief Executive should move expeditiously to obtain title deeds for the land where tea is planted.

*Status: The Chief Executive confirms that the Nyayo Tea Zones was established under L.N. 265 of 1986 which required that the area the Corporation operated on remained part of Government Gazetted Forest. Consequently the Corporation does not have title of the land on which tea is established. However this order has been amended by Legal Notice No.30 of 8<sup>th</sup> March, 2002 vide Kenya Gazette Supplement No.15 enabling the Corporation to obtain Title deeds for its land. The Corporation is consulting with the Commissioner of Lands and the Ministry of Environment and Natural Resources with a view to finalizing arrangements for the issuance of Title deeds for the land where tea is planted.*

### 3.0 WORK IN PROGRESS

#### RECOMMENDATION

- 3.1 The Committee recommends that the Chief Executive should pursue the recovery of the money using the most cost effective way.

*Status: The Chief Executive confirms that KShs.3,771,141 which appears under work in progress arose from a contract between the Corporation and Ms Muturi construction Company, which was terminated and a case filed in the High Court. The Chief Executive observes that the court case was in favour of the Corporation, but the Company had not settled the debt and in the process the Company owner died. The Corporation has petitioned the High Court to wind up the Company.*

- 3.2 The Committee further recommends that the then Executive Chairman of the Corporation Mr. Isaiah Cheluget should be investigated by anti-corruption agencies for possible abuse of office and corrupt practices in respect of award of the tender to M/s Muturi Construction Company.

*Status: The Chief Executive confirms that the matter has been forwarded to the Office of the President for action as recommended.*

### 4.0 UNSUPPORTED EXPENDITURE

#### RECOMMENDATION

- 4.1 The Committee recommends that the Commissioner of Police should investigate the following former District Commissioners, Messrs Joel Waupari, Anthony Oyier, Kehole Muhalule, John Anguka, John Sala, P K Muruatetu, Francis Tilitei, S K Limo and Paul Genga, with a view to prosecuting them to recover the outstanding amounts.



*Status: The Chief Executive confirms that the matter has been forwarded to the Office of the President for action as recommended.*

## **5.0 PURCHASE ADVANCES – KSHS.394,621**

### **RECOMMENDATIONS**

- 5.1 The Committee reiterates its earlier recommendation under paragraph 4 of the 1992/93 accounts and paragraph 3 of 1993/94 of Eighth and Ninth Reports respectively that the Chief Executive should strictly adhere to the laid down financial regulations with regard to the issuance and surrender of imprests.

*Status: The Chief Executive confirms that the recommendation is being fully adhered to.*

- 5.2 The Committee reiterates its earlier recommendation under paragraph 4 of the 1992/93 accounts and paragraph 3 of 1993/94 of Eighth and Ninth Reports respectively that an amount of Kshs.12,700.20 should be recovered from the then Chief Executive Mr Isaiah Cheluget.

*Status: The Chief Executive confirms that the Corporation has written to the Office of the President to implement the recommendation.*

- 5.3 The Committee further recommends that Mr Isaiah Cheluget should be barred from holding any public office conferred by the Republic of Kenya.

*Status: The Chief Executive confirms that the matter has been noted and forwarded to the Office of the President for action as recommended.*

## **6.0 CASH AND BANK BALANCE**

### **RECOMMENDATION**

- 6.1 The Committee recommends that reconciliation in respect of the figure of Kshs.37,123,728 should be done and the result of the

exercise submitted to the Controller and Auditor-General for verification by 30<sup>th</sup> September,2002.

*Status: The Chief Executive confirms that the Audit query has been resolved as the Savings Account Cash Book and the Bank Statements have been reconciled and verified by Auditors and confirmed by subsequent Accounts and Audit Reports.*

# **KENYA AGRICULTURAL RESEARCH INSTITUTE**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA AGRICULTURAL RESEARCH INSTITUTE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998**

### **1.0 FINANCIAL POSITION**

#### **RECOMMENDATION**

- 1.1 The Committee recommends that the Chief Executive should explore other avenues of funding the institute and control expenditure.

*Status: The Chief Executive confirms that strict financial controls have been put in place. Currently the Institute pays all creditors on monthly basis. In addition, efforts have been put in place to increase self-generated Appropriation-In-Aid and this has raised income growing by about 30%. However, Research being a Public good, the Institute expects to be funded substantially from Public resources.*

### **2.0 OWNERSHIP OF LAND AND BUILDINGS**

#### **RECOMMENDATIONS**

- 2.1 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report that the Government should revoke all the allocations at the Top Station and reposess the land and improvement thereon and issue title deeds to KARI.

*Status: The Chief Executive confirms that the Government has been informed through the relevant institutions as per letter Ref. KARI/023C/Vol.V/75 dated 18<sup>th</sup> August, 2003.*



- 2.2 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report that the Government should guarantee the security of the employees of both KARI and KEPHIS

*Status: The Chief Executive confirms that correspondence has been copied to the parent Ministry to enable it adhere to this recommendation as per letter Ref. KARI/O23C/Vol.V/75 dated 18<sup>th</sup> August, 2003.*

- 2.3 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report that all the allottees who have vandalized KARI properties should be made to pay for them

*Status: The Chief Executive confirms that the Government has been informed through the parent ministry. As per letter Ref. KARI/ O23C /Vol. V/75 dated 18<sup>th</sup> August, 2003.*

- 2.4 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report that Mr Ben Mogaka, the then District Commissioner, Trans Nzoia District and Mr R C Butaki Centre Director Kitale should be barred from holding any public office conferred by the Republic of Kenya.

*Status: The Chief Executive confirms that correspondence has been copied to the parent Ministry to enable it adhere to this recommendation as per letter Ref. KARI/O23C/Vol.V/75 dated 18<sup>th</sup> August, 2003.*

- 2.5 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report that the Government should censor Bishop Silas Yego for his conduct and the Committee recommends that he should be barred from holding any public office conferred by the Republic of Kenya.

*Status: The Chief Executive confirms that correspondence has been copied to the parent Ministry to enable it adhere*

to this recommendation as per letter Ref. KARI/023C/Vol.V/75 dated 18<sup>th</sup> August, 2003.

- 2.6 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 (Ninth Public Investments Committee Report that the Commissioner of Lands must establish and maintain the names of the bonafide Directors of the Companies who were allocated KARI land.

*Status:* The Chief Executive confirms that the recommendation has been noted and the same forwarded to the Commissioner of lands for action.

### **3.0 LOWER STATION**

#### **RECOMMENDATION**

- 3.1 The Committee recommends that the Government should revoke all the allocations at the lower station and the Commissioner of Lands must cancel the title deeds issued and the leases given

*Status:* The Chief Executive confirms that the Commissioner of lands has been informed to take action as recommended.

### **4.0 KATOLONI FARM**

#### **RECOMMENDATION**

- 4.1 The Committee recommends that the Commissioner of Lands should immediately issue a title deed to KARI for Katoloni land and report back by 31<sup>st</sup> December 2002.

*Status:* The Chief Executive confirms that the Commissioner of lands has been informed to take action as recommended.

## 5.0 LIMURU (TIGONI)

### RECOMMENDATION

- 5.1 The Committee recommends that the Government should revoke allocations, cancel the title deeds issued, repossess the land and issue titles of the same to KARI.

*Status: The Chief Executive confirms that the Commissioner of lands has been informed to take action as recommended.*

- 5.2 The Committee further recommends that the Chief Executive should liaise with the Commissioner of lands with a view to obtaining titles for the 59 parcels of and for which the process of title acquisition had commenced.

*Status: The Chief Executive confirms that out of the 59 parcels of land for which the process of title acquisition had commenced, the Institute has made progress and do now have 18 titles and 26 letters of allotment.*



# KERIO VALLEY DEVELOPMENT AUTHORITY

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KERIO VALLEY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1998

### 1.0 FINANCIAL POSITION

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Government should restructure the Corporation to make sure that it operates commercially to enable it meet its obligations including loan repayments.

*Status: The Chief Executive confirms that the Authority's financial position has greatly improved. This can be witnessed by a surplus of Kshs.4,707,840.00 realized during 2001/2002 as compared to a deficit of Kshs.56,864,988.00 during the year 2000/2001. This has been made possible by prudent accounting systems put in place, proper use of assets and reduction of operating expenses. However, the correspondence has been copied to the parent Ministry to enable it adhere to the recommendation.*

- 1.2 The Committee further recommends that the Chief Executive should institute proper financial discipline in the expenditure management by the Authority.

*Status: The Chief Executive confirms full compliance to the recommendation. Proper measure have been taken to control expenditure in line with available income..*

### 2.0 KIMAU DAM – PHASE ONE PROJECT

#### RECOMMENDATIONS

- 2.1 The Committee recommends that the anti-corruption agencies should investigate whether there was conspiracy to determine the first contractor and hire second contractor, with the intention of defrauding

the Corporation of huge sums of money, with a view to prosecuting culprits and recovering lost monies.

*Status: The Chief Executive confirms to have written a letter Ref. KVDA/HQS/ADM/1401 dated 24<sup>th</sup> November, 2003 to the Head, Investigation and Public Administration, Anti Corruption Police Unit. However no action has been taken. A reminder was sent by the Authority through letter Ref. KVDA/HQS/ADM/1401 dated 29<sup>th</sup> June, 2004.*

- 2.2 The Committee also recommends that the Chief Executive should in future ensure that there are adequate budgetary provisions for Projects before implementation to avoid escalation of costs.

*Status: The Chief Executive confirms full compliance to the recommendation. No project will start without sufficient funds.*

### **3.0 ROSE FLOWER PROJECT**

#### **RECOMMENDATIONS**

- 3.1 The Committee reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts that a Board Member Mr Joseph Cheptarus and the then Managing Director Mr Paul Chemweno should be held responsible for the irregular manner in which the land was bought and should jointly be made to pay an amount of Kshs.4,100,000 being the difference of the amount initially offered by the vendors and the amount finally paid to them.

*Status: The Chief Executive confirms that the Investigation is being conducted by the Kenya Anti-Corruption commission. They have been provided with all the relevant information required. The outcome is being awaited after which further necessary action will be taken.*

- 3.2 The Committee reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts that the anti-corruption agencies should investigate the then Board Members for abusing their responsibility as trustees by acting against the interest of the Authority with a view to prosecuting them.

*Status: The Chief Executive confirms that the Anti-corruption police unit is investigating the whole project. The outcome is being awaited after which appropriate action will be taken against all persons involved including the Board members.*

- 3.3 The Committee reiterates its earlier recommendations under paragraph 4 of the 1995/96 Accounts that the then Managing Director Mr Paul Chemweno should be barred from holding any public office conferred by the Republic of Kenya.

*Status: The Chief Executive confirms that correspondence has been sent to the parent ministry to enable it adhere to the recommendation.*

#### **4.0 PURCHASE OF LAND – PLOT L.R NO.209/11950**

##### **RECOMMENDATIONS**

- 4.1 The Committee strongly recommends that the then Chief Executive Mr. Paul Chmweno should be censured for the unsatisfactory manner in which the properties in question were procured and renovations carried out.

*Status: The Chief Executive confirms that correspondence has been sent to the parent ministry to enable it adhere to the recommendation.*

- 4.2 The Committee further recommends that Mr Chemweno be investigated by the anti-corruption agencies for possible abuse of office or fraud with a view to prosecuting and surcharging him.

*Status: The Chief Executive confirms that he wrote a letter Ref. KVDA/HQS/ADM/1401 dated 24<sup>th</sup> November 2003 to the Anti-corruption unit and the Inspectorate of State Corporations for Mr. Chemweno to be investigated for possible abuse of office or fraud with a view to prosecuting and surcharging him.*



## 5.0 BUSH CLEARING CONTRACT

### RECOMMENDATIONS

- 5.1 The Committee reiterates its earlier recommendations that the Chief Executive should furnish the Attorney General with all the relevant details with a view to instituting criminal proceedings against the former Managing Director Mr. S K Tubei and any other persons involved.

*Status: The Chief Executive confirms to have written a letter to the Attorney General on 24<sup>th</sup> November, 2003 and copied the same to the Anti-corruption Unit on the matter. On 9<sup>th</sup> December, 2003, the Anti-corruption unit, replied and said that they had investigated on the matter and that the file was closed by Hon. Attorney General because the Board of Directors ratified the award of the contract retrospectively in November, 2001. However, the Chief Executive has requested the Attorney General to review the matter in view of the Public Investment Committees recommendation .*

- 5.2 The Committee further recommends that thorough investigations be carried out by the anti-corruption agencies over the manner in which the Bush Clearing contract was awarded and payments made with a view to preferring charges against culprits.

*Status: The Chief Executive confirms to have written a letter to the Attorney General on 24<sup>th</sup> November, 2003 and copied the same to the Anti-corruption Unit on the matter. On 9<sup>th</sup> December, 2003, the Anti-corruption unit, replied and said that they had investigated on the matter and that the site was closed by Hon. Attorney General because the Board of Directors ratified the award of the contract retrospectively in November, 2001. However, the closed duplicate file was forwarded to the Attorney general for final direction.*

- 5.3 The Committee further recommends that The M/s Coastal Kenya Enterprises Ltd be precluded from award of Government contracts.

*Status: The Chief Executive confirms that correspondence has been copied to the parent ministry to enable it adhere to recommendation.*

## **6.0 EXPENSES THROUGH CREDIT CARD –KSHS.1,038,559**

### **RECOMMENDATIONS**

6.1 The Committee recommends that the irregular expenditure of Kshs.1,038,559 incurred by the then Chief Executive Mr. Paul Chemweno be recovered from him.

*Status: The Chief Executive confirms that the matter of recovery of the irregular expenditure is being followed up. A notice of surcharge has already been sent to Mr. Paul Chemweno from the Inspectorate of State Corporations.*

# KENYA BUREAU OF STANDARDS

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA BUREAU OF STANDARDS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1996

### 1.0 DELAY IN SUBMISSION OF ACCOUNTS

#### RECOMMENDATIONS

- 1.1 The Committee reiterates its earlier recommendations under paragraph 1 of the 1994/95, that any Chief Executive of the Bureau who in future, causes delay in the submission of the accounts and fails to seek parliamentary approval to submit outside the statutory period, should be dismissed from the public service.

*Status: The Chief Executive has noted the recommendation. The same has been copied to the parent Ministry to enable it adhere to the recommendation.*

### 2.0 STALLED RADIATION LABORATORIES

#### RECOMMENDATIONS

- 2.1 The Committee recommends that the Chief Executive should liaise with the Treasury and the parent Ministry with a view to clearing the pending bills and completing the project by 30<sup>th</sup> April 2003.

*Status: The Chief Executive confirms that the project stalled owing to non-payment of certificates for sometime. The Corporation has so far not paid this pending bills amounting to Kshs.49 million plus Kshs.17,370,637.00 in penalties due to insufficient funding from the Government. The Bureau will continue to budget for the money in an effort to pay the pending bills as well as complete the project at the earliest. In the meantime, the management has obtained written commitment from the main contractor Mavji to terminate the project.*



### 3.0 BUDGETARY CONTROL

#### RECOMMENDATIONS

- 3.1 The Committee reiterates its earlier recommendations under paragraph 5 of the 1994/95 Accounts of the Bureau that the Chief Executive should in future ensure that prudent budgetary practices are observed without exception.

*Status: The Chief Executive confirms that the Budgetary controls are being exercised fully and expenditure monitored very closely. Monthly expenditures are now produced in a timely manner and no expenditure is incurred before reference to the specific budgetary item.*

# KENYA BROADCASTING CORPORATION

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999

### 1.0 FINANCIAL POSITION

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should explore other avenues of raising revenue with a view to improving the corporation's financial position to enable it meet its financial obligations.

*Status:* The Corporation has continued to make losses which are attributed to interest on OECF loan and depreciation of assets. At the same time the Corporation has not received any response on the joint Cabinet Memorandum which was prepared to appraise the cabinet on the deteriorating financial position of the Corporation. However, inspite of the foregoing, the Corporation has initiated the following income generating projects and avenues.

- Co-siting with KTN, Nation, Kameme FM, Hope FM, Family FM, BBC, Kencell and Safaricom. Total revenue receivable from this venture is Kshs.1.6 million per month.
- The Corporation is at an advanced arrangement with the Government whereby the latter will pay for all Public Service Broadcasting rendered by the Corporation. This will bring revenue totaling to Kshs.740 million per annum.
- Joint venture projects with MultiChoice Africa over encrypted signal broadcasting where KBC earns Kshs.3 million per annum and dividends.
- Opening other broadcasting outlets like Metro FM, Metro TV, Pwani FM andd Coro FM. The Corporation receives an average of Kshs.70 million per month from this venture.

## 2.0 FIX ASSETS REGISTER AND TITLE DOCUMENTS

### RECOMMENDATIONS

- 2.1 The Committee reiterates its earlier recommendations under paragraph 4 of the 1997/98 Accounts in the 10<sup>th</sup> Report that the Chief Executive should ensure that an up-to-date Fixed Assets Register is maintained.

*Status: The Chief Executive confirms that the Corporation has acquired an up-to-date fixed Assets Register where the Assets are recorded.*

- 2.2 The Committee reiterates its earlier recommendations under paragraph 4 of the 1997/98 Accounts in the 10<sup>th</sup> Report that the Chief Executive should liaise with the Commissioner of Lands with a view to ensuring that title documents are issued for its various pieces of land by 31<sup>st</sup> March 2003.

*Status: The Chief Executive confirms, that out of the 33 pieces of land owned by the Corporation, ten have title deeds, while seven have letters of allotment. The process is on going on the rest.*

## 3.0 OUTSTANDING DEBTORS

### RECOMMENDATIONS

- 3.1 The Committee recommends that the Chief Executive should step up efforts including legal redress to recover outstanding debts.

*Status: The Chief Executive confirms that the Corporation has a huge debt port folio most of which was inherited from the now defunct Voice of Kenya. Some of these debts are not backed by documentary evidence which makes it difficult to realize those debts because there is no proof. Those debts have been denied by the clients. The figures of unsupported debts amount to Kshs.90.7 million. The rest have either been caught up by the six year limitation of actions Act or are disputed by the clients. However, the Corporation is stepping recovery efforts by using its personnel, private debt collectors*



*and institutions of legal proceedings. So far eight suits have been filed in court and Kshs.15,995,000.00 recovered.*

- 3.2 The Committee further recommends that the Chief Executive should strengthen the Corporation's credit control system.

*Status: The Chief Executive confirms that the Corporation has instituted an elaborate and strict credit control system in which not everybody is given credit as before; where credit is given there are limits allocated; documentation of all the orders, clients, business, director guarantees, bank guarantees have been put in place and streamlined.*

#### **4.0 LOSS OF KSHS.10,310,474 THROUGH FRAUD**

##### **RECOMMENDATIONS**

- 4.1 The Committee recommends that the Chief Executive should ensure that effective internal control system is put in place to stem fraud cases.

*Status: The Chief Executive confirms that the Corporation has put in place effective internal control systems. Requisition procedures and deliveries to outside stations have been centralized. There are regular audit inspection by the Corporation's Internal Audit Section. The Corporation has also put in place strict weekly financial vetings and reconciliations. This is backed up by regular inspection by regional revenue officers.*

# **KENYA TOURIST BOARD**

## **REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA TOURIST BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999**

### **1.0 LATE SUBMISSION OF ACCOUNTS**

#### **RECOMMENDATIONS**

- 1.1 The Committee recommends that any Chief Executive of the Board who, in future, causes delay in the submission of the accounts and fails to seek parliamentary approval to submit outside the statutory period, should be dismissed from the Public Service.

*Status: The Chief Executive confirms that the recommendation has been noted. At the same time the Chief Executive has put measures in place to ensure that in future accounts will be submitted in time.*

### **2.0 FINANCIAL POSITION**

#### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Chief Executive should ensure that the Board operates within the approved budget.

*Status: The Chief Executive confirms full compliance to this recommendation*

### **3.0 IRREGULAR PROCUREMENT OF MARKETING SERVICES**

- 3.1 The Committee recommends that the then Ag.Chief Executive of the Kenya Tourist Board Mr. James Flannery and the then Board under the Chairmanship of Mr. Eliud Mahihu should be held responsible for the irregular manner in which the tender for marketing services was awarded to Representative Plus UK.

*Status: The Chief Executive confirms that the recommendation has been noted and the same forwarded to the Government through the parent ministry for action.*

- 3.2 The Committee further recommends that the Chief Executive should adhere to the procurement regulations in the procurement of goods and services.

*Status: The Chief Executive confirms that there is full compliance.*



# THE KENYA NATIONAL EXAMINATIONS COUNCIL

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999

### 1.0 WORK IN PROGRESS – NEW MITIHANI HOUSE

#### RECOMMENDATIONS

- 1.1 The Committee reiterates its earlier recommendation under paragraph 2 of the 1996/97 Accounts that the Chief Executive should in liaison with the parent Ministry and the Ministry of Finance, clear the pending certificates as agreed during the mutual winding up of the project.

*Status: The Chief Executive confirms that the Ministry of Education has set up an Inter-Ministerial committee consisting of representatives from the Ministries of Education, Public Works and the Kenya National Examination council whose mandate was to study and make recommendations on the stalled project. The Committee recommended that the contract be terminated by mutual consent and the contractor paid all outstanding dues and the project handed over to the Council. On 28<sup>th</sup> May, 2002 the contractor was served with a notice to hand over the Project. On 10<sup>th</sup> June, 2002 the project was handed over to the Council. During the current 2003/2004 financial year, the Government had allocated Kshs.68 million for the project. However, to date, the Council has not received this money from the parent Ministry and the pending bill of Kshs.31,299,052 has therefore not been settled.*

- 1.2 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 Accounts that the Chief Executive should endeavor to complete the project to avoid further escalation of building cost.

Status:

*The Chief Executive confirms that part of the Kshs.68 million shillings allocated to the Council during the 2003/2004 Financial year was to go towards the revival of the project.*

# THE KENYA NATIONAL EXAMINATIONS COUNCIL

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF THE KENYA NATIONAL EXAMINATIONS COUNCIL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2000

### 1.0 WORK IN PROGRESS – MITIHANI HOUSE PROJECT

#### RECOMMENDATIONS

- 1.1 The Committee reiterates its earlier recommendations under paragraph 2 of the 1996/97 Accounts that the Chief Executive should in liaison with the parent Ministry and the Ministry of Finance and Planning, clear the pending certificates as agreed during the mutual winding up of the project.

*Status: The Chief Executive confirms that the Ministry of Education has set up an Inter-Ministerial committee consisting of representatives from the Ministries of Education, Public Works and the Kenya National Examination Council whose mandate was to study and make recommendations on the stalled project. The Committee recommended that the contract be terminated by mutual consent and the contractor paid all outstanding dues and the project handed over to the Council. On 28<sup>th</sup> May, 2002 the contractor was served with a notice to hand over the Project. On 10<sup>th</sup> June, 2002 the project was handed over to the Council. During the current financial year 2003/2004, the Government had allocated Kshs.68 million for the project. However, to date, the Council has not received this money from the parent Ministry and the pending bill of Kshs.31,299,052 has therefore not been settled.*

- 1.2 The Committee reiterates its earlier recommendations of 1998/99 Accounts that the Chief Executive should endeavor to complete the project to avoid further escalation of building cost.



*Status: The Chief Executive confirms that the projected cost of reviving and completing the project to standard occupation is Kshs.1,050,000.00. In the 2004/2005 financial year, the Treasury has allocated in the printed estimates, a sum of Kshs.50 million which is far below the Kshs.150 million which is required for the 1<sup>st</sup> phase.*

## **2.0 MINISTRY OF EDUCATION DEBT –KSHS.1,467,292**

### **RECOMMENDATIONS**

- 2.1 The Committee recommends that the Chief Executive should liaise with the Ministry with a view to having the debt settled without further delay.

*Status: The Chief Executive confirms that the Ministry of Education, Science and Technology settled the debt in May 2002..*

## **3.0 LEASEHOLD PROPERTY**

### **RECOMMENDATIONS**

- 3.1 The Committee recommends that the Chief Executive should liaise with the Commissioner of Lands with a view to acquiring the title documents for the said plot by 31<sup>st</sup> December 2002.

*Status: The Chief Executive confirms that the Council has acquired the Title Deed for LR/209/6900 and has successfully transferred the title from East African Examination Council to Kenya National Examination Council.*

# NATIONAL MUSEUMS OF KENYA

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF NATIONAL MUSEUMS OF KENYA FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1999

### 1.0 LEGALLY CONSTITUTED BOARD

#### RECOMMENDATIONS

- 3.2 The committee recommends that the Chief Executive and the parent Ministry should ensure that a legally constituted Board is in office all the time without exception

*Status: The Chief Executive confirms that the recommendation has been noted and will be adhered to. The current Board was appointed on 9<sup>th</sup> May, 2003 for a period of three years.*

- 3.3 The committee further recommends that all benefits enjoyed by Board members while illegally in office must be recovered from them

*Status: The Chief Executive proposes that the benefits enjoyed by the Board while illegally in office be written off because most of the Board members were Public Servants and acted in good faith from advice from the Office of the Attorney General who is the Principal Government Legal Advisor. The expired Board was further moved by the concern of having the National Museums operations continue uninterrupted since certain legal requirements under the Museums Act (Cap 216) and the Antiquities and Monuments Act (Cap 215) can only be performed with the prior approval of the Board.*



# KENYA SISAL BOARD

## REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS OF KENYA SISAL BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 1997

### 1.0 DEBTORS AND PREPAYMENTS

#### RECOMMENDATIONS

- 1.1 The Committee recommends that the Chief Executive should surrender the amount of Kshs.370,106 which was advanced to him.

*Status: The Chief Executive confirms that the outstanding amounts advanced to the former Chief Executive totaling Kshs.370,106 has since been recovered.*

- 1.2 The Committee recommends that the Chief Executive should be investigated for possible abuse of office by the inspector-General (Corporations) and other anti-corruption agencies.

*Status: The Chief Executive confirms that the Board is following up the matter with the Government.*

- 1.3 The Committee recommends that the Chief Executive should liaise with the liquidator of Kenya National Assurance (in liquidation) with a view to recovering the pension funds held in Kenya National Assurance.

*Status: The Chief Executive confirms that the total Pension Fund balance of Kshs.1,478,409.60 shall be paid by the Kenya National Assurance (2001) Limited in three installments over a period of 18 months. The Board has already received the first installment of Kshs.492,803.20. The second installment shall be received in March 2004 while the third installment shall be received in December 2004.*



## 2.0 CONSTRUCTION CONTRACTS

### RECOMMENDATION

- 2.1 The Committee recommends that procurement regulations should be adhered to in the procurement of goods and services.

*Status: The Chief Executive confirms full compliance with procurement regulations and tendering procedures.*





