

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE APPROPRIATION ACCOUNTS, OTHER PUBLIC ACCOUNTS AND THE ACCOUNTS OF THE FUNDS OF THE REPUBLIC OF KENYA FOR THE YEAR ENDED 30 JUNE, 2004

INTRODUCTORY AND GENERAL

This Report covers the financial year 2003/2004 and is issued in accordance with the requirements of Section 105 (2) (c) of the Constitution of Kenya.

EXCHEQUER ISSUES

All issues from the Consolidated Fund were authorized by me as required by Section 105(2) (a) of the Constitution of Kenya.

STAFF

1. Previous staffing difficulties continued to impact adversely on the performance of the Kenya National Audit Office (KENAO) and timely completion of audit reports. However, with the enactment of the Public Audit Act 2003, which became operational with effect from 09 January 2004 as well as the establishment of the Kenya National Audit Commission under the same Act, staffing difficulties are expected to ease as the terms and conditions of service of the KENAO staff have been improved with effect from 09 January 2004. As a result the Office has been able to attract and recruit a total of 145 qualified staff from the job market. I have, therefore, every reason to believe that the Office will be able to deliver more timely audits and audit reports. In this connection, the arrears of audits of Government Ministries and Departments has been contained as currently the Office is auditing the accounts for 2004/2005 financial year. Impressive progress has also been made in clearing the audit backlog in the audit of State Corporations and Local Authorities.

GOVERNMENT FINANCIAL POSITION AS AT 30 JUNE 2004

2. The overall Government financial position as at 30 June 2004 was a net surplus of Kshs.24,977,586,656.25 compared to a net surplus of Kshs.23,859,977,225.10 as at 30 June 2003.

3. The total issues from the Consolidated Fund (CF) for both Recurrent and Development Services in 2003/2004 totalled Kshs.330,233,412,903.00 against total receipts of Kshs.328,612,803,528.85 resulting in a deficit of Kshs.1,620,609,374.15 during the year. However, after taking into account Exchequer surplus of Kshs.2,518,231,815.10 for 2002/2003, short-term borrowing of Kshs.69,477,280.00 in the form of Tax Reserve Certificates and a deficit of Kshs.897,797,000 relating to a long outstanding loan owing from the moribund Cereals and Sugar Finance Corporation, the Exchequer Account recorded a net Surplus of Kshs.69,302,720.95. When this surplus is added to an overall Paymaster General Account balance of Kshs.24,908,283,935.30 the result is a net overall Government cash position of Kshs.24,977,586,656.25 as at 30 June 2004, representing an increase of Kshs.1,117,609,431.15 over the balance of Kshs.23,859,977,225.10 recorded as at 30 June 2003.

4. Although as indicated above the overall Government cash position has been arrived at after taking into account short term borrowing in form of Tax Reserve Certificates of Kshs.69,477,280.00 and a deficit of Kshs.897,797,000.00 arising from a loan owing from Cereals and Sugar Finance Corporation, documentary evidence to support these two balances is yet to be made available for audit review and therefore their accuracy has not been ascertained. No explanation has been provided for the failure to clear or write off these balances although they have been outstanding for a long period of time. Further, the Cereals and Sugar Finance Corporation has not recorded any operations for many years now which raises the significant question of whether the Corporation still serves the purposes for which it was created.

ADVANCES FROM CIVIL CONTINGENCIES FUND

5. As stated in the previous year's report, the Civil Contingencies Fund was created for the sole purpose of funding urgent and unforeseen expenditures for which no provision existed in the approved estimates. During the year under review, however, advances totalling Kshs.352,000,000.00 were granted to the Office of the President, Ministry of Tourism and Information and the Judicial Department to finance expenditure which clearly could have been foreseen and provided for in the respective estimates for 2003/2004.

6. Although all the above advances were repaid to the Fund during the year, it is still a matter of concern that the Fund continues to be used to finance expenditure which appears not to be contingent in nature and which could be foreseen for inclusion in the approved estimates.

OUT TURN OF EXPENDITURE FOR 2003/2004

7. When compared with the overall approved budget, the year 2003/2004 ended with a net under-expenditure of Kshs.18,301,802,173 compared to a net

under-expenditure of Kshs.17,220,979,071 recorded in 2002/2003. The net under-expenditure of Kshs.18,301,802,173 was arrived at as shown below:-

RECURRENT

	GROSS Kshs.	AIA Kshs.	NET Kshs.	UNDER Kshs
Estimated	200,485,479,870	23,469,289,249	177,016,190,621	-
Actual	<u>184,606,560,182</u>	<u>19,415,647,090</u>	<u>165,190,913,092</u>	-
Under (Over)	<u>15,878,919,688</u>	<u>4,053,642,159</u>	<u>11,825,277,529</u>	<u>11,825,277,529</u>

DEVELOPMENT

Estimated	50,958,157,476	22,122,476,284	28,835,681,192	-
Actual	<u>34,575,428,414</u>	<u>10,187,009,589</u>	<u>24,388,418,825</u>	-
Under(Over)	<u>16,382,729,062</u>	<u>11,935,466,695</u>	<u>4,447,262,367</u>	<u>4,447,262,367</u>

C.F.S

Estimated	130,212,418,921	-	130,212,418,921	-
Actual	<u>128,183,156,644</u>	-	<u>128,183,156,644</u>	-
Under(Over)	<u>2,029,262,277</u>	-	<u>2,029,262,277</u>	<u>2,029,262,277</u>
Net overall position				<u>18,301,802,173</u>

EXPENDITURE CONTROL

EXCESS VOTES

8. During the year 2003/2004, excess expenditure incurred without parliamentary approval amounted to Kshs.151,888,777 compared to Kshs.85,666,650.95 incurred in 2002/2003. The excess votes were incurred as follows:-

Recurrent Vote	Amount Kshs
R.20 Water Resources	149,800,247
R.30 Energy	<u>1,474,465</u>
Sub-Total	<u>151,274,712</u>

Development Vote

D.17 Justice & Constitutional Affairs	<u>614,065</u>
Sub-Total	<u>614,065</u>
Total	<u>151,888,777</u>

9. During the same period however, pending bills totalling Kshs.3,096,245,334.61 relating to 2003/2004 and earlier years remained unpaid at the close of the 2003/2004 financial year. Had the bills been paid, the total excess expenditure recorded during the year without parliamentary approval would have amounted to Kshs.2,153,098,664.71 as indicated below:-

Recurrent Vote

	Excess Vote Kshs	Surplus Kshs	Pending Bills Kshs	Excess Vote Kshs
State House	-	2,581,555	78,398,458.65	75,816,903.65
Foreign Affairs	-	204,019,971	513,249,684.50	309,229,713.50
Defence	-	456,039,764	1,059,341,644.55	603,301,880.55
Energy	1,474,465	-	-	1,474,465
Local Government	-	29,727,596	178,392,863.93	150,665,267.93
Water Resources	<u>149,800,247</u>	-	<u>393,990,755.78</u>	<u>543,791,002.78</u>
Sub-Total	<u>151,274,712</u>	<u>692,368,886</u>	<u>2,223,373,407.41</u>	<u>1,684,279,233.41</u>

Development Vote

Justice and Constitutional Affairs	614,065	-	-	614,065
Environment	-	53,144,948.90	326,180,860.95	273,035,912.05
Lands & Housing	-	61,280,331	162,077,414.60	100,797,083.60
Water Resources	-	<u>290,241,281</u>	<u>384,613,651.65</u>	<u>94,372,370.65</u>
Sub-Total	<u>614,065</u>	<u>404,666,560.90</u>	<u>872,871,927.20</u>	<u>468,819,431.30</u>
Total	<u>151,888,777</u>	<u>1,097,035,446.90</u>	<u>3,096,245,334.61</u>	<u>2,153,098,664.71</u>

COLLECTION OF REVENUE

10. The revenue recorded as received in 2003/2004 was Kshs.233,273,767,689 made up of Kshs.218,857,633,777 and Ksh.14,416,133,912 under Recurrent and Development Revenue Head respectively against estimated receipts of Kshs.231,476,243,287. There was therefore an overall excess collection of revenue of Kshs.1,797,524,402 with excess receipts of Kshs.5,157,227,397 realized in respect of the Recurrent Revenue and a shortfall of Kshs.3,359,702,995 for the Development Revenue. The reasons for the excess receipts and the shortfall are given in the footnotes to the respective Revenue Statements.

COLLECTION OF APPROPRIATIONS-IN-AID

11. During the year 2003/2004, the total collection of Appropriations-in-aid amounted to Kshs.30,018,722,159 against estimated receipt of Kshs. 45,591,765,533 resulting in a deficiency of Kshs.15,573,043,374 or 34% of the estimated receipts. The under-collection occurred mainly under the

Development Vote where out of estimated Appropriations-In-Aid of Kshs.22,122,476,284 only an amount of Kshs.10,187,009,589 was realised.

DEVELOPMENT REVENUE – HEAD DR1

12. The Statement of Revenue for Head DR1 for the year ended 30 June, 2004 reflects actual receipts of Kshs.7,404,170,191.10 against the estimated receipts of Kshs.13,822,465,787.00. The actual receipts of Kshs.7,404,170,191.10 however, include collections amounting to Kshs.1,287,244,306 received under some eight (8) revenue items against which no receipts had been expected. Consequently, the actual collection of estimated receipts during the year totalled Kshs.6,116,925,885.10 against the estimated collections of Kshs.13,822,465,787.00, resulting in a shortfall of Kshs.7,705,539,901.90 or 56% of the estimated amount. On the other hand, no revenue was received under some thirty five (35) items against which receipts totalling Kshs.1,710,611,925 were estimated as receivable during 2003/2004.

13. As in the previous years, the reasons provided for non-collection of budgeted development revenue included slow implementation of projects, delay in receiving reimbursements from donors as well as suspension of disbursements by donors due to failure by line Ministries to fulfil conditions on accountability. Although and as observed in the Report for 2002/2003 the same reasons have been given over the years to explain the shortfall in the collection of revenue, the Treasury does not appear to have taken effective steps to address the underlying factors for the poor performance in the inflow of development revenue receivable under Head DR1.

14. The Statement reflects a payment to the Exchequer figure of Kshs.7,404,170,191.10 while records maintained at Exchequer Section of the Treasury show an amount of Kshs.16,157,961,975.45 against the same account, occasioning a difference of Kshs.8,753,791,784.35 between the two accounts. No explanation or reconciliation has been provided for the difference.

PAYMASTER GENERAL'S ACCOUNT

15. In Report for 2002/2003, reference was made to the fact that the Statement of Assets and Liabilities as at 30 June, 2003 in respect of the Paymaster General's Account reflected a Bank balance of Kshs.22,170,065,130 which represented the balances in the Recurrent, Development, Consolidated Fund Services and Deposits Accounts. Although this figure was in agreement with the one appearing in the records maintained by the Central Bank of Kenya (CBK) as at 30 June, 2003, it did not reconcile with the individual Ministries' Cashbook balances for various voted funds and deposits, due to non-preparation

of up to date Bank Reconciliation Statements by Ministries and ineffective monitoring systems for such reconciliations.

16. A review of the position in 2003/2004 revealed that the Statement of Assets and Liabilities for the Paymaster General's Account as at 30 June, 2004 reflects cash at bank figure of Kshs.24,908,283,935.30 representing balances in the Recurrent, Development, Consolidated Fund Services and Funds and Deposits Accounts. Although this balance is in agreement with the Management Report of CBK as at 30 June, 2004, it has not, as in the previous year, been reconciled with various Ministries' cashbook balances for Voted Funds and Deposits, largely because on the one hand, many of the individual Ministries' Bank Reconciliation Statements are in arrears while on the other the monitoring systems for such reconciliations are ineffective.

17. The Funds and Deposits Account in the Statement reflects a credit balance of Kshs.5,907,793,339.60 made up of Funds and Deposits accounts from Ministries, Department and PMG Special Accounts after taking into consideration Government Overdraft Account balance of Kshs.9,232,144,273.60 as at 30 June, 2004. The Government Overdraft Account balance of Kshs.9,232,144,273.60 as at 30 June, 2004, represents an increase of Kshs.4,913,231,455.75 or about 113% over the same account overdraft figure of Kshs.4,318,912,817.85 as at 30 June 2003. This very significant increase of the overdraft has been attributed to utilization of the facility to redeem Special Treasury Bonds otherwise not funded from the Exchequer and redemption of Treasury Bills and Bonds Interest not covered by proceeds from sale of Treasury Bills and Bonds in June 2004.

STATEMENT OF PUBLIC DEBT

18. In the Report for the year 2002/2003, reference was made to the outstanding balance of Public Debt in the Statement of Public Debt for that year, which had decreased from Kshs.659,315,299,426 as at 30 June 2002 to Kshs.578,118,116,687 as at 30 June 2003. A review of the position during 2003/2004 indicates that the outstanding balance of Public Debt increased from Kshs.578,118,116,687 as at 30 June 2003, to Kshs.631,244,056,150.30 as at 30 June 2004. The increase of Kshs.53,125,939,463.30 during the year was attributed to new loans received from the Federal Republic of Germany and the European Investment Bank, Rescheduled loans as well as additional sale of Treasury Bonds worth Kshs.13,836,474,654.

19. The total figure of Kshs.175,393,380,866 outstanding in respect of the Treasury Bonds included Special Treasury Bonds valued at Kshs.4,320,130,866.30 which were issued to clear pending bills. However, and as stated in the previous reports, some of these bills had been found not to be properly due by professional firms of auditors appointed by Treasury to authenticate all such pending bills.

C.F.S. PUBLIC DEBT – STATEMENT OF EXPENDITURE

20. The Statement of Expenditure on Public Debt for the year ended 30 June, 2004 reflects actual expenditure of Kshs.114,253,417,568 against estimated expenditure of Kshs.114,777,497,280 resulting in an under-expenditure of Kshs.524,079,712.

21. The Statement also reflects Exchequer Issues totalling Kshs.116,334,378,754 against actual expenditure of Kshs.114,253,417,568 resulting in an over-issue of Kshs.2,080,961,186. No evidence has however been seen to confirm that the over-issue of Kshs.2,080,961,186 was surrendered back to the Exchequer or indication given as to how the money was applied.

22. The Statement further reflects expenditure amounting to Kshs.65,723,601,534 as incurred during the year against Head 946 – Internal Funded Debt – Redemptions of Treasury Bonds. As in 2002/2003, this amount includes payment on redemption of Special Treasury Bonds of Kshs.285,236,283.50 and interest of Kshs.1,116,700.05 accrued thereon. The propriety of the total figure of Kshs.286,352,983.55 could not however be confirmed because as reported in the previous year, the special Treasury Bonds had been issued to contractors in payment of pending bills some of which were considered ineligible for payment.

C.F.S. - SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES

23. In the Report for 2002/2003, it was stated that Government has continued to incur expenditure on Loan Redemption and Loan Interest Payments in respect of loans it had guaranteed on behalf of various parastatals and other organizations without such entities reimbursing Government the expenditure it had so incurred.

24. A review of the position during 2003/2004 indicates that there was no change in the position. The Statement of Expenditure for the Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services for the year ended 30 June 2004 reflects expenditure totalling Kshs.605,428,288.20 or 31% of the total expenditure of Kshs.1,952,302,865.55 as having been incurred on Loan Redemption and Loan Interest payments on behalf of five (5) parastatals and organizations.

25. As in the previous year, the five (5) entities did not reimburse government the amounts paid on their behalf as a result of which the cumulative unreimbursed expenditure increased from Kshs.16,993,517,933.62 as at 30 June 2003 to an adjusted figure of Kshs.17,474,303,148.50 as at 30 June 2004. No

indications have so far been given by the various entities as to when they would be in a position to re-imburse Government these payments.

26. The Statement further shows that the total expenditure against Sub-Vote 3 – Salaries, Allowances and Miscellaneous amounted to Kshs.1,952,302,866.55 during the year while the actual issues from the Exchequer in respect of the Sub-Vote totalled Kshs,1,350,400,000 resulting in an under-issue of Kshs.601,902,866.55. No explanation has been provided as to how the expenditure of Kshs.601,902,866.55 without the corresponding Exchequer Issues was financed.

SUBSCRIPTIONS TO INTERNATIONAL ORGANIZATIONS

27. In the report for the year 2002/2003, reference was made to failure by the Treasury to fully pay subscriptions due to various International Organizations even though necessary provisions had been made in the estimates for that year. It was also observed in the same report that up-to date records showing subscriptions due and when due were not being maintained and as a result it was not possible to ascertain whether Government was up to date or in arrears in such subscriptions.

28. A review of the position in 2003/2004 revealed a similarly unsatisfactory state of affairs in that during the period, only two subscriptions amounting to Kshs.41,196,844 were made to two International Organizations against an approved Estimate of Kshs.104,323,806. Subscriptions amounting to Kshs.28,691,356 payable to three other Organizations were not made and no explanation has been provided for the persistent non-payment of the budgeted subscriptions to International organizations.

CONSOLIDATED FUND SERVICES – PENSIONS AND GRATUITIES STATEMENT OF EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2004

29. The Statement of Expenditure for Consolidated Fund Services, Pensions and Gratuities for the year ended 30 June 2004 reflects expenditure totalling Kshs.11,939,239,522.75 as having been incurred and charged to the Consolidated Fund during the year compared to expenditure of Kshs.9,470,429,778.85 recorded during the year 2002/2003, representing an increase of Kshs.2,465,809,743.90 or 26%. The significant increase of Kshs.2,465,809,743.90 was mainly attributed to the enactment on 1 January 2004 of The Pensions (Amendment) Act of 2003 which as a result of its requirement that pensioners be retained in service pending payment of their pensions and gratuities speeded up the processing of pension claims.

30. The Statement further shows that although the total expenditure incurred during 2003/2004 amounted to Kshs.11,936,239,522.75, the Exchequer issues released during the period to cover the expenditure totalled Kshs.12,220,000,000 resulting in an over-issue of Kshs.283,760,477.25. No evidence has however been seen to confirm that the over-issue of Kshs.283,760,477.25 was credited back to the Exchequer Account after the closure of the financial year.

MINISTRY OF FINANCE

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE R.07

31. The Appropriation Account for the Recurrent Vote (R07) for the year ended 30 June 2004 reflects actual expenditure of Kshs.7,558,334,231.90 against approved estimates of Kshs.8,413,617,590 resulting in an under-expenditure of Kshs.855,283,358.10 or approximately 11% of the estimated amount. The Account also reflects under-collection of Appropriations-in-Aid of Kshs.1,672,653,164.55 against estimated receipts of Kshs.1,956,900,000, resulting in an under-collection of Kshs.284,246,835.45 or about 15% of the estimated receipts.

32. The reasons provided in the footnotes to the Account for the under-expenditure include delayed procurement process, restriction of training by DPM and over-estimation while those given for the under-collection of Appropriations-In-Aid range from poor economic conditions, strict control of importation of second hand vehicles and delay in honouring of reimbursement claim within central government. As observed in the report for 2002/2003, no clear indication has been given as to how the Ministry is addressing these issues which clearly have resulted in failure by the Ministry to provide some of the service for which funds had been provided for by Parliament.

UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D.07

33. The Appropriation Account for Vote D.07 for the year 2003/2004 reflects actual collection of Appropriations-In-Aid of Kshs.259,646,265.00 against estimated receipts of Kshs.446,830,000.00 occasioning a shortfall of Kshs.187,183,735.00 or 41.89% of the estimated collections. The under-collection mainly occurred under Sub-Votes 070 – General Administration and Planning and 075 – Centralized Services.

34. The reasons given in the footnotes to the Account for the under-collection of Appropriations-In-Aid include various contracts being awarded too late in the year, non-release of funds by the donors, non-receipt of expenditure returns from the donors and delay in the enactment of the Privatization Bill into law. It is not however clear how the Ministry is addressing these persistent problems.

UNVOUCHED EXPENDITURE – VOTE D.07

35. The Appropriation Account for Vote D.07 for the year ended 30 June 2004 reflects gross total expenditure of Kshs.7,994,300,392.35 incurred against the Vote during the year. However, payment vouchers and other relevant records in support of expenditure totalling Kshs.256,171,810.35 were not made available for audit review. As a result, it has not been possible to ascertain the propriety of this expenditure. For the same reason, it has also not been possible to ascertain the accuracy of the total expenditure of Kshs.7,994,300,392.35 recorded against Vote D.07.

OVER-EXPENDITURE ON PERSONAL EMOLUMENTS AND HOUSE ALLOWANCE – VOTE R.07

36. The Appropriation Account for Vote R07 for the year ended 30 June, 2004 reflects against various Heads actual expenditure on Personal Emoluments of Kshs.306,685,009.85 against approved estimates of Kshs.262,795,658 resulting in an over-expenditure of Kshs.43,889,351.85 or approximately 16% of the estimated amount. The Account further reflects actual expenditure of Kshs.211,726,285.95 on House Allowance under the same Heads, while the approved estimates show a figure of Kshs.173,867,804.00 occasioning an over-expenditure of Kshs.37,858,481.95 or about 21% of the estimated amount.

37. The reasons provided in the footnotes to the Account explain the over-expenditure as resulting from under-estimation and posting of additional staff to various departments. These reasons however do not appear to be convincing because the actual staff establishment is well known at the beginning of the year and therefore provisions for personal emoluments and house allowances can be estimated accurately.

LOAN TO MIWANI SUGAR COMPANY

38. In the Report for 2002/2003, reference was made to loans totalling US\$13,351,250 and Kshs.25,000,000 which Miwani Sugar Company had received from three foreign banks and one local bank respectively before it was put under liquidation. The report further indicated that the loans were secured

against all the company's undertakings and assets. The company could not however service the loans consequent upon which the lenders put it under liquidation in 1990. Government intervened in April 1990 and signed agreements, with the four banks for outright purchase of the company. In accordance with the agreement, the purchase price was agreed at US\$14,221,843.69 to be paid and apportioned between the three foreign banks and Kshs.24,558,444.34 to be paid to the local bank.

39. The agreement further provided for Government to pay the vendors in twelve (12) equal annual consecutive instalments with the first such instalments becoming due on 1 September 2002 and last instalment being due in September 2003. Government was also required to execute and deliver to the receiver as agents for vendors on or before the completion date as evidence of Government's obligations to pay the purchase price and interest to accrue thereon, promissory notes for the respective vendors. Information then available indicated that the promissory notes signed were due from 1 March 1990 up to 1 September 2003 and stipulated the total amounts due to the three foreign banks as US\$14,221,843.69 and US\$10,854,904.39 in respect of capital repayments and interest respectively. With regard to the local bank, the promissory notes were for Kshs.24,558,444.34 and Kshs.37,574,414.86 in respect of capital repayment and interest respectively. A further clause to cover additional 1% interest calculated on daily balances in event of default by Government and compounded on monthly calendar basis, was provided for.

40. A review of the position during the year 2003/2004 revealed that the principal amount outstanding against these loans excluding interest on capital and penalties stood at Kshs.25,388,537.00 as at 30 June 2004, and was owing to Danise (Cultor) Bank. Available information further indicates that the Danise (Cultor) Bank loan had been rescheduled under the Paris Club although details of such rescheduling have not made available for audit review.

41. As observed in the Report for 2002/2003, although the loans were acquired under External Loans and Credits Act, the arrangement has not been reported to Parliament as required by section 5 of the Act.

42. Additional information indicate that the Government later approached and entered into partnership with a foreign firm known as Vanessa Associates Incorporated where the latter paid Kshs.21,420,000 for acquisition of 51% of the Company's shares with the Government retaining 49%. The share agreement was arranged as follows:-

- (a) GOK was to procure the allotment to the purchaser (Vanessa) of 1,070,000 shares of Kshs.20 each against payment in full of Kshs.21,420,000, thus ensuring that Vanessa becomes the full beneficial owner of 51% of the issued shares in the company.

- (b) GOK was to procure the allotment to itself of 1,028,998 shares of Kshs.20 each against payment in full of Kshs.20,580,000 (including two subscriber shares), thus ensuring that GOK becomes the full beneficial owner of 49% of the issued shares in the company.

Details relating to the partnership agreement as well as the date on which such agreement was signed have not been made available for audit review.

43. Following successive poor performance, however, the company was yet again put under receivership in March 2001 for failure to repay various creditors debts in excess of Kshs.375,376,000.

44. It is not clear and is also a matter of concern that Government appears to have taken over the Sugar Company without clear strategies on its recovery and eventual return to profitability. This apart, considering that government investment over time in the Company had accumulated to stand at a substantial figure of Kshs.1,399,853,337.00 as at 31 December 2003, the rationale behind the sale of 51% of the company's shares (and therefore the controlling interest) to foreign firm for a paltry sum of Kshs.21,420,000.00 is not clear. Further available information indicate that a committee to look into this matter has since been appointed but its findings have not been known.

CONSTRUCTION OF CUSTOMS OFFICES AND STAFF HOUSES AT LOITOKITOK

45. In the Report for 2000/2001, reference was made to the irregular manner in which the construction of Customs offices and staff houses at Loitokitok Border Control Post was handled and in particular the Ministry's decision to put up at Loitokitok a massive project whose cost stood at Kshs.603,678,890.00 as at 30 June 2001, notwithstanding the fact that the daily revenue collections at the station ranged between Kshs.1,500.00 and Kshs.2,500.00 only. It was further stated that in June 2000, the project was hurriedly completed and handed over to the Kenya Revenue Authority without a functional water supply. In addition, the Report observed that out of the eighty six (86) housing units constructed at the station only sixteen (16) had been occupied leaving seventy (70) vacant and unutilized.

46. A review of the position during the year 2003/2004 revealed that in June 2004, an additional sum of Kshs.101,838,752.06 was paid to six (6) firms involved in various works and installations at the project, including electrical wiring, plumbing, telephone networking, borehole drilling and construction of high level water tank.

47. The amount of Kshs.101,838,752.06 which is indicated as representing the Final Account, in addition to the several variations previously approved in respect of the project, raised the original tender sum of Kshs.419,482,812 to Kshs.690,041,991.52 as at 30 June 2004, a budget overrun of Kshs.270,559,179.52 or 64%.

48. As observed in the previous reports, it is still a matter of concern that government has continued to incur expenditure on a project whose overall current utilization is below 20%, while the average daily revenue collections have stagnated at between Kshs.1,500 to Kshs.2,500.

GRANT TO PARASTATALS

49. The Appropriation Account for the Development Vote D.07 for the year ended 30 June, 2004 reflects grants of Kshs.190,000,000 and Kshs.191,967,702 as having been issued during the year to Kenya Meat Commission and Kenya National Assurance Company (2001) Ltd respectively. The Accounts of these two parastatals for 2003/2004 have however not been seen and as a result it has not been possible to ascertain that the grants were received and utilized for the intended purposes.

GOVERNMENT DEBT WITH KENYA COMMERCIAL BANK

50. In the report for 2002/2003, reference was made to an agreement signed between Treasury and Kenya Commercial Bank Ltd (KCB) in April, 1998 whereby Treasury took over the servicing and repayment of a number of overdrafts and outstanding loans totalling Kshs.2,143,865,711.00 owed to the Bank. This amount included a short-term loan of Kshs.399,933,055 relating to payment of Security Equipment the Department of Defence was importing, a sum of Kshs.1,643,493,182.35 which included principal plus interest against a loan advanced to Kenya Railways Corporation in 1990 to finance research work at Nyayo Car Corporation later renamed Numerical Machining Complex and a further loan of Kshs.100,439,473 relating to external lines of credit the Bank had advanced to various local investors in 1980's.

51. As observed in the Report, Treasury had by February 2002 spent a total of Kshs.2,551,025,242.05 in servicing the loans with KCB but the outstanding balance still remained at Kshs.2,209,082,937.30 as at 30 June, 2002 apparently because of accumulation of interest. Further, the expenditure of Kshs.2,551,025,242.05 which Treasury had incurred on servicing the loan was unconstitutionally charged directly against the Paymaster General's Account for the Consolidated Fund Services while no Parliamentary approval for the loan had been sought and granted as provided for by section 5(1) of the Guarantee (loan) Act Cap 461. Additional information indicate that a further payment of

Kshs.900,000,000 was made to the Bank in 2002/2003 to raise the total expenditure on the overdrafts and loans to Kshs.3,451,025,242.05 as at 30 June 2003.

52. A review of the position in 2003/2004 indicates that an additional payment of Kshs.550,000,000 was made to KCB by Treasury through Vote R.07 thus increasing the total payments to the Bank to Kshs.4,001,025,242.05 as at 30 June 2004. However, and as stated in the previous year's Report, the payment of Kshs.4,001,025,242.05 remains irregular as no parliamentary approval has been granted as provided for under Section 5(1) of Guarantee (Loan) Act Cap 461.

REVENUE HEAD 100-070 – CUSTOMS AND EXCISE

53. The Statement of Revenue for Head 100-070, Customs and Excise for the year ended 30 June 2004 reflects actual receipts of Kshs.62,409,751,692.95 against estimated receipts of Kshs.63,623,000,000 resulting in a shortfall of Kshs.1,213,248,307.05 or approximately 1.9% of the estimated amount. The reason provided in the footnotes for the shortfall is over-estimation of excise duty. No indication has however been given as to how the problem of over-estimation is being addressed. Further, while the Statement reflects actual receipts of Kshs.62,409,751,692.95 as indicated above, records maintained by the Kenya Revenue Authority show actual collections of Kshs.62,047,214,792.10 resulting in a difference of Kshs.362,536,900.85 between the two sets of records. No reconciliation or explanation has been provided for the difference.

54. The Statement of Arrears of Revenue due as at 30 April 2004 and uncollected as at 30 June 2004 reflects arrears of revenue totalling Kshs.15,022,073,657.50. Out of this total, arrears amounting to Kshs.14,596,338,729.20 or approximately 97% of the total were outstanding against some five (5) organizations. No indication has been given as to how the Ministry is addressing the issue of recovery of these long outstanding arrears.

REVENUE HEAD 110-070 – INCOME TAX

55. The Statement of Revenue Head 110-070 – Income Tax for the year ended 30 June, 2004 reflects actual collections of revenue amounting to Kshs.77,409,738,062.00, against estimated receipts of Kshs.74,143,000,000.00 resulting in an over-collection of Kshs.3,266,738,062.00 or approximately 4% of the expected receipts. The over-collection was mainly attributed to Item 701 – Pay As You Earn where collections of Kshs.41,627,101,560.55 were realized against estimated receipts of Kshs.39,097,000,000.00.

56. The Statement further reflects arrears of revenue due as at 30 April, 2004 but uncollected as at 30 June 2004 of Kshs.61,474,980,679.00 compared to arrears of Kshs.58,144,099,980.00 recorded during the year 2002/2003. The increase of Kshs.3,330,880,699 or about 5.7% during the year under review was as a result of increased penalties and interests on unremitted taxes. The amount of Kshs.61,474,980,679.00 is made up of Principal Tax, Penalties and Interest amounting to Kshs.22,011,793,549.00, Kshs.7,480,932,120 and Kshs.31,982,255,010.00 respectively. As observed in the previous year's Report, it is still not clear what action the Ministry has taken to reduce the arrears.

REVENUE HEAD 120-070 – VALUE ADDED TAX

57. The Statement of Revenue Head 120 – 070 for the year ended 30 June 2004 reflects actual receipts of Kshs.61,724,727,769.40 made up of V.A.T Local and V.A.T Imports amounting to Kshs.34,269,204,055.75 and Kshs.27,455,523,713.65 respectively while records maintained at Kenya Revenue Authority on the other hand show receipts totalling Kshs.64,221,009,009 comprising of V.A.T Local and V.A.T Imports of Kshs.36,859,269,423 and Kshs.27,361,739,586 respectively. The difference of Kshs.2,496,281,239.60 between the two sets of records has not been reconciled or explained.

58 In the Report for 2002/2003 concern was raised over Arrears of Revenue due as at 30 April, 2003 and uncollected as at 30 June 2003 totalling Kshs.17,819,579,440.00 representing an increase of Kshs.3,138,598,100.00 or 21% over and above the arrears of Kshs.14,780,981,340.00 recorded as at 30 June 2002. A review of the position during the year 2003/2004 indicates that the situation did not improve and instead the figure for the arrears increased by an amount of Kshs.1,521,979,468 or 8% from Kshs.17,819,579,440.00 as at 30 June, 2003 to Kshs.19,341,559,088.00 as at 30 June 2004.

59. Further, an analysis of the arrears shows that out of the total amount of Kshs.19,341,559,088.00, Kshs.5,520,982,923 was in respect of principal tax due from various companies and parastatals while the balance of Kshs.13,820,576,165.00 constituting approximately 71% of the total arrears related to additional tax and penalties due against delayed payment. It has not been explained why the arrears, some of which have been outstanding for a considerably long period of time have not been collected.

60. The Statement also reflects a balance of Kshs.124,352,920.00 under VAT RD cheques relating to 2002/2003 and earlier years. It has however not been indicated why these cheques have not been replaced.

REVENUE HEAD 140-070 – TRAFFIC REVENUE

61. In the Report for 2002/2003, reference was made to the Statement of Revenue Head 140-070, Traffic Revenue for the year ended 30 June, 2003 which reflected actual receipts of Kshs.1,137,481,618.95 against estimated collections of Kshs.1,581,850,000.00 resulting in a shortfall of Kshs.444,368,381.95 or 29% of the estimated amount. The Statement of Revenue for the year ended 30 June 2004 reflects actual receipts of Kshs.2,340,863,172.30, against a provision of Kshs.1,358,000,000.00 resulting in an over-collection of Kshs.982,863,172.30 or approximately 72% of the estimated collections. Although as in the previous year the material deviation between estimated and actual receipts was explained as having arisen from lumping-up of receipts from two items and accounting for them under Item 740-Fees Under Traffic Act, this reason does not appear plausible as it does not address the underlying causes of apparent weaknesses in estimating for Traffic Revenue, as exemplified by huge variance of about 101% between actual receipts realised in 2002/2003 and in 2003/2004.

62. Further, while the Statement for 2003/2004 reflects actual receipts of Kshs.2,340,863,172.30 during the year, records maintained at the Kenya Revenue Authority show total collections of Kshs.1,659,223,633.00. The difference of Kshs.681,639,539.30 between the two sets of records has not been reconciled or explained.

REVENUE HEAD 180-070 – AIRPORT REVENUE

63. In the previous years report, concern was expressed over non-collection of Arrears of Revenue totalling Kshs.321,636,880.00 relating to the period 1992/1993 and earlier years, as well as non-remittance to the Exchequer of revenue amounting to Kshs.79,138,920.00 being balance of revenue on hand as at 30 June 1989 when the Receiver of Revenue was Permanent Secretary, Ministry of Transport and Communication. Further, concern was raised over the fact that the balance on hand of Kshs.79,138,920.00 was not disclosed in the Statement of Revenue for the year 1989/90 and also in the Statements for subsequent years. A review of the position in the year 2003/2004 revealed that the unsatisfactory state of affairs did not change during the period in that no effort appears to have been made to collect the long-outstanding arrears of Kshs.321,636,880.00 or to pay to the Exchequer the balance of revenue of Kshs.79,138,920.00 still withheld by the Ministry of Transport and Communication as at 30 June 2004.

64. The Statement of Revenue Head 180-070 – Airport Revenue for the year ended 30 June 2004 reflects actual receipts of Kshs.1,515,350,071 while records maintained by the Kenya Revenue Authority show an amount of Kshs.1,584,974,267.65 as having been collected. The difference of

Kshs.69,624,250.65 between the two sets of records has not been reconciled or explained.

REVENUE HEAD 180 – 140 AVIATION REVENUE

65. The Statement of Revenue Head 180 – 140 Aviation Revenue for the year ended 30 June 2004 reflects actual receipts of Kshs.1,384,100,103.55 against the estimated amount of Kshs.1,324,000,000.00, resulting in an over-collection of Kshs.60,100,103.55 or approximately 4.5% of the estimated amount. The over-collection was mainly recorded against Item 655 – Aviation Fees where a total of Kshs.1,383,871,714.55 was realized against estimated receipts of Kshs.1,236,000,000. However and as was observed in the report for 2002/2003, the over-collection of Kshs.147,871,714.55 under this item was attributed to revenue receivable under Navigation Charges, Sundry Revenue and Calibration and Navigation Aids Items being collected and erroneously classified under Aviation Fees. Apparently therefore, no attempt appears to have been made so far by the Ministry to address this now clearly persisted problem of misclassifying revenue between various items under Revenue Head 180 – 140.

66. Further, although the Statement reflects actual collections of Kshs.1,384,100,104.55 during the year under review, records available at the Kenya Revenue Authority indicate such collections as having amounted to Kshs.1,509,378,631.80 occasioning an unreconciled and unexplained difference of Kshs.125,278,528.45 between the two sets of records.

67. In the report for 2002/2003, reference was made to outstanding Arrears of Revenue totalling Kshs.69,190,700.55 relating to 2001/2002 and earlier years in respect of Aviation Fees, Air Navigation Charges and Sundry Revenue collected by Ministry of Transport and Communications through the Directorate of Civil Aviation but which had not been paid over to the Exchequer by 30 June 2003. A review of the position in 2003/2004, revealed that additional arrears of revenue totalling Kshs.2,949,355.25 were collected during the year by Ministry of Transport and Communications but were similarly not paid over to the Exchequer, raising the total of such withheld revenue to Kshs.72,131,055.80 as at 30 June 2004. No explanation has been provided for the continued failure by the Ministry to surrender the outstanding revenue to the Exchequer.

REVENUE HEAD 190-070 INVESTMENT REVENUE

68. In the Report for 2002/2003, reference was made to a payment of Kshs.2 billion to the National Bank of Kenya (NBK) through a direct debit on the Exchequer in May 2001 with the amount being recorded as a loan to the Bank. Further reference was made to the fact that although the amount of Kshs.2 billion was provided for in the Ministry's estimates for Vote D07 for 2000/2001 and was

authorized for withdrawal from the Exchequer on 07 May 2001, procedures governing grant of loans to institutions were not followed in that no loan agreement was signed between the two parties while at the same time no sessional paper was tabled in Parliament for approval of the loan to the bank.

69. A review of the position during 2003/2004 indicates that in an effort to regularize the loan, a loan agreement for the sum of Kshs. 2 billion was signed on 04 July 2003 between Treasury and National Bank of Kenya, converting the loan into long-term interest free facility with effect from 31 December 1998. The agreement also provided for the conversion of the loan into equity in form of non-cumulative preference shares on or before 31 December 2003.

70. As reported previously, in the absence of a sessional paper approved by Parliament, the treatment of the sum of Kshs.2 billion initially as a loan to the Bank and subsequently as equity investment in the Bank remains irregular.

REVENUE HEAD 210-070 – TRADING LICENCES

71. The Statement of Revenue for Head 210-070 – Trading Licences for the year ended 30 June 2004 reflects actual receipts of Kshs.188,319,202.10 against estimated collection of Kshs.113,300,000.00 resulting in an over collection of Kshs.75,019,202.10 or 66% of the estimated receipts. The over-collection of Kshs.75,019,202.10 is mainly attributed to a sharp increase in liquor licensing receipts under Item 754 under which Kshs.97,815,983.10 was realized against estimated collection of only Kshs.8,000,000.00.

72. The Statement however shows that nothing was collected against Item 753 - Licences Under Trade Licensing Act and Item 760 – Professional Fees where receipts amounting to Kshs.4,000,000.00 and Kshs.300,000.00 respectively had been estimated for during 2003/2004. It has not been explained why the Ministry was unable to collect revenue against these two items during the year.

73. Further, the Statement reflects a Payment to the Exchequer balance of Kshs.188,318,910.00 while Exchequer records maintained at the Treasury show a figure of Kshs.230,298,321.00 occasioning a difference of Kshs.41,979,411.00. Explanation has since been received that an amount of Kshs.41,782,211 out of this figure was paid to the Exchequer directly without passing through the revenue section for record leaving a difference of Kshs.197,200.00 still unexplained.

74. The Statement also reflects revenue not surrendered to the Exchequer as at June 2004 of Kshs.4,247,566.00 which includes an amount of Kshs.4,247,274.30 relating to 2002/2003 and earlier. No explanation has been provided for failure to remit the revenue to the Exchequer.

REVENUE HEAD 250-070 – REIMBURSEMENT AND OTHER FUND CONTRIBUTIONS

75. The Statement of Revenue Head 250-070, Reimbursement and Other Fund Contributions reflects actual receipts of Kshs.229,589,220.00 against an estimated amount of Kshs.500,950,000.00 resulting in an under-collection of Kshs.271,360,780 or 54% of the estimated receipts. The under-collection occurred under Item 681 Contributions – Widows & Children Pension Scheme where Kshs.229,589,220.00 was collected against estimated receipts of Kshs.500,000,000.00 and Item 682 Contributions – MPs' Pension Scheme under which nothing was collected against an estimated amount of Kshs.950,000.00. According to the footnotes provided however, amounts totalling Kshs.649,475,571 and Kshs.156,850,081 were collected under the two items respectively by the Kenya Revenue Authority and remitted as PAYE directly to the Exchequer. As observed in the report for 2002/2003, it is still not clear why receipts collected under Revenue Head 250-070 Reimbursement and Other Fund Contributions would be accounted for Under Revenue head 110 – Income Tax.

76. As in the previous years the Statement of Arrears of Revenue due as at 30 April 2004 and uncollected as at 30 June 2004 includes an amount of Kshs.149,566,280.00 relating to 1997/98 and owing from the Kenya Ports Authority (KPA). Available information indicate that this amount was due from KPA on account of Uganda Compensation under the East African Community Mediation Treaty of 1984. Additional information indicate that KPA withheld a total of Kshs.287,231,400.00 including the sum of Kshs.149,566,280.00 aforementioned, due to Government in respect of reimbursement of Uganda Compensation.

77. Correspondences seen further indicate that the amount of Kshs.287,231,400 was due to KPA from Government on account of dredging costs incurred by the Authority on Government Projects. Although the Authority had in May 2000 proposed that Treasury either writes off these amounts in a reciprocal arrangement with the Authority or that both parties agree on an exchange of cheques to resolve the matter, no action appears to have been taken by the Treasury on these proposals and the position four years down the line remains unresolved.

REVENUE HEAD 260-070 – MISCELLANEOUS RECEIPTS

78. The Statement of Revenue Head 260-070 – Miscellaneous Receipts for the year ended 30 June 2004 reflects actual receipts of Kshs.3,906,191,054.70 against estimated collections of Kshs.6,183,706,380.00 resulting in an under-collection of Kshs.2,277,515,325.30 or 36% of the estimated amount. The under-collection mainly occurred under Items 679 – Other Revenues and 770 –

Sale of Electricity by Turkwell Power Station where receipts totalling only Kshs.5,852,417.05 were realized against estimated receipts of Kshs.5,438,406,380. No explanation has been provided for the huge under-collection of Kshs.5,432,553,942.95 against the two items.

79. The Statement also reflects payments to Exchequer of Kshs.3,906,190,488.55 while records maintained at the Treasury against the same Account show an amount of Kshs.3,906,653,313.55. The difference of Kshs.462,825.00 between the two sets of records has not been reconciled or explained.

REVENUE HEAD 300 – 070 IMPORTS, EXPORTS AND ESSENTIAL SUPPLIES

80. Records held at the Treasury in respect of Revenue Head 300-070 – Imports, Exports and Essential Supplies reflect Pre-shipment Inspection collections totalling Kshs.7,234,465,065.35 received during the year 2003/2004 compared to an amount of Kshs.6,473,890,493.40 realised in year 2002/2003, representing an increase of Kshs.760,574,571.95. The collections of Kshs.7,234,465,065.35 were applied against various Items, leaving a cumulative total unused balance of Kshs.1,634,913,105.45 as at 30 June 2004.

81. As in the previous year, the cumulative balance of Kshs.1,634,913,105.45 as at 30 June 2004, differs from the debit balance of Kshs.2,646,751,063.05 reflected under Pre-shipment Account in the Statement of Assets and Liabilities for Deposits by an amount of Kshs.4,281,664,168.50.

82. Further, the balance of Kshs.1,634,913,105.45 differs by an amount of Kshs.847,091,990.40 from the closing figure of Kshs.787,821,115.05 shown against the Account in the Central Bank of Kenya Management Report as at 30 June 2004. No reconciliation or explanation has been provided for the differences between the three sets of records.

83. In addition, the analysis provided for Pre-shipment Inspection Service reflects Appropriations-In-Aid totalling Kshs.1,670,003,919.70 as having been transferred to Item 651 – Pre-shipment Inspection Fees in the Appropriation Account for Vote R.07 for 2003/2004 while the Account on the other hand shows receipts of Kshs.1,626,040,581.40 against the Item occasioning a difference of Kshs.43,963,338.30 between the two sets of records. Again, no reconciliation or explanation has been provided for the difference.

84. The Statement also reflects a balance of Kshs.5,050,000,000.00 against Payments to the Exchequer Account while the analysis supporting the Account shows a figure of Kshs.4,950,000,000.00. The difference of

Kshs.100,000,000.00 between the two amounts has not been reconciled or explained.

REVENUE HEAD 570-070 – OTHER TAXES

85. In the Report for 2002/2003, reference was made to an amount of Kshs.105,546,720 representing balance on hand as at 30 June 1997 but which had not been accounted for in the subsequent Statements of Revenue for Head 570-070 – Other Taxes. A review of the position in 2003/2004 showed that the balance of Kshs.105,546,720.00 had still not been accounted for as at 30 June 2004 and the amount has therefore been excluded in the Statement of Revenue for Head 570-070- Other Taxes for the year ended 30 June 2004. Beside the exclusion from the Statement of the balance of Kshs.105,546,720.00, it has not been explained why a substantial amount of Kshs.242,276,026.85 shown as balance on hand as at 30 June 2004 had not been paid over to the Exchequer. Further, the balance on hand of Kshs.242,276,026.85 differs with the balance of Kshs.238,066,673.95 reflected in the Statement of Assets and Liabilities for Deposits but no reconciliation or explanation has been given for the difference of Kshs.4,209,352.90 between the two Statements.

86. As in the previous year, the Statement shows nil collections against Item 722 – Second Hand Motor Vehicle Purchase Tax where receipts totalling Kshs.65,000,000 had been expected. This however does not appear to be the correct position as records maintained at the Kenya Revenue Authority (KRA) indicate that during the year 2003/2004, such tax collected totalled Kshs.124,260,714. No explanation has been provided for the anomaly, while it is still unclear as to how the revenue was eventually accounted for in the Exchequer records.

87. Similarly, the Statement reflects receipts of Kshs.1,550,736,030.15 in respect of Item 731 – Stamp Duty, while records kept at KRA and at the Ministry of Lands and Housing show total collections of Kshs.1,619,048,531. The difference of Kshs.68,312,501.75 between receipts appearing in the Statement and the total of Kshs.1,619,048,531.90 shown in the Ministry and KRA has not been reconciled or explained.

88. In addition, the Statement reflects a Payment to the Exchequer balance of Kshs.2,008,271,853.80 while records maintained at the Revenue Section of the Treasury show receipts totalling Kshs.2,017,804,395.00, resulting in a difference of Kshs.9,532,541.20. Although indications are that this difference is due to an erroneous credit entry under Other Taxes instead of Fund Contributions, no reasons have been given as to why the necessary adjustments were not effected to reverse the error.

REVENUE HEAD 600-070 – INVESTMENT REVENUE

89. In the Report for 2002/2003, reference was made to under-collection of revenue of Kshs.1,049,497,388.90 during the year where out of total estimated receipts of Kshs.1,194,000,000 only a paltry sum of Kshs.144,502,611.10 or approximately 12% was collected. The reason given for the under-collection is over-estimation. During the year 2003/2004, some improvement was recorded in that out of total estimated receipts of Kshs.1,498,000,000, collections amounting to Kshs.867,007,491 or about 57% were realized. However and as was observed in the previous year, the reason given for the shortfall in 2003/2004 that the under collection was due to over-estimation is inadequate in that it does not address the underlying causes for the persistent inaccurate estimation of revenue collectable under this Revenue Head.

90. Further, out of 27 local companies in which Government had invested in shares valued at Kshs.9,634,929,820, nothing was received from Sixteen (16) companies in which Government has shareholding of Kshs.7,053,024,810. Initial indications are that some of the companies have been performing well and should therefore have paid dividend during the year. It is not clear how the Ministry is addressing this unsatisfactory state of affairs.

REVENUE HEAD 620-070 - LOAN INTEREST RECEIPTS

91. The Statement of Revenue Head 620-070- Loan Interest Receipts for the year ended 30 June 2004 reflects actual collections of Kshs.96,830,424.74 against estimated receipts of Kshs.364,395,120.00 resulting in an under-collection of Kshs.267,564,695.26 or approximately 73% of the estimated amount. Further, nothing was received from some thirty two (32) parastatals and companies from which receipts totalling Kshs.13,402,470 were expected.

92. The main reasons given for the non-receipt of the expected revenue are liquidity problems, irrecoverable on-lent loans, restructuring programmes in process, privatization programmes and non-payment by some of the organizations.

93. Although according to information available Treasury has instituted a number of measures to reverse the unsatisfactory state of affairs, including introduction of performance based contracts, budgetary controls, rescheduling of interest repayment and strengthening of both the Debt Management Department and the Department of Government Investment and Public Enterprises, the success of these measures appear limited as actual receipts decreased from Kshs.211,244,752.42 in 2002/2003 to Kshs.96,830,424.74 as at 30 June 2004.

94. The Statement also reflects payments to the Exchequer amounting to Kshs.96,830,424.74 while records maintained by Revenue Section of the Ministry

show receipts totalling Kshs.311,465,900.00 as received during the year. The difference of Kshs.214,635,475.26 between the two sets of records has not been reconciled or explained.

95. The Statement of Arrears of Revenue for the year 2003/2004 shows that the arrears of revenue due increased by an amount of Kshs.1,980,560,346.50 or 14 % from Kshs.13,958,497,510.50 as at 30 June 2003 to Kshs.15,939,057,857 as at 30 June 2004. As the case was in the previous year, the increase of Kshs.1,980,560,346.50 during the year under review was attributed mostly to substantial arrears due from Kenya Power and Lighting Company, Kenya Electricity Generating Company, the defunct Kenya Posts and Telecommunications Corporation, National Housing Corporation, Cereals and Sugar Finance Corporation, Kenya Pipeline Company and Kenya Railways Corporation among others. No evidence has been seen of any action being taken by the Treasury to address the issue.

REVENUE HEAD 630-070 – LOAN REDEMPTION RECEIPTS

96. The Statement of Revenue Head 630-070-Loan Redemption Receipts for the year ended 30 June 2004 reflects actual receipts of Kshs.719,402,248.61 against estimated receipts of Kshs.442,009,000.00 resulting in excess collection of Kshs.277,393,248.61 or about 62% of the estimated amount. The over-collection mainly occurred under Item 933 – Kenya Port Authority where Kshs.657,519,392 was collected against estimated receipts of Kshs.198,496,620 and Item 963 - All Other Loans, where Kshs.20,000,000 was collected against an estimate of only Kshs.500. The over-collection under both items is explained in the footnotes as due to under-estimation without any explanation for the underlying cause for such under-estimation.

97. The Statement for 2003/2004 further shows that nothing was received from some thirty (30) organizations against which receipts totalling Kshs.50,513,740.00 were expected. As in the previous years the reasons given in the footnotes to the Statement for non-collection of the estimated amounts include non-payment by companies/corporations, liquidity problems and on-going restructuring programmes. It is not clear why the Ministry has not effectively addressed these recurring causes for non-collection of revenue from the organizations.

98. In addition, the Statement reflects Payments to the Exchequer amounting to Kshs.719,402,246.00 while the Exchequer records maintained at the Treasury show receipts on Loan Redemptions totalling Kshs.2,508,846,740.00. The difference of Kshs.1,789,444,494.00 between the two sets of records has not been reconciled or explained.

99. The Statement of arrears of Revenue due as at 30 April 2004 but uncollected as at 30 June 2004 reflects arrears of revenue amounting to Kshs.17,869,317,496.00 compared to Kshs.14,769,933,339.00 as at 30 June 2003, an increase of Kshs.3,099,384,157.00 or 21%. The figure of Kshs.3,099,384,157.00 includes a balance of Kshs.1,397,119,405.00 owing from Kenya Posts and Telecommunications Corporations which has since ceased to exist upon its split into three separate corporations, namely Telcom (K) Ltd, Postal Corporation of Kenya and Communications Commission of Kenya.

100. Available information also indicate that out of the total arrears of Kshs.17,869,317,496.10, large amounts totalling Kshs.14,938,264,935.00 were outstanding against eight (8) parastatals including Kenya Railways Corporation, Kenya Electricity Generating Company, National Housing Corporation, Kenya Posts and Telecommunications, Tana & Athi Rivers Development Authority, Kenya Ports Authority, Kenya Power and Lighting Company and Agricultural Finance Corporation.

STATEMENT OF OUTSTANDING LOANS

101. In the report for 2002/2003, reference was made to loans totalling Kshs.60,714,427,355 reflected in the Consolidated Statement of Outstanding Loans as at 30 June 2003 out of which an amount of Kshs.6,462,174,128 had been repaid as at that date leaving a balance of Kshs.54,252,253,227 outstanding. The Consolidated Statement of Outstanding Loans as at 30 June, 2004 reflects loans totalling Kshs.61,196,352,104 lent to various organizations through eleven (11) ministries.

102. The Statement shows that the amount lent increased by Kshs.481,924,749 from Kshs.60,714,427,355 as at 30 June, 2003 to Kshs.61,196,352,104 as at 30 June 2004. This increase is attributed to some twenty two (22) loans totalling Kshs.481,924,749 lent to both defunct East African Posts and Telecommunications Corporation and Kenya Posts and Telecommunications Corporation through Ministry of Transport and Communications which had been excluded from the Statements for the last three years.

103. The Statement further continues to reflect a loan repayment of Kshs.61,992,020 against National Housing Corporation under Ministry of Roads and Public Works. Apart from the fact that the Loan Agreement between the relevant parties has not been seen, information regarding the total amount lent to the Corporation, purpose and terms and conditions of the loan has not been made available for audit review. Consequently it has not been possible to ascertain the correctness and validity of the repayment of Kshs.61,992,020.

104. As in the previous years, the Statement does not disclose a loan of US\$33 million (equivalent to Kshs.2,608,881,000) which government through Ministry of Finance lent to Telkom Kenya Ltd in the year 2000/2001 to enable the company pay its share of a mobile phone licence fee. Although according to information available Government was to recover this loan through sale of the company's shares at the Nairobi Stock Exchange, the disposal of the shares did not materialise and therefore the loan has not been recovered. The total amount of Kshs.1,198,026,380 shown in the Statement as outstanding against Ministry of Finance as at 30 June 2004 is therefore understated by Kshs.2,608,881,000.

105. Further and as observed in the Report for 2002/2003, Government share holding in Telkom Kenya Ltd following the split of Kenya Posts and Telecommunications Corporation into three entities, namely Telkom Kenya Ltd, Postal Corporation of Kenya and Kenya Communication Commission, has still not been disclosed.

106. A loan repayment of Kshs.20,000,000.00 made to the Investment Secretary, Treasury in June 2004 by Nyayo Tea Zone Corporation through Ministry of Agriculture is not reflected in the Statement under review and as a result the total repayment of Kshs.4,381,967,764 shown against the Ministry has been understated by an equivalent amount. No explanation has been provided for exclusion of the repayment from the Statement.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE KENYA GOVERNMENT

107. The Statement of Outstanding Obligations Guaranteed by Kenya Government as at 30 June 2004 reflects a contingent liability outstanding of Kshs.15,454,398,477.74 which represents an increase of Kshs.794,672,080.33 over the previous year's liability of Kshs.14,659,726,397.41. The increase of Kshs.794,672,080.33 was mainly attributed to interest and other bank charges on loans owing to the National Bank of Kenya which Government had guaranteed against parastatals and private organizations as well as both civil servants and Members of the National Assembly on account of loans for purchase of vehicles.

108. The loans guaranteed in respect of the National Bank of Kenya increased by 1,658,227,127 or approximately 15% from Kshs.10,953,671,085 as at 30 June 2003 to Kshs.12,611,898,212 as at 30 June, 2004. The balance of Kshs.12,611,898,212 however includes loans totalling Kshs.7,324,036,238 which were extended by the Bank to companies and organizations in which Government has no stake. It has not been explained why government took up guarantees for loans advanced to private entities.

109. Further the total liability outstanding of Kshs.15,454,398,477.74 includes obligations totalling Kshs.2,246,115,433.54 against which no confirmation letters

were received from the defunct Kenya Post and Telecommunication Corporation and Kenya Railways. Consequently it has not been possible to confirm the accuracy of these balances.

110. In the report for 2002/2003, concern was expressed over the contingent liability of Kshs.500,529,920.92 against Reserve Account Deficiency of Kenya Post Office Savings Bank in the Statement for that year. This balance represented an amount which Government had to pay to the Bank pursuant to Sections 8 and 13 of the Kenya Post Office Savings Bank Act which states inter-alia that "...if in any year the reserve of the Bank is insufficient to defray the interest due to depositors and all expenses under the Act, such deficiency shall be charged upon and paid out of the Consolidated Fund".

111. A review of the position during the year 2003/2004 showed a Reserve Account Deficiency balance of Kshs.202,153,997.60 as at 30 June 2004 compared to Kshs.500,529,920.94 as at 30 June 2003. The reduction of Kshs.297,375,923.34 apparently represents the amount which government met during the year on account of losses incurred by the Bank. Nevertheless and as earlier observed, it still remains unclear why the Government should continue compensating the Kenya Post Office Savings Bank for losses which largely appear to have arisen as a result of weak management and poor investment strategies.

STATEMENT OF INVESTMENT BY FINANCIAL SECRETARY IN LOCAL COMPANIES

112. In the report for the 2002/2003, reference was made to the Statement of Investment by the Financial Secretary in Local Companies for that year which indicated that Government had substantial investment in various Local Companies which did not pay any dividends during the year. A review of the position during the year 2003/2004 revealed no change in that the Statement of Investment as at 30 June 2004, reflects some twenty seven (27) Companies in which Government had 1,098,356,030 shares with nominal value of 7,525,770,320 but which did not remit any dividends during the year.

113. The Statement also reflects Government shareholding of 1,485,675 shares valued at Kshs.29,713,500 and 250,000 shares worth Kshs.5,000,000 in Busia Sugar Company and East African Sugar Industries respectively. As observed in the previous year's report however, the existence of these shares could not be confirmed due to non-availability of share certificates.

114. The Statement further reflects Government holding of 10,549,994 shares with nominal value of Kshs.210,999,880 in Kenya Industrial Estates Ltd. instead of the correct figure of 8,049,998 shares worth Kshs.160,999,960. Although this error was pointed out to the Ministry way back in 1993 by Kenya Industrial

Estates Ltd, no action appears to have been taken so far and in consequence, Government shareholding in the Company as at 30 June 2004 has been overstated by 2,499,996 shares worth Kshs.49,999,920. No explanation has been given for failure to rectify the error in the Ministry's records.

115. In addition and as was stated in the report for 2002/2003, the Statement as at 30 June 2004 indicates that although Government was holding in Ken Ren Chemical and Fertilizer Ltd. 5,073,529 shares valued at Kshs.101,470,480.00 only share certificates for 3,640,000 shares with nominal value of Kshs.72,800,000.00 were made available for audit review. As a result, it has not been possible to confirm the existence of Government shareholding of 1,433,529 worth Kshs.28,670,580 in the Company.

116. The Statement further shows that Government shareholding in Kenya Airways Ltd. still stands at 106,171,561 shares instead of the correct position of 115,403,904. Although it has been explained that consultations with Kenya Airways Management is ongoing with a view to establishing the true position in relation to the discrepancy of 9,232,343 shares valued at Kshs.184,646,860, the discrepancy remains unresolved.

117. The Statement also reflects a substantial increase in the number of shares held in the various companies, from 626,794,415 shares as at 30 June 2003 to 1,526,794,415 as at 30 June 2004, representing an increase of 900,000,000 shares with a nominal value of Kshs.4,500,000,000. This increase was as a result of acquisition of additional 900 million Irredeemable Non-Cumulative Preference shares of Kshs.5.00 in the National Bank of Kenya (NBK). Available information indicate that the offer for the additional shares to Government and other parties was approved at an NBK Special Board meeting in May 2003. The Treasury has not however explained the logic and reasons behind the decision by Government to invest the huge sum of Kshs.4,500,000,000 in a bank which has over the years proved to be unprofitable despite constant Government financial assistance.

118. Further verification made on the investment records revealed that dividends totalling Kshs.588,316,367.50 were received during the year under review by Government from six other companies namely; African Reinsurance Corporation, Kenya Ports Authority, Kenya Reinsurance Corporation, Kenya Electricity Generating Co. (Ken Gen), Kenya Petroleum Refineries and Industrial Promotion Centre. The six companies are however excluded from the Statement for 2003/2004 and no explanation has been provided for the anomaly.

STATEMENT OF PARTICIPATION BY KENYA GOVERNMENT IN QUASI – GOVERNMENT AND OTHER STATUTORY ORGANIZATIONS

119. In the report for 2002/2003, reference was made to the Accounts of the Central Bank of Kenya which reflected an overdrawn balance of Kshs.8,234,000,000 against some five (5) Commercial Banks under liquidation.

120. A review of the position during the year 2003/2004 shows that the Accounts of the Central Bank for the year ended 30 June 2004 reflect an increased overdraft of Kshs.8,259,000,000 as compared to the balance of Kshs.8,234,000,000 as at 30 June 2003 against the five (5) Banks. The increase of Kshs.25,000,000 is attributed to legal fees of equivalent amount charged to the account of one of the Banks during the year.

121. As observed in the previous year, it is still not clear how the overdraft figure which stood at Kshs.8,259,000,000.00 as at 30 June 2004 will be recovered from the insolvent banks. It is also not clear why legal fees payable to a local firm of Advocates has continued to increase to stand at an accumulated sum of Kshs.50,000,000.00 as at 30 June 2004.

DISTRICT CASH FUND – MINISTRY OF FINANCE

Advance

122. Examination of the District Cash Fund Accounts for 2003/2004 revealed a number of unsatisfactory matters. As stated in the reports for the previous years, various discrepancies were observed between Treasury records and the records maintained at the District Treasuries with regard to Advances issued by the Paymaster General (PMG) and received at the District Treasuries. A review of the position in 2003/2004 indicates that similar discrepancies between Treasury records and those maintained at twelve (12) District Treasuries were observed. No plausible explanation has, however been provided or reconciliation prepared to explain the differences.

Unsolicited Credits

123. Some fifteen (15) Districts received unsolicited credits totalling Kshs.88,136,542.45 in their bank accounts which they treated in the Cashbooks as additional cash. The circumstances giving rise to these credits have not been clarified and further no explanations have been provided for the treatment in the Cashbooks of the credits as additional cash.

Irregular Bank Charges

124. A mutual agreement between Treasury and the Kenya Commercial Bank (KCB) was entered into in January 2002 whereby KCB agreed to waive fees, charges and commissions levied on Government Accounts held in the branch networks of the Bank. This position was communicated to all Accountants in charge of District Treasuries in a Circular dated 15 March, 2002 by the Accountant General. It was however noted from various Bank Statements of some nineteen (19) District Treasuries that the Bank continued to levy charges against Government accounts with such levies totalling Kshs.6,074,649.10 as at 30 June 2004. As a result, the total cash float for the affected Districts was reduced by an equivalent amount. No explanation has been provided for the Bank's failure to honour the agreement.

Interest On Overdraft

125. Although overdrawing of Government Bank accounts is disallowed under the current Government Financial Regulations and Procedures, it was observed that interest amounting to Kshs.319,604.85 was charged against overdrawn accounts in Nyeri, Baringo, and Nakuru Districts. No explanation has been given for overdrawing of the accounts.

Unrecorded Expenditure

126. Expenditure amounting to Kshs.28,906,187.05 incurred in some twelve (12) Districts and charged against the Fund was not recorded in the respective Cashbooks and no explanation has been provided for the failure by the District Treasuries to record the expenditure. Payment vouchers and other supporting documents in respect of the expenditure were also not made available for audit review with the result that it has not been possible to establish what the expenditure represented or its propriety.

Appropriations – In – Aid Not Accounted For

127. Appropriations-In-Aid totalling Kshs.70,611,251.10 collected and recorded in the Cashbooks at some sixteen (16) District Treasuries were surrendered to Treasury during the year. Records at the Treasury however do not reflect any such Appropriations-In-Aid as having been received and as a result the whereabouts of the amount of Kshs.70,611,251.10 is not clear.

Over-Reimbursement

128. Examination of the Paymaster General reimbursement records maintained at the Treasury revealed that an excess reimbursement of Kshs.1,165,429.20 was issued to Mwingi District and no explanation has been given for the anomaly. It has also not been possible to ascertain how the over-reimbursed

amount was utilized due to lack of the relevant expenditure records at the District Treasury.

Reimbursements Not Received

129. Records available at the Treasury indicate that reimbursements amounting to Kshs.40,911,285.80 were issued to some five (5) District Treasuries during 2003/2004. However records at these District Treasuries do not show any such reimbursements as having been received. Again no explanation has been provided for this discrepancy.

Irregular Issue of Imprests and I.O.U.s

130. Records maintained at the Busia District Treasury indicate that imprests totalling Kshs.4,476,059.35 and IOUs amounting to Kshs.659,741.00 were issued from the District Cash Fund to various officers during the year. The imprest of Kshs.4,476,059.35 had not been surrendered and accounted for as at 30 June 2004 while in the case of the IOUs, no explanation has been provided as to why the Cash Fund had been converted into a loan facility from which various officers had been issued with irregular loans/advances in form of IOUs.

Balance Sheet

131. The Balance Sheet as at 30 June 2004 reflects total liabilities of Kshs.277,064,440.00 against Capital of the Fund and an equivalent amount under total Assets. However, the above balance does not include the cumulative figures from the previous years and no reasons have been provided for the anomaly.

Income And Expenditure Account

132. The Income and Expenditure Account for the year ended 30 June 2004 reflects receipt of Kshs.277,064,440.00 as having been received during the year. This balance however includes a figure of Kshs.9,344,400.00 indicated as representing surrendered excess cash from the Districts and which has not been analysed. Consequently, it has not been possible to ascertain the accuracy of the balance or to establish what it represents

BANK RECONCILIATION STATEMENTS FOR DISTRICT CASH FUND

133. Examination of the Bank Reconciliation Statements as at 30 June 2004 for the District Cash Fund revealed various unsatisfactory matters as summarized in the ensuing paragraphs.

Recurrent Cashbook – E304

134. The Bank Reconciliation Statement for the Recurrent Cashbook-E304 as at 30 June 2004 reflects an amount of Kshs.1,751,413,797.40 as Payments in Cashbook not yet recorded in Bank Statement some of which date back to 1999. Included in this figure is a balance of Kshs.1,081,673.10 referred to as R/D cheques. No explanation has however been provided for failure to clear the huge amount in respect of unpresented cheques or to replace the RD cheques.

135. The Statement also reflects an amount of Kshs.98,200,282.80 as Payments in Bank Statement not recorded in Cashbook and which includes bank charges totalling Kshs.2,804,032.60 relating to 1998/1999. No explanation has been provided for failure to record these long outstanding payments and bank charges in the Cashbook.

136. Further, a figure of Kshs.14,654,996.75 is shown in the Statement as representing misposting of Recurrent and Development payments. It has not however been clarified as to how the mispostings arose or why corrective action has not been taken on such mispostings.

137. The Statement further reflects a balance of Kshs.811,481,059.30 as receipts in Cashbook not in Bank Statement. Included in the above balance is an amount of Kshs.12,723,586.05 in respect of mispostings of receipts relating to 2002/2003 and earlier years. It has not been explained why no action has been taken to ascertain what these receipts in the Cash book not in Bank Statement represent in order to clear them or why the mispostings have not been corrected.

138. An amount of Kshs.48,134,818.35 is reflected in the Statement as receipts in Bank not in Cashbook. Out of this amount, a sum of Kshs.36,547,906.15 relates to 2002/2003 and earlier years. It has however not been explained why the latter amount has not been recorded in the Cashbook.

Development Cashbook – E325

139. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2004 reflects a figure of Kshs.67,504,517.50 as receipts in Bank Statement not yet recorded in Cashbook. The above balance includes an amount of Kshs.3,452,713.60 relating to 2002/2003 and earlier years. No explanation has been given for failure to record these receipts in the Cash book.

140. Further, the Statement shows transfers totalling Kshs.53,186,644.50 made up of Kshs.52,292,435.40 transferred from E305 (Government overdraft) account and Kshs.894,209.10 from an undisclosed source. It has however not been explained what the transfers represent or the purposes for which such transfers were made. Similarly, a figure of Kshs.5,498,991 is shown in the Statement as

representing balances brought forward from 2000/2001. It is not clear however where this balance originated from and its accuracy is therefore in doubt.

141. The Statement also shows Payments in Bank Statement not yet recorded in Cashbook of Kshs.22,189,127.85 which includes an amount of Kshs.16,014,779.85 relating to 2001/2002. As in the previous instances, no explanation has been provided for failure to record in the Cashbook the long outstanding payments of Kshs.16,014,779.85.

PAVING OF CAR PARK AND CAR SHED AT HERUFI HOUSE

142. In April 2004, the Ministry of Finance awarded a contract for paving of car-park and car sheds at the Herufi House in Nairobi to a security firm based in Kajiado District at a contract sum of Kshs.3,843,138.00. According to information available, the contract involved excavations to remove tarmac surfacing and part base, paving using heavy duty “Bamburi Blox” paving blocks, clearing and cleaning storm water drainage and provision of parking sheds.

143. In June 2004, however, the Ministry raised a variation order for Kshs.525,825.00 and Kshs.1,208,703.00 in relation to additional excavation works and increase in the price of steel respectively, which variation order increased the contract sum by approximately 45% from Kshs.3,843,138.00 to Kshs.5,577,693.00.

144. In a meeting held during the same month of June 2004, the Ministerial Tender Committee deliberated on the variation order and observed amongst other aspects that:

- (i) The Public Procurement Regulations (2001) are silent on the allowable percentage of variations over and above the original contract sum.
- (ii) The works were ongoing and therefore it would have been unwise to terminate the contract at the stage it was then in.
- (iii) The variation order increased the contract sum by 45%.

145. Accordingly and apparently with little regard to the observation under item (iii) above, the Committee went ahead and approved the requested order effectively raising the contract sum by an amount of Kshs.1,734,555.00 to Kshs.5,577,693.00. Records available indicate that as of November 2004, a total amount of Kshs.5,545,828 had been paid to the contractor, leaving a balance of Kshs.31,865.00.

146. Although the Completion Certificate for the project has not been seen, the manner in which the contract was handled nevertheless raises a number of unsatisfactory and unexplained issues as summarized in the ensuing paragraphs.

- (i) The design and drawing by Ministry of Roads and Public Works on the site and the subsequent Bills of Quantities appear to have been exhaustive and therefore the justification which necessitated the extra excavation works valued at Kshs.525,825.00 is not clear.
- (ii) Although section 30(i) of the Public Procurement Regulations (2001) requires inter-alia that no changes in substance and price should be sought, offered or permitted, this contractor appears to have been allowed to revise upwards the prices of Steel Works by an amount of Kshs.1,208,730.00
- (iii) The Completion Certificate for the project has not been made available for audit review and as a result, it has not been possible to confirm whether or not the project has been properly completed and handed over to the Ministry.

UNVOUCHED EXPENDITURE AT EL WAK SUB-DISTRICT TREASURY – KSHS.332,360.00

147. The audit of payment vouchers at El Wak Sub-District Treasury revealed that vouchers for expenditure totalling Kshs.332,360.00 were posted in the Cash book and Vote book but were not produced for examination. As a result, it was not possible to ascertain the nature of goods and services for which the payments were being made. Further, all of the payments except one were made to a former District Accountant between August and October 2003. The explanation given for non-production of the vouchers was that they were never handed over to the current District Accountant who could not trace them. In the absence of the vouchers, the propriety of the total expenditure of Kshs.332,360.00 could not be confirmed as chargeable to public funds.

GOVERNMENT CLEARANCE AGENCY FUND

148. The Statement of Assets and Liabilities as at 30 June 2004 for Government Clearance Agency Fund reflects a Paymaster General Account overdraft of Kshs.981,143,470.80 compared to an overdraft of Kshs.993,923,804.05 recorded in the Statement for 2002/2003. As in the previous year, the overdraft of Kshs.981,143,470.80 arose out of failure by various Government Ministries/Departments and Parastatals to reimburse the Fund expenditure incurred on their behalf and which stood at Kshs.1,002,568,512.10 as at 30 June 2004. Although a recommendation had been made to treat the outstanding debts as pending bills and then have them cleared by Ministry of Finance through a voted provision, no action appears to

have been taken on this recommendation and as far as I am aware, no other acceptable alternative arrangement appears to have been suggested.

149. As indicated above, the balance of debtors stood at Kshs.1,002,568,512.10 as at 30 June 2004 compared to Kshs.1,013,519,737.80 as at 30 June 2003 representing a decrease of Kshs.10,951,225.70 during the year. Although the Statement reflects the various institutions against which reductions of debts owing were recorded, documentary evidence in support of these reductions has not been seen with the result that it has not been possible to establish what such reductions represented.

150. The Statement also reflects a credit balance of Kshs.9,668,450.00 in respect of Rural Development Fund Account relating to the year 2002/2003. The audited Statement for 2002/2003 does not however show such a figure and no explanation has been provided for this anomaly.

151. The Statement further reflects a fresh debt of Kshs.15,735,841.30 against Ministry of Supplies and Marketing. Details of this debt have however not been made available for audit review and it has not therefore been possible to ascertain the purpose or correctness of the debt.

TREASURY MAIN CLEARANCE FUND

152. In the Report for the previous years, reference was made to an amount of Kshs.2,361,930,394.25 representing Fund Debtors and which has continuously been reflected in the Balance Sheet year after year, while no satisfactory explanation has been provided for its non-recovery and non-clearance.

153. The Balance Sheet as at 30 June 2004 reflects the same figure of Kshs.2,361,930,394.25 against Debtors which as in the previous years has not been cleared or recovered and credited to revenue. Apart from non-clearance and non-recovery into revenue of the balance of Kshs.2,361,930,394.25, no analysis of the balance has been provided with the result that it has not been possible to ascertain its accuracy or composition. No explanation has been given for this unsatisfactory state of affairs.

154. In addition, the Balance Sheet reflects credit balances totalling Kshs.2,286,128,194.15 under Paymaster General Special Account, Advance Deposits and Joint Consolidated Fund (J.C.F) Interest which have not been analysed.

155. In the absence of analyses, it has not been possible to confirm the correctness of these balances or to determine their composition. Further, it has not been explained why these long outstanding balances have not been cleared.

PETROLEUM DEVELOPMENT LEVY FUND

156. In the report for 2002/2003, it was stated that an amount of Kshs.306,371,140.00 had been irregularly retained by the National Oil Corporation of Kenya (NOCK) in respect of Petroleum Development Levy Fund and reportedly used to acquire and develop without Parliamentary approval various assets in the oil industry as well as to pay for various consultancy services. In its report for 1996/97, the Public Accounts Committee of Parliament expressed concern that the amount had not been recovered and recommended that it be recovered by 30 October 2000. Despite this recommendation however, no action has, as far I have been able to ascertain, been taken to recover the amount from the National Oil Corporation of Kenya.

157. Further, and as similarly observed in the report for the previous year, Government directed that the amount of Kshs.306,371,140.00 be provided for as an expenditure in Ministry of Energy and subsequently be paid over to the Fund on behalf of NOCK. A review of the position during the year 2003/2004, revealed that although the expenditure was provided for in the estimates for Ministry of Energy for the year 2003/2004, there is no evidence that the amount was paid over to the Fund on behalf of NOCK and the matter therefore remain as previously reported.

158. The Fund's Income and Expenditure Account for the year ended 30 June 2004 reflects an income of Kshs.290,977,339.20 against an expenditure of Kshs.220,000,000 resulting into Excess Income over Expenditure of Kshs.70,977,339.20. Although the balance on the Paymaster General Account was, as a consequence, was expected to increase to a figure of Kshs.842,397,531.05, both the Ministry's Final Ledger and Statement of Assets and Liabilities for Deposit 07 as at 30 June 2004 reflect a balance of Kshs.806,199,403.35 against the same Account. The difference of Kshs.36,198,127.70 between the two sets of records has not been reconciled or explained.

159. Additional information indicate that the total collections of Kshs.290,977,339.20 reflected in the Income and Expenditure Account differ by an amount of Kshs.24,527,471.95 from the total collections figure of Kshs.315,504,811.15 shown in the records maintained by the Kenya Revenue Authority. No reconciliation or explanation has been provided for the difference.

RURAL ENTERPRISES FUND

160. In the Reports for the previous years, concern was expressed over the manner in which Rural Enterprises Fund was being managed. In particular, it was stated that adequate operational arrangement with regard to the

management of the Fund including documentation of loan applications, accounting, administration and loan recovery terms to enable the Enterprise Fund evolve into a revolving fund were lacking. A review of the Fund Accounts for the year 2003/2004 revealed a similar state of affairs as indicated in the ensuing paragraphs.

Incorrect Balances Brought Forward

161. The Statement of Assets and Liabilities as at 30 June 2004 reflects balances relating to Loanees, Cash with Kenya Commercial Bank (KCB) and Cash with DCs brought forward from the year 2002/2003 which differ with those appearing in the audited Statements for that year. No reconciliation or explanations have been provided for the differences.

Loans Beneficiaries

162. In the report for 2002/2003, it was stated that various District Commissioners failed to submit to the Ministry's Headquarters lists of beneficiaries of the Fund including names of the borrowers, amounts borrowed and dates of loan disbursements. A review of the position during 2003/2004 revealed that the situation has not changed in that no such lists have been submitted for audit review with the result that it has not been possible to ascertain that the total loan balance of Kshs.394,559,879.30 reflected in the Fund's Statement of Assets and Liabilities represents the entire loan portfolio issued out of the Fund or that such loans were issued to the intended beneficiaries. Further and as stated above, the Fund Account for the year 2003/2004 reflects loans totalling Kshs.394,559,879.30 as the balance of total loans issued as at 30 June 2004. This particular balance represents an increase of Kshs.235,941.60 over and above the previous year's audited balance of 394,323,937.70. However, documents supporting this increase have not been made available for audit review and it has not otherwise been explained.

Loan Repayments

163. The Accounts show that there were no loan repayments received by the Fund during the year under review and as in the previous year the balance of loan repayments stood at Kshs.1,973,482.20 as at 30 June 2004. No reasons have been provided as to why no loan repayments were realized during 2003/2004.

Interest Repayments

164. As in the case of loan repayments, no interest receipts were received by the Fund during the year and again no explanation has been provided for this unsatisfactory state of affairs.

Consolidated Income and Expenditure Account

165. The Fund's Income and Expenditure Account for the year ended 30 June 2004 reflects four (4) comparative accounts' balances relating to 2002/2003 which differ with those shown in the audited Account for 2002/2003. No explanation has been given for these discrepancies. Further, no reasons have been provided to justify the Bank charges of Kshs.51,824.20 paid in 2003/2004 considering that no activity was recorded against the Fund during the year.

Consolidated Balance Sheet

166. The Fund's Balance Sheet as at 30 June, 2004, reflects Capital Fund balance of Kshs.416,178,751.40 as having been brought forward from the year 2002/2003 while audited Balance Sheet as at 30 June, 2003 reflects a balance of Kshs.416,183,505.90 against the same item, resulting in an unexplained difference of Kshs.4,754.50 between the two figures. Further, the Capital Fund balance of Kshs.416,183,505.90 as at 30 June 2003 reduced during the year under review by an amount of Kshs.269,404.45 to stand at Kshs.415,914,101.45 as at 30 June 2004. No reasons have been given for the reduction.

Unbanked Cash

167. As similarly observed in the previous year, the Fund's Balance Sheet as at 30 June, 2004 reflects amounts totalling Kshs.3,490,771.60 in respect of loan repayments, interest and miscellaneous deposits, unbanked and held at various District Commissioners' Offices around the country. Apart from failure to explain why the Cash balances had not been banked as at June 2004, there is no evidence to confirm that the balances actually exist at the DC's Offices.

Cash at Bank

168. In the report for 2002/2003, reference was made to total cash balances of Kshs.18,094,040.85 held at various branches of the Kenya Commercial Bank (KCB) as at 30 June, 2003 in respect of the Fund. In November 2003 however, Treasury froze all Fund Accounts with KCB and instructed it to recall all the balances in its various branches in the districts and remit the same to the Treasury, apparently as a prelude to winding up of the Fund. The Balance Sheet as at 30 June, 2004 therefore reflects a figure of Kshs.17,811,626.35 representing the Recalled Cash from the Bank. The balance of Kshs.17,811,626.35 however does not reconcile with that of Kshs.18,094,040.85 at the Bank as at 30 June 2003 and no evidence of withdrawal of the difference of Kshs.282,414.50 has been seen.

169. With regard to the unbanked balance totalling Kshs.3,490,771.60 held at various District Commissioners' Offices, it is not clear whether this amount has

been recalled by Treasury and if it has, whether the amount has been received at the Treasury.

170. Advances amounting to Kshs.209,844 granted in form of IOUs in 1997/1998 from the Rural Enterprise Fund to some five (5) officers at the DC's Office Kisumu have not, as in the previous years, been recovered and indications are that chances of recovering the amount appear remote since two of the officers have since died while the others have retired.

171. In the absence of individual details of loan beneficiaries, Bank Certificates or Statements as well as returns from all the Districts in support of the balances reflected in the Fund's Balance Sheet as at 30 June 2004, it has not been possible to confirm the accuracy of the Rural Enterprise Fund Account for the year ended 30 June 2004.

EXCHANGE RISK ASSUMPTION FUND

172. The Exchange Risk Assumption Fund for the year ended 30 June 2004 reflects claims totalling Kshs.583,655,769.49 as payable to three (3) financial institutions namely; Development Finance Company of Kenya (DFCK), Housing Finance Company of Kenya (HFCK) and Industrial and Commercial Development Corporation (ICDC), compared to Kshs.569,955,895.06 reported during 2002/2003.

173. The increase of Kshs.13,699,894.43 or approximately 2.4% in 2003/2004 is attributed to additional claims by ICDC. However as reported in 2002/2003, a dispute exists between Government and ICDC as regards the amount due to the Corporation. Thus while the Corporation has raised a claim for Kshs.342,821,269.10 as at 30 June 2004, Treasury on its part maintains that such claim stands at Kshs.218,033,239.49 as at the same date. There is therefore a difference of Kshs.124,788,029.61 which is in dispute. Consequently, the correctness of the total contingent liability figure Kshs.583,655,769.49 against the Exchange Risk Assumption Fund as at 30 June 2004 could not be ascertained.

174. As stated in the Report for 2002/2003, HFCK and DFCK had confirmed and accepted balances of Kshs.242,191,542.00 and Kshs.123,430,988.00 as due and correctly payable to themselves respectively. It has however not been explained why the total amount of Kshs.365,622,530 has not been paid over to the two institutions.

ASIAN OFFICER'S FAMILY PENSION FUND

175. In the Report for 2002/2003, concern was expressed over inability by the Ministry to confirm the completeness and accuracy of the Asian Officer's Family Pensions Fund Accounts for the previous years because the Ministry did not prepare and submit for audit the Fund Accounts for the years 1973/1974 through to 1995/1996. These Accounts would have provided a basis for confirmation of the correctness of all the balances brought forward and reflected in the Accounts for subsequent years up to 2002/2003.

176. A review of the position during the year 2003/2004 revealed that there has been no change in the position in that the Accounts for 1973/1974 through to 1995/1996 have still not been prepared and submitted for audit. Consequently, it is still not possible to confirm the completeness and accuracy of the Asian Officer's Family Pensions Fund Accounts for 2003/2004.

177. The Income and Expenditure Account for the Fund for the year ended 30 June, 2003 reflected interest income totalling Kshs.4,736,780.20 made up of Interest on Investments of Kshs.3,637,800.00 and Interest Receivable from cash Deposit with Cereals and Sugar Finance Corporation of Kshs.1,098,980.20.

178. The Income and Expenditure Account for 2003/2004 does not however show any interest as having been received during the year from the Fund's Investments of Kshs.34,098,980.00 and Cash Deposit of Kshs.15,200,000.00 with the Cereals and Sugar Finance Corporation and no explanation has been provided for this clearly unusual situation.

179. In the report for the previous year, reference was made to an amount of Kshs.22 million relating to proceeds from redemption of Kenya Stock in July 2001 which had not been re-invested as at 30 June 2004 and was lying dormant in a Deposits Account. Available information indicates that a further investment of 10.75% Kenya Stock valued at Kshs.33,840,000 matured during 2003/2004 and was promptly redeemed into cash. However, and similar to the previous redemption, the proceeds from this investment had not been re-invested as at 30 June 2004 and the amount was therefore lying idle in the Deposits Account. As in the previous year, no explanation has been provided for this unsatisfactory state of affairs.

180. Further and as reported in 2002/2003, the Balance Sheet as at 30 June 2004 continued to reflect cash on deposit with Joint Consolidated Fund and Cereals and Sugar Finance Corporation of Kshs.248,021,691.45 and Kshs.15,200,000.00 respectively whose existence could not be confirmed in the

absence of Fixed Deposit Receipts or Investment Certificates. Further, considering that the Cereals and Sugar Finance Corporation is insolvent and is likely to be wound-up soon, it appears doubtful that the deposits balance of Kshs.15,200,00 held in the Corporation will be realised into cash.

181. The Balance Sheet as at 30 June 2004 continues to reflect eight (8) credit balances totalling Kshs.137,756,707.40 brought forward from 2002/2003 but which have not been supported with any analyses or other verifiable records to show exactly what they represent. No explanation has been provided for lack of the analyses.

182. Interest Received (Sundry Debtors) Account debit balance of Kshs.12,088,782.20 and Accumulated Interest Receivable from Cereals and Sugar Finance Corporation Account credit amount of Kshs.10,989,802.20 reflected in the audited Balance Sheet as at 30 June 2003 were not brought forward and accounted for in the Accounts for the year under review. No explanation has been provided as to why these balance were omitted.

183. The Balance Sheet as at 30 June 2004 also shows a Paymaster General Account balance of Kshs149,357,256.00 which has not been supported with a Bank Certificate or a Bank Reconciliation's Statement. In the absence of the Certificate or the Reconciliation Statement, it has not been possible to confirm the correctness of the balance.

PROVIDENT FUND

184. In the Report for the year 2002/2003 reference was made to the Provident Fund Accounts for the years 1973/74 to 1995/96 which were not prepared and submitted for audit as a result of which the correctness of the opening balances of the Fund Accounts for the ensuing years up to 2002/2003 could not be ascertained.

185. During 2003/2004, the Ministry prepared and submitted for audit an Income & Expenditure Account for the year and a Balance Sheet as at 30 June 2004. However and as reported in the previous year, it has not been possible in the absence of the Accounts for the period 1973/74 to 1995/96 to confirm the accuracy of the accumulated and brought forward balances reflected in the Balance Sheet as at 30 June 2004.

186. In addition, amounts of Kshs.6,666,990 and Kshs.6,060,900 reflected in the Balance Sheet for 2002/2003 in respect of Sundry Debtor and Accumulated Interest Receivable from Cereals and Sugar Finance Corporation respectively have been omitted from the Balance Sheet for the year under review and no explanation has been provided for the omission.

187. Further, and as observed in the previous year, an amount of Kshs.3,796,226.25 reflected in the Balance Sheet and indicated as representing cash deposits with Cereals and Sugar Finance Corporation may not be realizable due to the fact that the Corporation is technically insolvent.

ASIATIC WIDOWS AND ORPHANS PENSIONS FUND

188. In the Reports for the previous years, concern was raised over failure by the Ministry to prepare and submit for audit Fund Accounts for the years 1973/1974 to 1995/96, as a result of which it was not possible to confirm the accuracy of the Fund Accounts for the years 1996/97 to 2002/2003 which were prepared and submitted for audit.

189. A review of the position during the year 2003/2004 revealed that there was no change and as previously reported, the Fund Accounts for the years 1973/74 to 1995/96 have still not yet been prepared and submitted for audit. Therefore and as in previous years, it has not been possible to confirm the correctness of various balances reflected under Assets and Liabilities in the Fund Balance Sheet as at 30 June 2004.

KENYA LOCAL LOANS SUPPORT FUND

190. As in the previous year, the Balance Sheet of the Kenya Local Loans Support Fund as at 30 June 2004 reflects a Paymaster General Account balance of Kshs.68,088,383.50 while the Trial Balance as at the same date shows a balance of Kshs.46,028,733.50 against the Account. As was observed in the report for 2002/2003, the difference of Kshs.22,059,650 relates to redemption of investments of equivalent amount in the year 2000 and 2001, but which redemption has not been reconciled or adjusted between the two sets of records.

191. The Balance Sheet also reflects Investment at Cost of Kshs.10,410,373.50 which differs by an amount of Kshs.22,059,650.00 with the balance of Kshs.32,470,023.50 reflected in the Statement of Assets and Liabilities for Deposit 07 as at 30 June 2004. Although as indicated above the difference of Kshs.22,059,650.00 represents redemption of stock, it has not been explained why the redemption has not been reflected in the Fund Account. It has also not been possible to ascertain whether or not the proceeds of the Investment so redeemed were received in the Exchequer. Further, and as was also noted in the report for 2002/2003, the balance of Kshs.10,410,373.50 shown in the Balance Sheet against Investment at Cost includes a long-outstanding unidentified and unexplained figure of Kshs.6,406,773.50.

192. The Balance Sheet in addition reflects interest accrued balance of Kshs.6,600,000 in respect of an initial investment of Kshs.4,000,000 made in

July, 1992 with Cereals and Sugar Finance Corporation. Available information however indicates that no interest has been received by the Ministry from the Corporation since the investment was made, apparently because the Corporation is irreversibly insolvent.

193. Further, the Fund Accounts still reflect an unanalyzed credit balance of Kshs.732,977.35 relating to Items Awaiting Clearance. In the absence of an analysis, it has not been possible to establish what the balance represents.

EUROPEAN WIDOWS AND ORPHANS PENSIONS SCHEME

194. In the Report for the year 2002/2003, reference was made to the Fund's Balance Sheet as at 30 June 2003 which did not disclose the proceeds of Kshs.9,000,000.00 realized in July 2001 on the redemption of the 11% Kenya Stock 2000. The proceeds were instead credited in a Deposit Account maintained by the Ministry where they were held without being reinvested.

195. A review of the position during the year 2003/2004 revealed that the amount of Kshs.9,000,000.00 has again not been disclosed in the Fund Accounts for the year and that the amount is still being held in the Deposit Account.

196. The Accounts also exclude a balance of Kshs.13,440,825.50 under Sundry Debtors which was reflected as an asset in the Balance Sheet for 2002/2003 and no explanation has been given for the omission.

197. The Accounts similarly exclude a balance of Kshs.12,218,932.00 indicated as representing Accumulated Interest Receivable from the Cereals and Sugar Finance Corporation and which was reflected in the audited Accounts for 2002/2003. Again, and as in the previous instance, no explanation has been provided for not bringing forward the figure of Kshs.12,218,932.00 in the Balance Sheet for 2003/2004.

198. Further, the Balance Sheet reflects a PMG balance of Kshs.82,754,613.75 as at 30 June 2004. However, no Bank Certificate or other relevant records have been made available to confirm the correctness of the balance or even its existence.

PENSIONS DEPARTMENT

199. In the reports for the previous years, reference was made to the fact that the Pensions Department had not been preparing and submitting for audit monthly Bank Reconciliation Statements and that the last Bank Reconciliation Statements prepared and submitted for audit were for December 1997 and June 1998 for the Recurrent and Deposit Cash Books respectively.

200. A review of the position during the year 2003/2004 revealed that the situation has not changed in that no additional Bank Reconciliation Statements have been prepared and submitted for audit and no indication has been given by the Department of the efforts it is making to improve on this very unsatisfactory situation. Consequently and in the absence of up-dated Bank Reconciliation Statements, it has not been possible to reconcile the cash at bank balance of Kshs.388,214,106.05 shown in the Board of Survey Report and the Certified Bank balance of Kshs.1,697,806,512.25 as at 30 June 2004 or even to ascertain what the difference of Kshs.1,309,592,406.20 between the two sets of records represents.

201. In the report for 2002/2003, it was stated that payrolls for Pension Payments of Kshs.93,204,120.70 relating to 1999/2000 which had been sent to various District Commissioners and District Officers for payment to various pensioners had not been returned to the Pensions Department for reconciliations raising the issue of whether such payments had been made to the respective pensioners. A review of the position during 2003/2004 indicated that out of a payroll figure of Kshs.93,204,120.70 which had not been accounted for, pension payrolls for an amount of Kshs.79,063,066.25 had been received and accounted for as at 30 June 2004 leaving a balance of Kshs.14,141,054.45 still unaccounted for. No explanation has been provided for the failure by the respective District Commissioners and District Officers to account for the unreturned payrolls.

OFFICE OF THE PRESIDENT

UNDER EXPENDITURE AND UNDER COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D.01

202. The Appropriation account for Vote D.01 for the year 2003/2004 reflects gross under expenditure of Kshs.2,175,294,529.25 or about 44% of the approved gross estimate of Kshs.4,968,565,526.00 and a deficiency in Appropriations-In-Aid of Kshs.321,583,808.10 or 65% of the estimated receipts of Kshs.495,691,180.00.

203. The reasons given for the under expenditure and under collection of Appropriations-In-Aid include lack of Exchequer Issues from the Treasury, lack of documentation from WFP on the value of food commodities supplied to the districts, delays in project implementation resulting into under expenditure and direct payment by UNDP confirmed after the financial year end resulting into deficiency in Appropriations-in-Aid.

UNSUPPORTED EXPENDITURE – KSHS.14,796,550.00 VOTE R. 01

204. The Appropriation Account for Vote R01 – Office of the President for the year ended 30 June 2004 reflects an expenditure of Kshs.14,796,550.00 under Head 001, Item 196 for Honours and Awards. The amount was paid to a company in the United Kingdom for the supply of 420 honours and medals. The two payment vouchers raised in respect of this expenditure were however, not supported with a purchase order, bank guarantee and minutes of the Ministerial tender committee (MTC) to show that the honours and awards were competitively sourced. A certificate was also not provided to show that the honours and medals were received and taken on charge in the appropriate records. As a result the propriety of the expenditure could not be confirmed.

PAYMENTS UNACCOUNTED FOR

205. In September 2003, the Office of the President paid an amount of Kshs.25,000,000.00 to the Permanent Secretary, Ministry of Foreign Affairs for the purpose of facilitating the immediate former Head of the State's trip to the USA. The amount was paid in September 2003 and charged to Item 268 - Expenses for Retired Heads of state. However, the Ministry of Foreign Affairs has not submitted an account to the Office of the President showing how the amount was utilized.

206. The account shows that in addition, another payment of Kshs.25,000,000 was charged to the same Item 268 – Expenses of Retired Heads of State thus bringing the total expenditure under the item to Kshs.50,000,000. No supporting documents have been produced for audit review for the second payment of Kshs.25,000,000.00. In addition, the expenditure of Kshs.50,000,000.00 was charged to an item which had no budgetary provision indicating that the expenditure of Kshs.50,000,000.00 had no parliamentary authority. The explanation given in the footnotes to the account is that the over-expenditure was due to reduction through supplementary estimates after the expenditure had been incurred.

207. In the absence of an account from the Ministry of Foreign Affairs for the first sum of Kshs.25,000,000.00 and supporting vouchers and documents for the additional sum of Kshs.25,000,000.00, it has not been possible to ascertain the propriety of the total expenditure of Kshs.50,000,000.00. It is also not clear why the provision was deleted from the approved estimates in spite of the expenditure having been incurred.

FAMINE RELIEF FUNDS COLLECTED BY THE GOVERNMENT FROM 1 JULY 2003 TO DATE

208. The severe drought which affected the country in 2003/2004 was declared a national disaster by His Excellency the President on 14 July 2004. Thereafter appeals were made for local and international support in form of food, material and monetary assistance. The Permanent Secretary for Special Programmes under the Office of the President was given the responsibility for co-ordinating the exercise.

209. Available information indicates that after due consideration the Office of the President appointed the Kenya Red Cross Society as the lead Agency in the distribution of local famine relief aid while the World Food Programme was to coordinate international aid. The reasons and criteria used in the decision to have the Kenya Red Cross Society and the World Food Programme as lead Agencies were not made available for audit review. The scope of the mandate of these agencies could not therefore be established. With the appointment of the two Agencies the Ministry's role was apparently reduced to that of receiving local cash/cheque donations and or any other material assistance which it then remitted to the Kenya Red Cross Society.

210. The audit of the monetary and other donations made through the Ministry, revealed that the Ministry did not keep any donation register indicating the donors and the amounts received. There were also no records of the disbursements by the Ministry to any of the appointed lead Agencies. Consequently the audit exercise could not establish the total value of donations received in cash or in kind and the value of the total disbursements to the lead Agencies in cash or kind.

211. The Ministry did not maintain records indicating how the funds collected and remitted were applied by the lead Agencies. The Ministry also did not have in place a system for monitoring the movement of donation from lead Agencies to the needy. In addition the Ministry did not issue instructions to the society on how the money was to be utilized. The society was not also instructed to report back to the Ministry on how the funds and donations in kind were applied.

212. There were also no receipts or letters of acknowledgement issued by the Ministry acknowledging donations received. As a result there were no underlying records to allow for a proper audit of the famine relief programme.

213. However available correspondence files in the Office of the President indicate that amounts totalling Kshs.59,017,415.80 were collected and remitted to Kenya Red Cross Society. However, correspondence seen from the Kenya Red Cross Society indicate that the Society received a total of

Kshs.76,627,007.80. The resultant difference of Kshs.17,609,592 has not been explained or reconciled.

AVOIDABLE EXPENDITURE ON THE AIR LIFTING OF PRESIDENTIAL SPEECHES – KSHS.936,910.00

214. An Air Charter company was contracted to airlift Presidential Speeches a day prior to three (3) National Days, namely Kenyatta, Jamhuri and Madaraka days for distribution to all District and Divisional Headquarters at a unit cost of Kshs.1,906,128.00 per day. One of the conditions given by the company for operation of their aircraft on this mission, was that in the event that the airlifting of speeches was not done due to factors beyond their control, such as delayed printing or non-delivery of the documents, credit would not be given and payment must be made. The delivery could however be carried out the following or any other day provided an additional booking and payment at the contracted rate was made.

215. The Office of the President failed to deliver the 12 December 2003 Presidential Speeches for airlifting to various parts of the country on the 11 December 2003, the day it had booked and payment made in advance because the speeches were not ready. Therefore, additional booking had to be made to airlift the speeches in the morning of the 12 December 2003 but the Ministry was compelled to pay a cancellation fee of Kshs.936,910.00 for 11 December 2003 which could have been avoided if the speeches were delivered on the agreed date and time.

COMPENSATION AND EX-GRATIA PAYMENTS

216. The Appropriation Account for Vote R.01, Office of the President for the year 2003/2004 reflects expenditure of Kshs.91,058,488.65 under Subvote 010, Head 001, Item 198 – Compensation and Ex-gratia payments. However, the schedule of compensation and ex-gratia payments submitted along with the Accounts reflects expenditure of Kshs.91,028,247.05 resulting in a difference of Kshs.30,241.60. No explanation has been provided for the difference.

217. Further, during the year under review, Office of the President failed to settle in time court awards totalling Kshs.6,202,857.25. As a result the office incurred extra expenditure of Kshs.1,350,230.65 in form of accrued interest which could have been avoided if the court awards were paid in time.

218. In addition, an award of Kshs.870,160.00 was made to a litigant in a Nairobi High Court case on 8 October 2001. The award was in compensation for loss of the litigant's husband, following an accident along Magadi – Kiserian road involving a GK vehicle belonging to the police. The award consisted of a

principal amount of Kshs.768,000.00 and costs of the suit of Kshs.102,160.00 all totalling to Kshs.870,160.00 and was settled on 10 June, 2004. The payment of Kshs.870,160.00 did not however include accrued interest which was to be calculated at court rates of 12% p.a on the principal amount of Kshs.768,000.00, until payment was made in full. The delay in settling the principal sum of Kshs.768,000.00 from 23 October 2001 to 20 August 2004 the date the payment was received resulted in accumulation of interest payable of Kshs.259,815.45 which was paid on 12 January 2005.

UNVOUCHED EXPENDITURE

219. The Appropriation Account for Vote D.01 for the year 2003/2004 includes expenditure of Kshs.51,682,113.95 made up of three payment vouchers which were not made available for audit review. In the absence of supporting payment vouchers, it has not been possible to ascertain the propriety of the above expenditure.

CONSTRUCTION CONTRACTS – NON AVAILABILITY OF DOCUMENTS

220. Contract documents in support of expenditure totalling Kshs.156,525,096.43 incurred on thirteen (13) projects were not made available for audit review. In the absence of contract documents in respect of these projects, it has not been possible to ascertain the propriety of the expenditure incurred. In addition, no proper project files have been maintained at the Ministry's Headquarters to show how the project funds have been spent.

GOVERNMENT PRESS FUND

221. In the previous year's report, reference was made to the delay by the Fund in collecting debts due from Ministries, Departments, State Corporations and Presidential Commissions of Inquiries. The Position improved somewhat during the year 2003/2004 in that out of the figure of debtors brought forward on 1 July 2003 of Kshs.67,771,987.30 debts amounting to Kshs.32,074,862.00 representing 47.3% of the total were collected leaving a balance of Kshs.35,697,125.50 still uncollected as at 30 June 2004. Additional debts of Kshs.7,083,555.00 were incurred during the year 2003/2004 bringing the total debtors figure to Kshs.42,780,680.05 as at 30 June 2004. The debtors balance includes Kshs.10,485,504.00 which was outstanding as at 30 June 2003 and in respect of which no effort at all appears to have been made during the year to collect.

222. Further, the debtors balance continues to include debts totalling Kshs.44,021.00 due from 3 Presidential Commissions of Inquiries which had long completed their tasks.

223. As in the previous year's balance sheet, Raw Materials figure of Kshs.216,053,744.00 includes an amount of Kshs.5,089,035.00 in respect of papers which were stolen in January 2001. No provision has been made in the accounts under review for the write-off of this loss and for this reason, the excess of income over expenditure of Kshs.34,473,560.55 is overstated by the same figure of Kshs.5,089,035.00.

STRATEGIC GRAIN RESERVE TRUST FUND

224. The Strategic Grain Reserve Trust Fund was established by the Minister for Finance under Legal Notice No.55 of 15 April 2002 and came into operation on 1 April 2002. The object and purpose of the Fund is to provide a strategic grain reserve in physical stock and cash equivalent. Examination of the Financial Statements of the Strategic Grain Reserve Trust Fund and related records for the year ended 30 June 2004 has revealed a number of unsatisfactory matters as detailed in the ensuing paragraphs.

225. As reported in the previous year an Agency Agreement between the Office of the President and the National Cereals and Produce Board has not been made available for audit review. In the absence of a signed Agency Agreement there does not seem to exist a regulatory framework which guides the business relationship between the Government and N.C.P.B. As a result, the charges, fees and commissions levied by NCPB cannot be confirmed as a proper charge to the assets of the Strategic Grain Reserve Trust Fund.

226. The balance sheet as at 30 June 2004 reflects a stock of 782,429 bags of maize valued at Kshs.1,026,688,100.00 and 839,770 gunny bags valued at Kshs.72,787,544.00 while the NCPB records as at the same date show physical stock of SGR to be 984,215 bags. The difference of 201,786 bags of maize is explained in a footnote to the account as arising from non-transfer of stock from SGR to Relief. Consequently the stock as at 30 June 2004 cannot be confirmed considering that SGR maize is not distinguishable from relief and NCPB's own commercial maize stocks in the depots.

227. The Income and Expenditure Account for the year ending 30 June 2004 shows sale of SGR maize totalling 1,312,897 bags at varying unit prices for a total of Kshs.1,878,542,924.00. Minutes of the SGR Board of Trustee approving the disposal of 1,000,000 bags to the local market, 111,111 bags to the government of Tanzania and 201,786 bags to Relief Department have not however, been made available for audit verification. Consequently, the authority

for the sale prices varying from Kshs.1,394.70 to Kshs.1,680.00 per bag cannot be confirmed.

Debtors and Creditors

228. The account reflects Accounts receivables of Kshs.6,520,245.55 and Accounts payables of Kshs.44,526,943.75 resulting into a net balance of Kshs.38,006,898.20 due to NCPB. A statement of Account by NCPB as at 30 June 2004 shows that an amount of Kshs.21,695,485.46 is due from the Strategic Grain Reserve Fund. No reconciliation has been provided for the difference of Kshs.16,311,212.74 between the two(2) accounts.

REVENUE HEAD 170-010 – TOURIST AND WILDLIFE REVENUE

229. The Statement of Revenue Head 170-010 – Tourist and Wildlife Revenue for the year ended 30 June 2004 shows that revenue amounting to Kshs.9,170,200.00 was realised during the year whereas such revenue was not estimated or included in the Estimates for 2003/2004. The Statement further reflects a balance of Kshs.16,808,390.00 as brought forward from 2002/2003 to bring the total revenue collected to Kshs.25,978,590.00 as at 30 June 2004.

230. Out of this amount of Kshs.25,978,590.00, a sum of Kshs.23,901,320.00 was paid to the Exchequer leaving a balance of Kshs.2,077,270.00. No explanation has been given for not paying the balance of Kshs.2,077,270 to the Exchequer. Similarly no explanation has been given for failure by the Ministry to estimate for this revenue for the year 2003/2004.

STATEMENT OF REVENUE FOR HEAD 210 – TRADING LICENCES AS AT 30 JUNE 2004

231 The Statement of Revenue Head 210-010 – Trading Licenses Revenue for the year ended 30 June 2004 shows that revenue totalling Kshs.2,378,000.00 was collected during the year. The Statement further reflects a balance of Kshs.7,952,665.00 as brought forward from 2002/2003 thus making a total of Kshs.10,330,665.00. However, the Ministry paid over to Exchequer Kshs.14,106,031.00 against total collection of only Kshs.10,330,665.00, an overpayment of Kshs.3,775,366.00. The source of the excess amount paid of Kshs.3,775,366.00 is not clear

OLD DISTRICT CASH FUND – OFFICE OF THE PRESIDENT

232. In the Report for the previous years, reference was made to the transfer of the operation of the District Cash Fund from the Office of the President to the

Ministry of Finance with effect from 1 July 2001. It was also stated that the capital of the Fund as at 1 July 2001 stood at Kshs.626,000,000.00, out of which an amount of Kshs.614,800,000.00 had been issued to various District Treasuries leaving a balance of Kshs.11,200,000.00 with the Office of the President Headquarters. The District Treasuries were required to surrender back to Office of the President the total amount of Kshs.614,800,000.00 issued to them. The Office of the President would then have remitted back to the Exchequer the total amount of Kshs.626,000,000.00, in surrender of the full Capital of the Fund as at 1 July 2001.

233. A review of the Balance Sheet of the Old District Cash Fund as at 30 June 2004 reveals that the District Treasuries have still not surrendered the Cash Fund balances totalling Kshs.209,115,191.00 a figure which also includes Kshs.7,350,000 shown as due from the Accountant General Treasury. No explanation has been given for failure to surrender this amount. No explanation has also been given as to how or for what purpose the amount of Kshs.7,350,000 was advanced to the Accountant General, Treasury.

234. Records at the Office of the President indicate that only an amount of Kshs.255,345,199.40 had been remitted to the Exchequer between March 2002 to October, 2004. The balance sheet of the Fund however, indicates an amount of Kshs.242,477,620.15 as having been surrendered by the Districts to the Office of the President but the amount was still held in deposit instead of being paid over to the Exchequer. No explanation has been provided for not remitting the amount to the Exchequer.

235. The District Cash Fund account reflects a capital fund of Kshs.440,830,778.30 as at 30 June 2004. However, the capital of the Fund as at 1 July 2001 was Kshs.626,000,000.00 out of which an amount of Kshs.187,745,199.40 had been remitted to the Exchequer by 30 June 2004 leaving a balance of Kshs.438,254,800.60 as the Fund capital as at 30 June 2004. The difference of Kshs.2,575,977.70 between the two figures has not been explained.

AVOIDABLE EXPENDITURE - CONSTRUCTION OF THE MAKUENI DISTRICT HEADQUARTERS

236 Records held at the Office of the President show that a contract was entered into between the Government and an engineering Construction company on 6 February, 1990 for the construction of Makueni District Headquarters Office Block and Civil Servants staff quarters at a total cost of Kshs.480,141,896.50. The Government and the Contractor had however negotiated earlier and the contractor had taken possession of the site on 21 March 1989 and commenced works. No tenders appear to have been invited for the contract. The duration of the contract was 200 weeks and date of completion was given as 29 April 1993.

237. The contractor however suspended the works in 1991 due to delays by the Office of the President in settling bills due for work certified. According to the records the project was approximately 70% complete. The Office of the President, however, eventually made payment of the last installment of the amount due to the contractor in June 1994. Thereafter, the Government made demands on the contractor to resume work on the site without further delay. The contractor however declined to comply with the demand, insisting that the contract had to be revised to address the following matters:-

- i) Extra time for completion of the Project.
- ii) Adjustments to the Bills of Quantities on account of changes in prices of inputs.
- iii) Compensation for loss incurred due to delayed payments.
- iv) An assurance by the Government that future payments would be honoured upon issuance of certificates of work completed.

238. The Government however insisted that the Contractor should resume work unconditionally considering that all pending bills in respect of the project had been settled. Therefore, when the contractor declined to resume work (even after being served with notices that the contract would be determined unless the contractor resumed work) the government finally determined the contract on 14 February 1996.

239. Following the determination of the contract by the government on account of the contractor defaulting to proceed with works, the company instituted a Civil Suit against the Government at Milimani Commercial Court in Nairobi. The Contractor claimed loss, damages and interest totalling to Kshs.1,322,977,028.10 on account of delayed payments and determination of the contract by the government, in addition to general damages, interests and cost of the suit. The contractor, on 22 February 2002 revised his claim for damages to Kshs.1,672,696,798.40 but later revised it down to Kshs.945,310,472.52.

240. In August 2002, the Attorney General's Office advised the Office of the President to try and reach an amicable settlement with the Contractor. The advice resulted from a request by the High Court Judge for the parties to consider whether the dispute was one that could be amicably resolved without the necessity of Litigation. The Office of the President accepted the advice and allowed the Attorney Generals Office to facilitate a series of meetings whose members included representatives from Office of the President, Ministry of Roads and Public Works, the Contractor and the Attorney General's Office. Although, the Government representatives were of the opinion that both parties (the government and the contractor) contributed to the frustration of the contract, the agenda of the meetings appears to have been to discuss a suitable settlement in favour of the Contractor. Therefore, an evaluation of the latter

claim by the contractor for Kshs.945,310,472.52 was made and an offer for settlement of Kshs.491,295,316.90 instead offered to the contractor which the contractor accepted.

241. A Statement of payment on account was prepared and the pending bill referred to the Treasury for authority to incur the expenditure. A Pending Bill Validation and Verification Committee formed by the Treasury evaluated the claim and made several adverse observations. The committee observed that the project had been surrounded by many irregularities including procurement, retention monies being released before they were due and the Contractor being paid an advance before providing a bank guarantee. The committee further noted that the Contractor had commenced work without any written agreement, the letter of acceptance was issued eleven months after commencement of works and that payments were made to the Contractor before there was any contract in force. The committee therefore concluded that the contract was irregularly awarded. However, the Committee arrived at the recommendation that the contractor be paid a total of Kshs.324,977,409.50 in full and final settlement of all his dues.

242. The recommendation for a settlement of Kshs.324,977,409.50 was at variance with the recommendation by a Pending Bills Action Plan Committee also of Treasury which had earlier on 20 June 2003, having observed the numerous irregularities surrounding the contract, ruled that no payment should be made to the contractor on account of the claim and that any dispute should be settled through arbitration as provided for under clause 32 of the Contract Agreement. In spite of this recommendation by the Treasury's Pending Bills Action Plan Committee the Office of the President went ahead and paid compensation totalling Kshs.329,954,460.60 arrived at as follows:-

<u>Particulars</u>	<u>Amount (Kshs)</u>
Breach of Contract	324,977,409.50
Plaintiffs cost of suit	<u>4,977,051.10</u>
Total	Kshs.<u>329,954,460.60</u>

243. Arising from the foregoing the following questions arise:-

- (i) Why the Office of the President admitted liability and opted for an amicable settlement rather than referring the matter to arbitration as provided in the contract agreement.
- (ii) Why the Attorney General advised the Office of the President to negotiate for an amicable solution instead of defending the case in court.
- (iii) Why and on what basis the Treasury committee on Pending Bills validation and verification arrived at and recommended a sum of Kshs.324,977,409.50 to be paid to the contractor.

- (iv) Why the advice by the Treasury Pending Bills Action Plan Committee that no payment should be made to the contractor was ignored.

UNSURRENDERED OLD RECURRENT CASH FUND AT MERU CENTRAL DISTRICT TREASURY – KSHS.5,500,000.00

244. From July, 2001, all the old Recurrent and Development Cash funds were to be frozen pending reconciliation by the District Treasuries with a view to closing them down and surrendering the funds to the Accounting Officer, Office of the President by 15 January 2002. It has been observed that despite the directive, Meru Central District Treasury had not surrendered the whole recurrent cash fund of Kshs.5,500,000.00 as at 30 June 2004. The reasons given for non-surrender is that loss reports for Kshs.3,294,541.90 and Kshs.4,785,505.45 sent on 28 November 2001 to the Accounting Officer, Office of the President had not been processed. The loss of Kshs.3,294,541.90 was in respect of payments in the bank statement not recorded in the cash book while the one of Kshs.4,785,505.45 was in respect of receipts in cash book not recorded in Bank Statement

245. Available information show that the payments in bank statement not recorded in the cash book were made between December 1970 and October 2001 and included items such as error corrected, stale cheques, cheques paid, overcasts, RD cheques, commissions, interests, cheque books etc. The receipts in the cash book not recorded in the bank statement were received between August 1975 and September 2000 and included items such as bank difference, amount banked, Extra block, cheque banked, cash book overcast, error corrected, contra entries, cash adjustment of Kshs.1,038,000.00 on 23 February 1984 and the names of some of the individuals and institutions who paid the money to the district treasury not known.

246. No proper investigations were carried out to establish what the payments in the bank statement not recorded in the cash book represented or what the receipts in the cash book not in the bank statement were. Such investigations should have been carried out before the loss reports were submitted to the Accounting Officer.

247. Also according to the available and latest recurrent cash fund reconciliation statement as at 20 November 2003, RD cheques, safari imprests, rejected vouchers, unforwarded vouchers, partly paid vouchers, IOUs and other imprests all amounting to Kshs.796,920.00 formed part of cash as at 30 June 2004. All these were for the period between April 1975 and February 2001. The outstanding imprests of Kshs.389,920.00 included Kshs.200,000.00 issued to a retired Provincial Commissioner, on 7 August 1998.

248. The old recurrent cash fund reconciliation also shows two outstanding Paymaster General rejections for the week-ending 16 June 2001 amounting to Kshs.259,603.75 and cash advances totalling Kshs.1,916,040.90 from the Ministry of Public Works – Kshs.1,535,865.00, Health – Kshs.379,967.10 and National Security Intelligence Services and Education – Kshs.208.80. No reasons have been given as to why all the items forming part of the old recurrent cash fund have not been cleared.

LOSS OF CASH AT ISIOLO DISTRICT TREASURY – KSHS.764,797.05

249. Audit examination of cash records maintained at Isiolo District Treasury revealed a cash loss of kshs.764,797.05. Available information indicates that the losses were perpetrated by a former cashier, between June 2003 and January 2004 as follows:

Cash Shortage – Kshs.473,699.10

250. The cash shortages totalling Kshs.473,699.10 were noted in various ministries/departments cash analysis books. The records showed that the officers from the ministries/departments had not surrendered their imprests but when recovery procedures were instituted the officers proved that they had surrendered the imprests while the cashier kept the imprest warrants in his safe and reflected them in the cash analysis books as part of cash. When challenged to prove that that was the position, the cashier removed the imprests warrants from the safe and indicated cash shortages in the Ministries/Departments cash analysis books. Although the cashier accepted the liability and undertook to pay a total of Kshs.428,842.70 in twelve monthly instalments of Kshs.35,736.90 with effect from March 2004, no evidence has been produced to show that he has paid any of the amounts due. It was also not indicated how he would pay the difference of Kshs.44,856.40.

Fraudulent Payments – Kshs.237,682.30

251. During the week ending 30 June 2003, the cashier booked in the cash book several policemen payment vouchers and fraudulently indicated that he had paid them cash for the claims they had made in respect of travelling and accommodation, leave expenses etc. The fraud was discovered when the police officers complained that they had not received their money pointing out that they had not signed for the receipt of cash. Again the cashier accepted the liability and undertook to pay Kshs.237,000.00 in one instalment by 1 March 2004 but he did not honour his promise and so far there is nothing to indicate that he has paid the amount.

False Bankings 53,415.65

252. In May and September 2003, two entries of Kshs.12,406.00 and Kshs.41,009.65 in respect of surrender of salary and cash for cheque respectively, were entered on the receipt side of the recurrent cash book and purported to be bankings. The amounts were not however, banked since no bank pay-in-slips were seen and they did not appear in the bank statement but were reflected in the bank reconciliation statement as receipts in the cash book not yet recorded in the bank statement. The cashier did not explain these false bankings.

253. It was also observed that these malpractices were happening at the District Treasury due to lack of internal control as the cashier was not being checked daily as required by the financial regulations in force. Also although the matter is said to have been forwarded to Isiolo C.I.D. office, no prosecution has taken place so far. Further, no disciplinary action appears to have been taken against the officer or recoveries made from his salary. Also, it was not clear why in June 2004 the District Accountant sought for the amounts to be written-off before proving that the total amount of Kshs.764,797.05 was irrecoverable from the officer who had perpetrated the frauds.

MISMANAGEMENT OF FUNDS AT TURKANA DISTRICT TREASURY

Unsurrendered Old Recurrent Cash Fund – Kshs.5,944,074.35

254. In July 2004, the attention of Turkana District Accountant was drawn to a number of unsatisfactory matters. From 1 July 2001, all the old district recurrent and development cash funds were to be frozen with a view to closing them down at an appropriate date. In December 2001, it was decided that all the bank accounts balances be recalled and surrendered to the Office of the President by 15 January 2002. Despite the directives, it was observed that Turkana District Treasury had surrendered only a total of Kshs.55,925.65 out of the authorized recurrent cash fund limit of Kshs.6,000,000.00 leaving a balance of Kshs.5,944,074.35. This balance was still outstanding as at 30 June 2004.

255. The outstanding balance of Kshs.5,944,074.35 included unanalysed Paymaster General rejections of Kshs.2,792,135.95 for 1997/98 and unsurrendered imprests/OIU's amounting to Kshs.3,151,938.40. The outstanding imprest/IOUs of Kshs.3,151,938.40 were held by six (6) officers three of whom were from the Office of the President and three (3) from the Ministry of Finance.

256. The imprests of Kshs.151,904.80 and Kshs.233,683.60 issued to two (2) officers from the Office of the President on unknown dates were related to

Refugee expenses and Kanu Delegates respectively. No details were given as to the nature of these expenses. Three of the imprests were issued to two former District Accountants in January 1998 and a former district cashier in June 1998 but the purposes for which the imprests/IOUs were issued were not indicated. The payments were discovered in the last old recurrent bank reconciliation statement as at 28 February 2002 where they were shown as payments in bank statement not recorded in the cash book.

257. It was noted that apart from the deceased and the retrenched officers, all the other officers were still in government service but no disciplinary action has been taken against them or money recovered from them. Also it was not indicated whether the imprests issued to the deceased and the retrenched officers were recovered from their estate or final dues respectively.

Misuse of Deposits

258. According to the Government Financial Regulations and Procedures, deposits should not be used for any purposes other than those for which they were lodged. Contrary to these regulations, it was noted that between April 1998 and September 2003, Turkana District Treasury had issued to various staff "imprests" totalling Kshs.1,486,550.00 from deposits funds. Nearly all the payments were authorized by the District Accountant. The imprests recipients included a former District Commissioner with a total of Kshs.325,615.00 issued between April 1998 and April 2002. Although the District Accountant has indicated that a total of Kshs.324,050.00 has been recovered from the officers, no verifiable evidence has been produced to confirm the recoveries.

259. Further, according to a Treasury Circular dated 23 June 2003, the old Deposits Bank accounts were to cease to be operational with effect from 1 July 2003 with a period of six months up to 31 December 2003, for clearance of cheques in transit and any other necessary adjustments. At the same time the District Accountants were required to ensure that deposits held in form of I.O.U's and imprests were vigorously and urgently followed up to restore the deposits funds. Despite the directive, the imprests were still outstanding as at 30 June 2004 though the District Accountant has stated that the Deposits Account has been closed without indicating whether the analyses and reconciliations were prepared and the final position submitted to the Office of the President as required by the circulars.

OUTSTANDING DEPOSITS AT EMBU DISTRICT TREASURY

260. From 1 July 2003, all the old deposits bank accounts were to cease to be operational with a grace period of 6 months up to 31 December 2003 for clearance of cheques in transit and any other adjustments which were to be authorised by the Office of the President. At the same time, final balances

supported by analysis and reconciliations were to be submitted to the Treasury by 31 December 2003. However, examination of the old District deposits account revealed that cheques totalling Kshs.174,611.50 were cleared in January 2004 while three other cheques amounting to kshs.152,759.00 were also deposited at the same time. The required authority from the Office of the President for these transactions was not produced for audit verification.

261. Further, although a bank reconciliation statement for the month of December 2003 was prepared and sent to the Office of the President on 28 April 2004, it had unpresented and stale cheques totalling Kshs.6,166,436.15 for the period from January 1998 to December 2003. It was not indicated how these cheques would be cleared. It was also noted that while the ledgers showed a balance of Kshs.358,396.70 as at 31 December 2003, the cash book as at the same date showed a credit balance of Kshs.781,618.85 resulting in unexplained difference of Kshs.423,222.15.

UNSURRENDERED OLD CASH FUNDS AT ISIOLO DISTRICT TREASURY

262. As already stated all the district/provincial old cash funds were to be frozen with effect from 1 July 2001 pending reconciliations to be carried out by the District Treasuries with a view to closing the accounts at an appropriate date. On 11 December 2001 the Accounting Officer, Office of the President directed all the Provincial and District commissioners to close and surrender to the Office of the President the full amount of the authorized District/Provincial cash funds for Recurrent and Development votes as soon as possible but not later than 15 January 2002.

263. Despite the directive, Isiolo District Treasury had not surrendered a total of Kshs.3,403,796.95 in respect of recurrent cash fund and Ksh.411,381.25 in respect of development cash fund as at 30 June 2004.

Recurrent Cash Fund – Kshs.3,403,796.95

264. Out of the authorized cash fund of Kshs.5,000,000.00, Kshs.1,596,203.05 was surrendered to the Office of the President sometime in 2002 leaving a balance of Kshs.3,403,796.95 unsurrendered as at 30 June 2004 comprising of Losses Kshs.1,742,693.05, P.M.G. Rejections Kshs.1,150,000.00, Advances to K.A.N.U Kshs.454,779.50, Partly paid vouchers Kshs.30,765.00 and Unexplained difference Kshs.25,559.40.

Losses – Kshs.1,742,693.05

265. According to the information available, the losses occurred between July 1989 and July 1993 through malpractices in the cash the office and bank

reconciliation section of the District Treasury. The loss was discovered in October 1999 by the Accounts Task Force from Treasury on examination of Isiolo Bank Reconciliations for the period from July 1989 – July 1993. The loss comprised of 16 RD cheques totalling Kshs.816,754.00 which had not been recovered and 31 District Treasury cheques totalling Kshs.925,938.75 which were purportedly paid through the recurrent bank account No.2017034 without passing through the recurrent cash books. No details were given of the persons or organizations who issued the RD cheques or the payees of the cheques that were not entered in the cash book. It was however, noted that although the loss was discovered in October 1999, the loss report was not issued until September 2004, 5 years later. Further although according to the loss report the then District Accountant and the District Cashier were responsible for the loss, no action was taken against them. So far the loss report has not been processed by the Office of the President to enable the District Treasury surrender the old recurrent cash fund as required.

P.M.G. Rejections – Kshs.1,150,000.00

266. The District Treasury had paid a total of Kshs.1,917,136.00 during the financial year 2000/2001 on behalf of the District Education Office in Isiolo district in respect of drought related expenditure but when the District Treasury claimed reimbursement from Paymaster General Treasury, only Kshs.767,136.00 was reimbursed leaving a balance of Kshs.1,150,000 outstanding. Although in November 2001 the District Accountant wrote to the Accountant General in Treasury and requested for reimbursement of this balance, no response has been received and the Paymaster General Treasury has not so far reimbursed the amount or given any reasons for rejection. The amount is therefore still outstanding and forms part of the old recurrent cash fund.

Advances to K.A.N.U. – Kshs.454,779.50

267. Also forming part of the old recurrent cash fund as at 30 June 2004 was a total of Kshs.454,779.50 advanced to K.A.N.U. between December 1988 and December 1992 reportedly to fund KANU elections and nominations. The amounts were advanced to various K.A.N.U officials in form of imprests and signed schedules for transportation and subsistence expenses for the delegates who were to travel to Nairobi for various KANU functions. It is observed that although several letters demanding the payments from the party were written by the District Commissioner during the same period, the party has not responded or paid the money back to the Government. It is also noted that a loss report was filled in September 2004 after a period of 12 years. Since the party is still existing and the recipients of cash are known, it is not clear why the amount should be reported to be a loss instead of being recovered from the party through legal action.

Partly paid Vouchers – Kshs.30,765.00

268. Also as at 30 June 2004, two partly paid vouchers amounting to Kshs.30,765.00 formed part of the old recurrent cash fund. The first payment of Kshs.30,000.00 was made to Harambee Sacco on 28 July 1998 in respect of replacement of a stale cheque while the payment of Kshs.765.00 was made to an individual also for a replacement of a stale cheque. So far the two payment vouchers have not been processed for lack of A.I.E and the amount is still outstanding in the old district recurrent cash fund.

Bank Charges – Kshs.25,559.40

269. Although bank charges for Kshs.25,559.40 formed part of recurrent cash fund as at 30 June 2004 no analysis was made available for verification and it is therefore not known how the amount was arrived at. Also the period the bank charges related to was not indicated. Further, although the District Accountant requested in September 2004 for an A.I.E to be issued so that the amount can be cleared, this request has not been acceded to so far and the amount remains outstanding.

Unsurrendered old Development cash fund – Kshs.411,381.25

270. Out of the authorized development cash fund of Kshs.2,000,000.00, Kshs.1,588,618.75 was surrendered to the Office of the President in January 2002 leaving a balance of Kshs.411,381.75 which was still outstanding as at 30 June 2004. It was not indicated why the balance was not surrendered or when it would be surrendered. Also, the outstanding amount was not supported by a bank statement or anything else to confirm its existence.

UNSURRENDERED OLD RECURRENT CASH FUND AT MERU NORTH DISTRICT TREASURY – KSHS.1,977,891.20

271. As already indicated, the old District Float Fund Cash System and related District Bank Accounts were to be frozen with effect from July, 2001 pending reconciliations to be carried by the District Treasury with a view to closing the accounts and surrendering the balances of the float Funds to the Accounting Officer, Office of the President.

272. Despite the directive, Meru North (Nyambene) District Treasury had surrendered only Kshs.3,022,108.85 out of the authorized cash fund of Kshs.5,000,000.00 leaving a balance of Kshs.1,977,891.15 unsurrendered. The unsurrendered balance of Kshs.1,977,891.15 comprised of unanalyzed bank charges totalling Kshs.557,948.70 and unreimbursed deposits claims amounting to Kshs.1,419,942.45 which were irregularly paid from the recurrent bank account in 1997 but the payment vouchers allegedly rejected after the old district

deposits funds were frozen in July, 1997. So far the bank charges have not been analysed and the deposits paid from the recurrent bank account have not been refunded and no further explanation has been given.

MISMANAGEMENT OF OLD DEPOSITS FUNDS AT BUNGOMA DISTRICT TREASURY

273. In August 2004 the attention of Bungoma District Commissioner was drawn to a number of unsatisfactory matters. Audit examination of old deposits Bank Reconciliation statements for November 2002 and February 2004 revealed that a total of Kshs.2,311,970.75 was lost between 25 March 2002 and 19 August 2002. According to the bank reconciliation statements, it was indicated that a total of twelve (12) cheques amounting to Kshs.2,311,970.75 appeared in the reconciliation statement as payments in bank statement not recorded in the cash book. No payment vouchers or any other supporting documents were seen but a scrutiny of cheque counterfoils indicated that the cheques were encashed for office use. It was not indicated how the money was used in the office or by whom.

274. Although it has been indicated that a former District Accountant was responsible for the mismanagement of the cash fund and therefore for the loss, no disciplinary action appears to have been taken against him or a loss report prepared.

Return to Drawer Cheques – Kshs.240,474.70

275. The old deposits bank reconciliation statement as at February 2004 shows 21 return to drawer (RD) cheques amounting to Kshs.240,474.70 drawn between April 1998 and September 2003. Since the physical RD cheques were not made available for audit verification, the details of the drawers and what they were paying for and the names of the payees could not be established. Consequently, this appears to be yet another unexplained loss of cash.

Outstanding IOU – Kshs.120,000.00

276. Also forming part of the old deposits fund is an amount of Kshs.120,000.00 in respect of an IOU issued to a former District Accountant, who was said to have been interdicted for unstated reasons. It was not indicated when the IOU was issued but so far nothing has been recovered from the officer or an explanation given for failure to do so.

277. Further, although all the District Accountants were required to close the old deposit bank accounts with effect from 1 July 2003, analyse and reconcile the old deposits accounts and the ledgers and submit the final position to the Office of the President by 31 December 2003, Bungoma District Accountant had not

complied with this requirements as at 30 June 2004 and so far, no explanation has been given for failure to do so.

MISMANAGEMENT OF CASH AT MIGORI DISTRICT TREASURY

278. In September 2004, the attention of Migori District Accountant was drawn to a number of unsatisfactory matters. In particular an audit examination of the old deposit account as at 30 June 2004 revealed that a total of Kshs.6,254,232.75 had been lost. According to the loss report dated 7 October 2004, the loss occurred between 1997/98 and 2001/2002 but was discovered in November 2003 and was attributed to two former District Accountants. One of them, is said to have retired sometime in year 2001 and was succeeded by the currently Kisumu District Accountant. Also according to the loss reports, the total loss of deposits cash reported to the Accounting Officer in October 2004 is Kshs.6,572,160.40 instead of Kshs.6,254,232.75 shown in the reconciliation. The difference of Kshs.317,927.65 has not been explained. No details of how the loss occurred have been produced but it has been indicated that it occurred through unanalysed cash withdrawals for office use. It was also reported that the deposits cash book and some bank statements for 1998/99 got lost making the preparation of bank reconciliation statements difficult.

279. The matter was reported to the District Criminal Investigations Officer in March 2004 but so far nobody has been held responsible. No explanation was given as to why it took 5 years to report the matter to the D.C.I.O. Also no action appears to have been taken against the two officers and the matter was not reported to the police when the loss of deposits cash was discovered in November 2003. Also it was not indicated whether unanalysed inter-ministerial borrowing of Kshs.1,697,312.50 had been refunded to the deposit account. According to financial regulations, deposits should only be used for the purposes they were lodged. In addition, reimbursements whose details were not given were still outstanding as at 30 June 2004.

280. It was further noted that between February 1999 and August 2003, cheques totalling Kshs.4,235,248.55 were issued to various depositors, Banks, Public Trustees and Departmental Heads for onward transmission to the depositors/dependants. The cheques which were already stale had not however, been released to the payees for lack of funds in the deposits bank account but formed part of deposits cash while the depositors files showed that their money had been paid and their cases finalised. No explanation was given as to why this was done and so far the depositors have not been paid. Although according to the Treasury instructions, the final deposits balances supported by analyses and reconciliations were to be submitted to the Treasury by 31 December 2003, the same had not been submitted by 30 June 2004.

UNSURRENDERED/LOST OLD CASH FUNDS

Recurrent Cash fund- Kshs.4,945,355.50

281. According to Treasury Circular of 25 April 2001, the old district recurrent and development cash funds were to be frozen from 1 July 2001 with a view to closing them and surrendering the funds to the Office of the President by 15 January 2002. It was observed that the recurrent account had an unauthorised cash limit of Kshs.5,000,000 out of which Kshs.4,400,000 was allegedly surrendered to the Office of the President through cheques for Kshs.100,000.00 each all dated 6 September 2001 leaving a balance of Kshs.600,000.00 unsurrendered. It was not clear why one cheque could not be issued for the total amount of Kshs.4,400,000. Further audit investigations and the records held by the Office of the President as at 15 July 2004 revealed that nothing had been received for the recurrent cash fund and it is not known who cashed the 44 cheques amounting to Kshs.4,400,000.00.

282. In addition to the unsurrendered Kshs.600,000.00, there was unremitted Appropriation-In-Aid of Kshs.878,919.90 making the total unsurrendered amount to be Kshs.1,478,919.90. Of this, Kshs.933,564.40 was in form of unsurrendered imprests issued to various Ministry/Departmental staff between January 1995 and December 1996 leaving a balance of Kshs.545,355.50 unaccounted for. Although it has been indicated that the imprests were being recovered through the payrolls, no evidence has been produced for audit verification. Since the surrender of Kshs.4,400,000.00 has not been received by the intended recipient, the total unsurrendered/unaccounted for amount would appear to be Kshs.4,945,355.50. However, according to the loss report dated 7/10/2004, only Kshs.1,478,919.90 was reported to the Accounting Officer leaving a balance of Kshs.3,466,435.60 unreported.

Development Cash fund – Kshs.2,000,000

283. Available records indicate that as of September 2001, the authorised old development cash fund was Kshs.2,000,000.00. However, available information indicates that as of 15 July 2004 only Kshs.33,982.25 had been surrendered to the Office of the President leaving a balance of Kshs.1,966,017.75 unsurrendered while bank balance for the old development account was nil as at September 2004. Like in the other cases reported above, the loss report was made in October 2004 and all losses which occurred between 1998/99 and 2001/2002 and discovered in November 2003 were attributed to the two former District Accountants. As earlier mentioned, one former District Accountant retired in 2001 while the other one is still in service and stationed in Kisumu but so far no disciplinary action has been taken against them or any money recovered from them.

STATE HOUSE

PENDING BILLS – KSHS.113,460,412.30

284. The State House records show that bills totalling Kshs.113,460,412.30 relating to the year 2003/2004 were not paid during the year but were instead carried forward to 2004/2005. Out of this figure an amount of Kshs.78,398,458.65 was chargeable to Recurrent vote R.02 while the balance of Kshs.35,061,953.65 was chargeable to Development Vote D.02. Had these bills been paid and charged to the Appropriation Accounts for 2003/2004 the Recurrent Appropriation Account for Vote R.02 would have reflected an Excess Vote of Kshs.75,816,903.70 instead of net surplus of Kshs.2,581,554.95 now shown while the Development Appropriation Account for Vote D.02 would have reflected a reduced net surplus of Kshs.40,241,561.20 instead of Kshs.75,303,514.85 now shown.

DIRECTORATE OF PERSONNEL MANAGEMENT

THE UNDER EXPENDITURE AND UNDER COLLECTION OF APPROPRIATIONS-IN-AID

285. The Appropriation Account for Vote D.03 – Directorate of Personnel Management for the year 2003/2004 reflects gross under-expenditure of Kshs.279,686,276.95 or approximately 43% of the gross estimated expenditure of Kshs.655,247,370.00. The Account also reflects under collection of Appropriations-in-Aid under Head 223 – Civil Service Reform of Kshs.57,964,963.50 or approximately 39% of the estimated Appropriations-in-Aid of Kshs.148,480,000.00.

286. The reasons given in the footnotes for the under expenditure are delays in tendering procedures and a number of contracts for consultancy services not being finalised during the year. The under-collection of Appropriations-in-Aid is explained as due to over-estimation of receipts and also delay in starting the construction and civil works on Development Learning Centre building. No indication has been given of the steps the DPM is taking to ensure that the underlying causes for delays in the tendering process and project implementation are overcome.

UNDER COLLECTION OF APPROPRIATION IN AID – KSHS.30,134,938.95

287. The Appropriation Account for Vote R.03 – Directorate of Personnel Management, for the year ended 30 June, 2004 reflects under collection of Appropriations-In-Aid of Kshs.30,134,938.95 or 55% of the estimated receipts of Kshs.54,436,130.00.

288. The reasons given in the footnotes to the account for the under collection of Appropriations-In-Aid of Kshs.30,134,938.95, include failure by some Ministries/Departments to remit 20% training levy for officers undergoing training lasting more than 30 days, refunds to the Teachers Service Commission for erroneous deductions of training levy from self sponsored teachers undertaking training and failure to mount evening courses from which fees could have been collected. The Directorate of Personnel Management has not however indicated how it intends to deal with this unsatisfactory state of affairs.

MINISTRY OF FOREIGN AFFAIRS

PENDING BILLS R.04

289. Records held at the Ministry of Foreign Affairs indicate that bills amounting to Kshs.513,249,684.50 chargeable to Recurrent Vote were not settled during the year under review but were instead carried forward to the year 2004/2005. These bills included Kshs.386,478,330.15 in respect of expenditure incurred on the Somali Peace Reconciliation Process. Although available information indicates that the costs were to be met by a number of donors including the European Union, United States of America, Italy, United Kingdom and IGAD member states, no commitment by these donors has been seen and it appears likely that Kenya Government may have to meet the cost of the pending bills totalling Kshs.386,478,330.15.

290. Had the pending bills been settled during the year, the Appropriation Account for Vote R.04 would have reflected an Excess Vote of Kshs.309,229,713.90 instead of the net surplus of Kshs.204,019,970.60 now shown.

LATE SUBMISSION OF APPROPRIATION ACCOUNTS

291. The Appropriation and other Accounts for the Ministry of Foreign Affairs were submitted for audit on 29 October 2004 contrary to Section 6(5) of the Public Audit Act 2003, which requires the accounts to have been submitted for audit on or before 30 September 2004. The explanation provided for this clear breach of the law is that it took time for the payment vouchers to reach the Headquarters from missions abroad.

DEVELOPMENT APPROPRIATION ACCOUNT FOR D.04

292. The Appropriation Account for vote D.04 for the Ministry of Foreign Affairs for the year ended 30 June, 2004 reflects expenditure of Kshs.10,000,000.00 under Head 067 – Harare which had no provision in the Approved Estimates. The explanation given by the Ministry is that the expenditure of Kshs.10,000,000.00 was incurred against a provision of Kshs.10,000,000.00 provided under Head 073 – Dar-es-Salaam. However, no evidence was seen to confirm that Treasury authority for reallocation of funds between the two Heads was sought or obtained.

293. The Development Appropriation Account for Vote D.04, further reflects actual expenditure of Kshs.10,000,000.00 and Kshs.75,000,000.00 under Head 067 – Harare and Head 262 – Pretoria respectively for the year 2003/2004. Available records indicate that out of Kshs.10,000,000.00 re-allocated to K.H.C Harare from K.H.C Dar-es-Salaam as indicated in paragraph four (4) above only Kshs.5,000,000.00 (50%) was actually spent by the Mission during 2003/2004 as deposit for construction of a security wall around the Ambassador's residence. The balance of Kshs.5,000,000.00 was retained by the Mission to be released upon satisfactory completion of the fencing contract.

294. The charging of Kshs.5,000,000.00 in the Appropriation Account as actual expenditure is therefore erroneous and misleading. The retention of the money at the close of the financial year on 30 June 2004 is also contrary to the law which requires such unspent funds to be surrendered to the Exchequer.

OUTSTANDING IMPRESTS

295. Examination of Imprest Records at the Ministry revealed that imprests totalling Kshs.40,835,730.85 which should have been accounted for on or before 30 June 2004 were still outstanding as at that date. Out of this figure, Kshs.3,413,229.80 was due from officers in Job Group 'M' and above, Kshs.22,387,770.70 was due from officers in other Job Groups, Kshs.4,150,571.35 was due from officers from other Ministries, Kshs.4,761,058.10 was due from Kenya Missions abroad, Kshs.2,462,685.55

was due from retired and dismissed officers while the balance of Kshs.3,660,415.35 was due from officers who have since died.

296. A review of the position as at 30 September 2004 showed that imprests totalling Kshs.14,524,754.95 were still outstanding. Out of the amount of Kshs.14,524,754.95 outstanding as at 30 September 2004, Kshs.12,684,671.10 was due from officers from other Ministries, officers in Missions abroad and retired/dismissed and deceased officers.

297. Further, various officers were issued with imprests totalling Kshs.20,644,425.85 for personal purposes such as paying deposits for shipping containers or for clearing personal effects. Issuance of imprests for container deposits, processing of passports, medical bills and clearing personal effects is not provided for in Government financial regulations and is therefore irregular.

298. Examination of imprests returns as at 30 June 2004 also revealed that various officers were issued with new imprests before accounting for the previous ones again contrary to Government financial regulations.

KENYA EMBASSY – THE HAGUE

299. Examination of vouchers for the year 2003/2004 for the Kenya Embassy, The Hague, revealed that on 30 June 2004 a total of Kshs.843,858.75 was paid to a contractor being 50% deposit for the replacement of the central heating unit and hot water system at the Ambassador's residence.

300. Legal Notice No.161 of 20 September, 2002 stipulates that goods estimated to cost Kshs.300,000.00 or more per item per year should be procured by inviting at least three quotations where the lowest is picked to supply the goods or services. The decision to pay 50% deposit for the replacement of central heating unit/hot water system at the Ambassador's residence at a cost of Kshs.1,687,717.50 therefore appears to have been irregular in that no quotations appear to have been invited for the works as required by Government Financial Regulations and Procedures and the contractor appears to have been single-sourced without Treasury approval. No evidence has been seen to confirm that the work was carried out.

KENYA HIGH COMMISSION – LONDON

Irregular Award of Contract for Repair Services at Harambee House (78 Wellington Road)

301. The Kenya High Commission in London spent a total of Kshs.7,005,307.60 on refurbishing Harambee House, the High Commissioner's residence. The repairs were undertaken by a private firm as the main contractor assisted by another firm as consulting engineers. Available information show that the Mission invited quotations for the works and five quotations were received. The procurement committee recommended the firm referred to above to undertake the repairs at B£.29,850 (Kshs.3,820,800.00) but gave no reason why the lowest bidder who quoted B£.23,441.25 (Kshs.3,000,480) was not considered.

302. Further information indicate that the contract was varied upwards by B£.17,010.175 (Kshs.2,670,763.60) to B£.46,860.175 (Kshs.6,491,563.60) and the consulting engineers fixed their fee at B£.2,991.00 (Kshs.513,733.00). The variation was not, however, presented to the procurement committee for review and approval. This led to the Mission paying Kshs.2,670,763.60 over and above the approved contract sum without the approval of the procurement committee. The regulations in force further require that contracts worth more than Kshs.5,000,000.00 should be referred to the Ministry Headquarters for review and advice, a requirement which the Mission ignored.

THE SOMALI PEACE PROCESS EXPENDITURE

303. The audit of the records of the Somali Peace Process Expenditure for the period between 15 October 2002 and 31 December 2004 which was incurred in Eldoret and Nairobi revealed the following unsatisfactory matters:

304. Documents giving the background information on the talks, the structure and composition of the Talks proposed budget and source of financing were not made available by the Ministry. The only relevant information produced was a letter dated 11 February 2004 from His Excellency the President of Kenya to His Excellency the President of Uganda confirming that the Kenya Government was mandated by the 9th Summit of the IGAD Assembly of Heads of States and Governments held in Khartoum in January 2002 to chair the Somalia National Reconciliation Conference with a view to resolving the conflict in Somali. Consequently it was not possible to establish how the peace talks were to be structured, undertaken and financed.

305. The Government of Kenya hosted the delegates to the conference in Eldoret from 15 October 2002 to 14 February 2003. Thereafter the conference

was relocated to KCCT – Mbagathi, Nairobi where the Government continued hosting.

306. Available records indicate that 400 delegates were expected to attend the Peace Talks in Eldoret when it started on 15 October 2002. This number, however, increased to 911 by 4 November 2002, resulting in 511 excess delegates. During the Peace Talks in Nairobi, the number of delegates increased to 977 resulting in 566 excess delegates. The conference had apparently no lists of approved bona fide delegates prepared but the technical committee using its mandate considered requests for additional delegates on a day today and case by case basis.

307. Records examined show that as at 31 December 2004, expenditure incurred on Somali Peace Talks stood at Kshs.1,884,594,117.40 out of which Kshs.693,370,998.00 was incurred in Eldoret and the balance of Kshs.1,191,223,119.40 in Nairobi. Of the total amount incurred as at 31 December 2004, the Kenya Government met Kshs.485,661,464.00 while other donors paid Kshs.1,026,806,836.00 leaving pending bills totalling Kshs.372,125,818.20 as at that date.

308. The Records further show that out of Kshs.485,661,464.00 spent by the Kenya government, Kshs.85,661,464.00 was incurred in 2002/2003 in Eldoret and charged to a non-existent account code No.0-072-000-362-X. The expenditure was not captured in the ledger or reflected in the Recurrent Appropriation Account for Vote R.04 for 2002/2003. Further, the expenditure was incurred without Parliamentary Authority as required by law. No satisfactory reason has been given for these irregularities. Again, records examined indicate that the Ministry paid Kshs.85,661,464.00 in anticipation of reimbursement by donors. But so far no reimbursement appears to have been received and no evidence has been seen of a claim for reimbursement raised by the Ministry.

309. The audit further revealed that procurements of hotel accommodation and both air and ground transport services were done without competitive tendering as required by the Government Financial regulations. Again, no contracts were signed between the Ministry and the service providers. Further, copies of log books and work tickets for the vehicles hired from individual car owners during the Peace Talks held in Eldoret and lists showing where each vehicle was stationed and to whom it was allocated were also not provided. It was therefore not possible to confirm that all the services for which payments were made were actually rendered. In addition, the Ministry did not avail valid passenger manifests for delegates airlifted to Eldoret while in other instances no passenger manifests were availed at all. As a result, the validity of expenditures incurred could not be ascertained.

310. On 19 January 2003 the Ministry was advised against paying a pending bill totalling Kshs.3,594,500.00 claimed by an aviation company until the relevant

copies of landing certificate and aircraft passenger manifests were provided for audit review. However the Ministry ignored the advice and made the payments totalling Kshs.7,000,000.00 on 27 October 2004 without copies of the relevant supporting documents. It was therefore not possible to ascertain the propriety of this expenditure.

311. In October 2004, the Ministry paid Kshs.73,674,100.00 to an Eldoret hotel for services rendered to Somali delegates in Eldoret, out of which Kshs.6,080,000.00 was in respect of hire of hall for 76 days from 1 December 2002 to 14 February 2003 at Kshs.80,000.00 per day. Available records indicate that the Eldoret Peace Talks were divided into two phases – Phase I (15 October 2002 to 14 November 2002) and Phase II (15 November 2002 to 14 February 2003). According to available records, the hotel levied no charges for hire of the hall during Phase I but introduced the charge during Phase II. It is not clear how this decision was arrived at and the rate determined in the absence of a signed contract between the Hotel and the IGAD Secretariat. The propriety of expenditure totalling Kshs.6,080,000.00 on hire of the hall could not therefore be confirmed and no explanation has been given for the decision and for failure to provide a copy of the contract.

312. Further, records examined showed that members of the IGAD Technical Committee were paid per diem allowances totalling Kshs.4,001,650.00 while fully accommodated in two hotels at Eldoret. Having been accommodated in the hotels they did not qualify for the allowances. No satisfactory reason has been given for the irregular payment and the Ministry has not so far recovered the allowances from the beneficiaries.

313. Records at the Ministry show that payments totalling Kshs.20,300,621.15 had been made to various firms and individuals between 1 July and 31 December 2004. However the vouchers and documents supporting this expenditure were not made available for audit review. In the absence of supporting vouchers and documents, it has not been possible to ascertain the propriety and correctness of the expenditure of Kshs.20,300,621.15.

314. Examination of payment vouchers revealed that on 03 November 2004 the Ministry paid a total of Kshs.886,000.00 to various security officers from the GSU attached to the Somali Peace Process delegates as allowances. According to the available correspondence seen the payment was to be made to the Police Department and not to the individual officers. The Ministry however, paid the allowance to the individual officers and has not to-date taken any remedial action towards resolving the matter.

315. A total of Kshs.380,000.00 was paid to ten (10) Accounts staff of the Ministry as token payments for assisting during the Somali Peace Process, a duty which falls within their normal duty and for which they are paid salaries by the Government. No explanation has been provided for paying the officers what

appear to be an allowance that they did not qualify for. Again, no reason has been given for failure to recover the irregular payments.

316. Records examined show that pending bills as at 31 December 2004 for Eldoret and Nairobi totalled Kshs.372,125,818.20, out of which Kshs.150,869,335.00 was for Eldoret and the balance of Kshs.221,256,483.20 for Nairobi. It was, however, not possible to ascertain the correctness and validity of the Nairobi pending bills due to failure by the Ministry to provide the relevant supporting documents. Out of the Kshs.150,869,335.00 outstanding in respect of Eldoret, Kshs.32,706,025.00 related to per diem allowances claimed by members of the IGAD Technical Committee who were fully accommodated at various hotels in Eldoret. For that reason they were not eligible for payment of subsistence allowance as per regulations. The pending bill of Kshs.32,706,025.00 is therefore not valid and the valid pending bills as at 31 December 2004 should therefore be Kshs.339,419,793.20 and not Kshs.372,125,818.20 reported by the Ministry.

317. Payment vouchers and records further revealed that a hotel in Eldoret invoiced the Ministry at Kshs.7,950.00 per person per day for delegates it accommodated as well as others accommodated in other hotels between 13 October 2002 and 29 October 2002 but the other hotels invoiced the hotel at various rates which were much lower. This occasioned overpayment to main hotel of Kshs.53,719,570.00 as at 29 October 2002. No satisfactory explanation has been given for the overpayment and for failure to recover the amount of Kshs.53,719,570.00 overpaid to the hotel.

318. According to a revised budget document seen, the Peace Talks started in January 2002 and were expected to end in July 2003. The whole Peace Process was budgeted to cost US Dollars 8,415,843.64 (Kshs.656,435,803.90). However, as already stated the total cost had gone up to Kshs.1,884,594,117.40 as at 31 December 2004. This was Kshs.1,228,158,313.50 over the official budget of Kshs.656,435,803.90. No satisfactory reason has been given for overshooting the budget and for failure to obtain supplementary budget approval.

319. The audit further revealed that records of contracts, invoices, quotations and lists of delegates staying in hotels were either not maintained or were poorly maintained. It was therefore not possible to ascertain how the suppliers of goods/providers of the services were picked and whether or not the services were provided, goods delivered and at the lowest price. Again, copies of Minutes of the Conference were not made available for audit review making it difficult to confirm if all the delegates on whom Kshs.1,884,594,117.40 had been spent as at 31 December 2004 were genuine delegates and participants in the entire Peace Process.

KENYA MISSION FLOAT FUND

Cash Book and Bank Overdraft – Kshs.36,850,636.95

320. Examination of the Kenya Missions Float Fund as at 30 June 2004 revealed that five (5) Kenya Missions had overdrawn their cash books/bank accounts to the tune of Kshs.36,850,636.95 without Treasury authority. The reasons given for the overdrafts include losses arising from foreign exchange fluctuation and inadequate budgetary provision. No reasons have been given for the Ministry's failure to seek and obtain Treasury approval for the overdrafts.

Excess Fund – Kshs.50,387,900.35

321. Examination of Cash Books and Bank Reconciliation Statements revealed that fourteen (14) Missions had accumulated cash in excess of the authorized float fund levels totalling Kshs.50,387,900.35 without Treasury authority. No explanation has been provided for the Ministry's failure to surrender the excess amounts to the Exchequer or to obtain the necessary Treasury authority.

Failure to Carry Out Cash Survey

322. No documentary evidence has been produced to show that Kenya Mission in Windhoek submitted Board of survey report on cash and bank balances as at 30 June 2004 as required by the Government Financial Regulations and Procedures. As regards Kenya Embassy in Addis Ababa, the survey report submitted was dated 16 July 2004 instead of 1 July 2004 and showed discrepancies between the cashbook balances and the Board of survey balances. Consequently the two (2) Missions cash holdings as at 30 June 2004 could not be confirmed.

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF HOME AFFAIRS

PENDING BILLS

323. Records maintained at the Headquarters of the Office of the Vice President and Ministry of Home Affairs show that bills totalling Kshs.31,433,785.95 chargeable to the Recurrent Vote R.05 were not settled during the year 2003/2004 but were instead carried forward to 2004/2005. Had the bills been settled and charged to the accounts for 2003/2004, the Recurrent

Appropriation Account R.05 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.127,550,167.44 instead of the Kshs.158,983,953.39 now shown.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID

324. The Development Account for Vote D05 for the year ended 30 June 2004 reflects under-expenditure of Kshs.206,810,269.55 or approximately 35% of the approved estimates of Kshs.585,547,664.00. The under-expenditure occurred mainly under SubVotes 050 – General Administration and Planning, 051 – National Youth Service, 052 – Archives, Museums and Historic Monuments, 053 – Prisons Department and 054 – Children’s Services.

325. The Account also reflects under-collection of Appropriations-in-Aid of Kshs.148,634,463.70 or about 80% of the estimated receipts of Kshs.185,473,304.00. The under-collection occurred mainly under SubVotes 050 – General Administration and Planning, 052 – Archives, Museums and Historic Monuments and 054 – Children’s Department.

326. The reasons given for the under-expenditure and under-collection of Appropriations-in-Aid include late submission of certificates of the work done, delay in implementation of projects, non-availability of expenditure returns from donors and non-release of funds in time by donors. These reasons appear to be indicative of weak project management.

UNVOUCHED EXPENDITURE

327. The Recurrent Appropriation Account for Vote R05 for the year ended 30 June 2004 reflects expenditure totalling Kshs.16,870,003.25 as incurred against Miscellaneous Other Charges under Sub Vote 050, Head 240, Item 190. Payment vouchers and other relevant expenditure records supporting this clearly material expenditure under the Miscellaneous Account have not been made available for audit review. Consequently, it has not been possible to ascertain the propriety and nature of the expenditure.

PRISON INDUSTRIES FUND

328. Examination of the Prison Farms Fund Accounts for the year ended 30 June 2004 has revealed that the Trading Profit and Loss Account reflects expenditure amounting to Kshs.3,424,186.00 and Kshs.370,900 relating to Replacement of Motor Vehicles and Purchase of Computers respectively, while at the same time the two balances have been included under assets in the

Balance Sheet as at 30 June 2004. This unusual method of accounting which has resulted in double accounting for the same expenditure has not been explained.

329. The Account further reflects under expenditure a net debit balance of Kshs.246,385.00 against items referred to as "Uncoded". It has, however, not been explained what these "Uncoded" items and the net expenditure balance of Kshs.246,385.00 represent.

330. Scrap farm machinery valued at Kshs.2,926,440.00 has been excluded from assets of the Fund in the Balance Sheet as at 30 June 2004 apparently because the machinery had not been revalued as at 30 June 2004. The non-inclusion of the value of this machinery raises doubts as to the accuracy of the balance of Kshs.15,970,174.00 shown in the balance sheet under machinery.

331. The Fund's Balance Sheet shows a balance of Kshs.11,390,019.25 against the Debtors Account while the analysis provided in support of the Account reflects an amount of Kshs.9,486,772.25 resulting in a difference of Kshs.1,903,247.00. The difference has not been reconciled or explained. Out of the figure of Kshs.9,486,772.25 shown in the analysis afore-mentioned an amount of Kshs.565,039.50 is indicated as due from private individuals while the balance of Kshs.8,921,732.75 is owed by Government Ministries and Departments. No indication has, however, been given as to how the Ministry is addressing this persistent issue of unrecovered long outstanding debts.

332. The Fund's Balance Sheet as at 30 June, 2004 also shows a Creditors' Account with balances totalling Kshs.1,715,423.00 which have not been analysed. In the absence of the analyses for the balances, it has not been possible to ascertain the correctness of the amount or to identify who the creditors were.

333. The audited Accounts for 2002/2003 reflected a Suspense Account balance of Kshs.6,585,396 which was a balancing item in the Balance Sheet as at 30 June 2003. The Account appears to have been cleared during the year under review as no balance is reflected against it in Balance Sheet as at 30 June 2004. However, details relating to the clearance of the amount of Kshs.6,585,396 during 2003/2004 have not been made available for audit review with the result that it has not been possible to ascertain the accuracy of the Balance Sheet and other related records as at 30 June 2004.

PRISONS FARMS FUND ACCOUNT

334. Examination of the Prison Farms Fund Accounts for the year ended 30 June 2004 has revealed that Fund's Trading Profit and Loss Account reflects total operating expenditure of Kshs.19,208,270.00, out of which an amount of

Kshs.6,871,169.45 is supported by schedules of expenditure returns from various stations across the country, leaving a balance of Kshs.12,337,100.55 unsupported. Consequently, it has not been possible to ascertain the correctness of the total operating expenditure of Kshs.19,208,270.00.

335. Further, Authorities to Incur Expenditure (AIEs) totalling Kshs.4,533,949 issued against the Fund to ten (10) stations during 2003/2004 were overspent by an amount of Kshs.1,100,388.00. The source of the extra funding of Kshs.1,100,388.00 had not been identified or disclosed.

336. The Balance Sheet as at 30 June 2004 reflects Debtors' Account balance of Kshs.21,884,172.00 part of which has been outstanding for a considerably long period of time. Out of the above amount, a sum of Kshs.513,638.00 was due from private individuals while the balance of Kshs.21,370,534.00 was owed by Government Ministries and Departments. As in the previous year, no efforts appear to have been made to recover or write off these debts.

337. The Balance Sheet as at 30 June 2004 also reflects a balance of Kshs.137,670.00 against the Funds Creditors Account. This balance has however not been analysed with the result that it has not been possible to ascertain its correctness or establish the identities of the creditors.

338. The Balance Sheet as at 30 June 2004 further reflects under Paymaster General's Account a balance of Kshs.28,127,065.25 while the Ministry's ledger shows an amount of Kshs.4,066,121.65 against the same Account resulting in an unreconciled and unexplained difference of Kshs.24,060,943.60.

339. As in the previous year, scrap farm machinery valued at Kshs.1,775,580.00 has been excluded from the Fund Balance Sheet as at 30 June 2004. While for 2002/2003 the reason provided for exclusion of the scrap from the Accounts for that year was that such asset were being revalued, the reason for the exclusion during the year under review is that the asset had been fully depreciated. Clearly and in view of the evident inconsistency of the two reasons given, no plausible explanation has been given why the Fund's assets in the Balance Sheet have been repeatedly understated to the extent of Kshs.1,775,580.00 being the value of the scrap. Further, initial indications appear to suggest that some of the scrap machinery is in serviceable condition and indeed had been used for operations during the year under review.

340. In the report for year 2001/2002, reference was made to non disclosure of investment of Kshs.55,160.00 by the Fund through some 2758 shares valued at Kshs.20.00 each by Kericho Prison in Kenya Tea Development Authority (KTDA) Farmers Company Ltd. as evidenced under a certificate dated 25 June 1997. This investment has similarly not been disclosed in the Accounts for 2003/2004 with the result that the Fund's assets have been understated by an equivalent amount. No explanation has been provided for the omission.

341. As similarly observed in the previous year's Report, authority has not yet been sought from Treasury to raise the share capital of the Fund from a ceiling of Kshs.4,200,000 initially provided by the Legal Notice which created the Fund in 1992, to an amount of Kshs.26,702,180.00 as reflected in the Accounts for 2003/2004. It has not been explained why no action has been taken to seek the authority.

342. The Balance Sheet as at 30 June 2004 is out of balance and the Assets of Kshs.93,455,704.25 exceed the liabilities of Kshs.54,048,918.00 by an amount of Kshs.39,406,786.25 which has been transferred to a Suspense Account. No reconciliation or explanation has been provided for the difference.

MECHANICAL, TRANSPORT AND PLANT MAINTENANCE FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

343. Examination of the Mechanical Transport and Plant Maintenance Fund Accounts for the year ended 30 June 2004 revealed that the Fund's Balance Sheet as at 30 June 2004 reflects a Paymaster General's Account balance of Kshs.29,787,011.40 which has not been supported with Certificate of Balances from the Central Bank of Kenya. Consequently, it has not been possible to confirm the accuracy of the amount.

344. Similar to the previous year, the Balance Sheet as at 30 June 2004 continues to reflect a Sundry Debtors balance of Kshs.30,786,174.45. As stated in the previous years' reports this balance is understated by Kshs.9,078,488.00 being unaccounted for debtors brought forward from previous years. Apart from understating the debtors balance, it has also not been explained why the long outstanding debt of Kshs.30,786,174.45 has not been recovered from the National Youth Service.

MECHANICAL TRANSPORT AND PLANT RENEWAL FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

345. Examination of the Mechanical Transport and Plant Renewal Fund Accounts for the year ended 30 June 2004 revealed that the Fund's Balance Sheet as at 30 June 2004 reflects a Paymaster General's Account balance of Kshs.18,626,729.75 which has not been confirmed as correct due to non-submission of a Certificate of Bank balances from the Central Bank of Kenya.

346. As in the previous year, the Balance Sheet as at 30 June 2004 continues to reflect a long outstanding Sundry Debtors balance of Kshs.65,692,458.85 made up of amounts of Kshs.40,639,151.05 and Kshs.25,053,307.80 owing from the General Service Unit and the National Youth Service respectively. It has

however not been explained why these long outstanding debts have not been recovered.

MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID

347. The Appropriation Account for Vote D.06 for the year ended 30 June 2004 reflects gross under-expenditure of Kshs.337,795,794.05 or approximately 40% of the approved estimated expenditure of Kshs.843,494,926 and a deficiency in Appropriations-In-Aid of Kshs.297,266,066.30 representing about 45% of the estimated receipts of Kshs.648,604,100. The reasons provided in the footnotes for the under expenditure and under-collection of Appropriations-In-Aid include non-receipt of expenditure returns from donors, delay in release of donor funds and non-capture of expenditure relating to Poverty Eradication Commission following the transfer of the Commission during 2003/2004 from the Office of the President to Ministry of Planning and National Development.

348. Although similar under-expenditure and under-collection of Appropriations-In-Aid was reported in 2002/2003, and similar reasons given for it, the Ministry does not appear to have addressed the underlying causes of this unsatisfactory state of affairs.

EXPENDITURE EXCLUDED FROM THE APPROPRIATION ACCOUNT FOR VOTE D.06

349. Records available at the Ministry's Headquarter show that expenditure totalling Kshs.5,087,259.85 was incurred against Sub Vote 061 – Heads 253 and 614 under Eastern Province District Based Agricultural Project and Central Kenya Dry Areas Smallholders and Community Project respectively. The expenditure of Kshs.5,087,259.85 was not however captured in the Ministry's Ledger with the result that it has been excluded from the Gross Expenditure of Kshs.505,699,131.95 reflected in Appropriation Account for Vote D.06 for 2003/2004. Had the expenditure been taken into account and charged appropriately, the Account would have recorded net surplus to be surrendered to the Exchequer of Kshs.35,442,467.90 instead of Kshs.40,429,727.75 now shown. No explanation has been given for the omission.

UNVOUCHED EXPENDITURE – VOTE R.06

350. The Appropriation Account for Vote R.06 for the year ended 30 June, 2004 reflects expenditure on Honoraria payments totalling Kshs.11,446,112.02 out of which an amount of Kshs.6,252,594 was not supported with payment vouchers and other relevant and necessary documents. Also not supported with vouchers and other relevant documents is expenditure of Kshs.9,000,000.00 on purchase of four motor vehicles for the Central Bureau of Statistics. As a result, the propriety of expenditure totalling Kshs.15,252,594.00 could not be ascertained.

UNVOUCHED EXPENDITURE – VOTE D.06

351. Payment vouchers for expenditure totalling Kshs.56,126,367 incurred under Head 207 – Construction of Prefab Offices for DDOs and Head 220 – Nepad Activities were not made available for audit review. In the absence of the vouchers, the propriety of the expenditure of Kshs.56,126,367 could not be ascertained.

ACCURACY OF THE APPROPRIATION ACCOUNT FOR VOTE R.06

352. Audit examination of the Appropriation Account for Vote R.06 for the year ended 30 June 2004 revealed various differences totalling Kshs.816,200 between the figures shown in the Account and those appearing in the Ministry's final ledger for 30 June 2004. No reconciliation or explanations have been provided for the variations between the two sets of records.

OUTSTANDING IMPRESTS

353. The Statement of Assets and Liabilities as at 30 June, 2004 for vote R.06 reflects Temporary and Standing Imprest balances of Kshs.1,492,042.60 and Kshs.46,986.00 respectively which ought to have been surrendered or accounted for on or before 30 June, 2004. No explanation has been provided for failure to account for these imprests on their due dates. In addition, the amount of Kshs.1,492,042.60 shown under Temporary Imprest Account differs by amount of Kshs.98,000.00 from the figure of Kshs.1,590,042.60 reflected in the Ledger. The difference has not been reconciled or explained.

DISTRICT DEVELOPMENT FUND ACCOUNTS

354. The District Development Fund Balance Sheet as at 30 June 2004 reflects a Paymaster General's Account balance of Kshs.22,082,046.80 while the Statement of Assets and Liabilities for Deposits 06 as at the same date shows an amount of Kshs.9,668,450.00 against the same Account. The difference of Kshs.12,413,596.80 between the two sets of records has not been reconciled or explained.

RURAL DEVELOPMENT FUND ACCOUNTS – 2003/2004

355. The Rural Development Fund Balance Sheet as at 30 June 2004 reflects a Paymaster General (PMG) Account balance of Kshs.15,379,064.85. The accuracy of this balance could not however, as in the previous year be ascertained, due to non-availability of a Bank Certificate or Bank Reconciliation Statement. As in the previous year, no explanation has been provided for lack of a Bank Certificate or Bank Reconciliation Statement.

356. Further, while as indicated above, the Balance Sheet shows a balance of Kshs.15,379,064.85 against the PMG Account, the Statement of Assets and Liabilities as at 30 June 2004 for Deposits 06 on the hand reflects a figure of Kshs.2,850,610.55 against the same Account thus occasioning a difference of Kshs.12,528,454.30 between the two sets of records which has not been explained or reconciled.

DEPARTMENT OF DEFENCE

PENDING BILLS

357. Records held at the Department of Defence show that bills totalling Kshs.1,059,341,644.55 as at 30 June 2004 which were chargeable to the Recurrent Vote R.08 were not settled during the year but were instead carried forward to the year 2004/2005. The explanation given for failure to settle the bills is that there was lack of liquidity because of failure by the Treasury to release exchequer issues in full. Had these bills been paid and charged to the Appropriation Account for Vote R.08 the account would have reflected an Excess Vote of Kshs.603,301,881.00 instead of a net surplus of Kshs.456,039,763.55 now recorded.

COMPENSATION AND EX-GRATIA PAYMENTS

358. The Recurrent Appropriation Account for Vote R.08 for the year ended 30 June, 2004 includes expenditure of Kshs.11,374,049.85 incurred on fourteen (14) claims for Compensation and Ex-gratia Payments to third parties arising from accidents involving the Department of Defence's vehicles. The amount of Kshs.11,374,049.85 further includes a sum of Kshs.847,345.65 in accrued interest which arose because of delay in settlement of five (5) claims. The expenditure of Kshs.11,374,049.85 constitutes nugatory expenditure as it could have been avoided or minimised if armed forces drivers took necessary care to avoid the accidents. The expenditure of Kshs.847,345.65 could have been avoided if the five claims were settled in time.

MINISTRY OF AGRICULTURE

PENDING BILLS

359. The records of the Ministry of Agriculture show that bills totalling Kshs.42,610,931.15 were not settled during the year 2003/2004 but were instead carried forward to the year 2004/2005. Out of the amount of Kshs.42,610,931.15, Kshs.17,146,313.50 was chargeable to the Recurrent Vote R.10 while Kshs.25,464,617.65 was chargeable to the Development vote D.10. Had the bills been paid and the resultant expenditure charged to the Accounts for the year 2003/2004, the Appropriation Account for vote R.10 would have reflected a reduced net surplus of Kshs.1,020,071.86 instead of the net surplus of Kshs.18,166,385.36 now shown while the Appropriation Account for vote D.10 would have reflected a reduced net surplus of Kshs.124,918,213.95 instead of the net surplus of Kshs.150,382,831.60 now shown.

UNDER COLLECTION OF APPROPRIATIONS-IN-AID

360. The Recurrent Appropriation Account for Vote R.10 for the year 2003/2004 reflects under-collection of Appropriations-in-Aid of Kshs.158,272,869.40 or 54% of the estimated collection of Kshs.295,379,292.00. The reasons given in the footnotes for the under-collection of Appropriations-in-Aid is that the bulk of import levy and import inspection fees collected by the Kenya Revenue Authority on behalf of Horticultural Crops Development Authority and Kenya Plant Health Inspection Services respectively were passed over to the two Parastatals directly without any documentation being made available to the Ministry to record the remittances.

361. Although the Ministry has indicated that it intends to petition Treasury to ensure proper system of accounting for these receipts no explanation has been given as to why documentation on the Appropriations-in-Aid collected could not be obtained by the Ministry from the two Parastatals.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID

362. The Development Appropriation Account for Vote D.10 for the year 2003/2004 reflects under-expenditure of Kshs.436,531,293 or about 14% of the gross estimated expenditure of Kshs.3,126,412,475 and under-collection of Appropriations-in-aid of Kshs.286,350,665.15 or about 24% of the estimated collection of Kshs.1,194,911,388. The reasons given for the under-expenditure and under-collection of appropriations-in-aid include delay in submission of certificates, delay in processing items, lack of and insufficient Exchequer Issues, change of policy and long tendering processes. Although these same reasons have previously been given for similar under-expenditure and under collection of Appropriations in Aid in the past, the Ministry has not indicated the measures it proposes to put in place to overcome the recurrence of similar situations in future.

UNSUPPORTED PAYMENTS TO TELKOM (K) LTD.

363. Examination of payment vouchers for 2003/2004 revealed that payments totalling Kshs.48,575,080.05 were made to Telkom (K) Ltd. for telephone services rendered to the Ministry of Agriculture. However the payments were made without supporting telephone bills indicating the account numbers and the amounts due in respect of each account. It has therefore not been possible to confirm the validity of payments made.

UNSUPPORT ED EXPENDITURE

364. The Ministry's Appropriation Account for Vote D.10 for the year ended 30 June 2004 includes expenditure amounting to Kshs.1,090,196,844.35 charged to various Expenditure Heads and which was said to have been captured through Journal Vouchers. The relevant Journal Vouchers were however not made available for audit verification. In the absence of the relevant journal vouchers it was not possible to ascertain the propriety and accuracy of this expenditure.

PAYMENTS TO KENYA POWER AND LIGHTING COMPANY

365. Examination of payment vouchers revealed that payments totalling Kshs.17,961,040.15 were made to Kenya Power and Lighting Company for the supply of electricity to the Ministry of Agriculture. Electricity bills indicating the account numbers and consumption data were not however made available for audit verification. It was therefore not possible to confirm the correctness and propriety of the expenditure.

366. The Ministry further paid Kenya Power and Lighting Company Kshs.561,630.00 for the supply of electricity to the offices of Nairobi Provincial Director of Agriculture, Nyayo House. The payment was made on the strength of a letter from the company dated 15 March 2004 which does not give the criteria used for billing, considering that the Offices of the Provincial Director of Agriculture do not have separate meters. Further, acknowledging receipts from Kenya Power and Lighting company were not made available for audit verification and it was not therefore possible to confirm the actual receipt of the payments by KPLC.

IRREGULAR PAYMENT FOR CLEARING CHARGES OF PASSENGER LIFTS

367. The examination of payment voucher No.008995 of 15 June 2004 showed that the Ministry paid Kshs.1,094,015.00 to a clearing agent being clearing charges for lifts imported by a firm contracted to replace 3 passengers lifts in Kilimo House. This was in addition to an upfront payment of Kshs.10,857,374, out of the total contract sum of Kshs.12,857,374. No explanation has been provided as to why the Ministry had to meet the clearing charges which did not form part of the contract.

368. Although the lifts were installed in June 2004 and are in use the certificate of completion was not made available for audit verification. It was therefore not possible to confirm that the contract was executed in accordance with specifications.

PAYMENT TO INTERNATIONAL COFFEE ORGANISATION

369. Available information shows that a payment of Kshs.2,000,000.00 was made to the International Coffee Organization and charged to vote R.10, Head 190, item 375 – Common Fund for Commodities. The payment was made on behalf of the Coffee Board of Kenya although there was no such provision in the budget. Detailed information has not been made available showing how the decision to make the payment was arrived at. Further in the absence of

budgetary provision to meet this expenditure, Treasury approval for re-allocation of funds should have been obtained before the payment was made. No such approval appears to have been sought or obtained.

RENT PAYMENT – MAENDELEO HOUSE

370. Examination of payment vouchers for 2003/2004 showed that a total of Kshs.5,158,152.00 was paid to a firm of estate agents being rent for offices at Maendeleo House occupied by Food and Agricultural Organisation (FAO). The payments of rent were made by the Ministry on behalf of the Organisation for African Unity (OAU) for the period July 2003 to June 2004. However, no documentary evidence was availed for audit review in support of the payments made on behalf of the Organisation for African Unity. It was also not explained why the Government of Kenya was obligated to pay rent for premises occupied by FAO and on behalf of OAU (now AU).

DOUBTFUL DELIVERY OF GOODS

371. Examination of a number of payment vouchers showed that goods worth Kshs.484,265.00 were purchased on the strength of pro-forma invoices but documents to support the receipt of the items were not made available for audit verification. In the absence of documents to support receipt of the goods, the delivery could not be confirmed and the propriety of the expenditure of Kshs.484,265.00 is therefore doubtful.

ARREARS OF APPROPRIATIONS-IN-AID

372. In the previous years Reports, reference was made to Arrears of Appropriations-In-Aid (A.I.A) in respect of Agricultural Mechanization Services Stations and Veterinary Services Stations which were omitted from the Statements of Arrears of Appropriations-In-Aid as at 30 June 1999 (Kshs.18,203,827.10), 30 June 2000 (Kshs.22,132,314.85), 30 June 2001 (Kshs.13,448,328.20), 30 June 2002 (Kshs.13,118,872.85) and 30 June 2003 (Kshs.18,755,306.35) totalling Kshs.85,658,649.35. The arrears were not brought forward from previous years implying that the debts were either abandoned or settled without being brought to account in the records. There were also no supporting documents to confirm the position. The report also drew attention to the failure to recover various debts under the soil and water conservation services for 1991/1992 and earlier years from prominent personalities, Government Departments and Private Institutions.

373. A review of the position in 2003/2004 showed that the situation had not changed as the statement for the year had similar unsatisfactory matters. In

particular Arrears of Appropriations-In-Aid totalling Kshs.12,716,986.10 from twelve (12) Mechanization Services Stations were omitted from the statement of arrears of Appropriations -In-Aid.

374. The implication is that as at 30 June 2004 there was a total of Kshs.98,375,635.45 omitted from the Statements of Arrears of Appropriations-In-Aid prepared by the Ministry over the last Six (6) financial years and questions therefore arise as to whether the omission was a result of the amounts being recovered or a deliberate omission by the responsible officer(s) to avoid accounting for the money.

375. Further a total of Kshs.11,056,028.95 shown in monthly reports from six (6) AMS Stations as collected during the year, could not be confirmed as having been banked into the Ministry's Bank Accounts in Districts as there were no Bank pay-in-slips or Miscellaneous Receipts attached to the reports as evidence of such banking or surrender to the District Accountants. No explanation has been provided for these unsatisfactory matters.

ARREARS OF APPROPRIATIONS-IN-AID (A.I.A) AT NYAHURURU AGRICULTURAL MECHANISATION SERVICES (AMS) STATION – KSHS.1,674,200.20.

376. Examination of Revenue records maintained at Nyahururu Agricultural Mechanisation Services (AMS) Station revealed that A.I.A revenue totalling Kshs.1,674,200.20 in respect of various services rendered by the station had not been collected as at 30 June 2004. The revenue dating as far back as May 1969 was owed by individuals – Kshs.616,161.95, companies – Kshs.326,433.55 and government departments – Kshs.731,604.75. The services rendered included bush clearing, land levelling, water hole construction, farm road construction, land surveying, demarcation of plots, murrum excavation and dam construction.

377. Among the defaulting Government departments were the Director of Water Development and the Provincial Planning Officer who owed the station Kshs.305,913.20 and Kshs.305,681.90 for dam construction work done in October 1979 and December 1981 respectively. Nearly all the individuals owing money were said to be untraceable including two individuals who were invoiced on 13 and 22 June 2004 for Kshs.23,500.00 and Kshs.61,052.00 in respect of water hole construction and farm road construction respectively. It was not clear why the station could not trace the debtors even where the services were only recently rendered. The only debtor who has been traced is a current member of parliament who owes the station Kshs.8,520.05 for land levelling and survey work done in May 1979 when he was the Nyandarua District Commissioner. Apart from sending invoices and visiting the sites, the station has not taken any other action such as seeking legal assistance from the Attorney General or

seeking written-off authority from the Accounting Officer. Consequently, there is a likelihood of the whole amount of Kshs.1,674,200.20 being lost.

ARREARS OF APPROPRIATIONS-IN-AID (A.I.A) AT NAROMORU AGRICULTURAL MECHANISATION SERVICES (AMS) STATION – KSHS.2,324,492.40

378. Examination of revenue records maintained at Naromoru Agricultural Mechanisation Services Station revealed that A.I.A revenue amounting to Kshs.2,324,492.40 had not been collected as at 30 June 2004. The amounts were owed by three Government Institutions, private institutions and individuals and were for the period between September 1981 and November 2000. The services rendered but not paid for included ploughing and harrowing, road levelling, water hole construction, bush clearing, dam construction and land levelling.

379. Apart from sending invoices to the debtors, the Station Manager did not take any other action between 2000 and November 2004 until December 2004 when he wrote to the Deputy Director of Agriculture giving him a list of defaulters and indicating that he would pursue the issue after getting money for transport. So far, no further action has been taken to recover the debts from the defaulters and the Government may lose the revenue in question.

FAILURE TO PROVIDE FOOTNOTES FOR MATERIAL DIFFERENCES

380. Government Financial Regulations and Procedures require footnotes to be provided to explain variances of over Kshs.1,000,000.00 above or below the approved estimates and the actual expenditure or actual Appropriations-in-Aid. The Appropriation Account for vote R.10 for the year 2003/2004 however, reflects variances in excess of Kshs.1,000,000.00 against 16 items of expenditure for which no footnotes have been provided to explain the reasons for the variances.

STATEMENT OF INVESTMENT BY GOVERNMENT IN LOCAL COMPANIES

381. The Statement of Investment by Government in Local Companies for 2003/2004 reflects shares valued at Kshs.494,180.00 held in eight (8) companies. As has been reported in previous years the audited accounts of these companies have not been made available for audit review and consequently it has not been possible to ascertain whether any dividends were

receivable from the companies. Further, share certificates with nominal value of Kshs.9,800.00 in five of the companies have not been made available for audit verification and it has therefore, not been possible to confirm Government ownership of the investment in these companies.

382. The Statement of Investment by Government in Local Companies as at June, 2004 also reflects shares for Kshs.8,540.00 in the Uplands Bacon Factory, a company which has been under receivership for many years and whose property has already been transferred to another firm as part of compensation for the land on which Eldoret Airport has been constructed.

383. As stated in the previous year's report, during the year 1996/97, the Ministry received twenty five (25) ordinary shares of twenty five (25) shillings each from a local firm against share certificate No.13091 of January 1997 and a further twenty five (25) bonus ordinary shares of a per value of five shillings each valued at Kshs.125.00 all of which are not reflected in the statement. No explanation has been provided for the omission of these shares in the Statement of Investment by Government since 1996/97.

384. The statement further shows shares valued at Kshs.240,000.00 in Galana Ranching Company which was acquired by the Agricultural Development Corporation on 15 October 1998. As stated in the previous years' reports, the Ministry does not appear to have sorted out the issue of the shares with the transferor and the ownership of shares by Government in this company through the ADC is therefore in doubt.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA AS AT 30 JUNE 2004

385. The Statement of Obligations Guaranteed by the Government of Kenya as at 30 June 2004 shows that out of the total contingent liability totalling Kshs.1,674,156,505 reflected in respect of six (6) loans, balances totalling Kshs.1,039,400,191 had not been confirmed by the lenders while three (3) loans totalling Kshs.607,814,347 had not been confirmed by the borrowers.

386. The Ministry's records relating to Obligations Guaranteed by the Government continue to be inadequate as a result of which it was not possible to confirm the accuracy and completeness of the Statement of Obligations Guaranteed by the Government of Kenya as at 30 June 2004.

DEMONSTRATION FARMS FUND FOR THE YEAR 2003/2004

387. As was reported in the previous year, the Funds Balance Sheet as at 30 June 2003 did not reflect the initial Fund capital of Kshs.19,500,000.00 and the accumulated PMG cash balance of Kshs.34,107,115.00 for 2002/2003 and earlier years. The same unsatisfactory position obtains for the year 2003/2004 in that the Fund Balance Sheet as at 30 June 2004 does not reflect the initial capital of the Fund of Kshs.19,500,000.00 or the accumulated cash balance of Kshs.34,107,115.00 as at 30 June 2003. No explanation has been given for this omission.

388. The Income and Expenditure Account for the year under review does not include expenditure of Kshs.259,081.00 which was incurred under six (6) Farmers Training Centres and which though reflected in the monthly returns was not captured in the ledger.

389. Further, income amounting to Kshs.626,519.80 recorded in the returns from seven Farmers Training Centres was not captured in the ledger and consequently, it is also excluded from the Fund Account.

390. In addition twenty seven Farmers Training Centres did not regularly submit monthly returns of Income and Expenditure. It has not therefore been possible to confirm the correctness of the Income and Expenditure Account in the absence of monthly returns from the twenty seven Farmers Training Centres.

391. In the absence of explanations for the omissions and exclusion of expenditure and Income from the Demonstration Farm Fund as stated above, it has not been possible to confirm the correctness of the Fund Account.

AGRICULTURAL INFORMATION CENTRE-REVOLVING FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

392. In the previous year's reports reference was made to unsatisfactory situation regarding the record keeping and accounting for the Agricultural Information Centre (A.I.C) Revolving Fund. As indicated then, although the Ministry subsequently submitted the accounts for the years 1994/95 to 1997/98 it was not possible to attach a meaningful certificate to those accounts because the account for 1993/94 were still not prepared and submitted for audit. In the absence of the 1993/94 accounts it is still not known how an amount of Kshs.14,400,000.00 received from British Overseas Development Agency (O.D.A) during that year was accounted for. A review of the position of the fund account as at 30 June 2004 showed that the unsatisfactory matters mentioned in the previous years' reports have not been resolved and it is still not possible to

give a meaningful certificate to the A.I.C Fund Accounts for the years 1994/95 to 2003/2004.

393. Further, the A.I.C, budget for the year 2003/2004 shows an estimated income of Kshs.11,639,405.00 against expenditure of Kshs.7,568,255.00, resulting in an estimated surplus of Kshs.4,071,150.00. However, the actual income realized was Kshs.6,217,533.50 against actual expenditure of Kshs.5,353,153.40 resulting in an actual surplus of only Kshs.864,380.10 or 2.1% of the budgeted surplus. No explanation has been provided for the variances in income, expenditure and the resultant reduced surplus.

394. The net surplus of Kshs.864,480.00 for the year 2003/2004 has not been reflected in the Balance Sheet and notes to the Accounts do not offer any explanation for the omission. It has therefore not been possible to confirm the correctness of the Revolving Fund Capital balance of Kshs.7,775,292.85.

395. The Accounts reflect debtors amounting to Kshs.3,732,247.50 as at 30 June 2004. Out of this amount a total of Kshs.1,874,107.50 relate to debtors for the years between July 1997 and June 2003. No explanation has been given for the non-collection of the debts.

MINISTRY OF HEALTH

PENDING BILLS

396. The records held at the Headquarters of Ministry of Health show that bills totalling Kshs.545,971,976.00 were not settled in the year 2003/2004 but were instead carried forward to 2004/2005. Out of the total figure of Kshs.545,971,976.00, an amount of Kshs.268,330,496.70 was chargeable to the Recurrent Vote while the balance of Kshs.277,641,479.30 was chargeable to the Development Vote.

397. Had the bills been paid and expenditure charged to the accounts for the year, the Appropriation for the Recurrent Vote R.11 for 2003/2004 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.287,320,563.60 instead of the Net Surplus of Kshs.555,651,060.30 now shown, while the Development Appropriation for Vote D.11 for the same period would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.542,828,836.95 instead of Kshs.820,470,316.25 now recorded.

ACCURACY OF THE APPROPRIATION ACCOUNT FOR VOTE R.11

Double Posting

398. The Appropriation Account for the Recurrent Vote R.11 for the year ended 30 June 2004 reflects a net expenditure of Kshs.15,380,789,399.70 and net surplus to be surrendered to Exchequer of Kshs.555,651,060.30. Examination of the Ministry's Ledger for June 2004 however, revealed that there were double postings in the ledger for debits totalling Kshs.943,355.00 and credits of Kshs.13,400.00, resulting in a net debit of Kshs.929,955.00. The net effect of these double postings is the overstatement of net total expenditure of Kshs.15,380,789,399.70 by Kshs.929,955.00 while understating the net surplus of Kshs.555,651,060.30 by an equivalent amount.

Expenditure on Personal Emoluments and Other Allowances

399. Examination of payroll and other related records for 2003/2004 at the Ministry's Headquarters indicate that during the year, the Ministry paid Personal Emoluments, House, Other Personal and Medical Allowances in the amounts of Kshs.3,840,696,153.70, Kshs.2,005,699,551.85, Kshs.1,779,218,535.60 and Kshs.404,168,062.30 respectively. However, the Recurrent Appropriation Account for Vote R.11 for 2003/2004 reflects expenditure against these items as Kshs.3,848,616,406.05, Kshs.1,999,794,198.75, Kshs.1,787,216,915.85 and Kshs.404,746,685.25 respectively. The net difference of Kshs.10,318,902.45 between the two sets of records has not been reconciled or explained.

Over-Expenditure on Personal Emoluments and House Allowances

400. Further, the Appropriation Account for Recurrent Vote R.11 for the year ended 30 June 2004 also reflects over-expenditure of Kshs.29,560,621.05 and Kshs.44,261,729.75 against Personal Emoluments and House Allowances respectively. As in the previous reports, the over-expenditure has been explained as due to personnel deployed in various stations being paid through the Headquarters and vice versa and also due to under-estimation. It is however, not clear why such considerable over-expenditure occurred during the year taking into account that estimates of Personal Emoluments and House Allowances are based on known actual staff establishments. Further, some heads in the Account ended up being grossly overspent or underspent. It is a matter of concern that this persistent problem does not appear to have been addressed at all by the Ministry.

Expenditure on Electricity Expenses

401. Examination of payment vouchers and other related records in respect of expenditure incurred on electricity by the Ministry indicate that an amount of

Kshs.215,977,750.35 was paid to the Kenya Power and Lighting Company for power consumed during the year at various stations and offices of the Ministry. The Appropriation Account for Vote R11 for 2003/2004 on the other hand reflects an amount of Kshs.216,941,903.95 against the same item resulting in yet another unreconciled and unexplained difference of Kshs.964,153.60.

402. In the absence of reconciliations and explanations in respect of the differences indicated above, it has not been possible to ascertain the accuracy of both the net expenditure figure of Kshs.15,380,789,399.70 and the Net Surplus to be surrendered to the Exchequer of Kshs.555,651,060.30 shown in the Account.

Unexplained Variations

403. The Appropriation Account for Vote R11 for 2003/2004 reflects two material variations of Kshs.4,502,525.00 and Kshs.846,299,760.05 between approved estimates and actual expenditure under the Personal Emoluments and Other Personal Allowances items respectively under Sub Vote 110, Head 555 and Sub Vote 113 Head 335 respectively. Contrary to Government Financial Regulations and Procedures, no explanation has been provided for these variations in the footnotes to the Account.

ACCURACY OF THE APPROPRIATION ACCOUNT FOR VOTE D.11

Unvouched Expenditure

404. The audit of the Appropriation Account for Vote D.11 for the year ended 30 June, 2004 revealed a number of unsatisfactory matters. The propriety of expenditure totalling Kshs.235,981,063.25 incurred in respect of Rural Health II Project, Integrated Rural Health Services, District Health Services and Systems Development Programme and Kenya Family Health Programme could not be ascertained due to non-availability of the relevant payment vouchers and other supporting documentation.

Global Fund Credit Balance

405. The Ministry's Accounts Ledger as at 30 June 2004 reflects a credit balance of Kshs.6,106,611.00 under Global Fund which has not been analysed or explained. In the absence of analysis or explanation, it has not been possible to ascertain the source of the balance of Kshs.6,106,611.00 or to establish what it represents.

Multiple Posting of Expenditure

406. The Ministry's Ledger from which the Development Appropriation Account was drawn, also shows double and multiple postings of expenditure totalling Kshs.1,165,699.00. No explanation has been given for these errors.

Exclusion of Expenditure from the Appropriation Account

407. Expenditure totalling Kshs.24,619,095.20 incurred in respect of Decentralized HIV/AIDS and Reproductive Project (DARE), Integrated Rural Health Services and Mathare Nyayo Hospital Projects was not recorded and accounted for in the Ministry's Appropriation Account for Vote D11 for 2003/2004 and no reason has been provided for the omission.

408. As a result of the posting errors of Kshs.1,165,699.00 and the exclusion of expenditure of Kshs.24,619,095.20, the Net Expenditure of Kshs.674,889,863.75 reflected in the Account is understated by a net amount of Kshs.23,453,396.20 while the Net Surplus to be surrendered to the Exchequer of Kshs.820,470,316.25 is overstated by an equivalent amount.

UNDER EXPENDITURE AND UNDER COLLECTION OF APPROPRIATIONS-IN-AID

409. The Appropriation Account for Vote D.11 – Ministry of Health for the year ended 30 June 2004 reflects gross under-expenditure of Kshs.2,899,507,302.15 or approximately 74% of the gross estimated expenditure of Kshs.3,902,483,431.00. The Account also reflects under-collection of Appropriations in-Aid of Kshs.2,079,036,985.90 or about 86% of the estimated receipts of Kshs.2,407,123,251.00. The under-expenditure and under-collection of Appropriations-in-Aid occurred mainly under Sub-Votes 110 – General Administration and Planning, 117 – Preventive Medicine and Promotive Health and 113 – Rural Health Services.

410. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-in-Aid include liquidity problems, non-receipt of expenditure returns from donors, delay in procurement processes, delay in finalizing working framework for project implementation and non-release of funds. The same reasons were given for the similar state of affairs reported in 2002/2003. Clearly, the Ministry does not appear to have taken effective action to ensure that funds voted by Parliament for the Development of Health Services are utilized for that purpose instead of being returned to the Exchequer year in year out.

NON-COLLECTION OF APPROPRIATIONS-IN-AID

411. Although the Appropriation Account for the year ended 30 June 2004 reflects total actual receipts of Kshs.57,056,787.05 against the estimated Appropriations-In-Aid of Kshs.51,509,006 resulting in excess collection of Kshs.5,547,781.05, the Account shows that nothing was received from some seventeen (17) heads from which Appropriations-In-Aid totalling Kshs.3,116,320.00 was expected. The reason given in the footnotes to the account for non-collection of the Appropriations-In-Aid was over estimation. It has not however, been explained why the Ministry has failed to address this evidently persistent problem.

MISUSE OF COST-SHARING REVENUE AT NYANDARUA DISTRICT HOSPITAL- KSHS.9,659,180.55

412. According to the Facility Improvement Fund (FIF) manual issued in 1996 and revised in December 2002, cost-sharing revenue should not be spent at source but should instead be banked intact or surrendered to the District Treasury and can only be spent after an A.I.E. has been obtained from the Accounting Officer. Contrary to these instructions, Nyandarua District Medical Superintendent collected a total of Kshs.9,659,884.00 between August 2001 and June 2004 but did not bank or surrender the money to the District Treasury as required by the Facility Improvement Regulations.

413. Out of total collection of Kshs.9,659,884.00, Kshs.8,631,314.55 was held in form of partly paid vouchers while Kshs.1,027,866.00 was held in the form of I owe yous (IOUs). The partly paid vouchers were in respect of hospital requirements such as fuel and gas, maintenance of equipments, stationery, cleaning materials, postage and telephone expenses among others. Some of the partly paid vouchers related to the period going back to July 1997, and it is not clear why they have not been processed.

414. The I.O.U.s were issued to several officials between December 1999 and June 2004 for unspecified reasons. Out of the outstanding I.O.U.s amounting to Kshs.1,027,866.00, a total of Kshs.744,281.00 or 72.41% was held by the then Hospital Administrator who has since been transferred to another station without the I.O.U.s being recovered from him.

415. The explanation given for non banking/surrender of cost-sharing revenue is that the hospital had to cope with the high demands for essential services and hence the use of the cost sharing funds. As for the partly paid vouchers, it was explained that the Hospital Superintendent had in August 2004 written to the Provincial Medical Officer to issue special A.I.E to enable them process the vouchers. Although it has been indicated that a list of IOU defaulters had been

forwarded to the Permanent Secretary for recoveries, no evidence has been seen of any recoveries.

MISUSE OF FACILITY IMPROVEMENT FUNDS (COST SHARING) AT KAKAMEGA PROVINCIAL GENERAL HOSPITAL – KSHS.13,993,864.00

416. As already stated according to the Facility Improvement Fund operation manual issued in 1996 as complemented by another one dated December 2002, the cost sharing money should not be used at source before banking and without the Hospital Management Board approval. However, examination of cost sharing revenue records maintained at Kakamega General Hospital revealed that a total of Kshs.13,993,864.00 had been spent as at 30 June, 2004 without the Board's approval as required by the regulations in force. Records examined showed that the revenue was held in form of irregular IOUs totalling Kshs.4,522,472.00 which were issued between July 1999 and June 2004, cash sale receipts totalling Kshs.3,974,783.00 dated between November 1999 and December 2003 and partly paid vouchers amounting to Kshs.5,496,609.00 paid between June 2003 and April 2004. The revenue is indicated to have been spent in buying patients' food, stationery, drugs, non-pharmaceuticals, fuel, motor vehicle repairs and travelling and accommodation expenses but this has not been ascertained in the absence of properly supported and authorized payment vouchers. So far, it has not been explained why the IOUs have not been recovered from the officers who received the cash and why partly paid vouchers and cash sale receipts have not been accounted for through normal processing.

417. It has also been observed that the Medical Superintendent has not been responding to audit queries contrary to the Government Financial Regulations and Procedures which require audit queries to be replied to without delay. The unanswered audit reports are dated 1 November 1999, 19 March, 2001, 5 August 2002, 26 February 2004 and 23 August 2004.

UNDER-UTILIZATION OF FUNDS FOR MEDICAL SUPPLIES

418. The Appropriation Account for Vote R.11 for 2003/2004 reflects under-expenditure totalling Kshs.395,877,683.30 or approximately 21% of the voted provision of Kshs.1,864,267,234 in respect of purchase of drugs and dressings, X-Rays supplies and dressing and non-pharmaceuticals. The main reason given in the footnotes to the Account for the under-utilization of funds was liquidity problems. However, taking into account the acute shortage of drugs, dressings, non-pharmaceuticals and X-Ray supplies at Government Medical Institutions, especially in the rural areas, it is not clear why the Ministry has not taken up the problem of liquidity with Treasury in an effort to ensure better services delivery to the public.

MATHARE NYAYO HOSPITAL

419. In April 1989, the then Permanent Secretary to the Treasury gave authority to Ministry of Health to award on a single sourcing basis a contract for construction of Mathare Nyayo Hospital in Nairobi to a Nairobi based contractor at a contract sum of Kshs.285,935,154. Records available indicate that the scope of works included construction of ten (10) flats, main hospital block, foul drainage and road works, generator and incinerator rooms, toilet block, guard house, kiosk, guard room and a project vehicle. The works commenced in May 1989 and were scheduled to be completed in May 1993 i.e. a period of 200 weeks. The completion date was however later revised and moved forward to May 1995.

420. Further information available, however, indicate that during the contract period, the Ministry failed to make adequate budgetary provisions for the project and as a result the works experienced a number of stoppages before the contractor eventually halted and abandoned the project in April 1994. At the time of abandonment of the project, the certified works by Ministry of Roads and Public Works stood at Kshs.28,876,848 or approximately 10% of the contract sum of Kshs.285,935,154 while about 8.5% of the project had been completed. Out of the sum of Kshs.28,876,848 certified for payment as of April 1994, an amount of Kshs.26,022,008.20 was paid to the contractor during the same month while the balance of Kshs.2,854,839.80 representing retention monies was cleared in December 2003.

421. In July 2000 and even when it was evidently clear that no work had been carried out at the site in the preceding six years, the contractor submitted a claim for Kshs.509,497,143.93, purportedly in respect of uncertified works, losses due to delayed payments and idle labour and plant equipment. The Ministry of Roads and Public Works however disputed the figure of the claim and approved only an amount of Kshs.4,837,892.40 for payment. The contractor on his part rejected the amount of Kshs.4,837,892.40 approved by Ministry of Roads and Public Works and moved on to issue in September 2001 a notice of intention to sue the Attorney General on behalf of Ministry of Health for a revised and upward adjusted claim of Kshs.719,513,976.30 comprising mainly what the contractor claimed to be losses on delayed payments and interest.

422. In November 2002, the claim of Kshs.719,513,976.30 was negotiated between Ministry of Roads and Public Works and the contractor and a settlement at Kshs.68,266,221.20 payable to the contractor was agreed upon between the two parties. Details of these negotiations have not however, been made available for audit review. However shortly thereafter a certificate of final payment of Kshs.68,266,221.20 was prepared and a cheque sent to the contractor and the contract considered as mutually terminated.

423. Simultaneously, however, and about the same period the Ministry of Roads and Public Works agreed with the contractor on a final payment of Kshs.68,266,221.20, the Pending Bills Action Plan Committee set up by Government to evaluate all Development pending bills recommended that the contractor be paid an amount of Kshs.36,697,276.40 as a final settlement for the contract. It is not clear whether the contractor acceded to the recommendation but that notwithstanding the Ministry of Health proceeded in 2003/2004 to pay an amount of Kshs.24,999,826.75 representing part of the recommended bill of Kshs.36,697,276.40 by the Committee, leaving a balance of Kshs.11,697,449.65 to be settled in the subsequent year.

424. Additional information available indicate that the incomplete project has not yet been handed over to the Ministry of Health and indications are that the contractor is still providing security at the site at a fee of Kshs.12,000 per month per guard.

425. The award and the subsequent management of the contract raises a number of unsatisfactory and unexplained issues as follows:

- i) The award of the contract on a single sourcing basis denied Government the advantages of competitive bidding, as a result of which it has not been possible to confirm that the contract sum of Kshs.285,935,154.00 for the project was fair and competitive.
- ii) The Ministry appears to have embarked on a project knowing very well that it did not have adequate budgetary provision for the purpose. Consequently, there is little or no value for money received in respect of the total expenditure of Kshs.53,876,674.75 so far incurred on the now abandoned project.
- iii) No formal handing-over of the project has been carried out and therefore the Ministry continues to incur nugatory and avoidable expenditure on security guards.
- iv) The future of the project is uncertain and the question arises as to whether project designs and drawings which are over sixteen years old are still valid and adoptable today.

OUTSTANDING IMPRESTS

426. Records maintained at the Headquarters of the Ministry of Health show that Temporary Imprests totalling Kshs.12,800,037.30 some of which have been outstanding since 1994 were still outstanding as at 30 June 2004. Out of the above total, imprests amounting to Kshs.4,007,629.15 were due from Officers in

Job Group 'L' and below, Kshs.4,591,656.70 from officers in job Group 'M' and above while the balance of Kshs.4,200,751.45 was due from Ex-officers of the Ministry.

427. Further, Standing Imprests amounting to Kshs.159,004,100.65 were issued to three (3) officers of the Ministry between 03 December 2003 and 30 June 2004 on account of the Decentralised HIV/Aids and Reproductive Health Project under the International Development Association and the National Leprosy and Tuberculosis Programme under the Global Fund. Although these Imprests were supposed to have been surrendered or accounted for by 30 June 2004, the amounts were still outstanding as at that date and no explanation for failure to account for them by the due date has been provided.

IRREGULAR PAYMENT OF ELECTRICITY EXPENSES

428. The Recurrent Appropriation Account for Vote R.11 for the year ended 30 June 2004 reflects expenditure totalling Kshs.216,941,903.95 as having been incurred during the year on electricity charges against various Heads within the Account. Examination of expenditure records at the Headquarters of the Ministry however revealed that a total of Kshs.215,977,750.35 had been paid to the Kenya Power and Lighting Company Ltd during 2003/2004 on account of electricity charges resulting in a difference of Kshs.964,153.60 between the figure of Kshs.216,941,903.95 shown in the Account and Kshs.215,977,750.35 appearing in the expenditure records. It has not been explained what the difference of Kshs.964,153.60 represents.

429. Further it was observed that the payment of Kshs.215,977,750.35 was made on the basis of composite lists of outstanding charges without the actual electricity bills, showing consumer's account numbers, consumption data and billing details. As a result and in absence of the actual bills, it has not been possible to confirm the propriety of the total expenditure of Kshs.216,941,903.95 incurred on supply of electricity during the year.

GRANTS TO HOSPITALS

430. The Appropriation Account for Vote R11 for the year ended 30 June 2004 reflects grants totalling Kshs.2,409,014,958.60 as having been issued to Kenyatta National Hospital under Sub-Vote 117, Head 315, Item 340 during the year. The unaudited Accounts of the Hospital for 2003/2004 however shows grants totalling Kshs.2,448,014,958.60 as having been received occasioning an unexplained difference of Kshs.39,000,000 between the two sets of records.

431. Further, the Appropriation Account shows grants totalling Kshs.458,072,076.00 as having been issued to Moi Referral and Teaching

Hospital during the same period under Sub-Vote 118, Head 623, Item 300. However, the Referral Hospital Accounts for 2003/2004 have not been seen with the result that it has not been possible to confirm that grants totalling Kshs.458,072,076 issued to the Institution were received and utilized for the intended purposes.

GRANTS TO KENYA MEDICAL TRAINING COLLEGE

432. The Appropriation Account for Vote D11 for the year ended 30 June 2004 shows grants totalling Kshs.50,000,000.00 as having been issued to the Kenya Medical Training College during the year, under Subvote 114, Head 340, Item 300 – Grants to Kenya Medical Training College. However, the unaudited Accounts of the College for 2003/2004 reflect grants amounting to Kshs.25,000,000 as having been received, occasioning a difference of Kshs.25,000,000 between the two Accounts. This difference has not been reconciled or explained.

HEALTH CARE SERVICES FUND ACCOUNT

433. The Fund's Income and Expenditure Account for the year ended 30 June 2004 shows comparative balances which do not agree with those reflected in the audited Account for 2002/2003 as indicated below:-

Item Description	Balance per audited Account for 2002/2003 (Kshs)	Balance per Account for 2003/2004 (Kshs)	Difference (Kshs)
Actual Receipts	1,111,780,676.90	1,405,815,715.30	294,035,038.40
Actual Expenditure	1,603,707,809.70	1,429,259,114.20	174,448,695.50
Excess Expenditure Over Income	Nil	23,443,398.90	23,443,398.90
Over Expenditure	48,072,867.20	Nil	48,072,867.20

No explanation has been provided for these material differences.

434. The Income and Expenditure Account for 2003/2004 also shows receipts totalling Kshs.1,586,631,251.10 from various Health Facilities which have not been supported with income returns from individual Facilities or the Health Care Financial Information Systems Report for the year 2003/2004. Consequently, the correctness of the figure has not been ascertained.

435. The Income and Expenditure Account further reflects expenditure of Kshs.1,662,512,627.25 which has not been supported with expenditure returns

from various Health facilities or the Health Care Financial Information Systems Report. As a result it has not been possible to confirm the correctness of the figure.

436. The Fund's Balance Sheet as at 30 June 2004 also reflects comparative balances brought forward from the Fund Accounts for the year 2002/2003 which do not tally with the balances appearing in the audited Accounts for 2002/2003 as shown below:-

Item Description	Balance per audited Account for 2002/2003 (Kshs)	Balance per Account for 2003/2004 (Kshs)	Difference (Kshs)
Cash at Bank	196,712,529.25	125,196,263.15	71,516,266.10
Accumulated Reserve	196,712,529.25	125,196,263.15	71,516,266.10

No explanation has been given for these differences.

437. The Balance Sheet as at 30 June 2004 also reflects a Paymaster General's balance of Kshs.1,000,200.00 and Cash at Bank amount of Kshs.49,314,887.00. It has however not been possible to confirm the correctness of the two balances as no Bank Reconciliation Statements or cash count certificates have been submitted for audit review.

438. The Trial Balance as at 30 June, 2004 reflects fourteen (14) Districts which show total receipts figures which are exactly the same as those appearing in the Trial Balance and Income and Expenditure Account for the year ended 30 June 2003. Similarly, the same Trial Balance shows thirty seven (37) Districts which reflect total payments balances which are exactly the same as those reflected in the Trial Balance and Income and Expenditure Account for the year ended 30 June 2003. As in the previous year, no explanation has been provided for the highly exceptional coincidence whereby the Trial Balances and Accounts for 2002/2003 and 2003/2004 reflect the same receipts and payments figures against various items in respect of fifty one (51) Districts. It would appear that the Ministry simply transferred the balances in the Trial Balances and Income and Expenditure Accounts for 2002/2003 to 2003/2004.

439. The Trial Balance as at 30 June 2004 further shows that twenty two (22) Health Facilities incurred expenditure in excess of receipts realized during the year in that while the total collections were Kshs.537,775,839.90, the expenditure stood at Kshs.698,668,711.50 resulting in an excess expenditure of Kshs.160,892,871.60. The source of funding for the excess expenditure of Kshs.160,892,871.60 has not been explained.

MEDICAL SUPPLIES FUND'S STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2004

440. The Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2004 submitted for audit is a replica of the Statement submitted for 2002/2003. As in 2002/2003, the Ministry has not provided documents and analyses in support of debit and credit balances of Kshs.220,021,473.35 and Kshs.217,463,867.00 respectively appearing in the Statement. Consequently, it has not been possible to ascertain the correctness of these balances.

441. Further, it has not been possible to confirm the accuracy of the PMG balance of Kshs.2,557,606.35 as no Bank Balance Certificate or Reconciliation Statement has been made available for audit review. In addition, no evidence has been seen to confirm that the overdraft of Kshs.2,557,606.35 recorded against the Fund as at 30 June 2004 had been authorized by the Treasury.

442. As stated in the Report for 2002/2003 the Board of the Kenya Medical Supplies Agency established under Legal Notice No.17 of 11 February 2000 was expected to take over all Assets and Liabilities of the Fund existing as at that date but in the absence of accurate and reliable accounting records, it is not clear how such a take over will be accomplished.

MINISTRY OF LOCAL GOVERNMENT

PENDING BILLS

443. In the Report for 2002/2003 reference was made to pending bills amounting to Kshs.1,011,440,956.15 which remained unpaid as at 30 June 2003. For the year 2003/2004, available records indicate that of those bills, bills relating to Water and Sewerage Projects under Development Vote D12 and amounting to Kshs.532,769,642.65 were transferred to the Ministry of Water Resources Management and Development leaving a balance of Kshs.478,671,131.50 under the Ministry of Local Government. Out of this amount bills totalling Kshs.391,339,572.96 were paid during the year leaving bills totalling Kshs.178,392,863.93 outstanding as at 30 June 2004 reportedly due to inadequate provision and liquidity.

444. Had these outstanding bills been paid in the year 2003/2004, the Appropriation Account for the Recurrent Vote R.12 would have reflected an

Excess Vote of Kshs.150,700,516.08 instead of a surplus of Kshs.27,692,347.85 now shown.

445. Included in the list of pending bills settled during 2003/2004 totalling Kshs.391,339,572.96 were bills amounting to Kshs.334,655,719.12 paid in respect of road rehabilitation projects under the Roads Maintenance Levy Fund Account. These payments mainly comprised interest claimed by the contractors on delayed payments. Interest computations schedules were not however made available for audit verification and consequently it has not been possible to ascertain the propriety of total payment of Kshs.334,655,719.12 to road contractors.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID

446. The Development Appropriation Account for Vote D12, for the year ended 30 June 2004 reflects gross under-expenditure of Kshs.258,077,171.95 or about 74% of the total approved gross estimated expenditure of Kshs.350,290,000.00. Reasons given for the under-expenditure include delays in procurement procedures, over-estimation in the approved estimates, inadequate liquidity, suspension of the (KUTIP) credit and delays in the signing of the contract documents. However, the Ministry has not given any explanation for the under-expenditure of Kshs.60,000,000.00 meant for "Poverty Reduction through Optimising Local Government Systems" (PROLOGS) programme.

447. Nothing was collected out of the total estimated Appropriations-in-Aid (A.I.A) of Kshs.130,290,000.00. The reasons for failure to collect the entire estimated A.I.A have not however, been given in the footnotes as required under Financial Regulations and procedures.

NON SUBMISSION OF LOCAL AUTHORITIES TRANSFER FUND (LATF) ACCOUNTS FOR AUDIT

448. The Local Authorities Transfer Fund (LATF) was established under Section 3 of the Local Authorities Transfer Fund Act, No. 8 of 1998, to supplement the financing of the services and facilities local authorities are required to provide under the Local Government Act, Cap 265. Available records show that a total of Kshs.12,669,195,502.00 has so far been disbursed to various Local Authorities over the last five (5) financial years since the enactment of the Act. Although Section 9 (c) of the Local Authorities Transfer Fund Act requires the Officer administering the Fund to prepare, sign and transmit to the Controller and Auditor General annually the Fund's Accounts for audit, only accounts for 2002/2003 and 2003/2004 have so far been prepared and submitted for audit although they were submitted for audit late in February 2005. The

fund accounts for 1999/2000 to 2001/2002 have so far not been prepared or submitted for audit. This omission constitutes a breach of the law.

NON SUBMISSION OF LOCAL AUTHORITIES ACCOUNTS FOR AUDIT

449. One of the principal objectives of LATF was to improve financial management and accountability in Local Authorities. All Local Authorities could therefore use part of the funds for the preparation and submission of the Abstracts of Accounts for audit. However, the 175 Local Authorities nationally had as at 30 June 2004 arrears of some 1376 years of accounts out of which 265 and 1,111 years' arrears were in respect of the periods 1998/1999 to 2003/2004 and 1997/1998 and prior years, respectively. In the absence of Abstracts of Accounts, it has not been possible to ascertain how resources made available to Local Authorities under the Local Authorities Transfer Fund (LATF) and other sources have been used and accounted for and whether they were utilized for the intended purposes only.

IRREGULAR PAYMENT OF HONORARIA

450. Examination of payment vouchers in respect of honoraria payments revealed that payments totalling to Kshs.638,000.00 were made to some thirty three (33) Ministry staff for preparation of the Ministry's Appropriation Accounts for 2002/2003. However, the provisions of Circular Ref. No.OP/CAB.2/12A/(8) of 18 August 2003 issued by the Head of the Public Service on honoraria payment were not strictly complied with in that maximum number of days were exceeded by five (5) while six (6) additional staff not in the Accounting Officer's letter of appointment were also paid. Authority from the Directorate of Personnel Management for the five (5) extra days and the appointment letter/s for the six (6) extra staff who were paid were not made available for audit. Consequently payment of Kshs.240,000.00 out of the total payment of Kshs.638,000.00 is considered irregular.

CONTRIBUTION IN LIEU OF RATES

451. The Appropriation Account Contribution-in-Lieu of Rates' item reflects actual expenditure of Kshs.300,459,687.90 while payment schedules provided by the Ministry showed that Kshs.299,660,190.00 was paid to the various Councils country wide. The resultant difference of Kshs.799,497.90 has not been reconciled or explained.

452. Further, Contribution in Lieu of Rates' Schedules availed by the Ministry also showed that out of the total outstanding balance of Kshs.3,438,232,386.00

owed to various Local Authorities by the Government, only Kshs.299,660,190.00 was paid in the year 2003/2004 leaving a balance of Kshs.3,138,572,196.00 as at 30 June 2004. No explanation has been provided for failure to clear the outstanding balances which may have affected delivery of services by the affected local authorities.

453. The Schedules also indicate that five (5) Local Authorities received advance payments amounting Kshs.6,750,000 during the year. The criteria used in identifying the local authorities to receive advance payments have not been given and it is also not clear whether the advance payments were to be recovered.

MINISTRY OF ROADS AND PUBLIC WORKS

PENDING BILLS

454. Examination of records of the Ministry of Roads and Public Works showed that Pending Bills amounting to Kshs.965,787,654.10 were outstanding as at 30 June 2004 out of which Kshs.544,808,933.76 was chargeable to Recurrent Vote R.13 and Kshs.420,978,720.34 to Development Vote D.13. Had the bills been settled during 2003/2004 financial year, the Recurrent Appropriation Account for Vote R.13 for the year ended 30 June 2004 would have reflected a net surplus of Kshs.427,964,958.46 instead of a net surplus of Kshs.972,773,892.22 now shown, while the Development Appropriation Account for Vote D.13 would have reflected a reduced net surplus of Kshs.988,850,423.51 instead of a net surplus of Kshs.1,409,829,143.85 now shown. The total Pending Bills of Kshs.965,787,654.10 however exclude a litigation claim due to a Supplier of Kshs.417,287,173.00 which was outstanding as at 30 June 2003 and which was carried forward to 2003/2004 financial year but remained unpaid during the year.

UNDER-EXPENDITURE AND UNDER COLLECTION OF APPROPRIATION-IN- AID – VOTE R13

455. The Recurrent Appropriation account Vote R.13 for the year ended 30 June 2004 reflects gross under-expenditure of Kshs.1,355,810,751.12 or approximately 13% of the gross approved estimates of Kshs.10,699,313,590. The under expenditure occurred mainly under Head 384 – Major Roads where a sum of Kshs.1,171,750,877.67 or about 14% of the approved estimates of Kshs.8,566,000,000.00 was not utilized. It has been explained in the footnotes that the under-expenditure under Head 384 was due to the limit of budgetary provisions approved by the Kenya Roads Board and late release of

disbursements which took place towards the closure of financial year. This explanation does not however, appear to be totally correct because the total amount received from the Kenya Roads Board in form of Appropriation-in-Aid was Kshs.7,945,635,433 but only a sum of Kshs.7,195,249,122 was spent leaving an unspent balance of Kshs.750,386,311.

456. The Appropriation Account also reflects deficiency in Appropriations-in-Aid of Kshs.383,036,858.00 or about 4% of the estimated receipts of Kshs.8,598,515,440. The deficiency in Appropriations-in-Aid also occurred mainly under Head 384 – Major Roads, Item 655 – Road Use Levy where a deficiency of Appropriation-in-Aid of Kshs.421,364,567.00 or 5% was recorded. The under collection against item 655 has been attributed, in the footnotes, to the limit of disbursement released by the Kenya Roads Board.

457. Considering that the core activities of the Ministry are to design, contract works for construction and maintenance of national road networks, failure by the Ministry to spend funds provided for that purpose to the extent of Kshs.1,171,750,877.67 is a matter of concern and calls for explanation.

UNDER EXPENDITURE AND UNDER COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D13

458. The Development Appropriation Account Vote D 13 for the year ended 30 June 2004 reflects gross under expenditure of Kshs.3,746,491,789.65 or approximately 55% of the gross estimate of Kshs.6,764,456,897.00. The account also reflects deficiency in Appropriation-In-Aid of Kshs.2,336,662,645.80 or approximately 55% of the gross estimate of Kshs.4,227,000,000.00. The reason given in the footnotes for the under-expenditure and under-collection of the Appropriations-in-Aid included lack of liquidity, slow or non implementation of the projects, slow processing of documentation, delays in tender documents preparation, slow payment procedures and slow procurement of consultancy services. However, the Ministry has not indicated the action it proposes to take to avoid similar under-utilization of resources voted and made available principally for development of roads infrastructure.

REPAIRS AND CONSTRUCTION OF JUJA ROAD (PANGANI – OUTERING SECTION) CONTRACT NO. RD 0397

459. A contract for repair and re-construction of the 5.65 Km long Juja road (Pangani – Outering Road) was awarded to a locally based contractor on 25 September 2001 at a contract sum of Kshs.382,364,161. The order to commence work was issued on 5 March 2002 for a project duration of twelve months with the expected completion date of 4 March 2003. Examination of the contract records revealed the following observations:-

Scope of Work

460. The scope of works involved relocation of services and utilities; and spoiling of existing asphaltic/bituminous surfacing to a depth of approximately 200mm over the whole carriageway; reprocessing of existing hand packed stone base; provision of 150mm lime/cement stabilised gravel sub-base; provision of 125mm 0/40 Dense Bitumen Macadam (DBM); provision of 50mm 0/20 Asphalt concrete type 1 (A/C); provision of 35mm 0/14 Asphalt concrete type 1 wearing course; general improvement of the drainage system; constructions of pipe, invert block and stone pitched drains; construction of graded crushed stone (GCS) sub-base and base; construction of foot paths, provision and reinstatement of the road furniture; provision and installation of street lighting; improvement, maintenance of deviations and passage of traffic through the works and operations ancillary to the main works.

Contractor's Proposed Change of Design

461. The contractor through a letter dated 8 May 2002 however proposed a number of changes. In particular that Km 0 + 400 to Km 0 + 560 be regulated and necessary surface repairs carried out. That the existing surface be considered as sub-base layer since it is stable followed subsequently by application of a tack coat, a regulation layer in varying thickness before applying 125 mm DBM base, 50 mm AC type 1 wearing course and that the same treatment apply to the following chainages, Km 0 + 560 to Km 1 + 040, Km 1 + 500 to Km 4 + 600, 5 + 050 to Km 5 + 300. The proposed change was therefore to apply to 4km of the 5.65 km road.

462. The Engineer through a letter dated 29 May 2002, appointed a technical committee to evaluate the proposed change of design. The committee issued an evaluation report dated 8 August 2002, which recommended that the pavement design proposed by contractor be rejected and the initial design be retained. The committee further recommended that the Resident Engineer should liaise with the contractor to identify areas which need slight adjustment in the design and in case the effect of slight adjustments is within the threshold allowed for in the contract, then the alteration may be effected in the current contract. Otherwise, the employer would be consulted for consent and that the construction work should, in the meantime, proceed using the initial design.

463. An audit inspection of the construction site on 30 September 2003 and 1 October 2003, however, revealed that the contractor was implementing the changes he had proposed but which had not been approved by the employer and without the authority of the Engineer. A further audit inspection conducted on 22 October 2004 revealed that the contractor implemented the proposed change of pavement design up to Km 5.65 and the completed carriageway was not uniform. Although the contractor gave notice of substantial completion on 22 February

2004, the time when extended contract period elapsed, works on culvert headwalls, drainage, walkways, shoulders, ditches and bus bays were outstanding.

Complaint of Shoddy Work

464. On 7 June 2002, the Resident Engineer, complained to the contractor that he had implemented the proposed change of pavement design without the authority of the Engineer. On 13 May 2003, material test results indicated that Dense Bitumen Macadam (DBM) laid at Km 0 + 390 Left Hand Side and Right Hand Side on 28 April 2003 had failed to achieve the required specifications. Although the contractor was instructed to remove the laid Dense Bitumen Macadam (DBM) at no extra cost, he ignored and went ahead to cover the rejected Dense Bitumen Macadam with binder course on 12 May 2003.

Cost Overruns and Expenditure

465. According to Certificate No.14 dated 30 April 2004 billed items had been overrun by Kshs.149,954,583.96. Expenditure amounting to Kshs.342,807,189.75 or 90% of the tender sum of Kshs.382,364,161.00 had been certified and paid as at 30 June 2004.

466. In view of the very significant discrepancy between the works done by the contractor and the original works design and specifications as provided for in the signed contract, questions arise as why the contractor was allowed to continue with works on the basis of his own proposed variations which had not been approved by the employer or authorised by the Engineer and why under the circumstances the contractor had been paid up to 90% of the contract sum. Questions also arise as to why the contractor was allowed to incur cost overruns of Kshs.149,954,583.96 over a number of billed items and what action the Ministry intends to take to ensure that Government gets value for money spent on this contract.

CONTRACT NO.RD 0398: GARSEN – LAMU ROAD

467. A contract No.RD 0398 for the rehabilitation of the damaged sections of the 113.8 Km Garsen – Lamu road (C112) was competitively awarded to a foreign construction firm on 25 February 2002. The order to commence was given on 16 July 2002. A foreign Government through its Development Agency was to provide a loan of Euro 8,461,881 while the Government of Kenya (GOK) was to provide counterpart funds of Euro 2,010,000 towards the project. In addition the Government of Kenya was to bear the cost of all taxes and reimburse the contractor the cost of local taxes as computed net of withholding tax.

468. The Development Appropriation Account Vote D13 for the year 2003/2004 shows that expenditure totalling Kshs.301,892,403.00 was incurred on the project of which the foreign donor paid Kshs.234,122,622.60 while the balance of Kshs.67,769,780.40 was paid by the Government of Kenya (GOK). The expenditure borne by the Government of Kenya included VAT amounts totalling Kshs.25,054,312.65 which were erroneously paid to the contractor under various payment certificates instead of being paid directly to the Commissioner of VAT. No explanation has been given for this error and it is not known whether the contractor eventually paid the amount of Kshs.25,054,312.65 to the Commissioner of VAT.

CONTRACT NO. RD 0362 FOR REPAIR AND RESEALING OF BACHUMA GATE – MIRITINI SECTION OF MOMBASA ROAD (A 109)

469. The contract for repair and resealing of Kilometres 88 + 260 Bachuma Gate – Miritini Section of Mombasa Road A 109 was awarded on 4 June 1998 by the Central Tender Board upon the recommendation of the Ministry of Roads and Public Works to a Local Construction Company on a single sourcing basis at a contract sum of Kshs.601,850,000.00 as a Variation Order (V.O.) to Kilifi – Malindi Road B8, which had been awarded also as a variation to Mombasa Road Phase III. The contract sum included prime costs of Kshs.189,925,000.00. The contractor accepted the offer unconditionally through a letter dated 29 June 1998 and issued a programme of works based on the contract period of eighteen (18) months.

470. Information available indicates that the original contract sum was varied through Addendum No.1 from Kshs.601,850,000.00 to Kshs.525,048,806.40 as a result of changes in design and specifications and deletion of 35 Km sections of the road, from the contract. However, the addendum has not been produced for audit review to ascertain its validity. Expenditure records and the Ministry's Contract Register indicates that a total of Kshs.559,209,910.15 had been incurred on the project up to Certificate No. 17 as at 30 June 2004. The expenditure of Kshs.559,209,910.15 exceeds the revised contract sum of Kshs.525,048,806.40 by Kshs.34,161,103.75. The excess expenditure of Kshs.34,161,103.75 has not been explained.

471. The Project was originally envisaged to be completed in January 2000. However, this date has been varied several times with the last variation bringing the completion date to 31 March 2002, an extension of 27 months from the initial completion date. The reasons for the extensions have not been given. Although information available indicates that the project was substantially completed on 27 March 2003 and handed over on 5 May 2004, substantial completion certificate, snag list, handing over certificate and the final account have not been made available for audit review.

472. Audit inspection of the project site was frustrated by the absence of the Resident Engineer despite notification by my office of the intended visit and the audit teams itinerary from 17 August 2004 to 22 August 2004. Consequently, it has not been possible to carry out all the auditing procedures necessary to obtain adequate assurance regarding the level and quality of work done in respect of which the Ministry had paid the contractor a sum of Kshs.559,209,910.15 as at 30 June 2004.

DEVELOPMENT OF KIPSOMBA – KIMILILI FARM – MAJI MAZURI ROAD

473. The quotations for the development of Kipsomba – Kimilili Farm – Maji Mazuri road were approved by the Central Tender Board on 22 February 2001, after adjudication by the Uasin Gishu District Tender Board. A contract No.RG 770-05 for Kshs.68,861,835.85 was thereafter awarded to a local firm on 7 March 2001. The initial works, located in Uasin Gishu District involved gravelling 21 Km of road reserve. The works commenced on 20 August 2001 under supervision of the Ministry and were scheduled for completion in six months.

474. Available information indicates that it was later discovered by the Resident Engineer that some design quantities were inadequate because two swamps in the middle of the road were not catered for, the quantities for airstrip though included in the original tender were omitted from the contract documents, there was no provision for overhaul of gravel and only one supervision vehicle had been provided for and the staff allowances were not sufficient.

475. Ministerial Documentation Committee acting on the recommendations of a committee appointed by the Chief Engineer to evaluate the project recommended on 26 March 2002 a variation of the contract to include rock fill to two (2) swamps crossing the road, gabion protection works, improvement of a further 3.3 Km of RAR 35 to connect the project to the main B2 (Eldoret – Kitale road), improvement of existing airstrip and time extension of 12 months to cater for the additional works.

476. The proposal was forwarded by the Ministry to the Uasin Gishu District Tender Board through a letter of 13 June 2002 with a request that the additional works be considered at an additional cost of Kshs.87,521,779.15. The District Tender Board in turn approved the same on 16 July 2002, increasing the contract sum to Kshs.156,383,615.00. The completion date was also revised to 17 February 2003.

Maji Mazuri Airstrip

477. Audit inspection of the project carried out on 23 August 2004 and examination of related documents revealed a number of unsatisfactory matters. In particular a gravel airstrip with a runaway of 1.5 Km long and 20 metres wide was constructed at the Maji Mazuri Farm, with the gravel being compacted to 300 mm thickness. It has not been possible to obtain the actual cost of the airstrip since its quantities were incorporated in the total cost of the variation order. However, the airstrip is on private land and it is not clear why public funds were used to rehabilitate it. Further, the Kenya Roads Board Act provides for the use of Fuel Levy Funds on maintenance of public roads and it has not been explained why the funds were used on an airstrip contrary to the Act.

Usage of the Road

478. Although the road is designed for usage by vehicles of 10 tonnes and below, vehicles beyond this tonnage ferrying goods from the Machine Ziwa National Cereals and Produce Board Depot were found plying the road, which is likely to cause an early deterioration of the road.

Interest on Delayed Payments

479. The contractor has submitted a claim for interest on delayed payments for certificates No 4 to 6 amounting to Kshs.5,804,487.25. Although the claim has not been assessed a cursory inspection indicates that it is based on compound interest. Payments were delayed due to the Ministry's failure to have the contract agreement countersigned on time and should not have arisen.

IMPROVEMENT AND GRAVELLING OF CHESOI – MARON – CHESEGON ROAD E 3+52: CONTRACT NO. RG 870-02

480. Award of contract No. RG 870-02 for improvement and gravelling of the 51 Km Chesoi-Maroon-Chesegon Road E 352 in Marakwet District was awarded to a local firm on 3 October 2002 at the tender sum of Kshs.204,713,728.27. The project was to be financed by the Government of Kenya through Road Maintenance Levy Fund. The works commenced on 17 December 2002 for a contract period of eighteen months with the expected date of completion of 16 June 2004.

Scope of Work

481. The scope of work to be carried out included site clearance, light grading and reshaping, earth works, installation of traffic signs and guard rails, reinstatement of ditches and other drainage works, construction of erosion protection works, construction of 1 No. 12 M single span bridge, 8 No. box

culverts and ancillary structures, gravelling of the entire road and maintenance of the works during the construction period and 12 months after the completion of the contract.

Sub Contraction of the Works

482. The contractor had agreed to undertake the works as per firm's form of bid dated 21 May 2002 and Bank Guarantee of 20 May 2002 from a local bank. However, after being awarded the contract, the contractor proceeded to sub contract another firm to carry out site establishment, site clearance and top soil stripping, earthworks, excavation and filling for structures pipe culverts and drainage works, gravel wearing course and concrete works at a total cost of Kshs.51,542,136.00, an amount which was 25% of the total contract sum of Kshs.204,713,728.27. Although the contractor had sub-contracted 25% of the works, evidence on the ground indicate that the whole of the contracted works had been assigned to the sub-contractor. However, agreement assigning all the works and the necessary approval thereof have not been made available for audit review. No explanation has been given for assigning of the whole contract to the sub contractor.

Progress of Work

483. Although the works ought to have been completed by 16 June 2004, Progress Report NO. 13 of June 2004 indicates that processing of the sub-grade to formation levels had been completed for 30.7 Km only while dumping and spreading of gravel had been completed for 30.7 Km out of the expected 51 Km. The works on the proposed bridge across Embobut river at Km 32 + 750 had not started. Pending also was the northern approach road of the proposed bridge.

Inadequate Stone Pitching

484. Due to the terrain of the area and the nature of the soils which are prone to land slides, the side drains and drains from the installation of culverts, item 7.10 of the special specifications for stone pitching which is required was not provided for in the bills of quantities in terms of quantities and funding. The stone pitching is much needed protection for culvert and mitre drains outfalls against excessive erosion by surface runoff. No indication has been given of how the necessary protection works will be done.

Interest on Delayed Payments

485. As of 4 July 2004, only eight out of the eleven payment certificates presented had been settled in the sum of Kshs.116,576,124.63 leaving a balance of Kshs.32,526,841.11 for certificate Nos. 9, 10 and 11. Failure to settle the certificates in time usually result in claim for interest on delayed payments. Such interest on delayed payment had already been claimed on certificates No. 8 and

11 in the sum of Kshs.2,282,354.01. It has not been explained why payments to the contractor were delayed resulting in avoidable expenditure in the form of interest on delayed payments.

AVOIDABLE EXPENDITURE MWINGI – KALANGA CORNER ROAD

486. In the Report for 1999/2000, it was stated that a Donor had in 1993 agreed to apply the unutilized balance of Kshs.708,023,773 from Loans on the construction of Kalanga Corner – Laga Hamaris and Lodwar – Kakuma roads to finance 80% of the construction costs and 100% of the supervision expenses of the unbituminised 48 Km of Mwingi – Kalanga Corner road, while the Government of Kenya (GOK) was to finance the balance. Variation Order No.1 for the works was negotiated between the Ministry and a foreign firm and concluded at Kshs.804,251,871. The works commenced in 1994 and were completed in December 1999. It was also reported that by December 1999 an amount of Kshs.1,019,410,194.76 had been spent on the project against the approved variation orders of Kshs.845,650,637.65 resulting to cost overrun of Kshs.173,759,557.11 or 21% for which Treasury authority appear not to have been sought. The cost overrun included avoidable interest of Kshs.46,491,385 on delayed payments.

487. During the year 2003/2004, a further avoidable interest payment of Kshs.7,224,802.49 on delayed payments was incurred on the project.

488. The interest was charged at the rate of 6% per annum throughout the period for the amounts payable by the Donor in US dollars and at a rate between 20.27% to 19.77% for the payments in Kenya Shillings by the Donor and the Government of Kenya. Although an amount of US\$559,552.83 certified under Certificate No.26 was wholly payable by the Donor, the claim on interest was split into US\$207,615.68 and US\$351,937.15 with the amount of US\$207,615.68 attracting the higher local interest of between 20.27% to 19.77% totalling to Kshs.1,982,655.12, instead of the uniform rate of 6% which would have amounted to Kshs.605,714.48. This resulted to an overpayment of interest of Kshs.1,376,940.64 on delayed payments. This interest payments brought the total avoidable interest charged to date on the project to Kshs.53,716,187.49.

REPAIR AND RESEALING OF NAKURU – MARIGAT ROAD B4, CONTRACT NO. R.0400.

Tendering and Award

489. Audit of the above project has revealed a number of unsatisfactory matters. Contract No. RD 0400 for repair and resealing of the 114 Km Nakuru – Marigat Road (B 4), was awarded on 19 August 2002 to a contractor at the tender sum of Kshs.490,212,240.36. However, tender evaluation report was not availed for audit review and it has not been possible therefore to ascertain the basis of award of the contract to the firm.

Inadequate Performance Guarantee

490. The contractor through a letter dated 10 September 2002 submitted a performance bank guarantee for Kshs.58,554,964.00, but was informed by the Ministry that the amount was inadequate in that it did not cover Price Cost (PC) sums, Variations of Prices (VOP) and Contingencies. Although the contractor was advised through the Ministry's letter of 16 September 2002 to make good the shortfall of Kshs.14,976,871.25 there is no evidence so far to show that the shortfall in the bank guarantee was met. The contractor was ordered to commence works on 16 September 2002 and actual works commenced on 16 October 2002 despite the shortfall in performance guarantee. No explanation has been given for allowing the contractor to proceed before he had made good the shortfall in the bank guarantee.

Erroneous Certificate No. 1

491. On 16 January 2003, the contractor submitted certificate No. 1 for Kshs.34,453,195.85, which included an amount of Kshs.27,416,370.00 for materials claimed to be on site as at 28 October 2002. It was explained that the said material were at Kokoto Quarry which was not approved by the Engineer as a project site until 6 March 2003. Since the site had not been approved by 16 January 2003, the date of the certificate, the certificate itself was clearly erroneous. No explanation has been given for the issuance of an erroneous certificate.

Insufficient Supervision Vehicles

492. The contractor has provided 2 supervision vehicles as opposed to 5 required under the contract. Although the Resident Engineer had brought this issue to the attention of the contractor in a letter dated 3 December 2003 and during a site meeting of 25 November 2004, the contractor has not taken any steps to remedy the situation and the Ministry appears to have condoned this

breach of the terms of the contract by taking no action. The failure of the contractor to provide the vehicles is likely to impair the supervisory activities of the Engineer.

Quality of Workmanship

493. The supervision team has reported on several occasions that the workmanship is shoddy. This is in reference to the monthly progress report for June 2003 which showed that samples at Km 28+900, Km 30+100, Km 31+020 and plant samples 16/B/NM/2003, 19/B/NM/2003, batches 1,2,3 and 4 were all out of the grading envelope. The test results further showed that the densities of the mixes had not been achieved. No action appears to have been taken by the Ministry to rectify this situation.

Slow Progress of Work

494. Although actual works commenced on 16 October 2002 for a contract period of (30) months with an expected completion date of 16 April 2005, the progress of work appear to be slow. For example, the Monthly Progress Report for November 2004, show that the time elapsed was 85% of the contract period against 38.3% of works achieved. No action appears to have been taken to correct this unsatisfactory state of affairs.

REHABILITATION OF SULTAN HAMUD – MTITO-ANDEI SECTION OF NAIROBI – MOMBASA ROAD

495. In the Report for 2002/2003, reference was made to a contract No. RD 0380 for rehabilitation of Sultan Hamud – Mtito Andei Section of Nairobi – Mombasa Road, which was awarded to a foreign company on 11 December 2002, at their tender sum of Kshs.4,642,112,700.71 following international competitive bidding. The works involved rehabilitation/realignment construction of 130.5 km road between Sultan Hamud to Mtito Andei, with a 7.0 m wide carriageway and 2.0 m shoulders. The works commenced on 1 April 2003 and are scheduled for completion in 30 months on 30 September 2005.

496. Available information shows that as at 30 June 2004 expenditure totalling Kshs.2,827,808,727.34 had been incurred on the project since its inception out of which Kshs.1,770,167,312.45 was paid during the year 2003/2004. However, the Development Appropriation Account Vote D.13 for the year ended 30 June 2004 reflects expenditure of Kshs.1,480,861,912.45 under the project out of which Kshs.1,361,539,788.15 was financed by the European Commission (the Donor) while the balance of Kshs.119,322,124.30 was financed by the Government of Kenya. The difference of Kshs.289,305,400 between expenditure incurred and paid during the year 2003/2004 of Kshs.1,770,167,312.45 and the amount of Kshs.1,480,861,912.45 reflected in the Account represents donor

disbursements effected in November 2003 in respect of Certificate No.7 for materials and equipment advance, which was not captured in the Appropriation Account. The gross expenditure and the total Appropriations-In-Aid have therefore been understated by the same amount in the Development Appropriation Account Vote D.13 for the year ended 30 June 2004.

UNCONFIRMED GOVERNMENT OF KENYA'S CONTRIBUTION TO UN-HABITAT AND HUMAN SETTLEMENT

497. The Recurrent Appropriation Account for Vote R.13 for the year ended 30 June 2004 shows that the Ministry incurred expenditure totalling Kshs.3,662,769.00 under Head 411 – Housing Department – item 310 – Contribution to UN Habitat and Human Settlement. The contribution is said to have been paid to United Nations Habitat and Human Settlement Foundation bank account in New York, through a Payment Advice dated 15 June 2004 for US\$46,689.87. Available documents however, indicate that the amount has not so far been received into the UN/HABITAT's New York bank account. The indications are that an error was made when the payment advice was forwarded to the Central Bank without proper documentation. In the absence of confirmation of receipt of the contribution by the organization, it has not been possible to ascertain the correctness of the expenditure charged to item 310 during the year.

CASH MANAGEMENT – SUPPLIES BRANCH NAIROBI

Refer to Drawer Cheques

498. A Cash Survey carried out at the Supplies Branch Nairobi on 9 August, 2004 revealed unsatisfactory management of cash. Refer to Drawer Cheques amounting to Kshs.6,806,604.95 which had become stale were being held by the Supplies Branch. These cheques had been issued by various Government Ministries, Departments and Institutions some of them dating as far back as may 1998. No explanation has been given as to why the cheques have remained outstanding for such a long time apparently without any action being taken to recover the amounts due.

Unbanked Cheques

499. Cheques totalling Kshs.3,877,600.95 which were received and receipted during 2003/2004 financial year had not been banked. Some of these cheques were already over six months old and had already become stale before being banked. No explanation has been given as to why the cheques were not banked.

Unreceipted Cheques

500. Cheques totalling Kshs.7,675,779.80 had not been receipted. It was explained that Supplies Branch had run short of miscellaneous receipts (MR) and the F.0.17 required to be issued before the cheques are banked. However, an inquiry at the Ministry's Headquarters revealed that the said documents were available.

STORES AND SERVICES FUND ACCOUNT

501. Audit of Stores and Services Fund Account as at 30 June 2004 revealed the following unsatisfactory matters:

Statement of Assets and Liabilities

Paymaster General Account

502. The Statement of Assets and Liabilities and Trial Balance as at 30 June 2004 shows Paymaster General Account overdraft balance of Kshs.858,674,964.95. The balance includes unexplained amount of Kshs.1,245,338.80 which has been described in the reconciliation provided as uncaptured receipts/payments. The balance also includes RD cheques amounting to Kshs.2,830,647.05 whose authenticity could not be ascertained as no physical evidence and analysis have been provided for audit. It has therefore not been possible to ascertain the accuracy of the PMG balance shown in the Statement.

Unsettled Losses

503. The Statement reflects a balance of Kshs.27,882,811.84 against Unsettled Losses Account while the ledger shows a balance of Kshs.27,732,174.00 resulting to unexplained difference of Kshs.150,637.84. Further, no analysis have been provided for balances of Kshs.20,403,272.25 and Kshs.2,187,561.75 claimed to be losses at Mombasa and Kisumu depots respectively and a ledger balance of Kshs.2,662,961.90 all included in the Unsettled Losses Account as at 30 June 2004. It has not, therefore, been possible to ascertain the correctness of the balance reflected against the Unsettled Losses Account.

Deficiencies

504. The Statement further reflects an amount of Kshs.126,222,513.60 under Deficiencies and Write Off Account which appears to have been brought forward from as far back as 1992/93 financial year. However, no reconciliations or stock taking summary sheets have been provided for audit. It has not been possible, in

the circumstance, to ascertain the correctness of the balance reflected in the Statement as deficiencies in the stock.

Store Surplus

505. An amount of Kshs.119,813,601.45 is reflected in the Statement as Store Surplus. No analysis or stock taking summary has been made available in support of the figure and consequently, its accuracy has not been ascertained.

Closing Stock

506. An amount of Kshs.945,602,190.26 is shown in the Statement as closing stock. However, no stock taking was done at the end of the financial year. It has not therefore, been possible to ascertain the correctness of the balance in the absence of stock taking summary sheets.

Capital Fund

507. The Statement also reflects an amount of Kshs.120,975,370.20 against the Capital Fund Account which has not been analysed. It has not, therefore, been possible to ascertain the accuracy of the figure.

Stores Suspense Account

508. The Statement reflects under Stores Suspense Account Cash Sales Deposits of Kshs.1,264,478.50, Mark Up of Kshs.18,663,703.10 and Supplies Branch balance of Kshs.27,732,174.00 which have not been analysed. It has not therefore been possible to ascertain and confirm the correctness of the figures shown under Stores Suspense Account.

Stores and Services Fund – Unallocated Stores

Opening Stock

509. The Fund account reflects an opening stock balance of Kshs.751,377,772.15 which differs from the closing stock figure of Kshs.751,378,103.41 shown in the audited Fund Account as at 30 June 2003. The balances should under normal circumstances agree but no explanation has been provided for the difference of Kshs.331.26.

510. In the absence of explanation, analyses and reconciliations for the balances and differences stated above, in my opinion, the Statement of Assets and Liabilities for Stores and Services Fund Account and the Unallocated Stores Account as at 30 June 2004 do not present fairly, in all material respects, the financial position of the Fund for the year ended 30 June 2004.

TAITA-TAVETA DISTRICT WORKS OFFICE

Unvouched Expenditure – Kshs.938,154.30

511. In February 2005, the attention of the Taita Taveta District Works Officer was drawn to a number of unsatisfactory matters. While verifying the vote book and the cash book, the audit team observed that payment vouchers amounting to Kshs.938,154.30 were posted in the two account books but could not be produced for examination. According to the vote book and the cash book, the payments were made to individuals, District Works Officer and the Suppliers of goods and services including a Tsavo Supplier who was paid a total of Kshs.336,000 out of the above sum. In the absence of the actual payment vouchers, it was not possible to ascertain what the payments represented or the propriety of the total expenditure of Kshs.938,154.30.

Doubtful Delivery of Ballast – Kshs.6,878,000

512. Between December 2003 and June 2004, a total of Kshs.6,878,000 was paid to various contracted suppliers in respect of ballast, bitumen, chippings, collars and culverts rings for use on various roads in the District. It was observed that out of the total payment of Kshs.6,878,000, a sum of Kshs.5,793,000 was paid in June 2004 alone presumably due to impending closure of financial year. No delivery notes or receipt vouchers (S.13) were produced for verification that the materials had been received at such sites. Some materials were allegedly delivered to sites but there was no evidence to show that they were received. Also, the vehicles delivering the materials to the yard were not recorded in the gate register to prove delivery. In the absence of vital receiving documents and records of receipt it was not possible to confirm that the materials were delivered and used for the intended purposes as claimed.

Doubtful Payments to Casual Workers – Kshs.1,985,112.50

513. Audit examination of Casual Workers records revealed that between June 2003 and June 2004, a total of Kshs.1,985,112.50 was paid to Casual workers who were working on various roads. The payments appeared doubtful because in some cases the casuals did not sign the payrolls as proof of receipt of cash while in other cases the work and the roads they were purportedly working on were not indicated. Also in some cases, the casuals appeared to have worked on roads which had been contracted to small-scale contractors. In other cases master payrolls were not certified by the overseers. In the absence of signed payrolls and specification of the works where the casuals were working, the total expenditure of Kshs.1,985,112.50 could not be confirmed with certainty as proper charge to public funds.

Payment for work not done – Kshs.1,330,500

514. During the months of April, May and June 2004, a total of Kshs.1,330,500 was paid to three (3) Contractors for the construction of solid drifts and slabs. A site visit in October 2004 revealed that no construction work had taken place though cheques had been prepared and withheld at the District Treasury. It was not clear why cheques were written before the work started and completion certificates issued.

Payment for undelivered materials – Kshs.2,655,262

515. On 26 June 2004, cheques totalling Kshs.2,655,262 had been written for payments to various suppliers of goods and services. However, as at the time of audit inspection in October 2004, no goods/services had been delivered/rendered but the cheques were found withheld at the District Treasury awaiting delivery/rendering of goods/services. No explanation was given as to why cheques had been written before delivery and rendering of the service but as indicated elsewhere the cheques were written apparently to avoid returning money to the Treasury at the closure of financial year 2003/2004, action which is contrary to Government financial regulations and proceedings. So far it has not been indicated whether the goods/services have since been delivered/rendered.

Unauthorised Payments – Kshs.769,052.95

516. Audit examination of payment vouchers revealed that between November 2003 and June 2004, the District Works Officer and a contractor were paid Kshs.269,052.95 and Kshs.500,000 for casuals and bush clearing respectively, making a total of Kshs.769,052.95. It was noted that the payment vouchers were not authorised by anybody contrary to Government Financial Regulations and Procedures. No explanation has so far been given as to why payments were made without authority.

Rent Arrears – Kshs.345,620

517. Examination of housing records maintained at the Office of District Works Officer revealed that as at 30 June 2004, house rents amounting to Kshs.345,620 had not been collected from the tenants. The tenants were from various departments including the Police, Teachers Service Commission, Telkom (K), Judiciary, N.H.I.F., Kenya Broadcasting Corporation and one private tenant. It was not clear why a non-civil servant was housed in a Government house. In two (2) cases, two (2) officials from Teachers Service Commission and Kenya Broadcasting Corporation vacated the houses on 15 April 2003 and 01 September 2003 respectively without paying rents totalling Kshs.21,640 and Kshs.45,200 respectively. So far it has not been indicated when rent arrears of Kshs.345,620 will be recovered from the defaulters.

STATEMENT OF REVENUE HEAD 200-130 RENT OF GOVERNMENT BUILDINGS

Item 630 – Rent of Government Buildings and Housing

518. Audit of the Statement of Revenue for Revenue Head 200-130 Rent of Buildings for the year ended 30 June 2004 revealed a number of unsatisfactory matters. The Statement reflects receipts of Kshs.501,150,161.80 under Item 630 – Rent of Government Buildings and Housing against estimated receipts of Kshs.500,000,000.00, resulting in an over-collection of Kshs.1,150,161.80 which has been attributed to payment of rent arrears for 2003. However, the Ministry does not maintain Rent Arrears Register and consequently it has not been possible to ascertain the amount attributed to the arrears.

519. Further, the actual receipts figure of Kshs.501,150,161.80 reflected in the Statement of Revenue, does not agree with an amount of Kshs.961,260,071.15 reflected in the trial balance for the Item. No explanation has been given for the difference of Kshs.460,109,909.35 between the two figures.

520. Although the Statement shows revenue totalling Kshs.502,747,711.80 as having been transferred to the Exchequer, records maintained by the Ministry of Finance, however, indicates that a total sum of Kshs.590,744,756.85 was received in the Exchequer during the year. The resultant difference of Kshs.87,997,045.05 between the two figures has been attributed to revenue collection which was remitted to the Treasury by the Ministry as payable to Development Exchequer Account while at the Treasury it was credited to Recurrent Exchequer Account.

Item 631 – Webuye Housing Scheme - Rent

521. The Statement also shows nil receipts under Item 631 – Webuye Housing Scheme against the estimated receipts of Kshs.5,000,000.00. According to the footnotes to the Statement, the under collection of Kshs.5,000,000.00 was due to the revenue being received directly by the Treasury from the tenants instead of the Ministry of Roads and Public Works. As indicated in the previous Reports, the Financial Secretary has not been appointed Receiver of Revenue for head 200-130 but continued to collect rent for Webuye Housing Scheme directly instead of the Ministry. No action has been taken to regularise the situation despite previous reports on the matter.

Item 632 – Rent of NYS Garment Manufacturing Factory

522. The Statement does not show Item 632 – Rent of NYS Garment Manufacturing Factory although Revenue Estimates for 2003/2004 reflects Item

632 – Rent of NYS Garment Manufacturing with estimated provision of Kshs.3,000.00. No explanation has been given for the omission.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D14

523. The Appropriation Account for Vote D14 for the year ended 30 June, 2004 reflects gross total expenditure of Kshs.432,085,999.35 against approved estimates of Kshs.579,102,920 resulting in an under-expenditure of Kshs.147,016,920.65 or approximately 25% of the estimated provision. The under-expenditure occurred mainly under Sub-Vote 140, Head 440 – Headquarters Administrative Services and Sub-Vote 144, Head 457 – Kenya Railways Corporation. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.83,150,126.60 or about 46% of the estimated receipts. The entire under-collection of Kshs.83,150,126.60 was recorded against Sub-Vote 144, Head 457 – Kenya Railways Corporations.

524. The reasons provided in the footnotes to the Account indicate that the under-expenditure and under-collection of Appropriations-in-Aid were caused by delay in processing of tenders due to changes involving the procurement staff, delay in preparation of Bills of Quantities for various projects by Ministry of Roads and Public Works, failure by contractors to submit performance bonds in time and under-expenditure against Authorities to incur Expenditure (AIEs) issued to various districts.

UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE R. 14

525. The Appropriation Account for Vote R.14 for the year ended 30 June 2004 reflects under-collection of Appropriations-In-Aid of Kshs.19,568,275.50 or approximately 42% of the estimated receipts of Kshs.45,530,899.00. The under-collection of Appropriations-In-Aid occurred under Sub-Vote 140 General Administration and Planning. The reasons given in the footnotes to the Account for the under-collection of Appropriations-In-Aid include delay in concluding of tenders for disposal of boarded items and accounting for receipts realized during 2003/2004 in the 2004/2005 financial year.

PERSONAL EMOLUMENT AND OTHER ALLOWANCES

526. The Appropriation Account for Vote R.14 for 2003/2004 reflects expenditure totalling Kshs.371,701,442 as having been incurred on personal emoluments and other allowances during the year under Sub-Vote 140, Heads 440, 442 and 572. The related payroll records however show such expenditure as having amounted to Kshs.370,880,648.85. The difference of Kshs.820,793.15 between the two sets of records has not been reconciled or explained.

STATEMENT OF OBLIGATIONS GUARANTEED BY KENYA GOVERNMENT AS AT 30 JUNE 2004

527. The Statement of Obligations Guaranteed by Government as at 30 June, 2004 reflects twenty two (22) loans with total contingent liabilities of kshs.4,280,340,736.99. This figure does not however include liabilities in respect of fourteen loans lent to two (2) parastatals namely; the defunct Kenya Posts and Telecom Corporation and Kenya Port Authority and against which the local currency equivalent has not been indicated.

528. Further, the balances outstanding against the twenty two (22) loans have not been confirmed by either the recipients or the lenders and as a result, the accuracy of the figures appearing in the Statement could not be ascertained. In addition, no evidence of guarantees by Government has been made available for audit review.

529. The Statement excludes obligations totalling Kshs.124,027,354 in respect of loans borrowed by the defunct East African Airways, Kenatco Transport Co. Ltd and the former East African Community. No reasons have been provided to explain the omission of these loans from the Statement.

530. The Statement further shows that Government guaranteed a loan of Kshs.758,114,958.97 extended by the National Bank of Kenya to the defunct Kenya Posts and Telecommunications (KPTC). Apart from lack of confirmation of the loan by the two parties, there is no evidence that the guarantee for the loan to the defunct Corporation was ever reported to Parliament.

531. The Statement also reflects fourteen (14) additional loans relating to the period between 1986 and 1997 but which were excluded in the Statement for 2002/2003 without any explanation. Apart from the fact that the loans were excluded in the previous year's Statement, no evidence has been made available from both the lenders and the recipients to confirm the outstanding loan balances or to establish the existence of Government guarantees for the loans. In addition, the Statement does not show the local currency equivalent in respect of the outstanding balances.

532. As observed in the previous year's Report, the Statement does not show a Kenya Commercial Bank loan of Kshs.525,879,200.00 arising from a request in October, 1990 to the bank by the Permanent Secretary to the Treasury to open letters of credit under the account of Kenya Railways Corporation. The loan was meant to facilitate acquisition of equipment from foreign suppliers by Nyayo Motor Corporation now renamed Numerical Machining Complex. Although the Public Accounts Committee in its Report for 1996/97 recommended that Parliamentary approval be sought for guarantee of Kshs.525,879,200.00, no action appears to have been taken as recommended and the loan as of June 2004 remained outside the portfolio guaranteed by Government.

STATEMENT OF PARTICIPATION BY GOVERNMENT OF KENYA IN QUASI-GOVERNMENT AND OTHER STATUTORY ORGANIZATIONS AS AT 30 JUNE 2004

533. In the Report for the previous year, it was stated that the Ministry of Transport did not maintain adequate records that could be relied upon for preparation of the Statements of Participation by the Government in Quasi-Government and Other Statutory Organisations. No action appears to have been taken by the Ministry to correct the unsatisfactory situation and the problem persisted into the year 2003/2004 as indicated in the ensuing paragraphs;

534. The Statement of Participation by Government of Kenya in Quasi Government and Other Statutory Organizations as at 30 June 2004 reflects investments totalling Kshs.58,469,960.00 by the Ministry in both the East Africa Airways Corporation and the East African National Shipping Line. The two companies have since been wound up without the Ministry realizing any returns or proceeds from amounts invested. As in the previous years, it has not been explained why authority for write-off of these unrealizable investments has not been sought from the Treasury in order to clear them from Ministry's books of accounts.

535. The Accounts of the Kenya Ferry Services for the year ended 30 June 2004 reflects an accumulated deficit of Kshs.846,254,375.00 against total assets employed of Kshs.708,464,187.00, indicating that the Corporation is technically insolvent notwithstanding the continuous yearly flow of Government subsidy of Kshs.200,000,000 for the last 5 years. In consequence, the Ministry's investment in the Company has been reduced to a negative value by the deficit. It is not clear what measures the Ministry is taking to turn around the unsatisfactory and deteriorating state of affairs.

536. In the Report for 2002/2003, it was observed that the Ministry's grants to Nyayo Motor Corporation which was later renamed Numerical Machining Complex stood at Kshs.330,100,000.00, an amount that was not reflected in the Statement of Participation by Government in Quasi-Government and Other

Statutory Organizations as at 30 June 2003. The Statement of Participation for 2003/2004 reflects a balance of Kshs.114,182,590.00 as Government participation during the year which differs by an amount of Kshs.215,917,410.00 from the total Government investment in the Corporation of Kshs.330,100,000.00. Further and as was noted in the previous years Report, the total Government investment figure of Kshs.330,100,000 shown in the Ministry's accounts differs by Kshs.96,796,505.00 from the balance of Kshs.233,303,495.00 reflected in the Company's latest Draft Accounts which are for the year 2002/2003. No satisfactory explanation or reconciliation has been provided for the variations between the three sets of records.

537. The Statement in addition shows Government participation of Kshs.659,000,000.00 in the Kenya Railways Corporation as at 30 June 2004, while the Corporation's latest Draft Accounts which are for the year ended 30 June 2003 reflect an amount of Kshs.518,000,000.00 against the same item. The difference of Kshs.141,000,000.00 between the Statement and the Accounts has not been reconciled or explained. Consequently, the accuracy of the Government participation of Kshs.659,000,000.00 in the Corporation as reflected in the Statement as at 30 June 2004 could not be ascertained.

MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE D.15 - ACCURACY OF ACCOUNT

538. Payment Vouchers and documentations in support of expenditure totalling Kshs.42,848,528.85 or 91% of the gross total expenditure of Kshs.46,594,880.15 reflected in the Appropriation Account for Vote D.15 have not been made available for audit review. It has, therefore, not been possible to ascertain the propriety of the expenditure of Kshs.42,848,528.85 charged to the vote during the year under the following Heads and Items:-

<u>Head</u>	<u>Item</u>	<u>Description</u>	<u>Expenditure (Kshs.)</u>
598	302	Private Micro-Enterprise Development	29,813,201.25
598	411	Construction of Technology Centre	13,035,327.60
		Total	<u>42,848,528.85</u>

539. In addition, out of the total expenditure of Kshs.29,813,201.25 shown in the Appropriation Account against Head 598 Item 302 – Private Micro-Enterprise Development, only expenditure totalling Kshs.12,265,980.25 has been captured in the ledger. The absence of the vouchers supporting the expenditure of Kshs.42,848,528.85 and the exclusion from the ledger of expenditure totalling Kshs.17,547,221.00 casts serious doubts as to the accuracy of the Appropriation Account for vote D15 for the year ended 30 June 2004.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATION-IN-AID

540. The Appropriation Account for Vote D.15 reflects a gross under expenditure of Kshs.131,905,119.85 or 73% of the gross estimated expenditure of Kshs.178,500,000.00. The gross under expenditure occurred under most of the items in the account and has been attributed to factors such as liquidity problems and donors not releasing funds. The Appropriation Account also reflects a gross under collection of Appropriations-in-Aid of Kshs.123,000,000.00 or 100% of the estimated receipts. The under collection has been attributed in the footnotes to non-remittance of funds by the donors.

MINISTRY OF TRADE AND INDUSTRY

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D.16

541. The Appropriation Account for Vote D.16, for the year ended 30 June 2004 reflects gross expenditure of Kshs.107,033,794.95 against approved provision of Kshs.370,183,010.00 resulting in an under-expenditure of Kshs.263,149,215.05 or approximately 71% of the approved estimates. The under-expenditure occurred mainly under Sub-Votes 166 – Internal and External Trade Services, 167 – Industrial Training Services and 163 – Kenya Industrial Research.

542. The Account also reflects under-collection of Appropriations-in-Aid amounting to Kshs.246,219,276.60 representing about 90% of estimated receipts of Kshs.270,183,000.00. The under-collection occurred mainly under the Sub-Votes 166 – Internal and External Trade Services and 167 – Industrial Training Services.

543. The reasons given for the under-expenditure and under-collection of Appropriations-in-Aid include austerity measures taken by Treasury to limit expenditure to essential services, writing down of donor projects as a result of slow pace of implementation, delayed construction of Radiation Testing Laboratories due to an evaluation that was being carried out on the Project by the Kenya Bureau of Standards and non-release of funds by donors.

UNVOUCHED EXPENDITURE – VOTE R16

544. The Appropriation Account for Vote R16 for the year ended 30 June, 2004 reflects expenditure totalling Kshs.471,327,682.35 under various Heads and Items. The relevant payment vouchers and other supporting documents for this expenditure were not however availed for audit review. Consequently, in the absence of the payment vouchers and other supporting documents, it has not been possible to ascertain the propriety of the expenditure.

EXPENDITURE INCURRED ON OVERSEAS TRADE OFFICES

545. In the Report for 2002/2003, mention was made of differences between the figures reflected in the returns of expenditure submitted from the Overseas Trade Offices and those reflected in the Ministry's ledger. A review of the position in 2003/2004 revealed a similarly unsatisfactory state of affairs in that the Ministry's Ledger reflects total expenditure of Kshs.210,314,774.80 as having been incurred in the Overseas Trade Offices while the expenditure returns from such Offices show an amount of Kshs.784,893,314.12 resulting in a huge difference of Kshs.574,578,539.32. No reconciliation or explanation has been provided for the difference.

OVER-EXPENDITURE ON PERSONAL EMOLUMENTS

546. The Appropriation Account for Vote R.16 for the year ended 30 June, 2004 reflects an over-expenditure of Kshs.11,541,901.80 against Item 000 – Personal Emoluments. Provisions for Personal Emoluments expenses are under normal circumstances based on known actual establishment and therefore estimates for such expenses are expected to be reasonably accurate. No explanation has been given as to why the Ministry over-spent on this item by Kshs.11,541,901.80.

OUTSTANDING IMPRESTS

547. Temporary Imprest records maintained at the Ministry's Headquarters show that imprest totalling Kshs.12,582,345.40 which should have been surrendered or accounted for on or before 30 June, 2004 were still outstanding as at that date. Out of the total figure of Kshs.12,582,345.40, an amount of Kshs.3,295,712.15 was outstanding against Officers in Job Group 'M' and above, Kshs.4,049,900.75 against Officers in Job Group 'L' and below, while Kshs.5,237,132.50 was due from a serving Minister and several Ex-Ministers and Assistant Ministers.

548. Similarly, Standing Imprest records show that Standing Imprests amounting to Kshs.851,042.90 which should have been surrendered or accounted for on before 30 June, 2004 was still outstanding as at that date. No explanation has been provided why the Imprest were not surrendered or accounted for on the due dates. It has also not been indicated how the Ministry intends to recover outstanding imprests from ex-Ministers and Assistant Ministers who are no longer serving as members of Parliament.

UNACCOUNTED FOR FUEL

549. On diverse dates between 13 August, 2003 and June 29 June 2004, payments totalling Kshs.8,910,000.00 were made to Mutaratara Enterprises Ltd in Nairobi who had been contracted by Government to supply fuel during 2003/2004 for use by the Ministry's vehicles. However, the Ministry did not make available for audit review records showing how the fuel was drawn and used by various vehicles during the year, as well as any stock on hand as at 30 June 2004. In the absence of such records it has not been possible to ascertain that all the fuel worth Kshs.8,910,000.00 was consumed by vehicles belonging to the Ministry and that such fuel was properly accounted for.

PURCHASE OF VEHICLES – MISSING RECORDS

550. During the year under review, the Ministry purchased five (5) vehicles for an amount of Kshs.19,804,025.00 which was charged against replacement of motor vehicles items under Heads 530 and 744 of Sub Votes 160 and 166 respectively. Records and other relevant information relating to the purchases were however not made available for audit review and as a result it has not been possible to establish whether or not proper procurement procedures were used as provided for in the Public Procurement Regulations (2001).

GRANTS TO ORGANIZATIONS

551. The Appropriation Account for Vote R.16 for 2003/2004 reflects grants totalling Kshs.134,358,091.60 as having been issued to the Kenya Industrial Research and Development Institute, under Sub-Vote 163 Head 644 Item 306. However, the unaudited Accounts of the Institute for 2003/2004 reflects an amount of Kshs.124,358,091.60 as having been received occasioning a difference of Kshs.10,000,000 between the two sets of records. No reconciliation or explanation has been provided for the difference.

552. The Account also reflects grants amounting to Kshs.167,616,006 as having been issued to the Export Processing Zone Authority during the year, under Sub-Vote 165, Head 796, Item 310. The Authority's Accounts for 2003/2004 however, show an amount of Kshs.171,283,894 as having been received from the Ministry resulting in an unreconciled and unexplained difference of Kshs.3,667,888 between the Ministry's and the Authority's Accounts.

GRANTS TO TRADERS JOINT LOANS BOARDS

553. The Development Appropriation Account for Vote D16 for the year ended 30 June, 2004, reflects expenditure totalling Kshs.9,000,000.00 incurred under Sub-Vote 166, Head 745, Item 321 – Traders Joint Loan Boards, in respect of loans extended to various traders by some forty nine (49) District Joint Loan Boards spread across the Country . The audited Accounts for 2003/2004 for these Boards have however not been seen and as a result it has not been possible to ascertain that the loans were actually issued to the targeted group of traders and used for the intended purposes.

IRREGULAR HIRING OF CONSULTANCY SERVICES

554. In the Report for 2002/2003, reference was made of Irregular hiring of consultancy services by the Ministry whereby a foreign firm from Austin, Texas, USA was irregularly contracted to lobby, market, mobilize resources and woo American investors and business community with a view to facilitating Kenya's maximization of benefits under the African Growth Opportunity Act (AGOA).

555. The Report further observed that although payments totalling Kshs.54,534,400.50 had been made to the firm as at 30 June 2003, there was still no nexus between what had been achieved and the expenditure incurred on the consultancy. In addition, the firm had not paid income tax and other taxes payable under the Kenyan laws although no exemption from such taxes had been granted.

556. A review of the position in 2003/2004 indicates that the firm was paid an additional amount of Kshs.1,806,749.85 during the year, raising the total payments on the consultancy as at 30 June 2004 to Kshs.56,341,150.35. As observed in the previous year, there is still no evidence of tangible benefits accruing from the consultancy while minutes of the quarterly meetings and reviews of the firm's performance as provided for under Article 3 of the Agreement between Government and the firm have not been seen. Further and again as similarly pointed out in the previous year, although the firm was not exempted from payment of taxes under the agreement, there is no available evidence to confirm that the firm paid income tax and other taxes applicable under Kenyan laws.

MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

EXCESS VOTE – VOTE D.17

557. The Appropriation Account for Vote D17 Ministry of Justice and Constitutional Affairs for the year ended 30 June, 2004 reflects Excess Vote of Kshs.614,065.00. The excess resulted from under collection of Appropriations-In-Aid resulting in a deficiency of Appropriations-In-Aid of Kshs.273,553,989.00 against an overall surplus of gross estimates over expenditure of Kshs.272,939,924.00

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID

558. The Appropriation Account for Vote D.17 for the year 2003/2004 reflects under-expenditure of Kshs.272,939,924.00 or about 59 per cent of the approved estimate of Kshs.464,957,882.00. The account also shows a gross under-collection of Appropriations-In-Aid of Kshs.273,553,989.00 or 62 per cent of the estimated receipts of Kshs.438,957,872.00. The reasons given in the footnotes to the Account for gross under expenditure and under collection of Appropriations-In-Aid include non receipt of "No objection letter" from IDA to allow for the implementation of work plans, delay in signing contract documents between EDF/EEC and Non-Governmental Organizations, delay in signing agreement between the Governments of Kenya and UK, misallocating of Item 536-Support to Parliamentary Legal Sector Reforms to Vote 17 Ministry of Justice and Constitutional Affairs instead of Vote 29 – National Assembly.

DEMOCRATIC AND GOOD GOVERNANCE SUPPORT PROGRAMME

559. The Appropriation Account Vote D17 for the year ended 30 June, 2004 reflects expenditure of Kshs.163,288,797.00 against Item 533 – Democratic and Good Governance Support Programme and Appropriations-In-Aid of Kshs163,288,797.00 under Item 904 – Direct Payments (EDF/EEC). However, related payment vouchers and supporting documentations have not been made available for audit review. Consequently, it has not been possible to confirm the accuracy and propriety of the expenditure and Appropriations-in-Aid both totalling Kshs.163,288,797.00 respectively.

SUPPORT TO LAND CONTROL BOARDS

560. The Appropriation Account Vote D.17 reflects expenditure of Kshs.4,534,822.00 against Item 535 – Support to Land Control Boards which includes an amount of Kshs.820,000.00 paid for consultancy services on 29 June, 2004. The consultancy services were provided to Kenya School of Law in connection with joint Government of Kenya/DFID capacity building programme to support Land Control Boards and Dispute Tribunals in Kenya. It has not, however, been possible to ascertain how the consultants were identified and the consultancy amount of Kshs.820,000.00 determined as the relevant procurement documents have not been made available for audit verification. Consequently, the propriety of the expenditure has not been ascertained.

MINISTRY OF GENDER, SPORTS, CULTURE AND SOCIAL SERVICES

PENDING BILLS

561. Records held at the Headquarters of Ministry of Gender, Sports, Culture and Social Services show that bills amounting to Kshs.81,040,988.30 chargeable to the Recurrent Vote R.18 were not settled during the year under review but were instead carried forward to 2004/2005. Had the bills been settled and charged to the accounts for the year 2003/2004, the Recurrent Appropriation Account Vote R.18 for the year would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.13,144,273.50 instead of the Kshs.94,185,261.50 now recorded.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D.18

562. The Development Appropriation Account for Vote D.18 for the year 2003/2004 reflects under-expenditure of Kshs.389,407,868.50 or about 77.5% of the approved estimates of Kshs.502,319,353.00 and under-collection of Appropriations-In-Aid of Kshs.343,776,349.00 or approximately 97.3% of the estimated receipts of Kshs.353,033,067.00. The under-expenditure occurred mainly under Sub Votes 180 – General Administration and Planning, 186 – Culture and Social Services and 188 – Kenya Library Services while the under-collection of Appropriations-In-Aid was mainly recorded under Sub Vote 186 – Culture and Social Services.

563. The Ministry has, however, not provided any footnotes to the Account with the result that it has not been possible to establish the reasons for the very significant under-expenditure and under-collection of Appropriations-In-Aid.

UNSUPPORTED EXPENDITURE

564. The Development Appropriation Account for Vote D.18 for the year ended 30 June 2004 reflects expenditure totalling Kshs.12,956,577.00 incurred under Sub-Vote 180, Head 794, Item 342 – Gender Mainstream and Empowerment of Women. However, the relevant records and vouchers supporting the expenditure have not been made available for audit review. Consequently it has not been possible to confirm the propriety of this expenditure.

565. Similarly, it has not been possible to confirm the propriety of grants totalling Kshs.47,858,729.70 extended to various non-governmental organizations involved in Children, Youth, Women and Community activities around the country because the relevant records supporting the payments of the grants have not been made available for audit review.

UNVOUCHED EXPENDITURE

566. The Appropriation Account for Vote R18 for the year ended 30 June 2004 reflects expenditure totalling Kshs.21,488,324.00 representing grants disbursed to various Community, Cultural and Sports Training Groups spread across the country. However, no expenditure returns from these groups have been made available for audit review. Consequently it has not been possible to ascertain the propriety of the expenditure or to confirm that the grants were used for the intended purposes.

OMISSION OF FOOTNOTES

567. Government Financial Regulations and Procedures require that Accounting Officers explain by way of footnotes, the reasons for any variance of Kshs.1,000,000.00 and above between the estimated and actual expenditure or collection of Appropriations-in-Aid against any item of the Account. The Appropriation Account for Vote R18 for the year ended 30 June, 2004, reflects various items of account with differences of Kshs.1,000,000 and above between approved estimates and actual expenditure or appropriations-in-Aid in respect of which no explanatory footnotes have been provided. No explanation has been provided for failure to comply with Government Financial Regulations and Procedures.

568. Further, in the absence of the footnotes, it has also not been possible to ascertain the reasons for the gross under-expenditure of Kshs.113,818,437.75 or about 8% of the approved estimate of Kshs.1,434,921,063.00 and under-collection of Appropriations-in-Aid of Kshs.19,633,175.95 or approximately 62% of the estimated receipts of Kshs.31,255,813.00 reflected in the Account.

GRANTS TO ORGANIZATIONS

569. The Appropriation Account for Vote R18 for the year ended 30 June 2004 reflects grants totalling Kshs.57,837,745.00 as having been issued during the year to three organizations, namely the Gender Commission Kshs.3,255,935.00, Kenya National Sports Council Kshs.1,200,000.00 and Stadia Board Kshs.53,381,810.00. The Accounts for 2003/2004 in respect of these organizations have not however been seen and as a result, it has not been possible to confirm that the grants were received and utilized for the intended purposes.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

PENDING BILLS

570. The records of the Ministry of Livestock and Fisheries Development show that bills amounting to Kshs.42,397,449.00 made up of Kshs.7,918,839.00 chargeable to Recurrent Vote R19 and Kshs.34,478,610.00 chargeable to Development Vote D19 were not settled during the year 2003/2004, but were instead carried forward to 2004/2005. Had the bills been paid and the resultant

expenditure charged to the accounts for the year 2003/2004, the Appropriation account for Vote R.19 would have reflected a reduced net surplus of Kshs.12,989,921.00 instead of the net surplus of Kshs.20,908,760.00 now shown while the Appropriation Account for Vote D19 would have reflected a reduced net surplus of Kshs.153,924,727.00 instead of the net surplus of Kshs.188,403,337.00 now shown.

MISALLOCATION OF EXPENDITURES

571. Examination of payment vouchers for the Recurrent Vote R19 revealed that the expenditure totalling Kshs.333,166.65 was charged to budget items to which it did not belong thus being misallocated. No explanation has been given for this misallocation.

IRREGULAR PAYMENTS TO KENYA POWER AND LIGHTING CO. LTD

572. Examination of Payment Vouchers shows that in May 2004 a total amount of Kshs.4,433,481.05 was paid to Kenya Power and Lighting Co. Ltd through two payment vouchers. Both payments were supported only by schedules instead of actual electricity bills. Apart from lack of actual bills from the power company for both payments, one of the payment vouchers for Kshs.1,335,316.80 did not pass through the internal audit and was not authorized by the Accounting Officer. In the absence of supporting bills and proper authorization, the propriety of the total expenditure of Kshs.4,433,481.05 could not be ascertained.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATION-IN-AID – VOTE D19

573. The Development Appropriation Account for Vote D.19 for the year 2003/2004 reflects under-expenditure of Kshs.326,667,201.10 or about 53% of the estimated gross expenditure of Kshs.620,487,472.00 and under-collection of Appropriations-in-Aid of Kshs.137,992,300.55 or about 69% of the estimated collection of Kshs.199,700,000.00. The reasons given for the under-expenditure and under-collection of Appropriations-in-Aid include non-release of funds by donors, lack of Exchequer issues, incomplete procurement processes, reimbursement of expenditure and delay in preparation of contract documents. Although these same reasons have been given in the past, the Ministry does not appear to have put in place effective measures to overcome the underlying causes for this unsatisfactory performance.

UNVOUCHED EXPENDITURE – VOTE D.19

574. Examination of the Appropriation Account for Vote D19 for 2003/2004 revealed that expenditure totalling Kshs.72,700,000.00 was incurred through direct payments by Donors, but the Donors did not submit the documents supporting the payments to the Ministry for capture in the Ministry's ledgers and Appropriation Accounts. The expenditure was incurred under the National Dairy Project Kshs.32,200,000.00, Rinderpest Campaign Regional Assistance Kshs.500,000.00 and Asal Development Project Kshs.40,000,000.00. In the absence of the supporting documentation, it has not been possible to confirm the propriety and accuracy of the above expenditure and matching Appropriations in Aid.

575. The Appropriation Account for Vote D19 for 2003/2004 also reflects expenditure of Kshs.61,707,699.45 under Pan African Programme for the Control of Epizootics, a project funded by European Commission. The expenditure was charged in the account through various Journal vouchers dated between 3 October 2003 and 30 June 2004.

576. Documents and vouchers supporting the expenditure were not however made available for audit review as they were said to be in the custody of the Donor. Although photocopies were made available they were not adequately supported and some were not supported at all. Further, where original journal vouchers for the expenditure were made available for audit review, they were also not supported by any documentation. In the absence of fully supported payment vouchers it has not been possible to ascertain the propriety of the total expenditure of Kshs.61,707,699.45.

GRANTS TO VARIOUS PARASTATALS AND ORGANIZATIONS

577. During the financial year ending 30 June 2004, the Ministry of Livestock and Fisheries Development paid grants totalling Kshs.21,000,000.00 under Development Vote D.19 and Kshs.451,152,361 under Recurrent Vote R.19 to various Parastatals and Organisations. The audited accounts of these Parastatals and Organisations for the year 2003/2004 have not however, been made available for audit review and it has not therefore been possible to confirm whether the grants totalling Kshs.472,152.361.00 were received, properly accounted for and utilized for the intended purposes.

PURCHASE OF FUEL

578. Examination of a number of payment vouchers revealed that an amount of Kshs.1,047,413.25 was paid to a petrol station for supply of fuel to the Director of Fisheries Department on the strength of pro-forma invoices, an

indication that the payments were made before the delivery of the fuel. Further, the receipts of the fuel if and when delivered was not recorded in the fuel register and it was therefore not possible to confirm the deliveries. Under the circumstances it was not possible to confirm the propriety of the total expenditure of Kshs.1,047,413.25.

LUNCH ALLOWANCE

579. Examination of P.V No.0049 dated 30 June 2004 revealed that twelve (12) officers were paid a total Kshs.72,000.00 as lunch allowance purportedly while opening tender documents for the Department of Fisheries. The lunch allowance was paid at the rate of Kshs.2,000 per officer per day for three (3) days. It is not clear how the rate of Kshs.2,000.00 for lunch allowance per day for every officer including drivers was arrived at. The enhanced rate of allowance at Kshs.2000 per day was also not approved by the Directorate of Personnel Management and was therefore irregular.

HIDES AND SKINS CESS FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

580. In the Reports for the previous years, reference was made to various unsatisfactory matters relating to the Hides and Skins Cess Fund Accounts for the respective years. In particular, although the fund was abolished in 1986 there is no evidence to show that action is being taken towards winding it up and no explanation has been given for the failure to take such necessary action.

Accountancy Fees and Interest Due to other Organizations

581. As in previous years, the Balance Sheet of the Fund as at 30 June 2004 continued to reflect balances of Kshs.10,000.00 and Kshs.5,881.85 as Accountancy fees and interest due to other Organizations respectively. No explanation has been provided as to how these balances arose and to which organizations the amounts are due or why they have not been settled.

Non-availability of Source Records

582. The Ministry did not avail important accounting documents and records for audit review during the year namely, the Trial balance, Ledgers, Investment Records, Stores Records and Cashbooks.

583. In the absence of these records it has not been possible to ascertain the correctness of the balances reflected in the balance sheet as at 30 June 2004.

VETERINARY SERVICES DEVELOPMENT FUND FOR THE YEAR 2003/2004

Bank Reconciliation

584. An audit of the Veterinary Services Development fund Account for the year ended 30 June 2004 revealed a number of unsatisfactory matters. As reported in the previous years, no Bank reconciliation was prepared and presented for audit verification during the year under review. It was not therefore possible to ascertain the true cash position of the Fund as at 30 June 2004.

Miscellaneous Receipts

585. The miscellaneous receipts used for collection of the revenue and made available for audit show that revenue totalling Kshs.112,615,556.25 was collected in 2003/2004. However the Income and Expenditure Account for 2003/2004 reflects Kshs115,210,379.25 as the total income received during the year. The difference of Kshs.2,594,823.00 between the two records has not been explained.

Deposits Account with Ministry

586. The Ministry's June II Ledger reflects Kshs.2,568,221.40 as the total Veterinary Services Development Fund (VSDF) money held in the Ministry of Agriculture deposits account as at 30 June 2004. The Veterinary Services Fund Account submitted for audit reflects an amount of Kshs.88,892,411.90 as the amount held by the Ministry resulting into unexplained or unreconciled difference of Kshs.86,324,190.50.

Outstanding Imprests – Kshs.6,234,962.50

587. The Fund Balance Sheet reflects a figure of Kshs.6,234,962.50 as the imprest outstanding as at 30 June 2004 a figure which is also reflected by the Imprests Register. No explanation has been given as to why these imprests were not surrendered on the due dates.

Doubtful Expenditure

588. In the report for 2002/2003 mention was made of an amount of Kshs.1,479,980 which was paid to four (4) contractors for construction of Kabete Veterinary Water Supply Rehabilitation Augmentation in respect of which a final certificate of completion was issued. However physical inspection of the project showed that the project was not operational because no water was flowing in the pipes. A review of the position in 2003/2004 indicates that a further amount of Kshs.91,509.00 was spent on piping materials in June 2004. However inspite of this additional expenditure on piping materials, the water supply was still

inoperational as no water was flowing to the respective users. No explanation has been given for this state of affairs.

Expenditure not related to Veterinary Services – Kshs.252,000.00

589. Examination of payment vouchers revealed that on 23 June 2004 an amount of Kshs.252,000.00 was spent on fitting of a carpet in the Chief Finance Officer's office at Kilimo House from Veterinary Services Development Fund. This expenditure does not appear to be related to the Department of Veterinary Services and is not therefore a proper charge to the Veterinary Services Development Fund Account. No explanation has been given for this apparent irregular use of fund money.

MINISTRY OF WATER AND IRRIGATION

EXCESS VOTE – VOTE R 20

590. The Appropriation Account for Vote R20, Ministry of Water Resources, Management and Development for the year ended 30 June, 2004 reflects an Excess Vote of Kshs.149,800,246.65. The excess vote appears to have been caused by under collection of Appropriations-In-Aid of Kshs.207,734,477.35 against a surplus of Gross Estimate over Expenditure of Kshs.57,934,230.70.

PENDING BILLS

591. The records of the Ministry of Water Resources, Management and Development show that bills totalling Kshs778,604,407.43 made up of Kshs.393,990,755.78 chargeable to Recurrent Vote R20 and Kshs.384,613,651.65 chargeable to Development Vote D20 were not settled during the year 2003/2004, but were instead carried forward to 2004/2005. Had the bills been settled and charged in the accounts for the year 2003/2004, the Recurrent Appropriation Account for Vote R20 would have reflected an Excess Vote of Kshs.543,791,002.44 instead of Excess Vote of Kshs.149,800,246.66 now shown while the Development Appropriation Account for Vote D20 would have reflected an Excess Vote of Kshs.95,081,921.05 instead of a surplus of Kshs.289,531,730.60 now shown.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D 20

592. The Appropriation Account for Vote D20 for the year 2003/2004 reflects gross under expenditure of Kshs.1,005,141,547.75 or 24% of the approved gross estimate of Kshs.4,169,341,387.00 and a deficiency in Appropriations In Aid of Kshs.715,609,727.15 or 37% of the estimated receipts of Kshs.1,927,992,195.00. The under-expenditure occurred mainly under sub-votes 207,200 and 209 where an amount of Kshs.977,283,209.05 was under spent against a provision of Kshs.4,077,218,547. The under-collection of A.I.A occurred mainly under the same sub-votes with Kshs.609,840,901 under collected against a provision of Kshs.1,884,973,355.00.

593. The Ministry attributes the under-expenditure and the under-collection to delays in the implementation of projects, over-estimation during budgeting process and non-receipt of the credit purchases documents. These reasons, however, appear to be purely administrative and could have been resolved had the Ministry taken the necessary action.

IRREGULAR PAYMENTS OF HONORARIA

594. The Appropriation Account for Vote R20 for 2003/2004 reflects expenditure of Kshs.719,900.00 under item 067 – Fees, Commissions and Honoraria under Head 567 – Headquarters Administrative Services. Out of this figure, an amount of Kshs.121,100.00 is indicated as honoraria paid to officers involved in the processing of A.I.Es. However, there appears to have been no justification for paying honoraria to these officers as processing of A.I.Es is part of their normal duties.

GRANTS TO PARASTATALS

Kenya Water Institute

595. The Appropriation Account for Vote R20 for 2003/2004 shows that grants totalling Kshs.33,707,248.95 were advanced to Kenya Water Institute (KEWI) for payment of salaries, wages, and operations and maintenance. According to the Kenya Water Act, 2001 which came to effect on 1 July 2003, the Institute is required under Section 14 to submit to the Controller and Auditor-General the books of Accounts of the Institute together with Statement of Income and Expenditure for the year and the Statement of Assets and Liabilities within 4 months after the end of the financial year. However, the Institute has not submitted its financial statements for 2003/2004 for audit. As a result, it has not been possible to confirm that the Institute received the grants totalling

Kshs.33,707,248.95 and that the grants were properly accounted for and utilized for the intended purpose.

National Irrigation Board

596. In addition, the Ministry's Recurrent Appropriation Account for 2003/2004 shows that grants amounting to Kshs.89,783,415.00 were paid to the National Irrigation Board (NIB). However, according to the records maintained by the NIB, such grants received and accounted for during the year totalled Kshs.93,530,180.00. The resultant difference of Kshs.3,746,765.00 between the Ministry's and the Boards records has been explained as due to failure by the Ministry to capture the payment of this amount in its ledger account for grants to the National Irrigation Board.

Development Grants

597. The Development Appropriation Account for Vote D20 shows that grants totalling to Kshs.296,648,384.00 were advanced to Kenya Water Institute and National Water Conservation and Pipeline Corporation. However, as already stated the Kenya Water Institute has not submitted for audit its Account for the year ended 30 June 2004. As a result it has not been possible to confirm that the grants totalling Kshs.20,606,934.00 were received and properly accounted for.

598. In addition, while the Appropriation Account reflects, grants totalling Kshs.276,041,450.00 as having been advanced to the National Water Conservation and Pipeline Corporation, the Corporations' accounts for the year ended 30 June 2004 which have been submitted for audit shows that grants amounting to Kshs.131,041,450.00 were received and accounted for occasioning a difference of Kshs.145,000,000.00. This difference has been explained as being a payment made by the Ministry to a foreign firm in respect of an arbitration settlement in a case against the corporation. However no explanation has been given for the Corporation's failure to recognize this as a grant in its books.

599. The Account also reflects expenditure of Kshs.82,594,652.00 as advanced to various Water Services Boards and Authorities and charged to Expenditure Head 886. According to the Water Act, 2002, the Boards are required to prepare financial statements and submit them to the Controller and Auditor General for audit. However, no such accounts have been submitted for audit. Consequently, it has not been possible to confirm the receipt by the Boards of the above grants/advances totalling Kshs.82,594,652.00 and their proper utilization for the intended purposes.

PAYMENT FOR UNDELIVERED PISTON LISTER ENGINE AND COMPONENTS AT MANDERA DISTRICT WATER OFFICE KSHS.1,179,500.00

600. On 21 May 2004, an LPO was issued to a Spares and Services company of Nairobi for the supply and delivery of one number 3 piston Lister Engine coupled to a centrifugal pump (Capmin) for Kshs.997,000.00 and an additional (spare) centrifugal service pump for Kshs.182,500.00 all totalling to Kshs.1,179,500.00. The company issued an invoice on 27 May 2004 and a payment voucher dated 3 June 2004 for Kshs.1,179,500.00 was prepared and committed in the vote book. A cheque for this amount was also written and withheld as the equipment had not been delivered. This was still the position as at January 2005 by which time the equipment had still not been received and the cheque which was by then stale had not been released. It was explained that this action was taken to avoid surrendering the money at the closure of financial year. This was contrary to the prevailing financial regulations and procedures which require the surrender to the Exchequer of any unspent balances of voted provision at the close of a financial year. As a result, the Ministry's Appropriation Account for 2003/2004 has been overstated by the unspent amount of Kshs.1,179,500.00. Further as far as it has been possible to ascertain the engine and pumps have not so far been delivered.

ARREARS OF WATER REVENUE AT MURANGA DISTRICT WATER OFFICE – KSHS.26,705,688.80

601. Audit examination of water revenue records maintained at Muranga District Water Office revealed that a total of Kshs.26,705,688.80 was outstanding in respect of water bills as at 30 June 2004. The water revenue was owed by Government Ministries/Department/Institutions, Private Institutions, and individuals and related to several years up to 30 June 2004.

602. The defaulting Government Ministries/Department included the Ministry of Health, Muranga GK Prison and the Office of the Officer Commanding Police Division which owed Kshs.9,164,799.00, Kshs.1,001,685.00 and Kshs.981,746.00 as at 30 June 2004 respectively. Other debtors were parastatals, Corporations, Councils and Schools. There were 12,177 individuals owing a total of Kshs.12,663,957.70 in the three water supplies of Muranga, Mathioya and Gatanga.

603. The explanation given by the District Water officer for non-collection of water revenue from Ministries/Departments was that they were not given enough allocations and water could not be disconnected without the Accounting Officer's authority because these Ministries/Departments were offering essential services. As for private institutions and individuals, it was explained that recoveries could

not be made because some debtors could not be traced while in other cases, there was no flow of water in their lines. Although it was indicated that authority to disconnect water for Government Ministries/Departments and to write off the uncollected arrears would be sought, no action has so far been taken and the arrears continue to accumulate.

MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES

PENDING BILLS

604. The records of the Ministry of Environment and Natural Resources show that bills amounting to Kshs.409,190,263.20 made up of Kshs.82,209,402.25 chargeable to Recurrent Vote R.21 and Kshs.326,180,860.95 chargeable to Development Vote D.21 were not paid during 2003/2004 but were instead carried forward to 2004/2005. Had these bills been paid and charged to the accounts for 2003/2004, the Recurrent Appropriation Account would have reflected net surplus of Kshs.98,166,304.70 instead of Kshs.180,375,706.95 now shown while Development Appropriation Account would have reflected an Excess Vote of Kshs.273,035,912.05 instead of a net surplus of Kshs.53,144,948.90 now shown.

UNDER EXPENDITURE AND UNDER COLLECTION OF APPROPRIATIONS –IN-AID – VOTE D.21

605. The Appropriation Account for Vote D21 for 2003/2004 reflects gross under expenditure of Kshs.312,513,792.20 which is approximately 35% of approved gross estimates of Kshs.900,764,991.00 and under collection of appropriations in aid of Kshs.245,686,467.30 or about 69% of estimated amount of Kshs.354,152,541.00. The under expenditure is attributed to delays in funding by donors, overprovision in the budget, non spending occasioned by suspension of Forest Officers while the under collection of appropriations-in-aid is attributed to delays in funding by donors.

LEASE OF OFFICES AT NHIF BUILDING

606. On 30 June, 2004 the Ministry of Environment and Natural Resources made a payment of Kshs.11,442,300.00 to an estate agent being payment of rent for offices leased at the National Hospital Insurance Fund Building. The rent was for a period of fifteen (15) months from November, 2003 to January, 2005 at a quarterly rate of Kshs.2,288,460.00.

607. The Lease Agreement in respect of the lease has not however, been made available for audit review, and consequently it has not been possible to ascertain the terms of the lease. Further, although the Ministry paid rent for fifteen months, from November 2003 to January 2005 it moved into the new offices from May 2005. The reason given for paying the fifteen (15) months rent totalling Kshs.11,442,300.00 for offices that were not occupied is non-availability of funds to carry out necessary partitioning of the offices.

GRANTS TO STATE CORPORATIONS DURING THE YEAR 2003/2004

608. During the year 2003/2004 the Ministry of Environment, Natural Resources and Wildlife advanced grants totalling Kshs.248,167,819.20 to the National Environment Management Authority (Kshs.220,078,148.20), the Public Complaints Committee (Kshs.15,496,526.00) and the National Environment Tribunal (Kshs.12,593,145.00).

609. The above grants form 10.18% of the vote total Gross Expenditure of Kshs.2,437,534,783.70. However, these organisations' audited accounts for the financial year 2003/2004 have not been made available for audit review and consequently it has not been possible to confirm that the grants were received and properly accounted for.

610. Of particular concern is the fact that the above organisations, which were established under the Environmental Management Co-ordination Act, 1999 and commenced operations on 14 January, 2000, have not produced any financial statements for the period 14 January, 2000 to 30 June, 2004.

REVENUE HEAD 160 – 210 – FOREST AND MINING REVENUE

611. The Statement of Arrears of Revenue due and uncollected as at 30 June 2004 shows arrears of Kshs.201,938,382.30 in respect of Timber Royalties all relating to 2002/2003 and earlier years. No effort appears to have been made to collect the outstanding revenue during the year 2003/2004.

MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING

PENDING BILLS – VOTE R 22

612. The records of the Ministry of Co-operative Development and Marketing show that bills amounting to Kshs.26,659,505.15 were not settled during the year 2003/2004 but were instead carried forward to the year 2004/2005. Had these bills been paid and expenditure charged in the accounts for 2003/2004, the Appropriation Account for Vote R.22 would have reflected a reduced net surplus of Kshs.54,143,560.85 instead of Kshs.80,803,066.00 now shown.

UNDER EXPENDITURE – VOTE R.22

613. The Appropriation Account for Vote R.22 for the year ended 30 June 2004 reflects under expenditure of Kshs.80,803,066.00 or about 11.8% of the Gross estimated expenditure of Kshs.683,396,940.00. The reasons given for the under-expenditure include delay of approval of ex-gratia claims by DPM, delays in releasing judgement in time by the Attorney General and Courts, delay in filling advertised vacancies and inefficient re-imburement at District Treasuries. The Ministry has however not indicated the measures it has put in place to avoid recurrence of similar situations in future.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D22

614. The Appropriation Account for Vote D.22 for the year ended 30 June, 2004 reflects under-expenditure of Kshs.21,199,717.35 or about 27% of the approved gross estimate of Kshs.77,781,000.00 and a deficiency in Appropriations-in-Aid of Kshs.11,224,610.00 or about 62% of the estimated receipts of Kshs.18,118,000.00. The reasons given for the under-expenditure and the under-collection of Appropriations-in-Aid are liquidity problems and the late implementation of approved projects. The Ministry has not however, indicated the measures if any it has put in place to avoid the recurrence of similar situations.

IRREGULAR USE OF TEMPORARY IMPREST

615. Examination of the Ministry's Temporary Imprest records showed that six Temporary Imprests totalling Kshs.699,466.00 were issued to officers for purposes of procurement of goods and services instead of such procurement being subjected to the laid down procedures. According to Government procurement regulations the procurement of the goods and services should have been done using competitive quotation procedures to select the suppliers culminating in the issue of LPOs to the selected suppliers. No explanation has been given as to why the Ministry did not follow the laid down procedures in procuring these goods and services.

616. Further, one officer was issued with temporary imprest of Kshs.152,350.00 on 7 August 2003 to enable him travel to Kisumu, Migori and Siaya for 10 days to collect data. However, his imprest surrender voucher of 14 November 2003 shows that Kshs.144,840.00 of the imprest was spent on paying for photocopies while Kshs.7,510.00 was surrendered. No explanation was given for this conflicting information in the use of the imprest in question.

UNVOUCHED EXPENDITURE KSHS.6,893,390.00

617. The Appropriation Account for Vote D.22 for the year ended 30 June, 2004 includes expenditure of Kshs.6,893,390.00 charged to Head 708, Item 327 – Computerization of Agricultural Co-operatives. This expenditure is however not supported by verifiable documents or payment vouchers. In the absence of any supporting documentation, it has not been possible to confirm the propriety of the expenditure.

DOUBLE EXPENDITURE ON REPAIR AND SERVICING OF COMPUTERS

618. Examination of payment voucher No.4360 of 24 June 2004 showed that a payment of Kshs.279,450.00 was made to a computer servicing firm for repairs and servicing of 69 computers and their accessories at the Ministry Headquarters in the month of June 2004. During the same month a temporary imprest of Kshs.198,000.00 was issued to an officer in the Ministry to facilitate service and repairs of 66 of the same computers. Cash sale receipts attached to imprest surrender voucher submitted by the officer, dated 30 June 2004 show that the work was supposedly carried out by another computer servicing firm at a total cost of Kshs.198,000.00.

619. The two lists of computers serviced and or repaired indicated that the computers were located in the same offices. There was also no evidence or confirmation by the individual users that repairs and servicing of the computers

had been carried out. In the circumstances it was not possible to confirm the propriety of the total expenditure of Kshs.477,450.00.

MISSING STORES AND STORES RECORDS

620. Examination of payment vouchers relating to procurement of toners for computer printers revealed that in November and December 2003 and March 2004 forty six (46) toners valued at Kshs.473,110.00 were procured, received and recorded in the S3 store cards. However, there were no records to show how and when these toners were issued out to users and they were not physically on hand in the store. It was not therefore possible to confirm that the forty six (46) toners had actually been received and issued for official use.

621. A total of 105 toners worth Kshs.996,325.00 are shown to have been procured in December 2003, April 2004 and June 2004 and were recorded in the stores control (S3) cards. However, the stores control (S3) cards in which these toners were recorded were not made available for audit examination. In the circumstances it was not possible to confirm that the toners were received in the store as indicated and if received when and to whom they were issued for use.

CONSTRUCTION OF MINISTERIAL SHOW STAND

622. The examination of Payment Voucher No.006597 dated 30 June, 2004 revealed that a Kiserian firm was paid a total of Kshs.3,115,954.90 for construction of Ministerial Show Stand at Jamhuri Show Ground. However, examination of the voucher and the relevant supporting documents including a proforma invoice dated 30 June, 2004 and detailed bill of quantity from the Provincial Works Officer, Nairobi revealed a number of anomalies for which no satisfactory explanation has been given:

623. The funds used for the construction were meant for expenditure on minor alteration and maintenance of Ministry Headquarters Offices. No documentary evidence has been made available to confirm that Treasury approved the re-allocation of Kshs.3,115,954.90 meant for minor alterations and maintenance at Ministry's Headquarters offices for construction of the Ministerial Show Stand at Jamhuri Show Ground. It is also not clear why the cost of construction of the show stand was not included in the Budget Estimates for the financial year 2003/2004.

624. A site visit to the Ministerial Show Stand revealed that mechanical works valued at Kshs.635,250.00, fire fighting equipments valued at Kshs.423,650.00 and paving slabs valued at Kshs.131,600.00 which were all paid for were not on site. The only paving slabs laid along the veranda were those inherited from the previous occupants of the site.

MANAGEMENT AND SUPERVISION AND LIQUIDATION FUND ACCOUNT

625. In the previous year's Report, reference was made to unexplained discrepancies and unreconciled balances in the Ministry's management and Supervision and Liquidation Fund Account. The audit review of the Funds Accounts for 2003/2004 revealed a number of similarly unsatisfactory matters.

Excess Expenditure Over Income

626. The Income and Expenditure Account for 2003/2004 reflects expenditure totalling Kshs.22,290,197.45 against income of Kshs.17,888,888.00 resulting into a deficit of Kshs.4,401,309.45. The deficit arose mainly from over-expenditure incurred on travelling and subsistence item where expenditure of Kshs.8,523,870.40 was incurred against an estimate of Kshs.5,450,000.00 resulting into over-expenditure of Kshs.3,073,870.40. The big increase in the travelling expenses from Kshs.569,340.40 in 2002/2003 to Kshs.8,523,870.40 in 2003/2004, an increase of Kshs.7,954,530.00 or 1397%, has not been explained. Information, available however, indicates that part of the over-expenditure is attributable to unbudgeted expenditure of Kshs.1,006,600.00 incurred on mass inquiry of several cooperative societies. It is not clear why such massive exercise could be undertaken without budgeted provisions. Further, the expenditure, including the over-payments, was authorised by an officer who was not an A.I.E Holder of the Audit and Supervision Liquidation Fund.

Debtors Management and supervision Fees – Kshs.41,085,751.10

627. Although the Societies Debtors Control Account figure of Kshs.41,085,751.10 agrees with the Trial Balance, it does not tally with totals of individual societies balances of Kshs.37,730,164.05 shown in the schedule attached to the account in support of the Trial Balance figure. The difference of Kshs.3,355,587.05 has not been explained or reconciled.

Motor Vehicles

628. The motor vehicles valued at Kshs.570,257.60 as at 30 June 2003 have been depreciated by 10% to Kshs.513,240.90 as at 30 June 2004. However, physical verification did not show existence of any vehicle either operating or grounded. No explanation has been given for the inclusion of the amount of Kshs.513,240.90 in the Account.

629. In view of the unexplained discrepancies and unreconciled balances, it has not been possible to confirm the completeness and accuracy of the Fund Accounts for the year ended 30 June 2004.

OFFICE OF THE ATTORNEY GENERAL

OUTSTANDING IMPRESTS

630. Imprest records at the Office of the Attorney General show that imprests totalling Kshs.5,184,011.25 were due for surrender on or before 30 June 2004. The amount consists of temporary imprests of Kshs.5,105,833.25 and standing imprests of Kshs.78,178.00. Out of the temporary imprests of Kshs.5,105,833.25, imprests amounting to Kshs.2,882,588.15 were outstanding against officers on Job Group 'M' and above while Kshs.2,009,369.55 and Kshs.213,875.55 were outstanding against officers on Job Group 'L' and below and non-civil servants respectively. It is observed that many of the imprests have been outstanding for a considerably long period of time and that some officers were holding more than one imprest contrary to the laid down financial regulation.

631. A review of the position as at 31 October 2004 indicated that, out of the total outstanding imprests of Kshs.5,184,011.25 as at 30 June 2004, an amount of Kshs.1,781,319.25 had been surrendered leaving a balance of Kshs.3,402,692.00 still outstanding. The balance of Kshs.3,402,692.00 comprises of temporary imprests of Kshs.3,346,753.00 and standing imprests of Kshs.55,939.00. The temporary imprests balance of Kshs.3,346,753.00 was made up of Kshs.1,478,764.45 due from officers on Job Group 'M' and above, Kshs.1,654,113.00 from officers on Job Group 'L' and below and Kshs.213,875.55 from non-civil servants. No explanation has been provided as to why these outstanding imprests were not retired on the due dates.

EXAMINATION OF VOUCHERS AND OTHER DOCUMENTS FOR VOTE R 25

Unvouched expenditure

632. Examination of payment vouchers and other records relating to the Appropriation Account for Recurrent Vote R.25 for 2003/2004 revealed a number of unsatisfactory matters. Payments totalling Kshs.874,404.85 were entered in the Recurrent Vote R.25 cash book on 29 June 2004. However, these payment vouchers have not been produced for audit review. In the absence of the

payment vouchers it has not been possible to ascertain the propriety of the expenditure of Kshs.874,404.85.

Irregular Payment of Honoraria

633. Between 19 and 25 February 2004, the Office of the Attorney General paid a total of Kshs.1,594,200.00 in respect of honoraria. Directorate of Personnel circular Ref. No.OP/CAB.2/12A(8) of 18 August 2003 requires that prior concurrence of the DPM be obtained before honoraria payments are made. DPM's concurrence for these payments has not been made available for audit review and does not appear to have been obtained before the payments were made.

PUBLIC TRUSTEE ACCOUNTS FOR 2002/2003

634. As reported in the Controller and Auditor General's report for 2002/2003, the preparation of the Public Trustee Accounts is in arrears as the latest accounts of the Public Trustee submitted for audit are those for the year 2002/2003. The delay has been attributed to the manual accounting system currently in use at the Public Trustee's Office and also to under-staffing. A review of the Public Trustee Accounts for the year 2002/2003 and the accompanying audit reports by a private auditor appointed by the Public Trustee under Rule 14 of the Public Trustee Act Cap 168 of the laws of Kenya reveals unsatisfactory matters as summarised in the following paragraphs.

Deposit in Public and Private Financial Institutions

635. The accounts show the following position with regard to deposits in various financial institutions as at 30 June, 2003:-

Account	Total Deposits	Deposits for which
	<u>Kshs.</u>	Recovery is Doubtful
		<u>Kshs.</u>
Public Trustee Administration Consolidated A/c	61,736,365.15	30,736,365.15
Public Trustee Investment Income Account	274,249,906.25	93,749,906.25
Public Trustee Trust Estate Account	17,950,000.00	11,250,000.00
Public Trustee Sundry Expenses Account	<u>6,466,904.00</u>	<u>6,466,904.00</u>
	<u>360,403,175.40</u>	<u>142,203,175.40</u>

No provision for possible losses arising from non-recovery of doubtful deposits has been made in the accounts.

Investments at Cost

636. The accounts further show the following investments as at 30 June, 2003:-

<u>Account</u>	<u>Amount in Kshs.</u>
Public Trustee Administration Consolidated A/c	35,822,460.00
Public Trustee Investment Income Account	43,707,161.00
Public Trustee Trust Estate Account	3,135,240.00
Public Trustee Sundry Expenses Account	<u>4,476,900.00</u>
	<u>87,141,761.00</u>

No dividends or other forms of returns have been realised from these investments and therefore their viability is doubtful.

Estates with Overdrawn Balances

637. The Public Trustee Administration Consolidated Accounts and Public Trustee Trust Estates Account reflects an amount of Kshs.1,983,143.00 and Kshs.15,619.00 respectively in respect of Estates with overdrawn balances. According to the notes to the accounts, the above figures represent overpayments made to various estates/beneficiaries. It has been explained that the overpayments occurred due to lack of proper policies, guidelines and controls in the years prior to 1991. It has not however been indicated how the Public Trustee intends to recover the overpayments.

Trial Balance Differences

638. The Public Trustee Accounts reflects trial balance difference of Kshs.1,083,945.00 and Kshs.5,288.00 under Public Trustee Administration Consolidated Accounts and Public Trustee Trust Estate Account respectively. Most of these differences are said to relate to the period prior to 1991 when proper accounting systems were not in place but no indication has been given as to how it is intended to rectify the situation.

Loss of funds Kshs.2,022,599.00

639. The Public Trustee Administration Consolidated Account balance sheet reflects an amount of Kshs.2,022,599.00 described as loss of funds which represents cash and cheques stolen and encashed. The above amount has continued to appear in the books as an asset every year. No provision has been made in the books for the write off of these losses.

Staff Overtime Payments Kshs.3,983,120.00

640. The Public Trustee Sundry Expenses Account for 2002/2003 shows staff overtime payments of Kshs.3,983,120.00 which is Kshs.312,684.00 more than Kshs.3,670,436.00 spent in 2001/2002. The overtime payments were paid on the basis of Directorate of Personnel Management letter Ref. No.DPM/PA/10/4/1 VOL.II/41 dated 15 July 1991 an authority which is over twelve (12) years old and which is no longer applicable. It is not clear why fresh authority has not been sought from DPM.

JUDICIARY

RECURRENT APPROPRIATION ACCOUNT VOTE R26

National Council for Law Reporting

641. The National Council for Law Reporting was established under Act No.11 of 1994 as a body corporate to publish Kenya Law Reports and to undertake such other related publications. Although Section 17(2) of the act provides for the Accounts of the Council to be audited annually by the Controller and Auditor General, no Accounts have been prepared and submitted for audit since commencement of the Act in January 1995. No explanation has been given for failure by the council to comply with the provision of the Act in this regard.

642. The Appropriation Account for Recurrent Vote R26 for the year ended 30 June 2004 reflects expenditure of Kshs.22,503,089.00 under Item 300-Grants to National Council for Law Reporting. In the absence of the Council's Accounts for 2003/2004 it has not been possible to confirm receipt by the council of these grants and their proper utilization and accounting by the council.

643. In addition, payment vouchers and supporting documents in respect of the expenditure have not been availed for audit review. Consequently, the propriety of expenditure has not been ascertained. Further, the expenditure of Kshs.22,503,089.00 reflected in Appropriation Account as grants to the council differs with the amount of Kshs.18,659,123.80 shown in the Vote book by Kshs.3,843,965.20. No explanation has been provided for the difference.

Appropriations-In-Aid and Net Surplus to be Surrendered

644. The Appropriation Account for Vote R26 reflects Appropriations-In-Aid totalling Kshs.401,685,621 which differs by an amount of Kshs.3,525,924 from the amount of Kshs.405,211,545 shown in the Trial balance Head 860 - items 601 and 650 and Head 861 – item 650. The difference of Kshs.3,525,924 has not been explained. Had the trial balance figure of Kshs.405,211,646 been reflected in the Appropriation account, the net surplus to be surrendered to the Exchequer would have been Kshs.46,389,167 as opposed to Kshs.42,863,243 now shown and the deficit in Appropriations-in-Aid would have been Kshs.3,788,454 instead of Kshs.7,314,378 now reflected.

645. Due to the above anomaly, the Net Surplus to be surrendered to the Exchequer of Kshs.42,863,243 reflected in the Appropriation Account differs from the General Account of Vote credit balance of Kshs.46,389,167 reflected in the Statement of Assets and Liabilities for Vote R26 as at 30 June, 2004 by Kshs.3,525,924.

DEVELOPMENT APPROPRIATION ACCOUNT VOTE D 26

Under Expenditure

646. The Appropriation Account for Vote D26 reflects gross under-expenditure of Kshs.81,405,881 or about 50% of the gross estimates of Kshs.163,711,050. The reasons given for the under expenditure include excess provision during the supplementary estimates that could not be fully utilised due to limited time to the closure of the year, non finalization of drawings and specifications for renovations of the former Income Tax Building and delays caused by a number of alterations in the design and the Bills of Quantities which resulted from dispute over the judicial plot in Kirinyaga district which had been illegally allocated to an individual among other reasons. The Department has not indicated the measures it has put in place to ensure that a similar situation does not recur in future.

Unvouched and Unsupported Expenditure - Installation of Security Equipment

647. The account reflects expenditure of Kshs.26,188,647.00 under Item 240 – Installation of Security Equipment. The amount includes expenditure of Kshs.5,258,582.01 incurred on fencing, generator house and public toilets at the Nairobi Law Courts and an amount of Kshs.18,835,806.90 in respect of security equipment which was procured from abroad during the year. However, contract documents and other supporting documentations in respect of both have not been made available for audit review. Further, payment vouchers for expenditure of Kshs.20,930,065.15 out of the total expenditure of

Kshs.26,188,647 incurred on Item 240 have not been produced for audit examination. In the circumstance, it has not been possible to ascertain the propriety of the expenditure.

Head 860 Item 295: Minor alterations and Maintenance Works

648. The expenditure of Kshs.5,163,541 charged to Item 295 – Minor Alterations and Maintenance Works includes expenditure of Kshs.834,732.20 in respect of which payment vouchers and supporting documents have not been made available for audit. The expenditure also includes an amount of Kshs.2,502,431.40 being reimbursement to the Recurrent Vote from Development Vote of expenditure erroneously charged to Recurrent Vote R26 for which the payment vouchers and supporting documentations have also not been available for audit review. It has not therefore been possible to ascertain the propriety of the combined total expenditure of Kshs.3,337,163.60.

Head 860 Item 296: Rehabilitation & Partitioning of Income Tax Building

649. Payment Vouchers and other documents for expenditure of Kshs.2,938,324.00 charged to Item 296 – Rehabilitation and Partitioning of Income Tax Building have not been made available for audit review. Consequently, the propriety of this expenditure has also not been ascertained.

Unexplained Difference

650. The Account reflects an expenditure of Kshs.3,231,689.00 under Head 861 Item 400 – Construction of Building (Non Residential) Kerugoya Law Courts which differs from the Ledger/Trial Balance figure of Kshs.670,536.00 for the same item. The difference of Kshs.2,561,153.00 between these two balances has not been explained.

OUTSTANDING IMPRESTS

651. Imprest records maintained at the Judiciary Department indicate that temporary imprests totalling Kshs.1,084,934.81 were outstanding as at 30 June 2004 out of which Kshs.544,489.81 was issued between June 1997 and June 2003 and the balance of Kshs.540,445.00 during the year 2003/2004. Of the total amount of Kshs.1,084,934.81, a sum of Kshs.665,446.80 was due from judges while the balance of Kshs.419,488.01 was due from other officers. It was also noted that some officers were holding more than one imprest contrary to the regulations governing issuance and surrender of imprests.

652. A review of the position as at 31 October 2004 showed that a sum of Kshs.120,132.51 had been recovered leaving a balance of Kshs.964,802.30.

Out of this balance, Kshs.635,446.80 was due from judges while Kshs.329,355.50 was due from other officers.

MISUSE OF REVENUE AT THE KAKAMEGA LAW COURTS

Unsurrendered Receipt Books worth Kshs.8,553,220.00

653. In November 2004, the attention of the Chief Magistrate, Kakamega Law Courts was drawn to a number of unsatisfactory matters. Audit examination of revenue records maintained at Kakamega Law Courts revealed that between January, 2002 and June 2004, the Kakamega District Treasury had issued to Kakamega Law Courts a total of 214 receipt books for collecting court fees, fines and deposits. All the receipt books had been completed and a total of Kshs.8,553,220.95 collected through them as at 30 June, 2004 but the completed receipts books had not been surrendered back to the District Treasury which was also issuing the Law Courts with additional receipt books before the previous ones were surrendered. It was observed that the Law Courts were not banking or surrendering the revenue so collected to the District Treasury but instead used it to cater for various payments, IOUs, and other expenses contrary to the regulations that required revenue to be banked intact. No explanation has been given for failure to surrender the completed receipt books and for spending the revenue at source.

Partly paid vouchers – Kshs.5,601,762.30

654. Forming part of cash as at 30 June 2004 were partly paid vouchers totalling Kshs.5,601,762.30 which were supported by cash sale receipts dating as far back as June, 1998. The payments were in respect of travelling and accommodation expenses, water and conservancy, transport expenses, miscellaneous expenses, stationery and maintenance of buildings. No explanation has been given for failure to process these partly paid vouchers so that the expenditure could be accounted for.

Outstanding IOUs – Kshs.607,439.75

655. Also forming part of cash as at 30 June 2004 were IOUs totalling Kshs.607,439.75 which were issued between December, 1995 and June, 2004. Included in the outstanding IOUs of Kshs.607,439.75 were IOUs totalling Kshs.161,474.00 issued to three retired officers in September, 2000 and March, 2004 with one of the Ex-officers holding Kshs. 143,974.90 alone. Also included were IOUs totalling Kshs.143,738.10 which were issued to four deceased officers between December, 1995 and January, 2003 with one deceased officer holding Kshs.111,900 which was issued to him on 13, October, 1998. It has not been indicated whether the amounts were recovered or will be recovered from the

officers retirement benefits or death gratuities and no explanation has been given for issuing Government funds in the form of irregular IOUs.

Outstanding RD Cheques – Kshs.589,314.30

656. In addition, refer to drawer (RD) cheques amounting to Kshs.589,314.30 formed part of cash as at 30 June 2004. All the cheques were payable to the Chief Magistrate and drawn by two traders, several advocates and a few individuals between September, 1998 and August, 2003. It has not been indicated what effort is being made to have the drawers replace the cheques which were returned by the bank for reasons which were not indicated. Also the services that the court had rendered to the drawers were not indicated. So far, no explanation has been given as to why the cheques have not been replaced.

LACK OF FINANCIAL CONTROLS AT MOMBASA LAW COURTS

Failure to Surrender Revenue Collections – Kshs.2,843,326.00

657. In November 2003 and March 2004, the attention of the Chief Magistrate, Mombasa Law Courts was drawn to several financial irregularities. According to the collection Control Sheet serial numbers 092728-092733, revenue amounting to Kshs.2,843,326.00 collected between February 2002 and February 2003 in respect of Court fines and fees had not been surrendered to the Mombasa District Treasury or banked as at 30 June 2003. It has, however, been explained that the unsurrendered revenue was used to clear pending claims whose payment vouchers were forwarded to Nairobi for reimbursement. However, the payment vouchers have not so far been produced for audit verification.

Partly Paid Vouchers – Kshs.851,972.40

658. It was observed that as at 30 June 2003, the cashier was holding 53 partly paid vouchers totalling Kshs.851,972.40 as part of his cash. It was however explained that the vouchers were being held due to delays in issuance of Authority to Incur Expenditure (A.I.Es) from the High Court in Nairobi. So far as I have been able to ascertain the payment vouchers have not been cleared.

Missing Receipt Books

659. According to the Court's counterfoil Receipt Book Register, a total of 73 receipts books were issued to various officials for revenue collection between February 2002 and February 2003. Although the register indicated that most of the receipt books were completed, they were not produced for audit verification and as a result, the revenue collected through them could not be established. Also, there was no indication that the revenue was surrendered to the District Treasury and the Receipt Books have not been traced so far.

Unaccounted for Court Deposit – Kshs.266,711.40

660. Examination of the District Cash Book maintained at Mombasa District Treasury revealed that a cheque No.1460 for Kshs.266,711,40 was issued to the Chief Magistrate Mombasa on 29 June 2001. The amount was in respect of cheques which had been issued to the individuals and merchants and deposited with the District Treasury but became stale after they were not presented for payments to the bank. As a result, they were reversed by the District Accountant and made payable to the Chief Magistrate through the cheque quoted above. Available information indicates that the Chief Magistrate cannot trace the said cheque in her records and the District Accountant has not given any explanation even after being asked to do so by the Chief Magistrate in March 2004. So far, it is not known whether the payees have been paid and the fate of the cheque remains unknown.

STATEMENT OF REVENUE HEAD 220 – 260 FINES AND FORFEITURES

661. The Statement of Revenue shows Arrears of Revenue totalling Kshs.113,702,773.00 as outstanding as at 30 June, 2004. The accuracy of this balance could not, however, be confirmed as 23 courts had not submitted their returns of arrears as at 30 June, 2004. No explanation has been given for failure by the 23 courts to submit their returns of arrears as at 30 June, 2004.

CONSTITUTION OF KENYA REVIEW COMMISSION

OUTSTANDING IMPRESTS

662. Imprest records of the Constitution of Kenya Review Commission shows that imprests totalling Kshs.7,084,847.80 which should have been accounted for on or before 30 June 2004 were still outstanding as at that date. Imprest totalling Kshs.1,967,306 have since been accounted for leaving a balance of Kshs.5,151,173.30 still unaccounted for. Available information indicates that Kshs.133,000.00 out of this amount is irrecoverable and in the process of being written off while the balance of Kshs.5,018,173.30 is subject to court cases.

MINISTRY OF ENERGY

EXCESS - VOTE R30

663. The Appropriation Account for Vote.R.30 – Ministry of Energy for the year ended 30 June 2004 reflects an Excess Vote of Kshs.1,474,465. The excess vote was caused by deficiency in Appropriations In Aid of Kshs.54,566,024 against a surplus of a Gross Estimate over expenditure of Kshs.53,091,559.

APPROPRIATIONS-IN-AID KIPEVU STORAGE FACILITY

664. The Recurrent Appropriation Account for Vote R.30 Ministry of Energy shows that out of a total of Kshs.106,403,476.00 collected as Appropriations-In-Aid for the financial year 2003/2004, an amount of Kshs.105,000,000.00 or 98% was received from Kenya Pipeline Company as fees collected by the Company in respect of Kipevu Oil Storage Facility. The amount of Kshs.105,000,000.00 was accounted for as Appropriations-in- Aid under the various Heads.

665. As pointed out in the reports for previous years, Kipevu Oil Storage facility includes five tanks constructed by the Government between 1983 and 1998 on Government land in Mombasa Municipality. The storage facility is managed by Kenya Pipeline company on behalf of Government without any formal agreement between the Government and the Company stipulating the terms under which the company manages the facility including the fees to be levied by the Company and how much of such fees is to be remitted to the Government in form of Appropriations-In-Aid. Although the Kenya Pipeline Company has been remitting fees to the Government in respect of the facility, it is not clear in the absence of a signed agreement, how such fees have been determined or whether the amount received by the Government constitutes the correct amount receivable. Further, no accounts have been submitted by the company to the Government to support the fees paid over to the Government.

666. In the absence of an Agreement and Statement of Accounts on charges levied by the Company at Kipevu Oil Storage Facility, it has not been possible to confirm that the amount of Kshs.105,000,000.00 reflected in the Appropriation Account as received from Kenya Pipeline Company during the year 2003/2004 was the correct amount receivable.

APPROPRIATIONS-IN-AID

667. The Development Appropriations Account Vote D.30 for the year ended 30 June 2004 reflects under Heads 436, 444 and 427 Appropriations In Aid receipts totalling Kshs.279,026,969.50 which differ from the amount of Kshs.199,026,969.50 reflected in the Trial Balance under the same Heads. No explanation or reconciliation has been provided for the difference of Kshs.80,000,000 between the two sets of records.

RURAL ELECTRIFICATION PROGRAMME FUND ACCOUNTS

668. As in the previous years, Rural Electrification Programme (REP) Fund Accounts for the year ended 30 June 2004 were prepared on cash basis contrary to Electric Power (Rural Electrification Levy) order 1998, which requires the accounts to be prepared on accrual basis. The accounts therefore do not recognize: Revenue collected by KPLC and due to the Fund but un-remitted by 30 June 2004, 5% levy due to the Fund from KPLC but un-remitted by 30 June, 2004, capital contribution to REP by both the government and KPLC since inception and expenditure incurred by KPLC on behalf of the Fund but unpaid to KPLC by 30 June 2004.

669. According to the audited accounts of KPLC for the year ended 30 June, 2004 electricity sales were Kshs.20,302,734,000 net of 5% electricity levy and other Government levies. The accumulated 5% electricity levy due to the Fund for the same year amounted to Kshs.2,578,479,000, comprising amount brought forward from the previous year of Kshs.1,520,324,000 and collection during the year of Kshs.1,058,155,000. However, only Kshs.780 Million was remitted to the Fund during the year leaving a balance of Kshs.1,798,479,000 outstanding. No reasons have been given for failure by KPLC to remit this balance to the Fund.

670. Also according to the audited accounts of KPLC for the year ended 30 June, 2004 the Fund owed the Company an amount of Kshs.1,395,068,000 as at 30 June 2004, being expenditure incurred by the Company on behalf of the Fund in respect of Rural Electrification Programme. No reasons have been given for failure by the Fund to settle this debt.

HEAD 444 – RURAL ELECTRIFICATION

671. The audit of the Development Appropriation Account Vote D.30 for the year ended 30 June 2004 has revealed a number of unsatisfactory matters relating to Rural Electrification.

Coffee Industry Rural Electrification Sub Programme

672. The Account reflects expenditure of Kshs.30,792,811.00 against Item 211 – Coffee Industry Rural Electrification Sub-Programme under Head 444, being expenditure incurred by KPLC on behalf of the Ministry. The Ministry was informed of the expenditure by correspondence and accounted for the expenditure through four (4) Journal Vouchers. The four (4) Journal Vouchers were however not supported by adequate documentation to enable audit verification of the expenditure.

REP Monitoring Programme

673. The Account also reflects an expenditure of Kshs.622,934.00 against Item 255 – REP Monitoring Programme. This expenditure includes an amount of Kshs.113,351.00 made up of two journal vouchers for Kshs.92,421.00 and for Kshs.20,930.00 which were not posted in the ledger for 2003/2004. No explanation has been provided for the omission.

Rural Electrification Programme

674. The final Trial Balance reflects a balance of Kshs.635,000,000.00 against Item 450 – Rural Electrification while the Account reflects expenditure of Kshs.827,000,000.00. No reconciliation or explanation has been provided for the difference of Kshs.192,000,000.00 between the two records.

Rural Electrification Programme (France)

675. The Account further reflects an amount of Kshs.771,552,358.85 against Item 451 – Rural Electrification Programme (France), being expenditure incurred by KPLC on behalf of the Ministry. The Ministry was informed of this expenditure through correspondence and accounted for the expenditure through some twenty three (23) journal vouchers. The twenty three (23) Journal Vouchers are not however supported adequately and it has therefore not been possible to ascertain the propriety of the expenditure.

Rural Electrification Programme (GOK)

676. The Trial Balance reflects expenditure of Kshs.400,000,000.00 against Item 530 – Rural Electrification Programme (GOK) while the Account reflects Kshs.500,000,000.00. No explanation has been provided for the difference of Kshs.100,000,000.00. Further, only expenditure amounting to Kshs.395,000,000.00 being GOK contribution to Rural Electrification Programme (REP) was supported by payment vouchers, which however did not have adequate supporting documentation. Expenditure of Kshs.105,000,000.00 was, not supported by any payment vouchers and other documentations. It has not

therefore been possible to ascertain the propriety of the total expenditure of Kshs.500,000,000.00 charged in the account under this item.

GRANTS TO KENGEN

677. The Development Appropriation Account Vote D30 for the year ended 30 June 2004 reflects expenditure of Kshs.3,005,442,100.80 as having been incurred on KENGEN during the year, being grants and loans issued to the company by the Government and other donors and charged in the Account under Head 436 – Grants to KENGEN. The expenditure of Kshs.3,005,442,100.80 includes an amount of Kshs.208,222,580.00 paid to the Company as grants. The audited Accounts of KENGEN for the year ended 30 June 2004 however, reflect Kshs.274,111,000.00 as grants received from the Ministry. The difference of Kshs.65,888,420.00 between the Company Accounts figure of Kshs.274,111,000.00 and the actual grants paid to the company by the Ministry of Kshs.208,222,580.00 has not been explained.

UNVOUCHED EXPENDITURE

678. The Development Appropriation Account reflects an expenditure of Kshs.1,114,852,239.70 against Item 521 - Olkaria 1 N.E. x 32 Power Station. This expenditure comprises of Kshs.37,758,869.00 incurred directly by the Ministry and Kshs.1,077,093,370.70 funded by donors and incurred directly by KenGen.. The Ministry was informed of this latter expenditure by KenGen through correspondence and then captured it by passing Journal Vouchers. Included in the expenditure of Kshs.1,077,093,370.70 is an amount of Kshs.701,029,779.20 supported by Journal Vouchers which, however, inadequately supported or are not supported at all. In the circumstances it has not been possible to ascertain the propriety of the expenditure of Kshs.701,029,779.20.

679. Further, expenditure totalling Kshs.1,641,519,945.00 was incurred by KenGen on Olkaria 11 and Olkaria 111 and the Ministry was informed of the expenditure by correspondence. The Ministry then captured the expenditure by passing too jurnal vouchers which have not however been produced for audit review and it has not therefore been possible to ascertain the propriety of the expenditure.

PAYMENT MADE IN ADVANCE TO SUPPLIERS

680. In February 2004 the Ministry advertised a tender for the supply of various Renewable Energy related items. Five Companies presented their bids and two companies were awarded tenders to supply the items. One company was

awarded the contract to supply various items at a contract sum of Kshs.9,675,000.00 while the second company was to supply various other items for Kshs.2,077,700.00. The value of the two contract therefore totaled Kshs.11,752,700.00. The whole amount of Kshs.11,752,700.00 was then paid against proforma invoices issued by to the two companies on 30 June 2004 the expenditure being charged to Head 433 Item 521 – Wind Resource Atlas Programme and Alternative Energy Technologies.

681. Available information shows that one of the company delivered all the equipment paid for except one Automatic Data Logger worth Kshs.453,000.00. Instead the company gave a banker's cheque dated 13 October, 2004, being refund of the money advanced for the item. The other firm however, has yet to deliver the Crystalline Solar Modules and Solar Accumulator Batteries worth Kshs.2,077,700.00. No explanation has been provided for paying for these items in advance before delivery contrary to Government procurement regulations and procedures and no action appears to have been taken to recover the amount of Kshs.2,077,700.00 paid to the company for the undelivered equipment.

STATEMENT OF PARTICIPATION BY KENYA GOVERNMENT IN QUASI-GOVERNMENT AND OTHER STATUTORY ORGANISATIONS

682. The Statement of Participation by Kenya Government in Quasi-Government and other Statutory Organisations as at 30 June 2004 shows that the Ministry of Energy participated in four (4) companies with total shareholding of 1409 shares. However, out of the four (4) companies, confirmations have not been received from three (3) companies namely KenGen, KPLC and KPC in which the Ministry held a total of 1038 shares valued at Kshs.20,760. In the absence of confirmations from these companies, it has not been possible to ascertain the value of the Ministry's shareholding in the three companies.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA – MINISTRY OF ENERGY

683. The audit examination of the Statement of Obligations Guaranteed by Government of Kenya in respect of the Ministry of Energy as at 30 June, 2004 has revealed various unsatisfactory matters. In particular, although confirmation requests were sent out to both the lenders and borrowers in August, 2004, confirmations from lenders have not been received in respect of all the six (6) loans reflected in the Statement with a total contingent liability of Kshs.12,340,170,721.05. In the absence of confirmations from lenders, it has not been possible to confirm the correctness of the outstanding contingent liability as at 30 June, 2004.

684. Loan agreements have not been submitted by the Ministry for audit review in respect of four (4) new loans with a total contingent liability of Kshs.1,651,964,439.19 borrowed by Kenya Pipeline Company Ltd. These new loans include two (2) loans from Triple A Capital totalling Kshs.230,031,751.65 and one (1) loan from Standard Chartered Bank totalling Kshs.1,418,159,973.40. In the absence of the loan agreements, it has not been possible to ascertain the amount, purpose and terms and conditions of the four new loans guaranteed by the government.

685. The Statement and confirmation received from Kenya Pipeline Company Limited describes the lender of the loan with an outstanding contingent liability of Kshs.1,418,159,973.40 as Standard Bank of Kenya Ltd. However, Kenya Pipeline Company Limited in their un-audited financial statements for the year ended 30 June, 2004 describes the lender as Triple A Capital. It is not clear why Kenya Pipeline Company Limited and the Ministry are describing the lender differently in their financial statements.

686. Further, Information provided in the un-audited financial statements of Kenya Pipeline Company Limited for the year ended 30 June 2004 indicates that the company borrowed Kshs.1,701,791,967.60 during the year through a refinancing arrangement facilitated by Triple A Capital Limited with Standard Chartered Bank Kenya Limited. Under the arrangement, Triple A Capital Limited was to borrow an amount of Kshs.1,658,277,492 from the Bank to be used to repay EDC loan of Kshs.1,250,577,549 and Japan Bank for International Corporation loan of Kshs.397,699,893. Triple A Capital Limited was to lend to the company in turn an amount of Kshs.1,701,791,967.60, comprising the loan of Kshs.1,658,277,492 and advance quarterly interest of Kshs.43,514,475.60 it paid to the Bank. The company would then repay the loan of Kshs.1,701,791,967.60 to Triple A Capital Limited in 36 equal monthly installments, together with interest calculated at the rate of 19.4% p.a. on reducing balance, starting January, 2004 and a commitment fee of Kshs.10 million. Therefore, the total payment the company will have made to Triple A Capital Limited at the end of 36 months is Kshs.2,220,769,581.91. Triple A Capital Limited would, in turn, use the money received from the company to repay the loan of Kshs.1,658,277,492 owed to the Bank in 12 equal quarterly installments, starting in the first quarter of 2004. Interest is payable quarterly in advance at a monthly rate of 0.88% calculated on reducing balance. At the end of the repayment period of 36 Months, therefore, Triple A Capital Limited will have paid to the Bank a total of Kshs.1,942,837,909.63. The difference of Kshs.277,931,672.28 between Kshs.2,220,769,581.91 and Kshs.1,942,837,909.63 represents the cost to Kenya Pipeline Company Limited of engaging the services of Triple A Capital Limited.

687. No reasons have been given as to why the company could not deal directly with the Bank. However, the implication of the deal is that Kenya Pipeline Company Limited is likely to incur expenditure of Kshs.277,931,672.28

which would have been avoided had it negotiated the refinancing arrangement directly with Standard Chartered Bank without involving Triple A Capital Limited.

688. The Statement also reflects Triple A Capital Limited loan with an outstanding contingent liability as at 30 June, 2004 of Kshs.136,357,333.65. However, information provided in note 14(b)(c) to the un-audited financial statements of Kenya Pipeline Company Limited for the year ended 30 June, 2004 indicates that the above loan was borrowed in July, 2004, meaning that it was not outstanding as at 30 June, 2004. As a result of the inclusion of this loan in the Statement, the total contingent liability of Kshs.12,340,170,721.05 reflected therein is overstated by Kshs.136,357,333.65.

689. The Statement and confirmation received from Kenya Pipeline Company Limited show an outstanding contingent liability of EURO 39,263.85 or Kshs.3,772,714.14 against European Investment Bank loan as at 30 June, 2004. However, in Kenya Pipeline Company Limited un-audited financial statements, the outstanding balance as at the same date in respect of the same loan is shown as Kshs.2,803,000. The discrepancy of Kshs.969,714.14 between the two amounts has not been explained. As a result, it is not clear which of the two amount is the correct balance outstanding as at 30 June, 2004 against European Investment Bank loan.

690. In the previous year's report it was pointed out that the Ministry does not maintain proper records of loans guaranteed by Government of Kenya, but relies on confirmations from borrowers and lenders for the purpose of preparing the Statement. This situation still persists and the statement for the year under review was prepared from confirmations received from borrowers. The explanation given by the Ministry is that the maintenance of such records is the responsibility of the borrowers. Under the circumstances, it is still not clear how the Accounting Officer expects to oversee the repayment of such loans and to ensure that their terms and conditions are adhered to.

PETROLEUM DEVELOPMENT LEVY

691. The Development Appropriation Account for Vote D.30 for the financial year ended 30 June 2004 shows that during the year, the Ministry of Energy received a total of Kshs.281,576,969.80 from Petroleum Development Levy (PDL). The amount was accounted for under various Heads and items. However, the audited Petroleum Development Levy Fund Account for the year ended 30 June 2004, prepared by the Treasury shows that Petroleum Development Levy paid to the Ministry during the same year an amount of Kshs.220,000,000.00 only. The difference of Kshs.61,576,969.80 between the Ministry and Treasury figures has not been explained.

GRANT TO NATIONAL OIL CORPORATION OF KENYA

692. The Development Appropriation Account for Vote D.30 for the year ended 30 June 2004 reflects grants totalling Kshs.120,000,000.00 paid to National Oil Corporation of Kenya by the Government. Audited accounts of the National Oil Corporation of Kenya for 2003/2004 have not been made available for comparison and it has therefore, not been possible to ascertain whether the grants were received, accounted for and utilized for the intended purposes.

KENYA OIL STORAGE FACILITY

693. The Appropriation Account for Vote D.30 for 2003/2004 reflects Appropriations-In-Aid of Kshs.89,000,000.00 against Item 693 – Kenya Oil Storage Facility (KOSF). This amount excludes payments of Kshs.10,000,000.00 made by Kenya Pipeline Company Limited to the Ministry and receipted as Recurrent Vote Appropriations-In-Aid vide receipt No.74265 under account number 0-427-000-651(8). The amount was however, later, on 30 June 2004 refunded to the Company through cheque No.003355 by charging account number 1-444-000-693(9) under the Development Vote. This resulted in the understatement of Appropriations-In-Aid receipts for the year. No correspondence concerning these transactions has been seen. Further, no explanation has been provided for refunding the Company the amount or charging the refund under Development Vote D.30 Appropriations-In-Aid Account while the amount was receipted as Appropriation In Aid under Recurrent Vote Account R.30.

STATEMENT OF OUTSTANDING LOANS AS AT 30 JUNE 2004 – MINISTRY OF ENERGY

694. The audit of the Statement of Outstanding Loans as at 30 June, 2004 in respect of the Ministry of Energy has revealed a number of unsatisfactory matters. The Statement reflects six loans with total outstanding balances amounting to Kshs.11,763,115,686.30 as at 30 June 2004 compared to fourteen loans with an outstanding balance of Kshs.18,836,841,200.00 which were reflected in the Statement for 30 June, 2003. Eight loans with an outstanding balance of Kshs.8,988,578,700.00 have therefore been omitted from the statement and no evidence has been seen to confirm that they were repaid in full during the year 2003/2004.

695. Repayment schedules from the borrower to support the outstanding balances as shown in the statement have not been made available for audit review in respect of two loans lent to KenGen Co. Ltd. with total outstanding balance of Kshs.9,956,181,685.75. Further loan agreements and registers for one loan lent to KenGen and three loans lent to KPLC with outstanding total

balance of Kshs.1,751,389,593.57 have not been produced for audit review. In the absence of the loan agreements and registers, it has not been possible to ascertain the terms and conditions of these loans or the amounts lent, the amounts repaid during the year and the balances outstanding.

696. As reported in the report for 2002/2003, the Government entered into separate agreements with KPLC and KENGEN in December, 2001 for rescheduling of repayments of outstanding debts of Kshs.2,113,000,000.00 and Kshs.2,762,000,000.00 owing from the two companies respectively. The agreements involved twenty six loans which have now been listed separately in the Statement of Rescheduled Loans as at 30 June, 2004 submitted for audit. Although KenGen has confirmed the twelve loans related to the Company as deferred, no confirmation has been received in respect of the remaining fourteen loans relating to the KPLC. No explanation has been offered for failure by KPLC to provide confirmation of the loans.

697. In addition the Consolidated Statement of Outstanding Loans prepared by the Treasury for the year ending 30 June, 2004 for the Ministry of Energy indicates twenty loans with an outstanding balance of Kshs.29,113,664,297. The Statement of Outstanding Loans prepared by the Ministry for the same period however excludes all these loans. No explanation has been given for the exclusion of the twenty loans by the Ministry.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

PENDING BILLS

698. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.154,034,880.45 chargeable to the Development Vote D31 were not settled during the year 2003/2004 but were instead carried forward to 2004/2005. Had the bills been settled during the year under review and charged to the accounts for the period, the Appropriation Account for Vote D31 for the year ended 30 June, 2004 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.1,982,133,193.10 instead of Kshs.2,136,168,073.55 now shown.

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID

699. The Development Appropriation Account for Vote D31 for the year ended 30 June, 2004 reflects under-expenditure of Kshs.2,984,288,857.75 or approximately 35% of the approved estimates of Kshs.8,484,271,210.00 and under-collection of Appropriations-in-Aid of Kshs.848,120,784.20 or about 37% of estimated receipts of Kshs.2,280,762,575.00. The under-expenditure and under-collection of Appropriations-In-Aid mainly occurred under General Administration and Planning, Primary Education, Technical Education and University Education.

700. The reasons given in the footnotes to the Account for under-expenditure and under-collection of Appropriations-In-Aid include failure by various Donors to release Project funds, non-release of Exchequer issues by Treasury, delay in awarding various contracts during the year and non-submission of expenditure returns by various Donors.

ACCURACY OF THE APPROPRIATION ACCOUNT FOR VOTE R. 31

701. The audit examination of the Appropriation Account for Vote R31 for 2003/2004 has revealed the following unsatisfactory matters which tend to cast doubt on the accuracy of the Account:-

Excluded Expenditure

702. Expenditure totalling Kshs.4,558,315.80 reflected in the Ministry's Ledger for June 2004 has been excluded from the Appropriation Account for Vote R31 for 2003/2004 and no explanation has been given for the omission.

Unexplained Differences

703. Various unreconciled and unexplained differences between the ledger and the Appropriation Account balances were also noted. Such differences totalled a net Kshs.14,487,519 apparently representing net expenditure shown in the ledger but excluded from the Appropriation Account.

Unusual Credit Balances

704. The ledger further reflects credit balances totalling Kshs.18,958,403.40 against various items under Sub-Vote 310 – General Administration and Planning and 312 – Teachers Education which have not been explained.

705. The overall net effect of these discrepancies is that the accuracy of the total expenditure figure of Kshs.68,566,223,265.05 and Net surplus to be

surrendered to the Exchequer of Kshs.2,361,213,088.95 shown in the Appropriation Account for Vote R31 for 2003/2004 could not be confirmed.

ACCURACY OF THE ACCOUNT VOTE D.31

706. The audit of the Appropriation Account for Vote D31 for the year ended 30 June 2004 has revealed various discrepancies between the Ledger and the Appropriation Account, unsupported expenditures, double posting of expenditures in the Appropriation Account and unvouched expenditure charged to the Account as follows:-

Discrepancies between the Ledger and the Appropriation Account

707. The Appropriation Account for Vote D31 for year ended 30 June 2004 reflects two balances which do not agree with the corresponding amounts appearing in the Ledger under the same items. No explanation has been given for the differences in figures between the two sets of records.

Unsupported Expenditure

708. The propriety of expenditure totalling Kshs.238,345,927.40 incurred under various items in the Appropriation Account for Vote D31 for 2003/2004 could not be verified because the relevant payment vouchers and other supporting records were not made available for audit review. As a result, it has not been possible to confirm that the expenditure represented a proper charge against public funds.

Double Posting of Expenditure

709. An amount of Kshs.2,710,236.00 paid to the Financial Secretary, Ministry of Finance under Sub-Vote 318, Head 833, item 400 – Construction of Buildings – Science Complex was also charged as an expenditure in the Districts under the Early Childhood Development Project, resulting in double posting of the expenditure in the ledger and therefore double charge in the Appropriation Account for Vote D31. No explanation has been given for this error.

UNVOUCHED EXPENDITURE

710. Payment vouchers and other relevant supporting records for expenditure totalling Kshs.22,788,245.35 incurred under various Heads of the Appropriation Account for Vote R31 for 2003/2004 were not made available for audit review. Consequently, it has not been possible to ascertain the propriety of the expenditure.

UNBUDGETTED FOR EXPENDITURE – VOTE R. 31

711. The Appropriation Account for Vote R31 – for the year ended 30 June 2004 also reflects expenditure totalling Kshs.13,141,615.00 in respect of various items against which no provisions had been made in the approved estimates. The expenditure was therefore incurred without parliamentary approval.

UNBUDGETTED FOR EXPENDITURE – VOTE D. 31

712. The Appropriation Account for Vote D31 for the year ended 30 June 2004 reflects expenditure of Kshs.31,299,052.00 as having been incurred under Sub-Vote 310, Head 841, Item 410 – Construction of Buildings – Mitihani House. According to the Approved estimates for 2003/2004 however, no provision had been made for the item during the year and therefore the expenditure of Kshs.31,299,052.00 was incurred without parliamentary approval.

FAILURE TO PROVIDE FOOTNOTES TO THE ACCOUNTS

713. Although current Government Financial Regulations and Procedures require that footnotes be provided for any variations of over Kshs.1,000,000.00 in any one item in the Account, the examination of the Recurrent Appropriation Account for Vote R-31 for the year ended 30 June 2004 reveals that explanatory footnotes for thirteen (13) items against which variations of over Kshs.1,000,000.00 had been recorded had not been provided. No explanation has been given for failure to provide the footnotes.

GRANTS AND GRANTS-IN-AID TO INSTITUTIONS

714. The Appropriation Account for Vote R31 for the year ended 30 June 2004, reflects under Sub-Vote 318 – University Education, Grants and Grants-In-Aid totalling Kshs.2,052,895,088.00 as having been issued to various institutions while the respective audited Accounts for those institutions show Grants and Grants-in-Aid amounting to Kshs.1,982,974,752.00 as having been received resulting in an unreconciled and unexplained difference of Kshs.69,920,336.

ELECTORAL COMMISSION OF KENYA

OUTSTANDING IMPRESTS

715. The records of the Electoral Commission of Kenya show that imprests totalling Kshs.708,058.40 which should have been accounted for on or before 30 June, 2004 were still outstanding as at that date. The imprests were due from the staff of the Commission. No explanation has been given for the failure by the staff members to account for the total outstanding imprests of Kshs.708,058.40 by the due dates.

FUEL NOT SUPPLIED

716. On 03 October 2003 the Electoral Commission of Kenya entered into a contract with a fuel supplier for supply of fuel, Oils and Lubricants as and when required at a cost of Kshs.1,732,860.00 which was paid in advance. The Commission's motor vehicles however drew fuel worth only Kshs.347,412.00 leaving a balance of Kshs.1,385,448.00 outstanding in the form of fuel and oils. However, the supplier later changed his business location from University Way to Muranga Road, Ngara as a result of which the Commission cancelled the contract.

717. Available information shows that on 19 December 2003, the supplier refunded the Commission, Kshs.385,455.00 by bankers cheque leaving a balance of Kshs.1,000,000.00 outstanding. On 7 June, 2004 the supplier wrote to the Commission requesting for the payment of the outstanding balance by instalments or alternatively for the Commission to draw fuel worth the outstanding amount. The arrangement was not however acceptable to the Commission since the contract had already been cancelled. As far as it has been possible to ascertain the supplier has not to date settled the debt and it has not been explained what action the Commission is taking to recover the outstanding balance of Kshs.1,000,000.00.

MINISTRY OF LANDS AND HOUSING

PENDING BILLS

718. Records held by the Ministry of Lands and Housing shows that Bills and Claims totalling Kshs.407,442,841.85 due for payment in 2003/2004 were not settled during the year but were instead carried forward to 2004/2005. Out of the amount, bills chargeable to Development Vote D 36 and Deposits 36 were Kshs.162,077,414.60 and Kshs.245,365,427.25 respectively. However, the details of Pending Bills from Provincial and District Offices have not been made available for audit review and therefore the pending bills figure of Kshs.407,442,841.85 may not be correct. Had the pending bills relating to Vote D 36 been settled during 2003/2004, the Development Appropriation Account Vote D 36 would have reflected an excess vote of Kshs.102,665,430.60 instead of a surplus of Kshs.59,411,984.00 now shown.

719. As regards the pending bills totalling Kshs.245,365,427.25 shown against the Deposits ledger accounts it is not clear how the situation arose whereby huge contractors bills were incurred against deposits accounts which did not have adequate funds to meet them. Normally expenditure against deposit accounts should be restricted to the level of funds already deposited to meet such expenditure.

UNDER EXPENDITURE - KSHS.60,013,240.00 - VOTE D.36

720. The Appropriation Account for Development Vote D.36 for the year ended 30 June 2004 reflects gross under expenditure of Kshs.60,013,240.00 or approximately 37% of the approved Estimates of Kshs.161,394,240.00 for the year.

721. The reasons given in the footnotes for the under expenditure include lack of contracted professional services during the year, Exchequer under issues, inadequate budgetary provisions, delayed approval of construction works by the Ministry of Roads and Public Works and liquidity problems in the District Treasuries. The Ministry has not however indicated the action it has taken or propose to take to overcome these constraints which adversely affect the implementation of development projects.

COMPENSATION CLAIMS ARISING FROM DOUBLE ALLOCATION OF A PARCEL OF LAND

722. Records held by the Ministry indicate that a parcel of land in Nairobi measuring approximately 0.2958 hectares was allocated by the government to an allottee through Grant No. I. R. 63216 of 1 August 1994. The same parcel was allocated again by the government to another allottee on 10 November 1994 under Grant No. I. R. 63744. No explanation has been given for this apparent double allocation.

723. The property was subsequently transferred by the first allottee to a third party on 20 January 1995 while the second allottee transferred the same plot to another party on 15 October 1997. When the second third party attempted to take physical possession of the property it was restrained by the first third party. The first third party thereafter in 1988 filed a civil suit in the High Court against the second third party, the Principal Registrar of Titles and three other defendants. The court on 1 August 2000 declared the plaintiff the sole registered proprietor of the parcel of land and restrained the Principal Registrar of Titles or his/her officers from registering any instrument of disposition, transfer or charge over the property by second third party or its agents or servants.

724. On 24 October 2000, the first third party through their Advocates wrote to the Commissioner of Lands claiming damages amounting to Kshs.34,008,909.00 for interest on the purchase price of the property, loss of income on the proposed development and consulting fees paid to Consultant, Architects and Engineers. However the commissioner of lands does not appear to have responded to this claim.

725. On 15 August 2002 the High Court issued an amended decree as a result of another civil suit of 2001 requiring the Ministry of Lands and Housing to pay first third party Kshs.42,205,845.00 with interest at the rate of 29% per annum or alternatively allocate, transfer and register land to be mutually identified and agreed upon of equal value. Further, in default the Ministry was to pay a sum of Kshs.52,366,471.00. It has been observed that before the amended decree was issued by the court, the counsels for the plaintiff and the Chief Litigation Counsel for the Attorney General had signed a consent agreement in which the government admitted liability. However, the Office of the Attorney General appeared to have entered into the consent agreement without first consulting the Ministry.

726. On 6 January 2004, the plaintiff's advocates through a letter asked the Attorney General to arrange with the Ministry of Lands and Housing to pay a cheque for Kshs.85,262,533.10 into an escrow account at a local bank claiming that this was the outstanding claim inclusive of interest as at 31 December 2003. The escrow account was to be opened in the joint names of the plaintiffs

advocates and the Attorney General following court orders issued on 19 December 2003. On 16 May 2004 Ministry paid a sum of Kshs.85,000,000.00 to the Attorney General to be deposited in the escrow account. The expenditure was charged to item 198 – Compensation and Ex-gratia payments and is reflected in the Recurrent Appropriation Account Vote R.36 for the year 2003/2004.

727. It is clear from the foregoing that the Ministry's officers were negligent in approving double allocation of the same piece of land to two different persons. The office of the Attorney General also acted negligently in agreeing to enter into consent agreement with the plaintiff's advocates without first consulting the Client Ministry.

OVER EXPENDITURE ON REPLACEMENT OF MOTOR VEHICLES

728. During 2003/2004 financial year, the Ministry was allocated Kshs.28,903,847.00 in the Approved Estimates for replacement of Motor Vehicles. However, records show that a total sum of Kshs.84,892,965.00 was spent on purchase of thirty new vehicles during the year. This resulted to an overall over expenditure of Kshs.55,989,118.00 under Item 220 – Replacement of Motor Vehicles in the Recurrent Appropriation Account for Vote R.36 for the year ended 30 June 2004. No explanation has been provided for the need to purchase more vehicles than originally budgeted for resulting to an over-expenditure of 194% under the item during the year.

TOWNSHIP ROADS AND DRAINS ACCOUNT

729. In the Previous years' reports it was indicated that four contracts for Infrastructural Development of Dandora Industrial Area involving Roads, Drains, Clear Water Reticulation, Foul Water Sewerage and Street Lighting including Supervisory work all costing Kshs.685,346,956.00 were awarded irregularly without the involvement of either Ministry of Roads, Public Works and Housing Central Tender Board or the Treasury. In addition, the project was not properly funded through the annual budget of the Ministry. The Ministry as a result attempted to finance the project from Township Roads and Drains Account which due to inadequate receipts from plot allottees of the properties in the area ended up with an accumulated deficit of Kshs.345,834,889.65 as at 30 June 2003.

730. The Township Roads and Drains Account for the year ended 30 June 2004 recorded a surplus of Kshs.201,026.00. The surplus was applied against the accumulated deficit of Kshs.345,834,889.65 as at 30 June 2003 thereby reducing the deficit only slightly to Kshs.345,633,863.65 as at 30 June 2004. However, the above deficit is reflected in the June 2004 ledger as

Kshs.345,585,533.65 instead of Kshs.345,633,863.65 resulting in unexplained discrepancy of Kshs.48,330.00.

731. Available information indicate that the project in respect of which the accumulated deficit was incurred has since been terminated with all the contractors moving out of the site. The Ministry has not however, so far indicated how the deficit which is currently reflected in the Deposits Accounts ledger will eventually be funded and cleared.

STATEMENT OF LANDS REVENUE - HEAD 150-360

Payment to Exchequer

732. The Audit of records maintained by the Ministry in respect of Revenue Head 150 – 360 revealed that Land Revenue amounting to Kshs.990,882,556.50 was paid to Exchequer during the year. The Treasury records on the other hand indicate that a total of Kshs.903,665,239.40 was received resulting to a difference of Kshs.87,217,317.05. No reconciliation or other explanation has been provided for this difference.

Arrears of Revenue

733. In the previous years report reference was made to the deteriorating position of arrears of Land Revenue which stood at Kshs.5,522,084,077.50 as at 30 June 2003. A review of the position during the year 2003/2004 showed little improvement in the collection of the arrears in that out of the total Kshs.5,522,084,077.50 outstanding as at 30 June 2003, only an amount of Kshs.790,602,000.00 was collected leaving a balance of Kshs.4,731,482,077.50 still uncollected. During the year 2003/2004 uncollected arrears of Land Revenue increased by Kshs.1,602,215,304.85 to bring the total arrears to Kshs.6,333,697,382.35 as at 30 June 2004. As was the case in the previous years, the Ministry does not appear to have put in place effective mechanism for collection of the arrears of revenue.

MINISTRY OF TOURISM AND INFORMATION

UNDER-EXPENDITURE AND UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE D46

734. The Appropriation Account for Vote D46 for 2003/2004 reflects gross expenditure of Kshs.776,296,614.72 against approved estimate of

Kshs.918,730,486 resulting in an under-expenditure of Kshs.142,433,871.28 or approximately 16% of the approved provision. The under-expenditure was recorded mainly under Sub-Votes 460 and 461 relating to General Administration and Planning and Tourism service respectively.

735. The Account also reflects under-collection of Appropriations-in-Aid of Kshs.101,792,060.00 or approximately 23% of the estimated receipts of Kshs.429,390,000.00. The deficiency in the collection of Appropriations-in-Aid mainly occurred under Sub-Vote 461 – Tourism Services.

736. The reasons given in the footnotes to the Account for under-expenditure and under-collection of Appropriations-in-Aid include non-release of funds by a donor, delay in the implementation of rehabilitation works at KICC, delay in the implementation of the Tourism Institutional Strengthening and Marketing Promotion Programme and failure by some contractors to complete contracted works within the financial year.

UNDER-COLLECTION OF APPROPRIATIONS-IN-AID – VOTE R46

737. The Recurrent Appropriation Account for Vote R46 as at 30 June, 2004 reflects actual receipts of Appropriations-in-Aid of Kshs.98,114,568.72 against approved collections of Kshs.111,024,000.00 resulting in an under-collection of Kshs.12,909,431.28 or approximately 11% of the estimated receipts. The under-collection occurred under Sub-Votes 460 – General Administration and Planning and 465 – Film Department.

738. According to the footnotes appended to the Account, the under-collection was caused mainly by non-payment of rent by various Ministries and Departments occupying space at Kenyatta International Conference Centre. No indication has however been given as to how the Ministry intends to resolve the problem of non-payment of rent for space occupied by tenants.

IRREGULAR PROCUREMENT OF A CONTRACT

739. Audit examination of records at the Ministry's Headquarters indicates that payments totalling Kshs.2,798,400.00 were made to a public relations firm in October 2003 and June 2004 for setting up a "Crisis Media Management Unit" and provision of "Public Relations Capacity" to the Ministry. The expenditure was subsequently charged against Sub-Vote 461 Head 540, Item 176 – Tourism Promotion in the Appropriation Account for Vote D46 for 2003/2004.

740. The above service however appears to have been single sourced contrary to section 19(1) of the Public Procurement Regulations (2001) which provides that contracts for supply of goods and services valued in excess of Kshs.300,000 be subjected to quotations from at least three suppliers. Consequently, it has not been possible to ascertain that the amount of Kshs.2,798,400 incurred on the initiative represented a fair and competitive value for money.

UNVOUCHED EXPENDITURE – VOTE D.46

741. The Appropriation Account for Vote D46 for the year ended 30 June 2004 reflects expenditure totalling Kshs.36,646,205.25 which was incurred against three items for Minor Alterations and Maintenance Works, Tourism Promotion and Modernization of Equipment. Payment vouchers and other supporting documents for the expenditure were however not made available for audit review and as a result, it has not been possible to ascertain the propriety of the expenditure.

742. Payment vouchers and other supporting documents for direct payment expenditure totalling Kshs.327,597,939.87 under EEC and EDF funding were also not availed for audit review. In the absence of supporting documents for the expenditure it was not possible to ascertain its propriety.

UNVOUCHED EXPENDITURE – VOTE R.46

743. Payment vouchers and other relevant records in support of expenditure totalling Kshs.113,828,384.37 incurred under various items in the Appropriation Account for Vote R46 for 2003/2004 were not made available for audit review. In the absence of the vouchers and other relevant records, it has not been possible to ascertain the propriety of the expenditure.

AVOIDABLE EXPENDITURE

744. In September 1991, a former employee then serving as an Assistant Director of Broadcasting in the Ministry was retired from service in the public interest. She appealed against the decision but the Public Service Commission disallowed the appeal on the grounds that it lacked merit.

745. The officer was not satisfied with the decision of the Commission and she subsequently moved to court to contest the retirement, arguing that the laid down procedures in the Public Service Commission Act (Cap 185 of the Laws of Kenya) and the Rules of Natural Justice were not followed.

746. The High Court of Kenya sitting in Nairobi on 17 December 1997 ruled in her favour consequent upon which a decretal sum of Kshs.4,482,342.20 together with interest thereon at 12% p.a. was awarded. Further and under the same judgment, the Ministry was to pay the officer a sum of Kshs.11,425.25 per month being monthly pension, in addition to litigation costs at Kshs.716,286.00.

747. The Ministry appears to have been unable to settle the decretal amount of Kshs.4,483,342.20 at once and in full and as a result and pursuant to the judgement, the amount continued to accumulate interest at a rate of 12% p.a. Records available however indicate that the Ministry eventually made some three payments totalling Kshs.8,566,877.80 between October 2003 and June 2004 against the award. The amount of Kshs.8,566,870.80 included interest on delayed payment totalling Kshs.4,046,427.80.

748. Evidently and in absence of any plausible explanation to the contrary, the manner in which the above case was handled and in particular with regard to the inordinate delay in the payment of the decretal amount and other costs clearly resulted in government incurring nugatory and avoidable expenditure of Kshs.4,046,427.80 in respect of accrued interest.

OVER-EXPENDITURE ON PERSONAL EMOLUMENTS AND OTHER PERSONAL ALLOWANCES

749. The Recurrent Appropriation Account for Vote R46 as at 30 June, 2004 reflects over-expenditure of Kshs.5,157,563.00 and Kshs.2,137,027.20 against Personal Emoluments and Other Personal Allowances respectively. The over-expenditure on Personal Emoluments was recorded mainly under Sub-Vote 460, Head 715 – Headquarters Administrative Services, Sub-Vote 462, Head 654 – Provincial and District Information Services, Sub-Vote 465, Head 753 – Film Production Department and Head 724 – Field Services while over-expenditure on Other Personal Allowances occurred mainly under Sub-Vote 460, Head 715 – Headquarters Administrative Services. Considering the fact that estimates for Personal Emoluments and Other Personal Allowances are based on known actual establishment at the beginning of every financial year, it is not clear why the Ministry overspent against these items.

OUTSTANDING IMPRESTS

750. The Temporary Imprest records maintained at the Headquarters of the Ministry show that Imprests totalling Kshs.8,247,153.00 which should have been surrendered or accounted for on or before 30 June, 2004 were still outstanding as at that date. Out of the above total, an amount of Kshs.6,928,566.00 was owing from Officers in Job Group 'L' and below, Kshs.808,599.00 from Officers in Job Group 'M' and above while the balance of Kshs.509,988.00 was owing from

a former Assistant Minister. No explanation has been provided as to why the imprests were not surrendered or accounted for on the due dates as required by regulations governing issuance and surrender of imprests.

HIRE OF CONSULTANCY SERVICES

751. In June 2004, the Ministry entered into a Consultancy Agreement with a consultancy firm of Nairobi whereby the firm was to prepare and deliver a Broadcasting Licensing Policy Paper at a contract sum of Kshs.1,411,126.00. According to information available, the Ministry needed to formulate a suitable broadcasting licensing policy framework within which government was to regulate the media sector, a task which according to the Ministry required an expert. The Terms of Reference for the consultancy included:

- Review of licensing and regulatory environment of broadcasting in South Africa, Botswana, India, U.K., USA, Canada and the Scadinavian Countries.
- Examine FM Radio Stations regulatory environment in the above countries with regard to content and licensing costs.
- Look at advertising in local electronic media and establish benchmarks for local content percentage requirements and charges for licensing.

Further information available indicate that the consultancy was to last five (5) weeks from 14 August, 2003 while the actual draft policy paper was to be ready by the fourth week.

752. Although while allowing the consultancy engagement the Directorate of Personnel Management (DPM) had in September 2003 clearly emphasized the need for handling the matter in accordance with the laid down government Procurement Regulations, the Ministry appears to have disregarded the advise given by DPM and went ahead on account of “urgent need to regulate the content of the programmes being aired” to identify and single source the services at a fee of Kshs.1,411,126.00 in contravention of Sections 20 and 36 of the Public Procurement Regulations (2001) which require that requests for proposals be sought from not less than three suppliers. Consequently, and in the absence of competition, it has not been possible to establish how the contract sum of Kshs.1,411,126.00 was arrived at and whether or not such sum represented a fair and competitive value for money.

753. Further, and except for a self appraisal correspondence signed by the two partners of the firm indicating that they were willing and able to conduct the consultancy, no diligence test appears to have been carried out by the Ministry to ascertain beyond reasonable doubt that the firm had the necessary capacity and capability to prepare and deliver a Broadcasting Licensing Policy Paper.

754. Additional records relating to the contract indicate that as of 14 June 2004, a total of Kshs.705,663.00 had been paid to the firm leaving a balance of Kshs.705,463 outstanding. No evidence has been made available to confirm that the firm delivered the required policy paper and on the due date.

PARTITIONING AND FIXING ACCESSORIES TO OFFICES

755. On diverse dates between 20 October, 2003 and January, 2004, payments totalling Kshs.1,033,746.00 were made to three firms for partitioning and other related works carried out in six offices accommodating the Film Censorship Board. Although the nature of the works required specifications to be drawn by Ministry of Roads and Public Works before such works commenced, there is no evidence to confirm that such specifications were drawn and as a result, it has not been possible to ascertain the basis on which payments totalling Kshs.1,033,746.00 were made.

DELAY IN COMMISSIONING F.M. RADIO STATION

756. The Development Appropriation Account for Vote D46 for the year 2003/2004 reflects an expenditure of Kshs.4,990,606.50 incurred under Sub-Vote 463 Head 665 Item 206, on Modernization of Equipment at the Kenya Institute of Mass Communication in Nairobi. According to information available, the Equipment acquired included a Radio Transmitter, Antenna System and Air Conditioning System all representing requisite components for an intended FM Radio Station at the Institute.

757. Although records available indicate that the Equipment was delivered at the institute in June 2004, the station has not yet been commissioned, ten months down the line and no plausible explanation has been given for the delay.

ACCOUNTING MATTERS

MINISTRY OF FINANCE

BANK RECONCILIATION STATEMENTS FOR TREASURY BILLS AND TREASURY BONDS ACCOUNTS

Treasury Bonds Account (Deposit 307)

758. The Bank Reconciliation Statement as at 30 June, 2004 in respect of the Treasury Bonds Account reflects receipts in Cashbook not in Bank of Kshs.27,721,960,908.70 which include a balance of Kshs.27,701,717,492.70 relating to 2002/2003 and earlier years. No explanation has been provided for failure to clear the latter balance. The balance of Kshs.27,721,960,908.70 further includes entries referred to as direct credits and totalling Kshs.27,643,134,997.60. It has similarly not been clarified why such credits which clearly originate from the Bank would be shown in the Cashbook but not in the Bank records.

759. The Statement also reflects an amount of Kshs.18,399,651,076.45 in respect of receipts in Bank not yet recorded in Cashbook and representing proceeds from sale of Treasury Bonds. The amount of Kshs.18,399,651,076.45 includes a balance of Kshs.18,399,648,028.95 relating to 2002/2003 and earlier years and comprising of entries dating to as far back as 1999/2000. No reasons however have been given for failure to record these long outstanding transactions in the Cashbook.

760. The Statement further reflects a direct debit balance of Kshs.6,690,347 representing payments in Bank not yet recorded in Cashbook. Although indications are that Treasury received an advice of this debit in January 2003, no reasons have been provided explaining why the transaction has not yet been recorded in the Cashbook.

761. The Statement shows a figure of Kshs.26,227,821.75 indicated as representing a Cashbook balance not brought forward from the previous year. No analysis has however been provided in support of the amount and as a result it has not been possible to confirm its origin or correctness.

762. The Cashbook as at 30 June, 2004 also shows a positive cash balance of Kshs.9,374,834,044 whereas the Statement of Account as at the same date from the Central Bank of Kenya (CBK) reflects a much less positive balance of Kshs.76,060,686.50, resulting in a difference of Kshs.9,298,773,357.50 between the two sets of records. The difference has not been reconciled or explained.

Treasury Bills Account (Deposit 306)

763. The Bank Reconciliation Statement for the Treasury Bills Account as at 30 June 2004 reflects payments in Cashbook not yet recorded in Bank (Unpresented Cheques) totalling Kshs.106,477,253,431.75 which includes an amount of Kshs.93,731,384,550.50 relating to 2002/2003 and earlier years. No reasons have been given for failure to clear from the Statement these long outstanding items.

764. The Statement also reflects receipts in Bank not in Cashbook of Kshs.136,385,131,001.75 which represents direct credits to CBK. No explanation has however been provided for failure to record the credits in the Cashbook.

765. The Statement further reflects payments in Bank not recorded in Cashbook of Kshs.159,221,488,775.45 made up of Kshs.29,106,474,692.10 and Kshs.130,115,014,083.35 relating to 2003/2004 and 2002/2003 and earlier years respectively. It remains unclear why necessary documentation has not been obtained from CBK in order to facilitate recording of these payments in the Cashbook.

766. The Statement shows receipts in Cashbook not in Bank amounting to Kshs.72,805,214,502.50 indicated as representing direct credits, Treasury Bills receipts, Treasury Bills commission and Issue 1466. The balance of Kshs.72,805,214,502.50 however includes an amount of Kshs.63,636,517,441.30 relating to 2002/2003 and earlier years. As in the previous instances, no explanation has been provided for the non-clearance of this long outstanding figure.

767. The Cashbook as at 30 June, 2004 also shows a negative cash balance of Kshs.15,096,266,372.60 while records at CBK reflect a positive balance of Kshs.836,262,829.40. The difference of Kshs.15,932,529,202 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.07

768. The Statement of Assets and Liabilities as at 30 June 2004 for Vote R.07 reflects a brought forward balance of Kshs.1,287,533,147.60 against the General Account of Vote (GAV) Account, while the audited Statement for 2002/2003 shows a figure of Kshs.1,287,479,762.60 against the same Account occasioning, an unreconciled and unexplained difference of Kshs.53,385.00 between the two statements.

769. The Statement also reflects a Net Salary Advance of Kshs.439,797.15, out of which a balance of Kshs.302,286.60 relates to 2002/2003 and earlier years. No explanation has been provided for non-recovery of the latter advance from the staff concerned.

770. The Statement further reflects an Agency Account balance of Kshs.86,256.00 which includes an amount of Kshs.76,326.30 relating to 2002/2003 and earlier years. The balance of Kshs.86,256.00 has not been analysed while in the case of the figure of Kshs.76,326.30, no explanation has been provided for its non-clearance.

771. In the Report for 2002/2003, reference was made to a credit balance of Kshs.19,225,284.75 which represented Stale Cheques in respect of which no analysis had been provided. Further, it had not been explained why no action had been taken by the Ministry to have the Cheques replaced or cleared altogether from the books of account. A review of the position in the year 2003/2004 indicates that the position has deteriorated with the Stale Cheques balance having increased considerably by an amount of Kshs.432,727.75 to stand at Kshs.19,658,012.50 as at 30 June 2004. Apart from lack of analysis for the balance of Kshs.19,658,012.50 which has not been explained, it is a matter of concern that no effective efforts appear to have been made to analyse and to clear the Stale Cheques.

772. The Statement shows a Provincial Suspense Account credit balance of Kshs.105,479.85 while the analysis supporting the amount shows a credit figure of Kshs.105,872,654.25. The difference of Kshs.393,194.40 between the two sets of records has not been reconciled or explained.

773. The Statement also shows a credit balance of Kshs.950,634.85 against the Returned Salaries Account, which includes an amount of Kshs.900,008.35 relating to 2002/2003 and earlier years. The analysis in support of the balance of Kshs.950,634.85 however reflects a figure of Kshs.1,339,328.90, resulting in an unreconciled and unexplained difference of Kshs.388,694.05 between the two sets of records. Further, no explanation has been provided as to why the long outstanding returned salaries of Kshs.900,008.35 have not been paid to the respective payees or otherwise cleared.

774. The Statement further shows Temporary, Standing and Special Imprest balance of Kshs.9,827,680.80, Kshs.3,328,193.25 and Kshs.1,145,000.00 respectively relating to 2002/2003 and earlier years. No reasons have however been given explaining why these balances had not been surrendered or accounted for on or before 30 June 2004.

775. The Statement in addition shows a debit balance of Kshs.676,548,333.10 in respect of the Items Awaiting Clearance Account, which represents a reduction of Kshs.1,467,501.60 from the amount of Kshs.678,015,834.70 appearing

against the Account as at 30 June, 2003. However, no records have been made available to ascertain the nature and accuracy of the transactions totalling Kshs.1,467,501.60 processed and cleared during 2003/2004. Further, and similar to the previous year, it has not been explained why balances relating to 2002/2003 and earlier years against the Account have not been cleared.

776. The Statement also reflects a debit balance of Kshs.112,492,298.20 against the Training Account. The amount represents expenditure apparently incurred on training matters by the Ministry on behalf of the Directorate of Personnel Management (DPM). Documents in support of this balance have however not been made available for audit review and as a result, it has not been possible to establish the precise nature of the expenditure. Further, it has also not been clarified why the Ministry has not raised reimbursement claims for the amount of Kshs.109,743,118.40 relating to 2002/2003 and earlier years.

777. The Statement in addition reflects a Paymaster General Account (PMG) balance of Kshs.1,170,661,904.75 Cr while the Recurrent Cashbook as at 30 June 2004 reflects an amount of Kshs.18,697,399.55 Dr resulting in a difference of Kshs.1,189,359,304.30. The difference has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.07

778. The Statement of Assets and Liabilities for Vote D.07 as at 30 June 2004 reflects a credit balance of Kshs.389,349.65 against the Building Contractors' Retention Monies Account. Although as observed in the Report for 2002/2003 the balance of Kshs.389,349.65 ought to have been held and accounted for in the Deposits Cashbook and Ledger, the balance has continued to be held and accounted for under the Statement of Assets and Liabilities for Vote D07, while no cogent explanation has been provided for the anomaly. In addition, the balance of Kshs.389,349.65 has not been analysed and as a result it has not been possible to ascertain its correctness or to identify the depositors of the monies.

779. The Statement also reflects under five (5) Accounts debit and credit balances totalling Kshs.100,669,801.40 and Kshs.50,043,669.80 respectively relating to 2002/2003 and earlier years and which have not been cleared.

780. Apart from their non-clearance, the balances have also not been analysed. No reasons have been provided for non-clearance and lack of analysis for these balances. With regard to a balance of kshs.73,570,083.45 owing from the DPM, it is not clear why the Ministry has not raised a claim for reimbursement of the amount from the Directorate.

781. The Statement further reflects under Provincial Suspense, Agency Suspense and Items Awaiting Clearance Accounts various debit and credit transactions amounting to Kshs.6,894,002.65 and Kshs.1,787,145.50 respectively which have not been identified or supported by any documentation. It has therefore not been possible to establish what the transactions represent or the accuracy of the respective figures.

782. The Statement shows a debit balance of Kshs.18,839,025.80 under Temporary Imprests Account which has not been analysed with the result that it has not been possible to identify who the holders of the imprests were, the respective amounts owing from each holder and the period of time such amounts have been outstanding. Out of the balance of Kshs.18,839,025.80, an amount of Kshs.17,874,770.15 relates to 2002/2003 and earlier years. Again, no explanation has been given as to why these long outstanding imprests have not been surrendered or accounted for.

783. The Statement also shows a PMG Account credit balance of Kshs.4,777,175,889.20 while the Development Cashbook as at 30 June 2004 reflects a debit balance of Kshs.72,449,693.20 resulting in a difference of Kshs.4,849,625,582.40 between the two sets of records. No reconciliation or explanation has been provided for the difference.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

784. The Statement of Assets and Liabilities for Deposit 07 as at 30 June 2004 reflects under seven (7) Accounts debit and credit balances totalling Kshs.93,910,301,293.30 and Kshs.578,625,720.85 respectively which have not been supported with analyses. In the absence of the analyses, it has not been possible to ascertain the correctness of the balances or to establish what they represent.

785. The Statement also reflects credit balances totalling Kshs.2,776,128,354.25 against nine (9) Revenue Accounts which have not been remitted to the Exchequer. No explanation has been provided for failure to remit the above revenue balances to the Exchequer.

786. The Provincial/District Suspense Account further reflects a credit balance of Kshs.70,042,400.25 which includes various erroneous balances brought forward from 2002/2003 in respect of five (5) Districts. In addition, various balances appearing in the ledger against the Account were excluded in the figure of Kshs.70,042,400.25.

787. In the circumstance, it has not been possible to ascertain the correctness of the balance of Kshs.70,042,400.25 shown against the Account.

788. The Statement shows a PMG Account credit balance of Kshs.84,113,032,423.35 which includes a brought forward credit balance of Kshs.73,939,980,645.35 relating to 2002/2003. The brought forward balance however does not agree with the balance of Kshs.78,309,856,909.75 shown in the audited Statement for 2002/2003. The difference of Kshs.4,369,876,264.40 between the two sets of figures has not been reconciled or explained.

789. The Statement also shows sixteen (16) brought forward balances under various Accounts which do not agree with those shown against the same Accounts in the audited Statement for 2002/2003. No explanation has been provided for these discrepancies.

790. The Statement further shows seven (7) revenue balances which differ from those reflected in the respective Revenue Statements as at 30 June, 2004. No explanation has been provided for these differences.

791. The Statement in addition shows a debit balance of Kshs.51,702,360 against Tax Reserve Certificate Payments to the Exchequer while records maintained at the Public Debt Division and at the Exchequer Section of the Ministry reflect balances of Kshs.72,882,660.00 and Kshs.69,477,280.00 respectively against the same item. No reconciliation or explanation has been given for the differences between the three sets of records.

792. In the absence of reconciliations or explanations between the various figures mentioned above it has not been possible to confirm the accuracy of the Statement of Assets and Liabilities for Deposits as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES – C.F.S. PENSIONS AND GRATUITIES

793. In the Report for the year 2002/2003, reference was made to the persistent overdraw of the PMG Account for C.F.S. Pensions and Gratuities with such overdraft standing at Kshs.1,619,905,351.55 as at 30 June 2003. A review of the position during 2003/2004 revealed that although the amount of the overdraft reduced from Kshs.1,619,905,351.55 as at 30 June 2003 to Kshs.1,159,173,559.20 as at 30 June 2004, the position still remained unsatisfactory in that effective efforts do not appear to have been made by the Ministry to address the underlying causes of the persistent overdraft, particularly the rise in the number of retirees in the years ahead and insufficient Exchequer issues.

794. Further and as observed above, while the Statement of Assets and Liabilities for C.F.S. Pensions and Gratuities as at 30 June 2004 reflects a PMG

Account overdraft balance of Kshs.1,159,173,559.20, the Bank and the Cashbook as at the same date show debit balances of Kshs.1,697,806,512.25 and Kshs.388,214,106.05 respectively against the same Account. No reconciliation or explanation has however been provided for the difference between the three sets of records.

795. Records maintained at the Pensions Department indicate that during the year 2003/2004, Pensions totalling Kshs.1,114,284,101.20 were remitted to the Kenya Post Office Savings Bank for onward payment to various retirees.

796. It was however noted that the Bank had not as at 30 June 2004 prepared and submitted to the Department monthly returns of amounts paid out to pensioners, amounts held in the Pensions Payment Reserve Account and particulars of unclaimed pensions, contrary to the provisions of the Memorandum of Understanding signed between the two parties in February 2002. Consequently and in the absence of the returns, it has not been possible to ascertain that the amount of Kshs.1,114,284,101.20 remitted to the Bank was actually all paid to the respective pensioners and that any amounts not so paid have been properly accounted for by the Bank.

797. The Statement further reflects a credit balance of Kshs.407,612,896.40 in respect of Re-credited cheques, representing an increase of Kshs.40,101,323.45 over the corresponding figure of Kshs.367,511,572.95 as at 30 June 2003. According to information available, the Re-credited cheques mainly related to Pensioners cheques with incorrect bank codes, remittances to erroneous bank accounts and closed pensioners bank accounts. It has however not been indicated how the Pensions Department is addressing this problem or the action the Department is taking to improve on the poor record-keeping of Re-credited and Unclaimed cheques.

STATEMENT OF ASSETS AND LIABILITIES – CFS PENSIONS AND GRATUITIES, FUND AND DEPOSITS

798. In the Report for 2002/2003, reference was made to various unsatisfactory matters pertaining to the Statement of Assets and Liabilities for Pensions and Gratuities, Fund and Deposits, including balances which were not supported with analysis and other relevant documentation. A review of the Statement of Assets and Liabilities as at 30 June 2004 revealed a similar state of affairs as indicated in the ensuing paragraphs.

799. The Statement reflects a credit balance of Kshs.17,537,226.20 against Items Awaiting Clearance Account said to represent payments made during the year under review, through the Crown Agents U.K. to various pensioners living abroad. However, the supporting documents for the expenditure including an

analysis showing the names of pensioners paid have not been made available for audit review.

800. The Statement also reflects a credit balance of Kshs.130,660,080.05 against the Agency Suspense Account which cleared a debit balance of equivalent amount previously brought forward from 2000/2001. An analysis of the credit balance has however not been made available for audit review and as a result it has not been possible to ascertain its validity and accuracy.

801. The Statement further reflects a PMG balance of Kshs.443,873,304.20 which has not been supported with a Bank Certificate. In the absence of the Certificate, it has not been possible to confirm the correctness or even the existence of the balance.

OFFICE OF THE PRESIDENT

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.01

802. The Statement of Assets and Liabilities for Vote R.01 as at 30 June 2004 reflects a debit balance of Kshs.128,923,520.20 in respect of Advances. These Advances are made up of credit balances totalling Kshs.17,371,260.25 for the Ministry's Headquarters and a debit balance of Kshs.146,294,780.45 for the Police Department. No analyses have however been provided to explain these balances. Further, under account No.0-114-120-560 (Salary Overpayment), a credit balance of Kshs.22,619,183.85 is reflected but it has not been explained how the credit balance arose.

803. Account No.0-114-120-551-x includes an amount of Kshs.87,151.00 paid to collector of stamp duty on behalf of the deceased Minister of State through a payment voucher of 31 July 2003 and described as a Salary Advance. An unsigned receipt voucher for the same amount was then raised but with no supporting miscellaneous receipt particulars or copy of it. It has not therefore been possible to ascertain whether the amount was actually received back.

804. The Statement also reflects a balance of Kshs.207,421,041.10 under Agency Accounts, out of which Kshs.191,824,943 relate to 2002/2003 and earlier years. As stated in the Report for the year 2002/2003, no explanation has been provided for failure to seek reimbursement of this amount from the relevant Ministries/Departments.

805. The Statement further reflects a debit balance of Kshs.704,854,637.65 against District Suspense Account out of which Kshs.616,587,469.70 relates to 2002/2003 and earlier years. The Ministry has not provided any reasons why this balance has not been investigated and appropriately cleared.

806. The Statement similarly reflects a debit balance of Kshs.14,544,626.10 under the Clearance Account. Details of what constituted individual clearance items were not however provided for audit review and as a result it has not been possible to ascertain the correctness of the unusual debit balance in the Account which under normal circumstances should reflect either a credit or nil balance.

807. The PMG balance as shown in the Statement is Kshs.219,367,083.20 and is composed of a credit balance of Kshs.129,239,460.10 relating to 2002/2003 and earlier years and a debit balance of Kshs.348,606,543.30 for 2003/2004. However, the Cashbook balance amounted to Kshs.16,836,500.00 as at 30 June 2004. On the other hand, the PMG balance as reflected in the final ledger for 2003/2004 is Kshs.411,295,569.00. No reconciliation or explanation has been provided for the differences between the three sets of records.

808. The Statement also shows a credit balance of Kshs.306,968,160.90 in respect of Excess Appropriation –in-Aid (AIA), representing the balance for the year under review. However, there were previous years' balances against this item which were merged under G.A.V balance. The overall balance of Excess A.I.A as at 30 June 2004 should therefore have been Kshs.536,052,087.40. No explanation has been given for failure to pay this amount to the Exchequer.

809. The GAV balance in the Statement is a credit balance of Kshs.4,576,430,554.60 composed of the previous years' credit balance of Kshs.2,919,707,091.45 and the 2003/2004 credit balance of Kshs.1,656,723,463.15. The balance of Kshs.1,656,723,463.15 for 2003/2004 agrees with the amount reflected in the Appropriation Account for 2003/2004 as the net surplus. However, the figure does not agree with the credit balance reflected in the ledger for GAV of Kshs.23,162,243,291.45. No explanation has been given for the variation between the Statement and the ledger.

810. The Statement further shows a credit balance of Kshs.17,313,073.20 under General Suspense Account. This is a net balance from the previous year's figure of Kshs.81,416,619.40 for which analysis was not provided. Likewise, details of the transactions which gave rise to the balances in each of the items under the Account have not been provided. It has therefore not been possible to confirm the correctness of the amount of Kshs.17,313,073.20.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.01

811. In the Report for the year 2002/2003, reference was made of long outstanding balances under the Exchequer and the GAV Accounts which were reflected in the Statement of Assets and Liabilities for Vote D.01 for that year. A review of the position as at 30 June 2004 revealed that the Statement of Assets and Liabilities as at 30 June 2004 reflects similar unsatisfactory matters. The

Statement shows under the Exchequer Account an amount of Kshs.7,077,497,231.20 which includes debit balances totalling Kshs.5,003,196,079.95 and a credit balance of Kshs.34.75 relating to 2002/2003 and earlier years. Similarly, the Statement reflects a GAV Account balance of Kshs.4,503,961,428.95 which includes debit and credit balances totalling Kshs.573,007,450.95 and Kshs.2,702,568,925.45 respectively relating to 2002/2003 and earlier years. No explanation has been given for the non-clearance of these long outstanding balances from the books of account.

812. The Statement further reflects a General Suspense Account balance of Kshs.141,351,890.80 as at 30 June 2004 which includes long outstanding balances relating to 1997/98 and earlier years. Such balances include an amount of Kshs.137,000,026.00 incurred by the Office of the President on behalf of the Department of Defence in 1994/95 and which has not been reimbursed and an amount of Kshs.5,813,884.90 being an over payment of retention money to a bank by the National Youth Service.

813. The balance includes an amount of Kshs.10,202,356.70 relating to overdrawn 10% retention money for the former Aerodromes Department when it was under the Office of the President. Apart from the non-clearance of the amount of Kshs.10,202,356.70, no explanation has been given for the overdrawing of the Retention Money Account which should not under normal circumstances be overdrawn. The balance also includes an amount of Kshs.3,402,040.60 incurred by the Office of the President on behalf of the Department of Applied Technology for which reimbursement was not received.

814. The General Suspense Account also includes expenditure of Kshs.9,740,211.15 incurred by the Office of the President on the El-Nino Emergency Project during 1997/98 and which has not been reimbursed by the World Bank.

815. No action appears to have been taken to investigate and clear these balances and no explanation has been given for this state of affairs.

816. Included in the General Suspense Account balance of Kshs.139,357,797.30 for 2002/2003 and earlier years are Police Retention Money Account balances of Kshs.17,626,016.40 (A/C No.1-114-320-552) and Headquarters Retention Money balances of Kshs.29,160,320.65 (A/C No.1-114-320-563). The correctness of these balances could not be confirmed due to non-availability of payment vouchers, analyses and other supporting documentation.

817. The Statement also reflects an Exchequer Account balance of Kshs.63,166,511.00 in respect of Arid Land Project. No explanation has been provided to show what the balance represents and why the entire amount has not been cleared.

818. The Statement further reflects under District Imprest Account balances totalling Kshs.178,599,708.50 which has been shown as relating to the Arid Lands Project. The amount of Kshs.178,599,708.50 has not been analysed and no explanation has been given for failure to surrender the imprests by 30 June 2004. The Statement in addition shows a District Suspense Account balance of Kshs.254,975,191.70 which has not been cleared and for which no analysis has been provided.

819. The PMG Account reflects an overdraft of Kshs.3,364,624,543.50 while the Cashbook as at 30 June, 2004 shows a debit balance of Kshs.370,847.50. The difference of Kshs.3,364,995,391.00 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

820. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects debit balances totalling Kshs.545,498,229.65 under various accounts. No explanations have been provided for overdrawing of these accounts which under normal circumstances should reflect credit or nil balances.

821. The Statement further reflects an MTB Maintenance Fund balance of Kshs.25,201,270.05 as at 30 June 2004, in respect of maintenance of vehicles and machinery for the National Youth Service (NYS). In the year 2002/2003, the NYS Department but not the Fund was transferred to the Office of the Vice-President and Ministry of Home Affairs. No explanation has been provided as to why the Fund was not transferred along with the Department to the Office of the Vice President and Ministry of Home Affairs.

822. The Statement also reflects a PMG Account balance of Kshs.1,744,212,442.10 while the Cashbook as at 30 June 2004 shows an amount of Kshs.105,740,505.05. The difference of Kshs.1,638,471,937.05 between the two sets of records has not been reconciled or explained.

STATE HOUSE

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R02

823. The Statement of Assets and Liabilities for Vote R02 for the year ended 30 June 2004 reflects an Advance Account debit balance of Kshs.4,837,228.65 relating to 2002/2003 and earlier years. No analysis to support the balance has

been produced for audit review and no explanation has been given for its non-clearance.

824. The Statement also reflects a PMG Account balance of Kshs.1,621,077.55 for the current year which agrees with the Cashbook balance as at 30 June 2004. However, the ledger reflects an amount of Kshs.20,129,331.70 as at the same date. The difference of Kshs.18,508,254.15 between the ledger and the Statement has not been reconciled or explained.

825. The Statement further reflects a Clearance Account credit balance of Kshs.1,228,588.90 while the Trial Balance shows a debit figure of Kshs.1,843,058.90. The difference of Kshs.3,071,647.80 between the two records has not been reconciled or explained .

826. The Statement shows a debit balance of Kshs.1,924,554.05 under Suspense Account. Although this balance agrees with the Trial Balance figure, the opening credit balance of Kshs.1,340,680.40 differs from the closing debit balance of Kshs.1,033,719.15 reflected in the audited Statement for 2002/2003. The correctness of the balance of Kshs.1,924,554.05 as at 30 June 2004 could not therefore be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.02

827. In the previous year's report, it was stated that the Statement of Assets and Liabilities for Vote D.02 as at 30 June 2003 reflected an Advance Account balance of Kshs.9,956.45 being advances made to Ministry of Works in 1980/81 and earlier years and which had not been cleared due to lack of source documents. The Statement as at 30 June 2004 reflects the same Advance Account balance of Kshs.9,956.45, indicating that no action has been taken to clear the amount.

828. The Statement also reflects a bank balance of Kshs.10,646.65 whereas the ledger shows an amount of Kshs.71,259,853.30 as at 30 June 2004 under the same account. The difference of Kshs.71,249,206.65 between the two sets of records has not been reconciled or explained .

829. The Statement further reflects a balance of Kshs.10,441,286.50 under Suspense Account while the analysis provided in respect of the Account shows balances totalling Kshs.10,449,231.25. The Difference of Kshs.7,944.75 between the two figures has not been reconciled or explained. Further, the balance in the ledger's Suspense Account is understated by Kshs.6,946,914.70, being the closing balance as at 30 June 2003 not brought forward to 2003/2004. The omission has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

830. In the report for the previous year, reference was made to an unanalyzed Suspense Account balance of Kshs.24,423.80 which had been outstanding since 1980/81. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects the same Suspense Account balance of Kshs.24,423.80 which is still unanalysed. Although it had earlier been explained that advice had been sought from Treasury on how to clear the amount from the records, the matter has apparently not been resolved.

831. The Statement also reflects a PMG Account balance of Kshs.2,303,215.40 which differs from the ledger balance of Kshs.2,571,675.50 by an amount of Kshs.268,460.10. The difference has not been reconciled or explained.

832. The Statement further reflects a Deposits Account balance of Kshs.2,278,791.60 while the ledger shows a balance of Kshs.2,142,422.25 resulting in a difference of Kshs.136,369.35 between the two figures. No reconciliation or explanation has been provided for the difference.

DIRECTORATE OF PERSONNEL MANAGEMENT

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.03

833. The Statement of Assets and Liabilities for Vote R.03 as at 30 June 2004 reflects outstanding Standing Imprests amounting to Kshs.55,132.00, out of which Kshs.24,179.00 relates to 2002/2003 and earlier years. The Statement also reflects outstanding Temporary Imprests amounting to Kshs.2,590,643.70, out of which Kshs.1,139,711.25 relates to 2002/2003 and earlier years. No explanation has been provided as to why these imprests were not surrendered or recovered by 30 June 2004.

834. The Statement further reflects an Agency Account debit balance of Kshs.26,774,592.60 relating to 2002/2003 and earlier years. No analysis has been provided to show the make up of the balance and no explanation has been given for failure to analyse and to clear the balance.

835. The Statement further reflects a District Suspense Account debit balance of Kshs.7,078,583.59. However, the analysis of the amount has not been provided for audit review and as a result it has not been possible to ascertain the correctness of the balance.

836. The Statement shows a PMG Account credit balance of Kshs.13,519,586.95 while the Cashbook as at 30 June 2004 reflects a closing balance of Kshs.73,062.15. The difference of Kshs.13,592,649.10 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.03

837. The audit of the Statement of Assets and Liabilities for Vote D.03, as at 30 June 2004, revealed the following unsatisfactory matters:

838. The Statement reflects an Agency Account debit balance of Kshs.31,617,038.00, representing amounts due from other Ministries/Departments and which had not been accounted for as at 30 June, 2004. An analysis of the amount has not been provided for audit review and consequently, the accuracy of the balance could not be ascertained.

839. The Statement also reflects a District Suspense Account debit balance of Kshs.1,158,102.45 in respect of the year 2003/2004. The analysis of this balance has not been provided for audit review and also no explanation has been provided for not clearing the amount by 30 June 2004.

840. The Statement further reflects a credit balance of Kshs.20,559,248.80 for the General Suspense Account. The figure has not however, been analysed and also no explanation has been provided for its non-clearance.

841. In addition, the Statement shows a credit balance of Kshs.21,551,678.20 against the PMG while the Cashbook as at 30 June 2004 reflects a debit balance of Kshs.8,256,735.10. The difference of Kshs.29,808,413.30 between the two records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

842. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects a debit balance of Kshs.3,827,901.90 under District Suspense Account and a credit balance of Kshs.6,997,281.15 under Deposits Account. However, no analyses in respect of the two balances have been provided for audit review and consequently the correctness of the two balances could not be ascertained.

843. The Statement also reflects a debit balance of Kshs.3,169,379.25 in respect of PMG while the Cashbook as at 30 June 2005 shows a debit balance of Kshs.2,934,420.75. No reconciliation has been provided to explain the difference of Kshs.234,958.50 between the PMG and the Cashbook balances.

MINISTRY OF FOREIGN AFFAIRS

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.04

844. The Statement of Assets and Liabilities for Vote R.04 as at 30 June 2004 reflects an Advances Account debit balance of Kshs.19,791,599.05 which includes a Net Salary Advances of Kshs.9,757,170.40. Further, the Net Salary Advances figure of Kshs.9,757,170.40 includes an amount of Kshs.9,565,111.40 relating to 2002/2003 and earlier years. No reasons have been given to explain why the Net Salary Advances amounting to Kshs.9,565,111.40 were not recovered from the officers' salaries at the end of the month they were granted as provided for in the regulations in force.

845. The Statement also reflects a Suspense Account debit balance of Kshs.178,903,862.35 out of which Kshs.146,766,934.40 relates to 2002/2003 and earlier years. Out of the Account balance of Kshs.178,903,862.35, an amount of Kshs.33,206,820.65 relates to net loss on exchange incurred in various Kenya Missions abroad. It is not clear why the latter amount has not been cleared from the Statement. Further, an amount of Kshs.263,333.25 is reflected as unpaid salaries owed to various officers. No reasons have been given as to why these salaries which have been outstanding from as far back as June 2003, have not been cleared. Also, stale cheques of Kshs.724,426.65 continue to be reflected in the Statement. Again, no reason has been given as to why these cheques have not been cleared from the Statement.

846. The Statement further reflects a G.A.V. Account credit balance of Kshs.439,079,934.20 being unsurrendered surpluses of Kshs.235,059,963.60 and Kshs.204,019,970.60 realised in 2002/2003 and 2003/2004 respectively. The Ministry has explained the failure to surrender the surplus for 2002/2003 to the Exchequer as due to uncleared Excess Votes and outstanding reimbursements due from Ministries.

847. The Statement also reflects Excess Appropriations-In-Aid (A.I.A) balance of Kshs.549,870,910.05 which relates to the period 1996/97 to 2001/2002. The explanation given for the Ministry's inability to pay the Excess A.I.A. to the Exchequer is accumulated Exchequer under issues and excess votes over the years.

848. The Statement shows a Temporary Imprest credit balance of Kshs.179,969,748.15 which incorporates a debit balance of Kshs.744,652.10 relating to 2002/2003 and earlier years. In normal circumstances Temporary Imprests Account should reflect nil or a debit balance. It is therefore not clear

how the credit balance of Kshs.179,969,748.15 arose. Further, the figure of Kshs.179,969,748.15 is different from the Temporary Imprests returns as at 30 June 2004, which reflect Kshs.37,750,442.05 as the amount of Temporary Imprests outstanding. No explanation has been provided for the difference between the two sets of records.

849. The Statement also shows a PMG credit balance of Kshs.319,627,635.80. However, the figure differs from the Cashbook debit balance of Kshs.7,965,534.75 as at 30 June 2004 and no reconciliation has been provided for the difference of Kshs.327,593,170.55 between the two figures. The correctness of the PMG credit balance of Kshs.319,627,635.80 could not therefore be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.04

850. The Statement of Assets and Liabilities for Vote D.04 as at 30 June 2004 reflects Exchequer Under Issues totalling Kshs.217,502,290.00 relating to eight (8) financial years of 1995/96 to 1999/2000 and 2001/2002 to 2003/2004. No explanation has been given for failure to clear the Under Issues for 2002/2003 and earlier years from the books of account in accordance with Government Financial Regulations and Procedures.

851. The Statement also reflects Excess Votes incurred in 1990/91, 2000/2001 and 2002/2003 all totalling Kshs.57,618,127.60. No action appears to have been taken to regularize the above Excess Votes.

852. The Statement further reflects an Imprest Suspense debit balance of Kshs.21,755,878.20 the analysis of which has not been given. The non-clearance of this balance has also not been explained.

853. The Statement shows a GAV credit balance of Kshs.261,044,185.60 relating to the four (4) years from 1996/97 to 1999/2000 and 2003/2004. No explanation has been provided for failure to surrender the unspent balances to Treasury as required by the current Regulations and Procedures.

854. The Statement also shows a PMG credit balance of Kshs.68,841,022.95 compared to the Cashbook balance of Kshs.968,773.00 as at 30 June 2004. As in the previous years a detailed reconciliation between the two balances has not been provided.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

855. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects an Agency Account net debit balance of Kshs.278,290,578.95 which includes Kshs.100,469,509.65 relating to 2002/2003 and earlier years. The balance of Kshs.278,290,578.95 represents money paid by Missions abroad on behalf of other Ministries and Departments. It is however not clear why the Ministry has failed to claim reimbursements for this particular amount from the Ministries/Departments on whose behalf the payments were made.

856. The Statement also reflects an Agency Suspense Account debit balance of Kshs.1,527,111.00, which includes Kshs.793,111.00 relating to 2002/2003 and earlier years. The balance of Kshs.734,000 relating to the year 2003/2004 is made up of an imprest of Kshs.234,000 issued to an officer serving in Kenya Embassy in Cairo and Kshs.500,000 represents increase in Float Fund. No explanation has been given for accounting for the imprest and float fund under Agency Suspense Account. Again, it is not clear why the suspense account items have not been investigated with a view to clearing them from the books of account.

857. The Statement further reflects a Gains and Losses Account debit balance of Kshs.184,894,150.35, being net loss realized on remittances to or receipts from Missions abroad. This represents an increase of Kshs.8,489,297.75 over the amount of Kshs.176,404,852.60 relating to 2002/2003 and earlier years. No indication has been given as to how it is intended to clear these long outstanding balances.

858. Further, the reconciliations provided in support of the figure reflect debits of Kshs.36,304,684.15 under the Account, out of which Kshs.21,369,589.85 has been described by the Ministry as bank reconciliation adjustments in respect of Kenya High Commission, London. Available records/documents indicate that the amount of Kshs.21,369,589.85 was charged to a non-existent account described only as "Non-post". No satisfactory explanation has been given for charging the amount in a non existing account. Consequently, it has not been possible to confirm the validity of the adjustments.

859. The Statement shows a P.M.G debit balance of Kshs.129,256,247.00, which includes Kshs.126,304,414.15 relating to 2002/2003 and earlier years. However the Deposits (Dep.04) and Small Arms Cashbooks reflected positive balances totalling Kshs.53,356,823.00 as at 30 June 2004. The difference of Kshs.75,899,424.00 between the P.M.G. balance of Kshs.129,256,247.00 and total of Cashbook balance of Kshs.53,356,823.00 has not been fully reconciled.

860. The Statement also shows a Stale Cheques Account credit balance of Kshs.3,173,402.80 relating to 2003/2004 and earlier years. As pointed out in the previous year, the balance is made up of Kshs.2,692,159.45 in respect of stale

cheques and Kshs.481,243.35 in respect of cancelled students bursary cheques. Although the stale cheques balance of Kshs.2,692,159.45 has since been cleared, the balance of Kshs.481,243.35 in respect of cancelled cheques remains uncleared.

861. The Statement also shows under Deposit Clearance Account No.0-065-420-0580 a brought forward debit balance of Kshs.36,024,971.85 in respect of a Mission abroad but whose name or particulars were not provided. The validity of the balance could not therefore be ascertained.

862. The Statement further shows a Miscellaneous Deposits Account credit balance of Kshs.489,984,575.60 relating to 2002/2003 and earlier years. The credit balance of Kshs.489,984,575.60 is the total amount deposited but not disbursed to the respective beneficiaries. No explanation has been given for failure to disburse the deposits to the respective beneficiaries.

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF HOME AFFAIRS

STATEMENT OF ASSETS AND LIABILITIES FOR R.05

863. The Statement of Assets and Liabilities for Vote R05 as at 30 June 2004 reflects an Advances Account debit balance of Kshs.5,461,782.75 which has not been analysed and therefore it has not been possible to ascertain its correctness. Included in the balance is an amount of kshs.5,431,496.10 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been provided for non-clearance of the amount of Kshs.5,431,496.10.

864. The Statement also reflects a balance of Kshs.3,303,716.40 under the Imprests Account which has not been analysed and therefore it has not been possible to establish who the holders of the imprests were and the due dates for such imprests. Apart from lack of an analysis for the above imprests, it has also not been explained why the imprests which have been outstanding for a considerably long period of time had not been recovered or accounted for as of 30 June 2004.

865. The Statement further reflects a credit balance of Kshs.77,011,783.70 under the Excess AIA Account which includes an amount of Kshs.6,425,979.45 relating to 2002/2003 and earlier years. No explanation has been given as to why the Excess AIA of Kshs.6,425,979.45 had not been remitted to the Exchequer as at 30 June 2004.

866. The PMG Account shows a credit balance of Kshs.9,451,819.95 while the ledger and cashbook as at 30 June reflect amounts of Kshs.533,116,036.20 and Kshs.140,470,876.80 respectively against the same Account. No reconciliation or explanation has been provided for these discrepancies. In addition, the overdraft of Kshs.9,451,819.95 does not appear to have been authorised by Treasury.

867. The Statement also shows debit and credit balances totalling Kshs.488,040.50 and Kshs.236,992,316.56 respectively against Agency, General Suspense, Clearance and District Suspense Accounts which have not been analysed. In consequence, it has not been possible to confirm the accuracy of the figures or to establish what they represent.

868. The Statement further shows long outstanding debit and credit balances totalling Kshs.132,163,699.45 and Kshs.40,081,183.35 respectively under Clearance, District Suspense, Agency and General Suspense Accounts which though analysed have not been cleared. No explanation has been provided for non-clearance of these balances.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.05

869. The Statement of Assets and Liabilities for Development vote D.05, Office of the Vice President and Ministry of Home Affairs as at 30 June 2004 reflects Excess AIA amounting to Kshs.27,780.00 and relating to 2002/2003 and earlier years. It has however not been explained why this long-outstanding amount has not been paid over to the Exchequer.

870. The Statement also reflects an Agency Account balance of Kshs.17,248,377.90 which has not been analysed and consequently it has not been possible to ascertain its correctness or to establish what it represents. The above balance includes an amount of Kshs.17,023,860.90 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been provided for non-clearance of this balance.

871. The Statement further reflects a balance of Kshs.10,665,046.10 against the General Suspense Account which has similarly not been analysed. Apart from lack of analysis, the balance includes an amount of Kshs.7,329,511.65 relating to 2002/2003 and earlier years. No explanation has been provided for lack of the analysis for the figure of Kshs.10,665,046.10 or for non-clearance of the amount of Kshs.7,329,511.65.

872. The Statement shows a PMG Account balance of Kshs.265,173,060.60Cr while the Cashbook as at 30 June 2004 reflects a figure of Kshs.882,965.35Dr occasioning a difference of Kshs.266,056,025.95. In addition, the balance of Kshs.265,173,060.60Cr differs by an amount of Kshs.318,486,297.60 from the

figure of Kshs.53,313,237Dr reflected in the Certificate of Balance from the Central Bank of Kenya. No reconciliation or explanation has been provided for the differences between the three sets of records.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS AND DEPOSITS

873. The Statement of Assets and Liabilities for Funds and Deposits as at 30 June 2004 reflects a District Suspense Account balance of Kshs.117,296,502.40 which has not been analysed and therefore it has not been possible to ascertain its accuracy. The balance includes an amount of Kshs.86,702,719.65 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been given for its non-clearance.

874. The Statement also reflects a balance of Kshs.138,821,286.05 against the PMG Account which differs by an amount of Kshs.50,435,255.80 from the figure of Kshs.189,256,541.85 shown in the Ministry's ledger. The balance of Kshs.138,821,286.05 also differs by an amount of Kshs.56,552,767.10 from the Cashbook balance of Kshs.82,268,767.10. Also not reconciling and differing by an amount of Kshs.34,745,437.15 with the PMG balance of Kshs.138,821,286.05 in the Statement is an amount of Kshs.104,075,848.90 reflected in the Bank Certificate from the Central Bank of Kenya. The differences between the four sets of records have not been reconciled or explained. Consequently, it has not been possible to confirm the correctness of the PMG balance of Kshs.138,821,286.05 reflected in the Statement.

875. The Statement further reflects a balance of Kshs.4,494,946.15 against the Imprests and Others Account, while the Imprests Register maintained by the Ministry shows an amount of Kshs.380,711.95 against the same Account resulting in a difference of Kshs.4,114,234.20 between the two sets of records. No reconciliation or explanation has been provided for the difference.

876. The balance of Kshs.4,494,946.15 also includes imprests amounting to Kshs.480,592.25 relating to 2002/2003 and earlier years and which had not been surrendered or accounted for by 30 June 2004. No explanation has been given for non-clearance of these imprests by the due dates.

877. The Statement shows an Agency/HQ Deposits Account balance of Kshs.127,200,939.15 which has not been properly analysed and therefore it has not been possible to confirm its accuracy. The balance of Kshs.127,200,939.15 includes nine (9) items with debit balances totalling Kshs.14,978,599.55. No explanation has however been provided as to what the debit balances represent in a deposit account which under normal circumstances should show a credit or nil balance.

878. The balance of Kshs.127,200,939.15 further includes fourteen (14) unidentified items with debit and credit balances totalling Kshs.5,092,605.20 and Kshs.59,034,725.55 respectively. It has not been clarified as to what is represented by these unidentified items.

879. The Statement further reflects four (4) Non-Existent Accounts with balances totalling Kshs.489,236.00. Apart from non-identification of the balances in these Accounts, it has not been possible to establish what the balances represent or to ascertain their correctness.

MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R06

880. The Salary Advances Account reflects a debit balance of Kshs.1,263,314.90, whose analysis does not indicate the dates on which the Advances were granted or their due dates. Further, the Register maintained at the Ministry's Headquarters in respect of such Advances is poorly kept and relevant pieces of information including dates when the Advances were given, recoveries made, as well as balances outstanding have not been shown. No explanation has been provided for the unsatisfactory state of affairs.

881. The Statement further reflects a Net Salary credit balance of Kshs.14,750.15 which however differs with the figure of Kshs.84,085.00 shown in the supporting analysis. No reconciliation or explanation has been provided for the difference of Kshs.69,334.85 between the two sets of records.

882. The Statement shows an Exchequer Under Issues Account balance of Kshs.71,944,630 while records maintained by Ministry of Finance in respect of the Account show an amount of Kshs.41,944,630. The difference of Kshs.30,000,000 has not been reconciled or explained.

883. The Statement also shows a credit balance of Kshs.70,006,364.60 in respect of General Account of Vote which however does not agree with the Net Surplus to be surrendered to the Exchequer figure of Kshs.69,656,099.60 reflected in the Appropriation Account for Vote. R06 for 2003/2004. No reconciliation or explanation has been provided for the difference of Kshs.350,355.30.

884. The Statement similarly shows a PMG Account debit balance of Kshs.108,525,031.95 while the Cashbook as at 30 June 2004, reflects an

amount of Kshs.17,103,228.45. The difference of Kshs.91,421,803.50 between the two sets of records has not been reconciled or explained.

885. In addition, the Statement shows a credit balance of Kshs.601,520.00 under Excess AIA which includes an amount of Kshs.441,580 relating to 2002/2003. No explanation has however been provided as to why the latter balance has not been paid over to the exchequer.

886. The Statement further shows debit and credit balances totalling Kshs.638,680.30 and Kshs.8,649,037 respectively under accounts items described as Finance Transfer, Returned Salary, Items Awaiting Clearance and Provincial/District Suspense in respect of which verifiable analyses have not been provided. In consequence, the accuracy of the balances could not be ascertained.

887. In the absence of explanations, analyses and reconciliations in respect of the various balances referred to above, the accuracy of the Statement of Assets and Liabilities for Vote R06 as at 30 June, 2004 could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D06

888. The Statement of Assets and Liabilities for Vote D06 as at 30 June 2004 reflects a credit balance of Kshs.309,712,518.85 against Paymaster General's Account, while the cashbook for the Development Vote as at 30 June 2004 shows a debit balance of Kshs.20,070,056.10. The difference of Kshs.329,782,574.95 between the two sets of records has not been properly reconciled. Consequently the accuracy of the amount of Kshs.309,712,518.85 shown against the Account could not be ascertained.

889. As in the previous year, the Temporary Imprest Account reflects a credit balance of Kshs.269,552.20 relating to 2002/2003 and earlier years while under normal circumstances such an Account should reflect debit or nil balances. No explanation has been provided as to what is represented by the Credit balance. The Account also reflects a debit balance of Kshs.980,919 relating to the year under review while the Ledger shows a net debit balance of Kshs.711,366 against the same Account. Again no explanation has been given for the difference of Kshs.269,553.00 between the two sets of records.

890. Further the Statement reflects Items Awaiting Clearance Account debit balance of Kshs.53,040.00 which has not been analysed. In the absence of analysis, it has not been possible to ascertain the correctness of the balance.

891. The Statement also shows a balance of Kshs.26,243,847 against the Exchequer Account while Exchequer records maintained by Ministry of Finance

reflect an amount of Kshs.20,523,847 against the same Account. The resultant difference of Kshs.5,720,200 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

892. The Statement of Assets and Liabilities for Deposits as at 30 June, 2004 reflects a Temporary Imprest debit balance of Kshs.1,043,638.00 which has not been supported with the relevant analysis. As a result, it has not been possible to ascertain the correctness of the balance. Further and for the same reason, it has not been possible to identify the holders of the imprests or to establish the period of time such imprests have been outstanding.

893. The Statement also reflects a credit balance of Kshs.1,052,873.00 against "Items Awaiting Clearance" which has only been partially analysed. Consequently, it has not been possible to ascertain its accuracy or the nature of all the transactions it represents.

DEPARTMENT OF DEFENCE

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.08

894. The Statement of Assets and Liabilities for Vote R.08, as at 30 June 2004 reflects debit balances totalling Kshs.638,048,497.50 in respect of General Account of Vote (G.A.V.), Exchequer Account and Agency Account all relating to the year 2002/2003 and earlier years. The Statement also reflects a credit balance of Kshs.1,020,677,986.10 in respect of GAV (GAV) relating to 2002/2003 and earlier years. These balances ought to have been cleared from the Department's books of account during respective subsequent years. The explanation given is that the Department did not receive Treasury advice on the clearance of these balances.

895. The Statement also reflects Excess Appropriations-in-Aid amounting to Kshs.366,085,752.65 made up of Kshs.110,014,100.90 for 2000/2001, Kshs.168,830,028.60 for 2001/2002, Kshs.53,208,287.25 for 2002/2003 and Kshs.34,033,335.90 for 2003/2004. It is not clear why the amount of Kshs.366,085,752.65 was not surrendered to the Exchequer by 30 September 2004 as directed by the Treasury in a circular dated 13 September 2004.

896. The Statement further reflects debit balances of Kshs.340,177,453.75, Kshs.59,532,880.75, Kshs.76,891,373.60, Kshs.6,592,330.50 and a credit balance of Kshs.59,271,056.30 against Advances, Temporary Imprest, Suspense Account and Family Allotment and Standing Imprests, respectively. These net

balances include large amounts which have not been analysed and no explanation has been given for failure to analyse them and to present such analysis for audit review.

897. The Advances, Standing and Special Imprests and Temporary Imprest Accounts include net credit balances of Kshs.255,203,889.80, Kshs.178,553,972.95 and Kshs.149,830.00 respectively, which under normal circumstances should show nil or debit balances. No explanation has been given for failure to analyse and clear the balances or for the unusual credit balances.

898. The Statement shows a credit balance of Kshs.85,636,963.55 under Clearance Account while the Ledger shows an amount of Kshs.417,689,380.30 against the same Account resulting in a difference of Kshs.332,052,416.75. The explanation given for the difference of Kshs.332,052,416.75 is that it represents Excess A.I.A brought forward from the year 2002/2003 and earlier years. However, the amount should have been surrendered to the Exchequer instead of being retained in a non-existing account.

899. Further, the amounts reflected under a Clearance Account normally relate to deductions made from staff salaries and therefore should have a credit or nil balance. It is not clear why seven (7) Clearance Accounts which are included in the above net credit balance of Kshs.85,636,963.55 reflect debit balances totalling Kshs.231,011,478.50 instead of credit or nil balances.

900. The Statement also shows debit and credit balances of Kshs.157,007.60 and Kshs.487,268,666.65 respectively under eleven (11) Non-Existing Accounts. The correct accounts for these balances have not been identified and therefore it is not possible to ascertain what they represent or their correctness.

STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE D.08

901. In the Report for 2001/2002, concern was expressed over GAV, Exchequer Account, PMG Account and Stale and Cancelled Cheques balances which were reflected in the Statement of Assets and Liabilities for Vote D.08 and which related to 1999/2000 and earlier years but which had not been cleared from the books of account. A review of the position in 2003/2004 indicates the same balances had not been cleared as at 30 June 2004 and no explanation has been provided for failure to clear them.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

902. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects two (2) credit balances under Miscellaneous Deposits and Stale and

Cancelled Cheques Accounts totalling Kshs.1,094,093.75 and relating to 1998/99 and earlier years which have not been analysed or cleared from the books of account. No explanation has been given as to why these balances have not been analysed or cleared.

903. The Statement also reflects two (2) credit balances under San Marco Project and Foreign Students Accounts totalling Kshs.8,803,109.20 which should have been accounted for as Appropriations-In-Aid under the Recurrent Vote, instead of being held in the Deposits Account. No explanation has been given as to why these balances have not been accounted for as Appropriations In Aid.

904. Deposit items totalling Kshs.109,211,632.15 are reflected in the Statement under Tender, Contractor's, Boreholes and Miscellaneous Deposits. However, the Department did not maintain deposit registers in respect of these items to facilitate monitoring of their receipts and disposal. In the absence of such registers, it has not been possible to ascertain the correctness of these deposit balances.

MINISTRY OF REGIONAL DEVELOPMENT

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.09 – MINISTRY OF REGIONAL DEVELOPMENT

905. The Statement of Assets and Liabilities for vote R09 as at 30 June 2004 reflects a Paymaster General Account Balance of Kshs.89,014,141.30 while the Cashbook reflects a balance of Kshs.270,836.75. No reconciliation has been provided for the difference of Kshs.88,237,304.55 between the two sets of records.

MINISTRY OF AGRICULTURE

STATEMENT OF ASSETS AND LIABILITIES VOTE R.10

906. In the previous years' Reports, reference was made to lack of explanations, analyses and reconciliations for the balances appearing in the Ministry's Statements of Assets and Liabilities as a result of which the Statements could not be confirmed as correct. Further, the likely effect of such unanalyzed balances on the Appropriations Account for vote R.10 for those years could also not be ascertained. A review of the Statement of Assets and

Liabilities as at 30 June, 2004 indicates that there was no improvement on the position reported in the previous years as shown below:-

907. The Statement reflects a PMG Account credit balance of Kshs.7,435,263.20 while the Cashbook reflects a debit balance of Kshs.1,408,997.85. The difference of Kshs.8,844,261.05 between the two records has not been explained. The Statement also reflects a debit balance of Kshs.598,534,054.75 against the PMG Account for 2002/2003 and earlier years which has not been analysed by the years to which it relates and which cannot therefore be confirmed as correct.

908. The Statement also reflects an Exchequer Account debit balance of Kshs.125,936,665.70 while records maintained at the Treasury reflect a debit balance of Kshs.76,492,910.00 resulting in an unexplained difference of Kshs.49,443,755.70. The Statement also reflects an Exchequer Account debit balance of Kshs.1,018,889,272.00 for 2002/2003 and earlier years which has not been analysed by the years to which it relates and which cannot therefore be confirmed as correct.

909. The Statements further reflects a Standing Imprest debit balance of Kshs.1,126,421.30 while the analysis provided in support of the balance reflects a net credit balance of Kshs.20,099.50 resulting in an unreconciled and unexplained difference of Kshs.1,146,520.80. The Statement also reflects a Temporary Imprests Account balance of Kshs.92,258,735.00 out of which only Kshs.146,853.90 relating to 2003/2004 has been analyzed leaving the balance of Kshs.92,111,881.10 for earlier years unanalyzed. Consequently the identity of the imprest holders, the purpose for which the Imprests issued and the correctness of the amounts could not be ascertained.

910. The Statement in addition reflects a debit balance of Kshs.2,099,869.10 against the Advances Account and Kshs.47,245,386.40 against the Agency Account both of which have not been analysed or explanation given for failure to clear them.

911. The Statement also shows a balance of Kshs.23,173,586.90 against the Clearance Account and Kshs.231,919,396.15 against the Suspense Account both of which have not been analysed or cleared. No explanation has been for the anomaly.

912. In the absence of explanations, analyses or reconciliations as stated above, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for Vote R.10 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES VOTE D.10

913. In the previous year's Report, reference was made to lack of explanations, analyses and reconciliations for the balances appearing in the Statement of Assets and Liabilities for Vote D10 as at 30 June 2003 as a result of which the Statement could not be confirmed as correct. The likely effect of such unanalyzed balances on the Appropriation Account for vote D.10 for 2002/2003 and earlier years could also not be ascertained. A review of the Statement of Assets and Liabilities as at 30 June, 2004 indicates that there was no improvement in the position as reported in the previous year as shown below;

914. The Statement reflects a debit balance of Kshs.22,511,775.00 in respect of the Exchequer Account while records maintained at the Treasury show a debit balance of Kshs.12,474,439.00. The difference of Kshs.10,037,336.00 between the two records has not been reconciled or explained. The Statement also reflects a debit balance of Kshs.5,520,770,016.40 against Exchequer Account relating to 2002/2003 and earlier years and which has not been analysed by the years to which it relate. Consequently, the accuracy of this particular amount has not been ascertained.

915. The Statement also reflects an amount of Kshs.1,340,335.00 against the Standing Imprests Account while the analysis made available in support of the Account reflects a balance of Kshs.1,337,335.00 resulting in an unreconciled and unexplained difference of Kshs.3000.00.

916. The Statement further reflects an amount of Kshs.127,567,821.40 against the Temporary Imprests Account for the year under review while the analysis provided in support of the Account shows a figure of Kshs.156,274,267.85 made up of Kshs.126,802,384.35 for previous years and Kshs.29,471,882.50 for the year 2003/2004. The difference of Kshs.28,706,446.45 has not been reconciled or explained.

917. The Statement shows a credit balance of Kshs.2,979,742.80 against the Clearance Account for years prior to 2003/2004. This balance has not however been analysed or explanation given for failure to clear it.

918. The Statement also shows a credit balance of Kshs.120,437,061.35 against the Suspense Account. Out of this balance, Kshs.120,230,043.45 relates to 2002/2003 and earlier years and Kshs.207,017.90 to the year under review. These balances have not however been analysed or reconciled and consequently their nature and accuracy has not been ascertained. Also no explanation has been given for their non clearance.

919. In the absence of explanations and analyses for the differences and balances indicated above, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for vote D.10 at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

920. In the Reports for the previous years, reference was made to discrepancies, unanalysed and unreconciled balances which affected the Statements of Assets and Liabilities for the Deposits for those years. As a result it was not possible to ascertain the effect these discrepancies unanalysed and unreconciled balances may have had on the Ministry's Appropriation Accounts for those years.

921. The audit of the Statement of Assets and Liabilities for the Deposits as at 30 June 2004 has revealed similar unsatisfactory matters. The Statement reflects a debit balance of Kshs.152,529,800.15 against the PMG Account which however differs from the Deposits Cashbook balance of Kshs.161,399,259.75 as at 30 June 2004 by an amount of Kshs.8,869,459.60. The difference has not been reconciled or explained.

922. The Statement also reflects a net credit balance of Kshs.152,529,800.15 against Sundry Deposits Account while the ledger reflects a net credit balance of Kshs.151,105,969.75. It has not therefore been possible to confirm the correctness of the balance of Kshs.152,529,800.15 appearing under Sundry Deposit Account in the Statement in view of the difference of Kshs.1,423,830.40 between the Statement and the ledger which has not been explained.

923. The Statement further reflects an opening balance of Kshs.191,297.55 against loan interest receipts. This balance is indicated as having been cleared during the year 2003/2004 leaving nil balance as at 30 June 2004. No documentation has however been made available to show how this amount was cleared and in the absence of such documentation, it has not been possible to confirm the authenticity of the adjustment.

924. In the absence of explanations for the differences referred to above, it has not been possible to ascertain the correctness of the Statement of Assets and Liabilities for Deposits or the effects these differences may have on the Ministry's Appropriation Accounts for 2003/2004.

MINISTRY OF HEALTH

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.11 AS AT 30 JUNE 2004

925. The audit of the Statement of Assets and Liabilities for Vote R.11 as at 30 June 2004 has revealed a number of unsatisfactory matters. As observed in the Report for 2002/2003, the Statement reflects under General Account of Vote (GAV) Excess Vote balances of Kshs.74,641,787.45, Kshs.62,558,384.40 and Kshs.155,811,909.20 for 1981/82, 1982/83 and 2000/2001 respectively. No action appears to have been taken to clear these long outstanding Excess Votes and no explanation has been given for lack of action.

926. The Statement also reflects GAV credit balances totalling Kshs.1,749,374,095.45 representing Net Surplus realized in the previous seven (7) financial years. No reason has been given by the Ministry for failure to surrender these surpluses to Treasury as required under Government Financial Regulations and Procedures.

927. The Statement further reflects a balance of Kshs.121,014,563.60 in respect of Net surplus to be surrendered to the Exchequer for the year 2001/2002 while the audited Appropriation Account for Vote R.11 for the same year shows an amount of Kshs.104,417,596.60 against the same item. The difference of Kshs.16,596,967.00 between the two records has not been explained or reconciled.

928. The Statement in addition reflects Exchequer Account debit balances totalling Kshs.1,074,293,963.00 being exchequer under-issues for six years falling between 1995/96 to 2002/2003. As in the previous year, no explanation has been provided for failure to clear these long outstanding under-issues.

929. The Statement shows a credit balance of Kshs.72,570,056.35 representing Excess Appropriations-In-Aid for 2002/2003 and earlier years and which has not yet been surrendered to the Exchequer. No reason has been given for failure to surrender the amount to the Exchequer.

930. The Statement also shows unanalyzed debit balances totalling Kshs.351,864,463.10 under Standing Imprests, Advances and Clearance Accounts. The Statement also shows unanalyzed credit balances totalling Kshs.261,606,421.95 under Agency and Suspense Accounts. In the absence of analyses, it has not been possible to ascertain the accuracy of these balances or to establish what they represent.

931. The Statement further shows an unusual debit balance of Kshs.148,114,274.75 against the Clearance Account which under normal circumstances should reflect a credit or nil balance. No explanation has been given for this unusual debit balance.

932. In the absence of analyses and explanations as indicated above, it has not been possible to confirm as correct the Statement of Assets and Liabilities for Vote R.11 as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.11 AS AT 30 JUNE 2004

933. The audit of the Statement of Assets and Liabilities for Vote D.11 as at 30 June, 2004 has revealed a number of unsatisfactory matters. The Statement reflects a Suspense Account debit balance of Kshs.75,570,491.60 relating to 2002/2003 and earlier years and which has not been cleared. The balance has also not been analysed. No explanation has been provided for non-clearance and lack of analysis in respect of the balance.

934. The Statement also reflects a Temporary Imprest Account balance of Kshs.41,746,943.05 while the analysis provided in respect of the Account shows an amount of Kshs.15,239,652.75 resulting in an unreconciled and unexplained difference of Kshs.26,507,290.30 between the two sets of records. Further, the Standing Imprest Account reflects a balance of Kshs.432,009,113.55 which however differs by an amount of Kshs.19,950.45 from the figure of Kshs.432,029,064 shown in the analysis. Similarly, the difference of Kshs.19,950.45 between the Statement and the analysis has not been reconciled or explained.

935. The Statement in addition reflects a District Provincial Suspense Account balance of Kshs.97,441,782.95 which includes an amount of Kshs.62,395,769.20 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been given for non-clearance of the latter balance.

936. The Statement shows Exchequer Account debit balances totalling Kshs.4,220,445,021.00 representing under-issues in respect of nine (9) previous financial years from 1994/95 to 2002/2003. No explanation has been given for the non-clearance of these balances which have been outstanding for a long period of time.

937. The Statement further shows an Exchequer Account balance of Kshs.437,396,457.00 for 2003/2004 while records maintained at the Treasury in respect of the Account reflect a figure of Kshs.333,308,957 resulting in an unreconciled and unexplained difference of Kshs.104,087,500.00 between the two sets of records.

938. The Statement in addition shows against the General Account of Vote (GAV) balances totalling Kshs.3,718,649,562.30 in respect of surpluses to be surrendered to the Exchequer for the past nine (9) financial years from 1994/95 to 2002/2003. No explanation has been given for failure to surrender these balances to the Exchequer.

939. Further, the Statement reflects a GAV balance of Kshs.250,345,398.00 for 1998/99 which however, differs by an amount of Kshs.513,811.00 from the balance of Kshs.249,831,587.00 shown in the audited Appropriation Account for Vote D.11 for that year. The difference of Kshs.513,811.00 between the two balances has not been explained.

940. The Statement similarly reflects Excess Votes of Kshs.196,111,683.30 and Kshs.46,462,885.10 relating to 1991/92 and 1993/94 respectively. No action however, appears to have been taken to facilitate clearance of these long outstanding Excess Votes from the books of Account.

941. The Statement also reflects a Paymaster General Account (PMG) Overdraft balance of Kshs.813,180,921.15 which has been brought forward from the year 2002/2003. No explanation has however been given as to the cause of the overdraft or whether Treasury authority had been granted for the overdrawing of the PMG Account.

942. In the absence of analyses and explanations mentioned in the foregoing paragraphs, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for Vote D.11 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS AS AT 30 JUNE 2004

943. Audit examination of the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June, 2004 has revealed a number of unsatisfactory matters. The Statement reflects balances under five (5) Accounts which differ with the respective amounts shown in the Trial Balance as at 30 June 2004. No reconciliation or explanation has been provided for the difference between the two sets of records.

944. The Statement also reflects balances of Kshs.167,255,953.15 Dr, Kshs.5,600,543.25Cr, Kshs.2,323,469.90Cr and Kshs.4,754,305.45Cr under District Suspense, GTZ Account, Health Services Miscellaneous Deposits and Miscellaneous Deposits respectively which have not been analysed. In the absence of the analyses, it has not been possible to ascertain the correctness of the balances or to determine what they represent.

945. The Statement further reflects a long outstanding Health Care Services Fund District Imprest balance of Kshs.5,045,517.40 which has not been cleared. Apart from non-clearance, it has not also been possible to ascertain its correctness or to establish the identities of the imprest holders. Similarly not cleared or analysed is a Headquarters Imprest balance of Kshs.692,395.30. No explanation has been provided for lack of analyses and non-clearance of the above balances.

946. As in the previous year, the Deposits Register shows entries described as imprest issues made in the Register during the period 1 February 1994 to 26 June 1996 and totalling Kshs.1,135,125.00. No documentary evidence has however been made available for audit review in support of these entries and in the circumstance, it has not been possible to confirm whether the entries represent imprests issues from Deposits or indeed whether such imprests if indeed issued were for official purposes.

947. The Statement also shows a balance of Kshs.1,158,054.35 under the Medical Supplies Co-ordinating Unit Fund which differs by an amount of Kshs.1,399,552.00 from the balance of Kshs.2,557,606.35 reflected in the Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2004. No reconciliation or explanation has been provided for the difference of Kshs.1,399,552.00 between the two sets of records.

948. The Statement further shows credit balances of Kshs.1,399,552.00 and Kshs.74,754.80 for Mrs. E.M. Ward Endowment Fund and Foreign Payment Revaluation Accounts respectively. No analyses or other relevant information have however been provided to facilitate the ascertainment of what the two balances represent or their correctness.

949. The Statement in addition shows credit balances totalling Kshs.188,092,193.95 in respect of Health Care Services Fund made up of District Suspense Account of Kshs.187,091,993.95 and Health Care Services Capital Fund of Kshs.1,000,200.00. The Health Care Services Fund Balance Sheet as at 30 June 2004 on the other hand reflects amounts totalling Kshs.50,315,087.00 against the two Accounts resulting in a difference of Kshs.137,777,106.95 between the Statement and the Fund Balance Sheet. No reconciliation or explanation has been provided for this difference.

950. As observed with respect to 2002/2003 and in the report for that year, the Statement does not include credit balances totalling Kshs.216,243,304.05 in respect of Medical Supplies Fund representing Fund Capital of Kshs.180,743,304.05 and Fund Surplus of Kshs.36,500,000.00 shown in the Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2004. No reason has been provided for failure to include these balances in the Statement.

951. In the absence of the analyses in support of the balances referred to above and lack of explanations or reconciliations for the differences between various accounts and balances shown in the Statement and those reflected in other records, it has not been possible to ascertain the correctness of the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2004.

MINISTRY OF LOCAL GOVERNMENT

BANK RECONCILIATION STATEMENT FOR THE DEPOSITS BANK ACCOUNT AS AT 30 JUNE 2004.

952. Examination of the Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2004 has revealed the following unsatisfactory matters:-

953. Included in the unrepresented cheques totalling to Kshs.57,746,362.50 is an amount of Kshs.120,118.25 in respect of cheques for the period prior to 1 January 2004 and which have become stale. No explanation has been provided as to why the stale cheques have not been recredited in the Cashbook.

954. Receipts totalling Kshs.1,785,164.30 reflected in the Bank Statement and not in the Cashbook include sums of Kshs.1,604,650.00 for which no particulars have been given, Kshs.32,325.00 reflected only as "reversals" and Kshs.73,158.90 shown as "direct credits" with no further details being given.

955. Receipts in the Cashbook totalling Kshs.197,529.60 appear to have been banked but are not reflected in the Bank Statement. No investigations appear to have been carried out to ascertain the position or to provide an explanation for the anomaly.

956. Payments in the bank totalling Kshs.162,249.75 include an amount of Kshs.95,000.00 is shown as "direct debits". In the absence of an explanation or analysis in respect of the debits, it has not been possible to ascertain the propriety of these payments.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R 12 AS AT 30 JUNE 2004

957. The audit of the Statement of Assets and Liabilities for Vote R.12 as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects a balance of Kshs.5,702,157.35 in respect of the Paymaster General (PMG) Account for 2003/2004 which differs from the Cashbook balance of Kshs.4,735,576.35 by Kshs.966,581. The difference has not been reconciled or explained.

958. The Statement also reflects a Temporary Imprest balance of Kshs.381,640.30 for 2002/2003 and earlier years which differs from the audited previous year's figure of Kshs.151,236.90. The difference of Kshs.230,403.40 has not been reconciled or explained.

959. The Statement further reflects a District Suspense Account balance of Kshs.849,283.65 for the year 2002/2003 and earlier years which differs from the previous year's audited figure of Kshs.711,150.45 by Kshs.138,132.70 a difference which has not been reconciled or explained.

960. In addition, the Statement reflects a General Account of Vote balance of Kshs.197,808,885.65 brought forward from 2002/2003 and earlier years which differs from the previous year's audited figure of Kshs.197,146,207.15. The resultant difference of Kshs.662,678.50 has not been reconciled or explained.

961. The Advances Account balance of Kshs.81,169.50 shown in the Statement as brought forward from 2002/2003 and earlier years differs by Kshs.6,000 from the previous year's audited figure of Kshs.75,169.50. The Schedule for the Account provided by the Ministry in respect of the year 2003/2004 show an amount of Kshs.237,599.35 which differs from the Statement figure of Kshs.236,365.10 by an amount of Kshs.1,234.25. These differences have not been reconciled or explained.

962. The Statement further shows a Suspense Account balance of Kshs.27,567,392.05 which has not been analysed. The balance's propriety and accuracy has not therefore been ascertained.

963. The Statement's Clearance Account balance of Kshs.251,874.55 brought forward from 2002/2003 and earlier years does not agree with the previous year's audited figure of Kshs.250,208.85 by Kshs.1,665.70, a difference which has also not been reconciled or explained.

964. The Statement does not balance as there is a difference of Kshs.987,160.60 between the total Assets balance of Kshs.251,834,632.90 and the total Liabilities figure of Kshs.252,821,793.50. The difference has not been reconciled or explained.

965. In view of the unexplained, unreconciled and unanalysed balances, the Statement, as was the case in the previous year, does not give a true and fair view of the Assets and Liabilities of Vote R.12 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.12 AS AT 30 JUNE 2004

966. Examination of the Statement of Assets and Liabilities for Vote D12 as at 30 June 2004 revealed unsatisfactory matters similar to those mentioned in the previous year's Report.

967. The Statement reflects an unexplained and unanalysed General Suspense Account balance of Kshs.26,073,144.00, which mainly relates to 2002/03 and earlier years. No explanation has been given for lack of an analysis and for the long delay in clearing of this balance.

968. The Statement also reflects Exchequer Account balances totalling Kshs.1,498,943,887.05 representing under issues from the Exchequer; G.A.V Account balances totalling to Kshs.983,860,977.55 being surplus to be surrendered to Exchequer and a P.M.G overdraft of Kshs.553,668,786.65. However, these balances, some dating back to 1994/95, have not been reconciled and no explanation has been given for failure to clear them over the years.

969. Analyses of the G.A.V, P.M.G and Exchequer Accounts for the period 1994/95 to 2002/2003 indicate that the correct balances in respect of these Accounts as at 30 June 2003 were Kshs.983,860,977.55, Kshs.553,668,786.65 and Kshs.1,498,943,887.05 respectively. Further, the opening balances in the Statement for 2003/2004 brought forward from 2002/2003 also differ from last year's audited Statement figures by unexplained and unreconciled differences of Kshs.6,097,262.55 and Kshs.824,019.90 in respect of G.A.V and P.M.G Accounts respectively. In addition, there is also a difference of Kshs.2000.00 in respect of the Temporary Imprest balance brought forward.

970. As a result of the foregoing differences, the Statement does not balance and reflects an imbalance of Kshs.6,923,282.45 between the total Assets and the total Liabilities. In view of the imbalance and lack of explanations and analyses for the various balances, the Statement does not fairly present the Assets and Liabilities of Vote D.12 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

971. Examination of the Statement of Assets and Liabilities for Deposits as at 30 June 2004 revealed unsatisfactory matters similar to those mentioned in the previous year's Report.

972. The Statement reflects a net debit Imprests Account balance of Kshs.1,455,339.15 as at 30 June 2004 made up of Kshs.1,330,711.25 relating to 2002/2003 and prior years and Kshs.124,627.90 relating to the financial year 2003/2004. No explanation has been provided for non-clearance of the long outstanding imprest balances.

973. The Statement shows a Paymaster General Account balance of Kshs.132,889,121.40 as at 30 June 2004 which differs from the Cashbook balance of Kshs.129,936,165.40 as at 30 June 2004 by Kshs.2,952,956.00. The difference has not been reconciled or explained.

MINISTRY OF ROADS AND PUBLIC WORKS

BANK RECONCILIATION STATEMENTS AS AT 30 JUNE 2004

974. Examination of Bank Reconciliation Statements as at 30 June 2004 in respect of Recurrent, Development and Deposits Cashbooks revealed the following unsatisfactory matters:

Recurrent Cashbook

975. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2004 reflects unpresented cheques totalling Kshs.1,436,321,047.75, out of which a sum of Kshs.10,433,427.80 is in respect of stale cheques drawn between July 2003 and December 2003. No action appears to have been taken to find out why these cheques were not presented for payment in time. The amount of Kshs.1,436,321,047.75 also includes adjustments of Kshs.3,667,026.70 made to the Cashbook. It has not been explained what these adjustments represent.

976. The Statement also reflects receipts in the Bank Statement not yet recorded in the Cashbook amounting to Kshs.205,874,954.55, out of which a sum of Kshs.555,835.35 is described as reversal of six cheques relating to

2002/2003 financial year. However, the circumstances leading to the reversal of the cheques has not been explained. Further, no indication has been given as to the action being taken to ascertain why the receipts were not reflected in the Bank Statement.

977. The Statement also reflects payments in Bank Statement not yet recorded in the Cashbook amounting to Kshs.201,834,180.25 out of which a sum of Kshs.907,951.25 relates to eleven payments listed as unpaid cheques (RD cheques). No indication has however been given as to what action is being taken to recover the amounts due in respect of these RD cheques and to have all the payments in the Bank Statement recorded in the Cashbook.

Development Cashbook

978. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2004 reflects payments in Cashbook not yet recorded in Bank Statement (Unpresented cheques) totalling Kshs.502,504,311.15. Included in the amount is an adjustment of Kshs.1,455.55 in respect of an under-casting error which, however, has not been explained. No indication has been given as to the action being taken to ascertain why these cheques remain unpresented.

979. The Statement also reflects receipts in Cashbook not yet recorded in Bank Statement of Kshs.801,781.00, out of which an amount of Kshs.646,791.00 relates to over-cast balance carried down. However, it has not been explained how the over-cast arose.

Deposits Cashbook

980. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2004 reflects unpresented cheques totalling Kshs.112,205,745.05, out of which an amount of Kshs.111,414,861.95 relates to stale cheques. No explanation has been given as to why these cheques remain unpresented.

981. The Statement also reflects payments in Bank Statement not yet recorded in Cashbook amounting to Kshs.10,296,442.10 and listed as unpaid refer to drawer cheques. The amount includes cheques totalling Kshs.5,855,649.20 which are already stale. It has not been explained why these refer to drawer cheques have not been made good.

982. The Statement further reflects receipts in Cashbook not yet recorded in Bank Statement totalling kshs.3,466,848.00, out of which an amount of Kshs.2,053,782.95 relates to an over-cast balance carried down. A further amount of Kshs.23,765.00 relates to an adjustment in the Cashbook. It has not been explained what the over-cast and adjustment in Cashbook were in respect of.

BANK RECONCILIATION STATEMENT FOR STORES AND SERVICES FUND AS AT 30 JUNE 2004

983. The Bank Reconciliation Statement for Stores and Services Fund as at 30 June 2004 reflects unsatisfactory matters similar to those referred to in the previous years Reports as indicated below:

984. Statement shows payments in Cashbook not yet recorded in Bank Statement (Unpresented cheques) of Kshs.8,500,443.20 out of which an amount of Kshs.3,273,574.40 represents stale cheques drawn between 22 January 2001 and 18 December 2003.

985. Statement also shows receipts in Bank Statement not yet recorded in Cashbook of Kshs.8,795,401.50, out of which an amount of Kshs.8,600,000.00 is referred to as wrongly credited cheques which relate to 1997/98 and 1999/2000 financial years.

986. The Statement further shows payments in Bank Statement not yet recorded in Cashbook of Kshs.9,040,250.60, out of which an amount of Kshs.4,025,000 relates to cheques paid to a supplier between 12 December 1998 and 24 April 1999. The remaining payments totalling Kshs.5,014,992.20 have been listed as "unpaid cheques" while an amount of Kshs.258.40 has been shown as under-statement. It is not clear why payments in Bank Statement not recorded in Cashbook are shown as unpaid cheques or why the cheque payments to the supplier have not been recorded in the Cashbook.

987. The Statement also reflects receipts in Cashbook not yet recorded in Bank Statement of Kshs.683,611.50, out of which an amount of Kshs.482,221.00 is referred to as uncredited bankings of 30 September 1998, 30 March 2000 and 18 March 2000. No explanation has been given for non crediting of these bankings.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.13 AS AT 30 JUNE 2004

988. Audit of the Statement of Assets and Liabilities for Vote R.13 as at 30 June 2004 has revealed the following unsatisfactory matters:

989. The Statement reflects Exchequer Account under issues for 2002/2003 and earlier years, going back to 1997/98 and amounting to Kshs.208,031,812.35. These balances have thus been outstanding for a long period of time and no explanation has been given for their non clearance.

990. The Statement also reflects General Account of Vote debit balances of Kshs.272,299,856.05 being cumulative excess votes relating to 1997/1998 and earlier years and credit balances of Kshs.1,622,174,281.15 representing net

surpluses for 2002/2003 and earlier years. No proper explanation has been given for the delay in clearing the excess votes and surrendering the net surpluses to the Exchequer, as required by Government Financial Regulations and Procedures.

991. The Advance Account net debit balance of Kshs.25,298,722.95 shown in the Statement includes miscoded debit and credit balances of Kshs.42,410.20 and Kshs.115,451.00 respectively relating to 2002/2003 and earlier years. No explanation has been given for failure to identify and clear the miscoded balances.

992. The Advances Account also includes a net debit balance of Kshs.24,181,915.05 in respect of Salary Net Advance. This Account should normally reflect a nil balance since salaries paid in advance are recoverable at the end of the month in which they are advanced. In addition, the balance of Kshs.24,181,915.05 has not been analysed. No explanation has been given for failure to recover the salaries paid in advance at the end of related months or to analyse the outstanding balance.

993. The Advances Account further includes an unanalysed debit balance of Kshs.1,189,848.70 in respect of Salary Advance Account. No explanation has been given for failure to analyse the salary advance balance.

994. The District and Temporary Imprests Account balance of Kshs.53,987,806.90 reflected in the Statement includes long outstanding debit and credit balances of Kshs.51,446.40 and Kshs.134,079.65 respectively which originated from the former Ministry of Transport and Communications. No explanation has been given for non clearance of these balances.

995. The balance of Kshs.53,987,806.90 also includes Temporary Imprests amounting to Kshs.5,867,608.55 issued under item 550 - Headquarters Imprests, out of which an amount of Kshs.633,428.00 has been outstanding from Ex-employees of the Ministry. It is not clear how the Ministry intends to recover the amounts owed by ex-employees.

996. The Statement shows a net debit balance of Kshs.116,260,352.90 against the Suspense Account which includes an amount of Kshs.1,028,419.10 relating to dishonoured cheques and which has not been analysed. No explanation has been given for failure to provide analysis in respect of these cheques. The figure of Kshs.116,260,352.90 also includes an unsettled losses debit balance of Kshs.1,337,136.30 against which no loss reports have been provided for audit review or explanation given as to how these losses would be recovered.

997. A debit balance of Kshs.98,925,662.80 in respect of replacement of prior year's cheques is also included in the Suspense Account but without any analysis being provided. In the absence of the analysis, it has not been possible

to establish what such cheques were in respect of or why they were being replaced.

998. The Suspense Account also includes a debit balance of Kshs.10,834,337.45 in respect of Miscellaneous Items which have not been analysed. In the absence of the analysis, it has not been possible to ascertain what these items represent.

999. The Suspense Account further includes a credit balance of Kshs.5,248,956.95 relating to the previous years. It has not been explained why the balance has remained unanalyzed and uncleared from the books of Account.

1000. A credit balance of Kshs.14,406,597.15 in respect of unpaid wages outstanding is also included in the Suspense Account without any analysis. In the absence of the analysis, it has not been possible to ascertain who the payees were or whether they had rendered any services to the Ministry.

1001. The Suspense Account net debit balance of Kshs.116,260,352.90 in addition includes debit and credit balances totalling Kshs.29,735,854.15 and Kshs.5,945,502.80 respectively which were transferred from the Former Ministry of Transport and Communications. These particular balances have been outstanding for a long time in the Ministry's books of account but no reasons have been given for their non clearance.

1002. The net debit balance of Kshs.1,168,635,608.30 reflected in the Statement against Provincial/District Reimbursement Account could not be ascertained because printouts for the amounts analysed as outstanding vouchers and batches have not been made available for audit review. Some of the analyses are incorrect, an indication that some balances were omitted or wrongly included in such analyses.

1003. The net debit balance of Kshs.1,168,635,608.30 also includes debits totalling Kshs.1,316,094,022.65 and credit balances of Kshs.90,760,951.35 which have not been analysed. No explanation has been given for failure to analyse these debit and credit balances.

1004. The Statement reflects a Paymaster General Account debit balance of Kshs.660,774,414.45 while the Cashbook as at 30 June 2004 shows a balance of Kshs.274,350,818.15. No reconciliation or explanation has been given for the difference of Kshs.386,423,596.30 between the two sets of records.

1005. The Statement also reflects Excess Appropriations-In-Aid (AIA) of Kshs.12,207,411.00 and Kshs.1,634,736.80 relating to 2000/2001 and 1996/1997 financial years respectively. No explanation has been given as to why the excess A.I.A has not been paid over to the Exchequer.

1006. The Statement further reflects net credit balance of Kshs.5,655,408.05 against Suspense Clearance Account. However, no analysis has been provided for the balance. The correctness of the balance could not therefore be ascertained.

1007. The Standing and Special Imprest Account net credit balance of Kshs.21,482,994.70 shown in the Statement comprises of balances which were transferred from the former Ministry of Transport and Communications and have been outstanding in the Ministry's books for a long time. No action appears to have been taken to clear these balances.

1008. In view of the lack of analyses and proper explanation for the balances and differences stated above, the Statement does not present fairly, in all material respects, the financial position of Assets and Liabilities for R.13 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.13

1009. The audit of the Statement of Assets and Liabilities for Vote D.13 as at 30 June 2004 revealed the following unsatisfactory matters:

1010. The Statement reflects a net debit balance of Kshs.37,276,260.60 in respect of District and Temporary Imprest Account which includes unusual credit balances amounting to Kshs.10,147,030.10 in respect of sixteen districts that have been subject to audit reports in the previous years. No action appears to have been taken to clear these balances. Further, outstanding imprest returns from the District Treasuries were not made available for audit review and it was not therefore possible to establish the identities of persons who held these imprests. The debit balance of Kshs.37,276,260.60 also includes a credit balance of Kshs.2,792,050.45 in the ledger under item 550 - Headquarters Imprest Account. However, the Imprest Register shows a debit balance of Kshs.1,009,533.35 in respect of the Account as at 30 June 2004. The difference of Kshs.3,801,583.80 between the two parallel records for the Headquarters Imprest Account has not been reconciled or explained.

1011. Further, the analysis provided for the District and Temporary Imprests Account debit balance of Kshs.37,276,260.60 gives only block figures for each district without giving the details of the imprest holders. The explanation given that these imprests were issued to District Works Offices is not satisfactory since temporary imprests are normally issued to individual persons or officers who must have signed for them.

1012. Statement also reflects a net debit balance of Kshs.9,901,932.25 against the Suspense Account, which includes unanalyzed credit balance of Kshs.207,774.00 under item 552 representing adjustment of replacement of old

cheques in the current year. The amount of Kshs.9,901,932.25 further includes credit and debit balances of Kshs.9,396,203.70 and Kshs.19,445,900.95 respectively which relate to prior years and are still not cleared.

1013. The credit balance of Kshs.9,396,203.70 includes Kshs.1,102,308.40 in respect of stale cheques which are stated to have remained uncleared because the payees have not returned the cheques for replacements. No explanation has been given as to why the credit amount of Kshs.8,293,895.30 included in the balance and relating to adjustment of replacement of old cheques has not been cleared.

1014. Although the debit balances of Kshs.13,083,916.60 and Kshs.6,420,984.35 in respect of Inter Cashbook Adjustments and Agency Suspense Account respectively were stated to have remained uncleared because the Cashbook balances for 1996/97 and earlier years have not been transferred to the subsequent financial years, no indication has however been given as to when they would be cleared.

1015. The Statement further reflects a Provincial/District Suspense Account net credit balance of Kshs.91,123,893.75. However, the analysis provided for this account under items 000 and 453 reflects debit and credit balances of Kshs.153,512,545.15 and Kshs.52,408,882.95 respectively or a net debit balance of Kshs.101,103,662.20 while the Trial Balance as at 30 June 2004 show debit and credit balances of Kshs.152,255,012.75 and Kshs.52,488,882.95 respectively or a net debit balance of Kshs.99,766,129. The differences between the three sets of records have not been reconciled or explained. It has not been possible under the circumstances to ascertain the correctness of the Provincial/District Suspense Account balance of Kshs.91,123,893.75.

1016. The Statement shows Exchequer Account debit balances totalling Kshs.2,853,052,531.25 in respect of 2002/2003 and earlier years which have remained uncleared for a long period of time. No explanation has been given for the non clearance of these balances.

1017. The Statement also continues to reflect an Exchequer Account credit balance of Kshs.35,000,000.00 in respect of an advance made to the Ministry in 1997/1998 from the Civil Contingency Fund for the repayment of a HFCK loan. Although this matter has been brought to the attention of Treasury over the years to regularize through an Exchequer issue, no action has been taken to date.

1018. The Statement also reflects an Exchequer credit balance of Kshs.197,361,637.35 for 2000/2001 financial year. As stated in the previous reports, this credit balance which is erroneously described as an Exchequer over-issue arose from the netting-off of a refund of Kshs.198,406,113.35 by the World Bank in respect of Nairobi – Mombasa Road Project and the Exchequer under-issue of Kshs.1,044,476.00 for 2001/2002.

1019. Statement continues to show a General Account (GAV) of Vote debit balance of Kshs.161,793,291.30 being excess votes incurred in 1997/98, 1994/95 and 1992/93 financial years. No action appears to have been taken to clear these excess votes.

1020. The Statement further reflects a (GAV) a credit balance of Kshs.3,006,128,715.45 in respect of net surpluses to be surrendered to the Exchequer for 2002/2003 and earlier years. It has been explained that these surpluses have not been cleared from the Statement due to lack of Exchequer notifications. However, no indication has been given as to when such notifications would be issued.

1021. The debit balance of Kshs.283,285,487 reflected in the Statement against the Paymaster General Account differs from the Development Cashbook debit balance of Kshs.10,541,384.55 comprising of the main Cashbook balance of Kshs.1,519,374 and the Nairobi – Mombasa Road Special Account balance of Kshs.9,022,010.00. Further, the Board of Survey report on Cash on hand and at Bank as at 30 June 2004 for Development Cashbook shows balances of Kshs.2,166,165.55 and Kshs.11,443,044.50 which total Kshs.13,609,210.05. The differences of Kshs.272,744,102.45 and Kshs.269,676,278.95 between the Statement figure of Kshs.283,285,487.00, the Cashbook amount of Kshs.10,541,384.55 and the Board of Survey report figure of Kshs.13,609,210.05 have not been reconciled or explained.

1022. In view of the matters raised above, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for Vote D.13 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS AS AT 30 JUNE 2004

1023. The audit of the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2004 has revealed the following unsatisfactory matters.

1024. The Agency Account debit balance of Kshs.15,349,107.30 shown in the Statement consists of sums owed by various Ministries and Departments for 2000/2001 and earlier years. Although there was some improvement during 2003/2004 in that the outstanding balance reduced from Kshs.26,575,029.90 as at 30 June 2003 to Kshs.15,349,107.30 as at 30 June 2004, the outstanding balance at Kshs.15,349,107.30 remains significant and therefore a matter for concern.

1025. The Statement also reflects Ex-MOTC Agency Account and Ex-MOTC Private Works debit balances of Kshs.5,967,358.85 and Kshs.4,997,304.55 respectively, which were transferred from the former Ministry of Transport and Communications in 1987/88 financial year. As in previous years, no action appears to have been taken in 2003/2004 to clear these balances from the books of account.

1026. The Statement shows a Deposits Account net debit balance of Kshs.139,701,761.50 which includes an amount of Kshs.191,768,707.55 in respect of the defunct Mechanical Fund. The winding up of the Fund has not been completed as reported in the previous years and no reason has been given for the delay.

1027. The Suspense Account net debit balance of Kshs.38,748,215.60 includes dishonoured cheques and stale cheques totalling Kshs.25,604,773.20 and Kshs.1,904,499.85, respectively. The cheques have not been analysed in detail and no explanation has been given for their non-replacement and clearance.

1028. The Suspense Account balance also includes Adjustments between Cashbooks and Adjustments to other Cashbooks debit balances of Kshs.10,717,374.15 and Kshs.5,627,590.05 respectively. However, no details have been provided for these adjustments and it is not clear as to what they represent.

1029. The Suspense Account balance further consists of an unidentified debit balance of Kshs.3,612,274.10 against Account No.4-249-000-000 and credit balances totalling Kshs.4,949,520.05 which have not been analysed in details. In the absence of analyses it is not known what the above balances represent.

1030. The Statement also shows a Provincial Suspense Account debit balance of Kshs.18,637,771.65 relating to 2002/2003 and earlier years and which has remained uncleared from the books of account. No explanation has been given for its non-clearance.

1031. The Statement further shows a Paymaster General Account overdraft balance of Kshs.182,138,037.90 which differs from the Cashbook balance of Kshs.63,782,516.80 as at 30 June 2004. No reconciliation or explanation has been given for the difference of Kshs.245,920,554.70

MINISTRY OF TRANSPORT AND COMMUNICATIONS

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 14 AS AT 30 JUNE 2004

1032. The Statement of Assets and Liabilities for Vote R. 14 as at 30 June 2004 reflects uncleared debit balances totalling Kshs.674,126,557.75 in respect of General Account of Vote (GAV) and Exchequer Account all relating to 2002/2003 and earlier years, as well as uncleared credit balances amounting to Kshs.1,047,118,929.20 in respect of GAV and Excess Appropriations-In-Aid all similarly for the same period. It has not been explained why these long outstanding balances have not been cleared.

1033. The Statement also reflects various other debit and credit balances totalling Kshs.44,059,800.05 and Kshs.106,947,171.50 respectively relating to 2002/2003 and earlier years, all of which have not been cleared or analysed. No explanation has been provided for non-clearance and lack of analyses for these balances.

1034. The Statement further reflects a balance of Kshs.11,005,230.85 under Advances Account while the Ledger shows an amount of Kshs.10,915,850.35 against the same Account. The difference of Kshs.89,380.50 between the two sets of records has not been reconciled or explained. Further no reasons have been provided as to why the balance of Kshs.11,005,230.85 which relates to 2002/2003 and earlier years has not been cleared.

1035. The Statement shows a Standing Imprest Account debit balance of Kshs.5,731,284.35 out of which an amount of Kshs.5,378,148.05 relates to 2002/2003 and earlier years. No explanation has been provided for failure to account for the long outstanding balance. The balance of Kshs.5,731,284.35 has also not been analysed with the result that it has not been possible to establish who the holders of the imprests were and when such imprests were due for surrender.

1036. The Statement also shows a Temporary Imprest Account balance of Kshs.17,433,388.85 out of which an amount of Kshs.15,852,363.70 relates to 2002/2003 and earlier years. It has not been explained why the latter balance has not been cleared. Further, while as indicated above the Statement reflects a figure of Kshs.17,433,388.85 against the Account, the ledger shows an amount of Kshs.17,499,519.60 occasioning an unreconciled and unexplained difference of Kshs.66,130.75 between the two records.

1037. The Statement further shows a debit balance of Kshs.449,180,674.00 against the Paymaster General's Account (PMG) while the Ledger reflects a

figure of Kshs.449,009,054.00 under the same Account resulting in a difference of Kshs.171,620.00. Although it has been explained that the difference arose from misposting in the Ledger, the correcting Journal Vouchers and other related records have not been availed for audit review.

1038. The Cashbook on the other hand reflects a PMG balance of Kshs.52,412,016.25 as at 30 June 2004 again raising an unreconciled and unexplained difference of Kshs.396,768,657.75 between the Cashbook and the Statement.

1039. In the absence of reconciliations, explanations and analyses for the various balances outlined above, it has not been possible to ascertain the accuracy of the Statement of Assets and Liabilities for Vote R.14 as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.14 AS AT 30 JUNE, 2004

1040. The audit of the Statement of Assets and Liabilities as at 30 June, 2004 for Vote D.14 has revealed a number of unsatisfactory matters. The Statement reflects debit and credit balances totalling Kshs.314,065,017.65 and Kshs.339,895,345.50 respectively relating to General Account of Vote and Exchequer Account, some of which have been outstanding for a considerably long period of time. No effort appears to have been made by the Ministry to have these debit and credit balances cleared although they all relate to 2002/2003 and earlier years.

1041. The Statement also continues to reflect debit and credit balances in respect of MOPW Clearance, Suspense, Advances, District Suspense, Agency and Clearance Accounts for which no analyses have been provided. In the absence of the analyses, it has not been possible to ascertain the correctness of the balances or determine what they represent.

1042. The Statement further shows a debit balance of Kshs.2,101,323.55 under the Temporary Imprest Account for the year 2001/2002 and earlier years. No supporting documents or analysis have been provided for this imprest balance as a result of which it has not been possible to ascertain its correctness or the identities of the imprest holders. It has also not been explained why the balance which has been outstanding since 2001/2002 and earlier years has not been surrendered or accounted for.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1043. In the Report for 2002/2003, reference was made to various unexplained, unanalysed and uncleared debit and credit balances reflected in the Statement of Assets and Liabilities for Funds, Schemes and Deposits for that year. The audit of the statement of Assets and liabilities for the year 2003/2004 has revealed similarly unsatisfactory and unexplained matters as summarized in the ensuing paragraphs.

1044. The Statement reflects debit and credit balances totalling Kshs.27,115,852.15 and Kshs.62,177,403.35 respectively relating to 2002/2003 and earlier years and which have not been cleared. Apart from non-clearance, it has also not been possible to ascertain the correctness of the balances or establish what they represent as proper analyses have not been made available for audit review.

1045. The Statement also reflects a balance of Kshs.32,471,080.05 under Paymaster General Account while the Cashbook as at 30 June 2004 shows a balance of Kshs.23,762,515.80 against the same Account. The difference of Kshs.8,708,564.25 between two sets of records has not been reconciled or explained.

1046. Although the Statement reflects nil balance under both Aviation Fee (old balances) and Airport Revenue (old balances) Accounts, the treatment and subsequent clearance in 2002/2003 of balances of Kshs.22,512,602.80 and Kshs.40,045,981.35 against the two Accounts respectively have not yet been explained and no evidence has been made available to confirm whether or not the two amounts were paid over to the Exchequer.

1047. In the absence of explanations and analyses for the balances and for the differences mentioned above, it has not been possible to ascertain the correctness of the Assets and Liabilities as reflected in the Statement of Assets and Liabilities for Deposits as at 30 June 2004.

MINISTRY OF LABOUR AND HUMAN RESOURCES DEVELOPMENT

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.15 AS AT 30 JUNE 2004

1048. Audit of Statement of Assets and Liabilities for Vote R.15 as at 30 June 2004 revealed a number of unsatisfactory matters. The Statement reflects an Exchequer Account debit balance of Kshs.484,876,804.00 out of which Kshs.446,730,641.00 relates to 2002/2003 and earlier years. This balance has not been analysed in terms of the respective financial years. Further, a balance of Kshs.38,146,163.00 relating to 2003/2004 differs from the balance of Kshs.27,016,700.00 shown in records maintained at the Treasury. The difference of Kshs.11,129,463.00 has not been reconciled or explained.

1049. The Statement also reflects a Standing Imprest Account balance of Kshs.1,451,720.85 out of which Kshs.1,247,712.65 relates to 2002/2003 and earlier years. No explanation has been provided for non-clearance of the balance of Kshs.1,247,712.65.

1050. The Statement further reflects a Temporary Imprest Account balance of Kshs.13,967,825.20 which relates to 2002/2003 and earlier years. However, no explanation has been given for non-clearance of the balance. Further, no analyses of District Temporary Imprests Account debit and credit balances of Kshs.2,398,797.70 and Kshs.375,461.35 respectively have been provided.

1051. The Statement shows an Agency Account balance of Kshs.5,103,793.70 out of which Kshs.4,989,723.70 relates to 2002/2003 and earlier years. No explanation has been provided for failure to clear the long outstanding balance of Kshs.4,989,723.70.

1052. The Statement also shows a Suspense Accounts Headquarters balance of Kshs.126,252,378.55 which includes debit balances of Kshs.98,150,298.00 and Kshs.28,102,080.55 for 2003/2004 and 2002/2003 and earlier years respectively. No explanation has been given for the extra-ordinary increase in the Suspense Account Headquarters balance during 2003/2004 from Kshs.28,102,080.55 as at 30 June 2003 to Kshs.126,252,378.55 as at 30 June 2004 or the non-clearance of outstanding balance for the previous years.

1053. The Statement further shows long outstanding Paymaster General Account (PMG) debit and credit balances amounting to Kshs.11,406,315.45 and Kshs.7,706,692.85 respectively. No explanation has been provided for failure to clear these PMG balances from the books of account.

1054. The Statement also reflects a bank overdraft of Kshs.397,477.65 in respect of 2003/2004 while the Cashbook as at 30 June 2004 reflects a bank balance of Kshs.1,275,681.35. No explanation has been given for the overdraft or for the difference of Kshs.1,673,159.00 between the two figures.

1055. The Statement in addition reflects a General Account of Vote (GAV) balance of Kshs.553,720,934.30 which includes Kshs.465,206,146.50 for 2002/2003 and earlier years and Kshs.88,514,787.80 for 2003/2004. The balance for 2002/2003 and earlier years has not, however, been analysed and has remained outstanding for a long period of time. Further, the GAV balance of Kshs.88,514,787.00 for 2003/2004 differs from the Net Surplus to be surrendered to the Exchequer of Kshs.88,364,787.80 shown in the Appropriation Account for Vote R.15 for the year ended 30 June 2004. No explanation has been given for the difference of Kshs.150,000.00 between the two sets of records.

1056. The Statement similarly shows a balance of Kshs.83,028,004.75 in respect of Provincial/ District Suspense Account out of which Kshs.57,988,574.60 relates to the year under review and the balance of Kshs.25,039,430.15 to 2002/2003 and earlier years. However, no analysis for the balance of Kshs.83,028,004.75 has been provided. Further, no explanation has been given as to why the long outstanding balance of Kshs.25,039,430.15 has not been cleared.

1057. The Statement also reflects Excess Appropriations-in-Aid of Kshs.1,841,418.65 for 2002/2003 and earlier years which has not been surrendered to the Exchequer contrary to the existing financial regulations.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.15 AS AT 30 JUNE 2004

1058. Audit of the Statement of Assets and Liabilities for Vote D.15 as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects Exchequer Account balance of Kshs.292,968,102.70 which includes under-issues for 2003/2004 of Kshs.1,500,000 and a balance of Kshs.291,468,102.70 brought forward from 2002/2003 and prior years. Records maintained at the Treasury, however, show that there were no under issues for 2003/2004 and thus the under issue of Kshs.1,500,000.00 in the Account requires explanation. In addition, no analysis has been provided for the balance of Kshs.291,468,102.70 brought forward from 2002/2003 and prior years and its accuracy has not therefore been ascertained.

1059. The Statement also reflects a Standing Imprest Account balance of Kshs.148,990.00 which relates to 2001/2002 and earlier years. The Statement further reflects a Temporary Imprest Account balance of Kshs.7,599,728.10 relating also to 2001/2002 and earlier years. No analyses have been provided

for both Imprest Account balances or explanation given as to why the imprests have remained uncleared beyond their clearance dates.

1060. The Statement in addition reflects a Suspense Account Headquarters net debit balance of Kshs.25,939,530.20. The balance includes a credit balance of Kshs.1,060,469.90 in respect of 2001/2002 and earlier years and a debit balance of Kshs.27,000,000.00 in respect of 2003/2004 financial year. However, no analyses have been provided for both balances and their accuracy and nature has not therefore been ascertained.

1061. The Statement shows Paymaster General Account debit balances totalling Kshs.23,670,518.15 and credit balances of Kshs.593,887.10 all relating to 2002/2003 and earlier years and which have remained uncleared. No explanation has been provided for non-clearance of these balances. Further, according to the Board of Survey report dated 1 July, 2004, Cash on hand as at 30 June, 2004 stood at Kshs.12,760.15. However, this balance has been omitted from the Statement without any explanation.

1062. The Statement also shows a General Account of Vote balance of Kshs.300,580,186.50 out of which Kshs.291,675,066.65 relates to 2002/2003 and earlier years. No explanation has been given as to why these balances have remained uncleared for a long period of time.

1063. The Statement further shows a balance of Kshs.27,830,502.00 against the District Reimbursement Suspense Account out of which Kshs.17,301.65 relates to 1999/2000 and earlier years while the remaining balance of Kshs.27,813,201.25 relates to 2003/2004. However, no analysis has been provided for the balance of Kshs.27,830,502.00.

1064. The Statement in addition shows a Development Clearance Account balance of Kshs.1,118,997.00 which dates as far back as 1996/97. No explanation has been provided for failure to analyse and clear this long outstanding balance.

1065. The Statement also shows Excess Appropriation-In-Aid balance of Kshs.28,421,636.65 brought forward from 2000/2001 and earlier years. No explanation has been given as to why the amount has not been surrendered to the Exchequer in accordance with the existing financial regulations.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1066. Audit of the Statement of Assets and Liabilities for Deposits as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects a net debit balance of Kshs.11,028,872.10 under Provincial/District Reimbursement Account which includes a balance of Kshs.9,449,142.95 relating to 2002/2003 and earlier years that has not been cleared to date. No explanation has been given for non clearance of this balance.

1067. The Provincial/District Reimbursement Account also includes Account No. 4-290-480-000 with a debit balance of Kshs.131,345.00 and Account Nos.4-290-000-000, 4-290-680-000 and 4-290-770-000 with credit balances totalling Kshs.1,088,408.10 in respect of some unidentified districts. The source and nature of these debit and credit balances has not therefore been ascertained.

1068. The Statement also reflects Imprests Accounts net debit balance of Kshs.3,649,488.20 which includes Account No. 4-283-001-001-9 with a credit balance of Kshs.332,500.00 against unidentified persons. No detailed analyses have been provided for the balance of Kshs.3,649,488.20 or explanation given for the unusual credit balance in an account which should normally reflect nil or debit balance.

1069. The Statement further reflects a Suspense Account net debit balance of Kshs.7,177,088.65 which has not been analysed. Included in the balance is an amount of Kshs.6,988,459.90 relating to 2002/2003 and earlier years, the non-clearance of which has not been explained. The balance of Kshs.7,177,088.65 also includes debit balances totalling Kshs.1,984,361.55 and credit balances totalling Kshs.1,370,361.55 all of which have not been identified or explained.

1070. The Statement in addition reflects a Paymaster General Account debit balance of Kshs.21,122,447.70 which differs from the Cashbook debit balance of Kshs.18,184,369.65 reflected in the Board of Survey Report by Kshs.2,938,078.05. No reconciliation or explanation has been provided for the difference.

1071. The Statement also shows a Deposits Account net credit balance of Kshs.42,977,896.65 which includes debit balances totalling Kshs.4,744,463.55 and credit balances totalling Kshs.218,794.40 against non existing accounts. No reason has been given for failure to identify the proper accounts to which these debit and credit balances relate.

1072. The Deposits Account also includes unusual debit balances totalling Kshs.4,744,463.55. No explanation has been given for the unusual debit balances under the Account.

MINISTRY OF TRADE AND INDUSTRY

BANK RECONCILIATION STATEMENT

1073. Examination of Bank Reconciliation Statement for the Deposits Cashbook as at 30 June, 2004 has revealed a number of unsatisfactory matters. The Statement reflects payments in Cashbook not in Bank Statement totalling Kshs.806,170.90 out of which an amount of Kshs.481,070.90 relates to 2002/2003 and earlier years. No explanation has been provided as to why these payments have not been entered in the Bank Statement.

1074. The Statement also reflects receipts in Bank Statement not in Cashbook totalling Kshs.13,933,507.35 which include an amount of Kshs.2,824,417.10 relating to 2002/2003 and earlier years. Again it has not been explained why these receipts have not been recorded in the Cashbook.

1075. The Statement further reflects payments in Bank Statement not in Cashbook totalling Kshs.8,043,298.80 out of which an amount of Kshs.7,962,458.80 relates to 2002/2003 and earlier years. Similarly, no explanation has been given as to why the payments have not been entered in the Cashbook.

1076. The Statement also shows receipts in Cashbook not reflected in Bank Statement totalling Kshs.29,186,735.10 which include an amount of Kshs.15,018,874.85 relating to 2002/2003 and earlier years. As in the previous instances, no explanation has been provided as to why these receipts do not appear in the Bank Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R16 AS AT 30 JUNE 2004

1077. The audit of the Statement of Assets and Liabilities for Vote R.16 as at 30 June, 2004, has revealed a number of unsatisfactory matters. The Statement reflects a debit balance of Kshs.211,145,926.95 against the Exchequer Account while the analysis provided to support the account shows an amount of Kshs.199,798,491.95. The difference of Kshs.11,347,345.00 between the two sets of records has not been reconciled or explained.

1078. The Statement also reflects Excess Votes totalling Kshs.39,038,066.25 made up of balances of Kshs.13,030,582.10 for 1983/84 and Kshs.26,007,484.25 for 1998/99. Although the Public Accounts Committee had in its report for 1983/84 recommended that the Excess Vote for 1983/84 be disallowed by Parliament until the Recurrent Appropriation Account for that year

was revised and re-submitted for audit, no action appears to have been taken in this regard as no revised account has been submitted for audit.

1079. The Statement further reflects an amount of Kshs.89,137,599.25 against Advances Account which has not been properly analysed as details in respect of Advance Salary and Advances to Ministry of Foreign Affairs Accounts as well as balances brought forward from 1990/91 and earlier years, all totalling Kshs.79,836,770.15 have not been prepared. Consequently, it has not been possible to ascertain the correctness of the Advances amounting to Kshs.89,137,599.25 shown against the Account.

1080. The Statement shows amounts of Kshs.1,378,941.35 and Kshs.22,797,279.10 relating to 2002/2003 and earlier years in respect of Standing and Temporary Imprest Accounts respectively and which have not been surrendered or accounted. No explanation has been provided as to why the Imprests have not been surrendered or accounted for.

1081. The Statement also shows a Paymaster General Account balance of Kshs.428,570,062.45 while the Cashbook as at 30 June 2004 reflects an amount of Kshs.8,488,313.45 against the same Account. The difference of Kshs.420,081,749.00 between the two sets of records has not been reconciled or explained.

1082. The Statement further shows against General Suspense Account a balance of Kshs.6,990,055.35 which has not been properly analysed. Apart from lack of analysis, the amount of Kshs.6,990,055.35 includes a figure of Kshs.5,109,261.30 which relates to 2002/2003 and earlier years and which has not been cleared. No explanation has been provided for lack of an analysis for the balance of Kshs.6,990,055.35 or for non-clearance of the amount of Kshs.5,109,261.30 relating to 2002/2003 and earlier years.

1083. Other balances shown in the Statement and which have not been properly analysed include Kshs.10,055,711.75 against Provincial/District Suspense Account, Kshs.11,347,435.00 against Exchequer Account and Kshs.16,314,875.70 against Annual Agency Account. Consequently, it has not been possible to ascertain their correctness. Further, no explanation has been given for non-clearance of these balances although they all relate to 2002/2003 and earlier years.

1084. The Statement similarly reflects a General Account of Vote Credit balance of Kshs.778,872,662.30 while the analysis submitted to support the balance shows an amount of Kshs.790,220,097.30. The difference of Kshs.11,347,435.00 between the two sets of records has been shown in the analysis as representing Exchequer over-issues for 2001/2002. It is however

unlikely that the balance represents Exchequer over-issues considering the very strict controls exercised over issues from the Exchequer.

1085. Although the audited Statement for 2002/2003 reflected a closing debit balance of Kshs.24,807,846.20 against the District Deposits/Suspense Account, this balance does appear to have been brought forward as expected as it is missing in the Statement for 2003/2004. Similar to the previous instances, no explanation has been provided for this omission.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D16 AS AT 30 JUNE 2004

1086. The audit of the Statement of Assets and Liabilities for Vote D16 as at 30 June, 2004 has revealed a number of unsatisfactory matters. The Statement reflects a debit balance of Kshs.690,029,869.00 under the Exchequer Account while the analysis provided to support the balance shows an amount of Kshs.670,845,437.30. The difference of Kshs.19,184,431.70 between the two sets of records has not been reconciled or explained.

1087. Further, out of the figure of Kshs.670,845,437.30 shown in the analysis, amounts of Kshs.3,193,524.30 for 1997/98 and Kshs.15,990,907.40 for 1998/99 represent Exchequer over-issues for Ministries of Tourism and Industry respectively. It is however unlikely that these amounts represent actual exchequer over-issues considering the strict controls exercised over exchequer issues.

1088. The Exchequer Account balance of Kshs.690,029,869.99 also includes an amount of Kshs.678,389,859.00 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been given for non-clearance of this amount.

1089. The Statement also shows a net debit balance of Kshs.488,969.75 against Standing Imprest which includes a credit figure of Kshs.11,030.25. It has however not been explained what is represented by a credit balance in an account which under normal circumstances should show nil or debit balance. In addition, no explanation has been provided for non-clearance of the entire balance of Kshs.488,969.75 which relates to 2002/2003 and earlier years.

1090. The Statement further reflects a debit balance of Kshs.786,690.35 against the Temporary Imprest Account which has not been analysed. As a result, the correctness of the balance could not be ascertained.

1091. The Statement also reflects a credit balance of Kshs.508,763,650.00 under General Account of Vote while the analysis provided in respect of the Account shows an amount of Kshs.505,023,575.50 resulting in an unreconciled

and unexplained difference of Kshs.3,740,074.50 between the two sets of records.

1092. In addition, the balance of Kshs.508,763,650.00 includes amounts totalling Kshs.491,833,711.60 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been given for non-clearance of the amount of Kshs.491,833,711.00.

1093. The Statement similarly reflects a credit balance of kshs.2,373,600.00 under Provincial/District Suspense Account relating to 2002/2003 and earlier years and which has not been cleared. As in the previous instances, no explanation has been given for non-clearance of the balance.

1094. The Statement reflects other long outstanding balances relating to 2002/2003 and earlier years under seven (7) Accounts with total credit and debit balances of Kshs.27,314,151.65 and Kshs.3,740,074.55 respectively. No explanation has been given for the non clearance of these balances.

1095. The Statement in addition reflects a Paymaster General Account balance of Kshs.156,596,601.95 Cr while the Cash book as at 30 June 2004 shows an amount of Kshs.4,500,838.10 or against the same Account. The difference of Kshs.161,097,440.05 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004.

1096. The audit of the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June, 2004 has revealed the following unsatisfactory matters.

1097. The Statement reflects a Paymaster General Account balance of Kshs.71,107,810.90 while the Cashbook as at 30 June 2004 shows an amount of Kshs.36,711,976.15 against the same Account. The difference of Kshs.34,395,834.75 between the two sets of records has not been reconciled or explained.

1098. The Statement also reflects debit and credit balances totalling Kshs.4,632,755.65 and Kshs.69,982,801.35 respectively against various Accounts which have not been properly analysed. In the absence of the full analyses, it has not been possible to ascertain the correctness of the balances.

1099. One of the balances referred to above is Kshs.358,063.90 listed under the National Youth Development Fund and which represents contributions from individuals towards a National Youth Harambee held in 1997. No cogent

reasons have been provided as to why the money has not been put to the intended use or converted to Government revenue.

1100. The Statement further reflects debit and credit balances totalling Kshs.5,591,342.10 and Kshs.34,482,480.15 respectively under various Accounts which have not been cleared although they relate to 2002/2003 and earlier years. No explanation has been provided for the non-clearance of these balances.

1101. Credit and debit balances totalling Kshs.4,596,421.70 and Kshs.36,450.00 respectively which were reflected in the audited Statement for 2002/2003 and earlier years were apparently not brought forward into the Statement for 2003/2004. No explanation has been given for the exclusion of these balances in the Statement for 2003/2004.

MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.17 AS AT 30 JUNE 2004

1102. The Statement also shows a Paymaster General Account debit balance of Kshs.23,402,842.25 which differs from the Cashbook balance of Kshs.8,808,928.50 by Kshs.14,593,913.75. The explanation given for the difference of Kshs.14,593,913.75 is that it relates to old Cashbook balances not brought forward into the 2003/2004 Cashbook and an under cast in the Cashbook 2003/2004.

MINISTRY OF GENDER, SPORTS, CULTURE AND SOCIAL SERVICES

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.18 AS AT 30 JUNE 2004

1103. The Statement of Assets and Liabilities for Vote R.18 as at 30 June 2004 reflects an Exchequer Account balance of Kshs.148,953,216.00 while records maintained at the Treasury in respect of the Account show an amount of Kshs.106,243,500.00 occasioning an unreconciled and unexplained difference of Kshs.42,709,716.00 between the two sets of records.

1104. The Statement also reflects debit and credit balances of Kshs.48,728,705.55 and Kshs.593,890.30 respectively against various Accounts which have been outstanding for a considerably long period of time. No explanation has been given for non-clearance of these balances.

1105. No analysis has been provided for the Imprests Account balance of Kshs.1,903,528.55 which is included in the debit balance of Kshs.48,728,705.50 referred to above with the result that it has not been possible to ascertain its correctness or establish who the holders of the imprest were.

1106. The Statement also reflects a balance of Kshs.7,086,594.60 against the Paymaster General's Account while both the Bank Reconciliation Statement and the Cashbook as at 30 June 2004 show an amount of Kshs.36,847,919.75. The resultant difference of Kshs.29,761,325.15 between the two sets of records has not been reconciled or explained.

1107. The Statement shows against the General Account of Vote an opening balance of Kshs.74,647,053.15 while the audited Statement for the year 2002/2003 shows a closing figure of Kshs.72,855,068.05 against the same amount. The difference of Kshs.1,791,985.10 between the two records has not been reconciled or explained.

1108. The Statement in addition shows a Clearance Account (Ministry of Labour) balance of Kshs.10,189,925.50 which has not been analysed and as a result it has not been possible to ascertain its correctness. Further and for the same reason, it has not been possible to establish how the balance relates to Ministry of Labour.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.18 AS AT 30 JUNE 2004

1109. The Statement of Assets and Liabilities for Vote D18 as at 30 June 2004 reflects a balance of Kshs.9,064,276.10 against the Paymaster General Account which however differs by an amount of Kshs.2,242,465.75 from the figure of Kshs.11,306,741.85 shown in both the Cashbook and the Bank Reconciliation Statement. No reconciliation or explanation has been provided for the difference of Kshs.2,242,465.75.

1110. The Statement also reflects a long outstanding balance of Kshs.49,565,251.70 relating to the Exchequer Account which has not been cleared. No explanation has however been given for non-clearance of this balance.

1111. The Statement further reflects a balance of Kshs.54,136,969.40 against the Exchequer Account while records maintained in respect of the Account at the Treasury show an amount of Kshs.57,836,670.00. The difference of Kshs.3,699,700.60 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1112. An audit review of the Statement of Assets and Liabilities for Deposits as at 30 June 2004 has revealed a debit balance of Kshs.1,436,416.00 which is reflected under the Paymaster General Account and which includes an amount of Kshs.98,305.00 relating to 2002/2003. The accuracy of the latter balance could not however be ascertained as the Ministry did not prepare and submit for audit the Statement for 2002/2003.

1113. The Statement also reflects a credit balance of Kshs.1,436,416.00 against Retention Monies Account out of which a sum of Kshs.98,305.00 relates to 2002/2003. As stated above the correctness of the figure of Kshs.98,305 against the Account could not be confirmed due to failure by the Ministry to prepare and submit for audit the Statement for 2002/2003.

MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.19 AS AT 30 JUNE 2004

1114. The audit of the Statement of Assets and Liabilities for Vote R.19 as at 30 June, 2004 has revealed unsatisfactory matters as indicated in the ensuing paragraphs.

1115. The Statement reflects a credit balance of Kshs.42,580,131.50 under Exchequer Account which should normally reflect a nil or debit balance. No explanation has been given for this unusual credit balance.

1116. The Statement further reflects a debit balance of Kshs.34,684,749.35 against the Paymaster General Account (PMG) but the Cashbook for Vote R.19 has not been balanced and closed to facilitate comparison of the closing balance with the PMG balance as at 30 June 2004. Consequently it has not been possible to confirm the correctness of the balance of Kshs.34,684,749.35.

Standing Imprest Account

1117. The Statement also shows a debit balance of Kshs.1,686,413.30 under Temporary Imprest Account which has not been analysed. In the absence of explanations, analyses or reconciliations, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for Vote R.19 as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES VOTE D.19 AS AT 30 JUNE 2004

1118. The audit of the Statement of Assets and Liabilities for Vote D19 as at 30 June, 2004 has revealed unsatisfactory matters as indicated in the following paragraphs:-

1119. The Statement reflects a debit balance of Kshs.1,965,360.45 against Paymaster General Account while the Cashbook reflects a balance of Kshs.209,037.30. The difference of Kshs.1,756,323.15 between the two figures has not been explained or reconciled.

1120. The Statement also reflects a debit balance of Kshs.229,027,472.00 against the Exchequer Account while records maintained at Treasury reflect a debit balance of Kshs.179,437,472.00 resulting in an unexplained difference of Kshs.49,290,000.00 between the two sets of records.

1121. The Statement further reflects a debit balance of Kshs.401,490.10 under Standing Imprest Account which has not been analysed.

1122. The Statement shows a credit balance of Kshs.187,693,337.10 under the General Account of Vote Account while the Appropriation Account for Vote D19 reflects a balance of Kshs.188,403,337.10 as net surplus to be surrendered to the Exchequer. The difference of Kshs.710,000 has not been explained.

1123. In the absence of explanations, analyses or reconciliations as stated above, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for Vote D19 as at 30 June,2004.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1124. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects a credit balance of Kshs.743,052.30 against AHITI students fund which

has not been analysed. In the absence of an analysis to show the nature of the credit and the identities of the depositors, it has not been possible to ascertain the correctness of the balance.

MINISTRY OF WATER AND IRRIGATION

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R20 AS AT 30 JUNE 2004

1125. The Statement of Assets and Liabilities for Vote R20 as at 30 June, 2004 reflects a Paymaster General Account credit balance of Kshs.507,611,606.95 which differs from the Trial Balance figure of Kshs.520,792,032.80 and the Cash book balance of Kshs.2,507,034.00. No explanation or reconciliation has been provided for the differences.

1126. The Statement also reflects excess votes totalling Kshs.312,215,995.80 for the years between 1981/82 and 1993/94 which have remained uncleared from the Ministry's books. No explanation has been given for failure to clear these excess votes.

1127. In addition, the Statement reflects a balance of Kshs.938,530.50 referred to as an excess exchequer release relating to 1987/88, for which no explanation has been given.

1128. The Statement further reflects Exchequer under-issues totalling Kshs.221,028,661.10 for the years 1996/97 to 1998/99 which have remained uncleared. No explanation has been given for failure to clear these under-issues.

1129. No documents have been produced for audit review in support of the figure of Kshs.304,652,869.75 reflected in the Statement as Exchequer Adjustment Account and representing expenditure transferred from the Ministry of Environment and Natural Resources to the Ministry of Water in the year 2002/2003.

1130. The Statement shows General Account of Vote surpluses relating to the years 1995/96, 1996/97, 1997/98 and 1998/99 and totalling Kshs.268,881,308.75, which have remained uncleared in the Statement without explanation.

1131. The Statement also shows an Advance of Kshs.135,000,000.00 relating to 1997/98 from the former Ministry of Rural Development. No explanation has

been given as to what this Advance was in respect of how the Ministry intends to clear it.

1132. The Statement further shows debit and credit balances totalling to Kshs.1,145,002.75 and Kshs.116,228,238.16 respectively which has not been verified as no analysis or explanation have been provided as required by the Government Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D20 AS AT 30 JUNE, 2004

1133. The audit of the Statement of Assets and Liabilities for Vote D20, as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects a Paymaster General Account credit balance of Kshs.549,000,535.75 while the Cashbook as at 30 June 2004 reflects a debit balance of Kshs.26,006,398.85. No reconciliation of explanation has been provided for the difference of Kshs.575,006,934.60 between the two sets of records.

1134. The Statement also reflects Excess Vote balances totalling Kshs.278,619,045.50 relating to the period 1979/80 to 1990/91. In the previous years, reference has been made to the fact that Excess Votes realised in 1979/80, 1983/84 and 1986/87 totalling Kshs.262,577,339.95 were disallowed by Parliament due to inaccurate Accounts then submitted by the Ministry for audit. Although the Public Account Committee (PAC) directed the Ministry to revise and submit for audit accurate Accounts for the respective years, the Ministry has not taken any action on the PAC recommendation to date.

1135. The Statement further reflects three debit balances totalling Kshs.826,332,996.70 and three credit balances totalling Kshs.917,864,242.15 which have not been analysed. In the absence of the analyses in respect of these balances, it has not been possible to ascertain what they represent or their correctness.

1136. The Statement shows General Account of Vote (GAV) surplus balances totalling Kshs.1,503,236,071.00 relating to the period 1995/96 to 2002/2003. No explanation or reason has been provided for failure to clear these long outstanding balances.

1137. In addition, the GAV surplus balance of Kshs.290,241,250.60 for the year 2003/2004 differs from the balance of Kshs.289,001,730.00 reflected in the Appropriation Account for Vote D20 for 2003/2004. The difference of Kshs.709,550.60 between the two sets of records has not been reconciled or explained.

1138. The Statement also shows Exchequer Under Issues totalling Kshs.2,078,142,445.30 relating to 2002/2003 and earlier years. No action appears to have been taken to have these balances cleared.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2003

1139. The audit of the Statement of assets and Liabilities for Deposits as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects seven (7) Miscellaneous Deposits Account debit balances totalling Kshs.115,578,245.00, out of which an amount of Kshs.36,382,907.85 relates to 2002/2003 and earlier years. The Account further includes two (2) credit balances totalling Kshs.122,154,347.45 out of which Kshs.112,466,460.65 relate to 2002/2003 and earlier. No reasons have however been given for not clearing the long outstanding balances relating to 2002/2003 and earlier years.

1140. In addition, no analysis has been provided for the debit balances totalling Kshs.115,578,245.00 reflected under these Miscellaneous Deposits Accounts and no explanation has been provided for failure to provide the analysis. Further, Deposits Accounts should under normal circumstances reflect nil or credit balances but no reasons have been given for the above debit balances.

1141. The Statement also reflects a Paymaster General Account balance of Kshs.6,576,102.45 which differs from the Cashbook balance of Kshs.7,717,775.55 by Kshs.1,141,673.10. The difference has not been reconciled nor explained.

MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R 21 AS AT 30 JUNE 2004

1142. The audit of the Statement of Assets and Liabilities for Vote R21 as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects debit and credit balances totalling Kshs.251,981,292.40 and Kshs.398,311,942.40 respectively for which analyses have not been provided for audit review. No explanation has been provided for failure to analyse these balances. In the absence of the analyses, it has not been possible to confirm what the balances represent or their correctness.

1143. The Statement also reflects General Account of Vote (GAV) debit balances (Excess Votes) relating to the period 1983/84 to 2001/2002 and Exchequer Under Issues relating to the period 1995/96 to 2002/2003 all totalling Kshs.213,222,277.30. The Statement further reflects GAV surpluses relating to the period 1995/96 to 2002/2003, Exchequer Adjustment and Extra-Exchequer receipts both relating to 2002/2003 and all totalling Kshs.572,493,216.05. No reason has been given for the non-clearance of these balances. No indication has also been given as to the measures or efforts being made to have the balances cleared.

1144. Included in the above uncleared balances is the GAV (Excess Vote) for 2001/2002 of Kshs.1,101,472.45 and GAV Surplus for 2001/2002 of Kshs.33,549,810.50. While the GAV Surplus of Kshs.33,549,810.50 agrees with the balance shown in the Recurrent Appropriation Account for the 2001/2002, no explanation has been provided for the balance shown as GAV Excess Vote of Kshs.1,101,472.45 for the same year 2001/2002.

1145. The Statement further shows that various debit and credit balances which were brought forward from the year 2002/2003 were cleared in full from the Ministry records during 2003/2004. The documents showing how the balances were cleared have not however been provided for audit review. In the absence of such documents and records, it has not been possible to confirm the accuracy or correctness of the adjustment.

1146. The Statement reflects Paymaster General Account debit balance of Kshs.639,532,571.65 which differs from the Cashbook balance of Kshs.1,166,778.15. The difference of Kshs.638,365,793.50 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D21 AS AT 30 JUNE 2004

1147. The audit of the Statement of Assets and Liabilities for Vote D21 as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects three debit balances totalling Kshs.1,104,408,171.40 in respect of Temporary Imprests, Agency Suspense and Exchequer Adjustment Accounts and five credit balances totalling Kshs.1,395,525,777.20 in respect of Standing Imprest, Suspense Account, District Suspense, District Suspense Control Account and Clearance Suspense, which have not been analysed. In the absence of the analyses, it has not been possible to ascertain the correctness of these balances.

1148. The Statement also reflects Exchequer Account debit balances totalling Kshs.1,501,073,363.00 being Under Issues relating to the period 1984/85 to

2002/2003. No explanation has been given for the non-clearance of these long outstanding balances.

1149. The Statement further reflects General Account of Vote credit balances totalling Kshs.1,246,801,645 relating to years 1993/94 to 2001/2002. No reason or explanation has been given for the non-clearance of these balances.

1150. In addition, the Statement shows balances described as Suspense Account, Vote Adjustment MWRM & D 2002/2003, Paymaster General (PMG) and Vote Adjustment MWRM & D 2002/2003 which were brought forward from 2002/2003 and shown having been cleared during the year 2003/2004. However, the analysis and documents supporting the adjustment and clearance have not been provided for audit review. In the absence of the analyses and the documents to support the adjustment, it has not been possible to confirm the correctness of the Accounts and Adjustments.

1151. The Statement further reflects a Paymaster General Account balance of Kshs.104,378,016.15 while the Trial Balance shows a balance of Kshs.90,695,640.15 and the Cashbook a balance of Kshs.9,843,121.10 all as at 30 June 2004. No explanation or reconciliation has been provided to explain the differences between the three accounting records which should show the same balance.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1152. The audit of the Statement of Assets and Liabilities for Funds and Deposits as at 30 June, 2004 has revealed a number of unsatisfactory matters.

1153. The Statement reflects a Vote Adjustments – Ministry of Water Account credit balance of Kshs.308,214,025.50. However, the analysis in support of this balance was not provided for audit review. As a result, it has not been possible to ascertain what the balance represents or its correctness.

1154. The Statement also reflects a District Suspense Account debit balance of Kshs.28,736,843.35, and two Miscellaneous Deposits Accounts credit balances totalling Kshs.50,715,265.80 for which analysis was not provided for audit review. As a result, it has not been possible to ascertain what these balances represent.

1155. Further, the Miscellaneous Deposits balance of Kshs.32,080,631.90, Vote Adjustment balance of Kshs.308,214,025.50 and Exchequer Account balance of Kshs.88,382,287.90 all shown in the Statement differ from the balances reflected in the Trial Balance of Kshs.56,176,094.05, Kshs.84,035,700.90 and Kshs.2,169,645.10 respectively. No reconciliations or explanations have been provided for the differences between the two sets of records.

1156. The Statement's District Suspense balance of Kshs.28,736,843.35 further includes an amount of Kshs.28,653,000.35 which relates to 2002/2003 and earlier years and for which no reason has been given for its non-clearance.

1157. In Addition, the Statement reflects an Exchequer Account balance of Kshs.88,382,287.90 in respect of Forest and Mining Revenue Head 160-210. This balance however differs from the balance of Kshs.597,072.20 reflected in the Statement of Revenue for Head 160-120 as at 30 June 2004. The resultant difference of Kshs.87,785,215.70 has not been reconciled or explained.

1158. The Statement further reflects a Paymaster General Account balance of Kshs.418,574,728.85. However, the reconciled Cashbook as at 30 June 2004 reflects a balance of Kshs.171,085,084.15 while the Trial Balance reflects an amount of Kshs.18,418,003.95. No reconciliation or explanation has been provided for the differences between the three sets of records.

MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.22 AS AT 30 JUNE 2004

1159. In the report for 2002/2003 reference was made to the lack of explanations, analyses and reconciliations for the balances appearing in the Statement of Assets and Liabilities for Vote R22 for that year and as stated then the effect these unanalyzed balances may have had on the Appropriation Accounts for 2002/2003 could not be ascertained. A review of the Statements of Assets and Liabilities for Vote R22 as at 30 June 2004 revealed similarly unsatisfactory matters.

1160. The Statement reflects a debit balance of Kshs.1,560,303.30 against Temporary Imprests Account which includes an amount of Kshs.234,372.00 relating to 2002/2003 and prior years. The Statement also reflects a debit balance of Kshs.115,427.50 against Standing Imprests Account all of which relate to 2002/2003 and prior years. No explanation has been provided for failure to analyse, or to clear these balances.

1161. The Statement further reflects a debit balance of Kshs.39,634,917.15 against the District Suspense Account. The analysis provided however, shows a total of Kshs.39,622,417.15 against the Account giving rise to an unexplained difference of Kshs.12,500.00.

1162. In the previous year, it was reported that the Statement for that year reflected a debit balance of Kshs.104,164,683.90 in respect of the Exchequer Account which differed by Kshs.199,683.90 from the figure of Kshs.103,965,000 reflected in the records maintained at the Treasury as at 30 June 2003. To date, no explanation has been given for this difference.

1163. In the absence of explanations, analyses and reconciliations for the balances referred to above, it has not been possible to ascertain the correctness of the Statement of Assets and Liabilities for Vote R.22 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D22 AS AT 30 JUNE 2004

1164. The audit of the Statement of Assets and Liabilities for Vote D.22 as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects a debit balance of Kshs.11,077,352.80 against the District Exchequer Holding Account which agrees with June II Ledger but has not been properly analysed to show detailed particulars and description of items which make it up. In the absence of the necessary analysis it has not been possible to ascertain what the balance represent or its accuracy.

1165. The Statement in addition reflects a credit balance of Kshs.243,630.00 against the District Exchequer Account for 2002/2003 and earlier years in respect of Nakuru/Molo, Bomet/Buret and Nandi/Nandi South Districts. Although the balance is shown as having been cleared in 2003/2004, no documents in support of the clearance have been made available for audit review.

1166. The Statement further reflects a credit balance of Kshs.2,736,509.60 against the District Suspense Account which has not been properly analysed to show detailed particulars and description of the accounts which make up the balance. In the absence of proper analysis for the balance, its make up and accuracy could not be ascertained.

1167. The Statement also reflects a General Account of Vote credit balance of Kshs.2,955,205.20 relating to 2002/2003. No explanation has been provided for failure to clear this long outstanding balance.

1168. In the absence of explanations, analysis or reconciliation as stated above, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for vote D.22 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1169. In the Report for previous year, reference was made to various unexplained discrepancies, unanalysed and unreconciled balances and misreporting which appeared in the Statement of Assets and Liabilities for the Deposits Cashbook as at 30 June 2003. As a result, it was not possible to confirm the correctness of such balances or to ascertain the effect the discrepancies may have on the Appropriation Accounts for the year. The Statement of Assets and Liabilities for the Deposits Cashbook as at 30 June, 2004 contains similar unsatisfactory matters as indicated in the following paragraphs:

1170. The Statement reflects a debit balance of kshs.9,831,774.45 against the Paymaster General Account which tallies with June II ledger, but differs with the Cashbook balance of Kshs.9,845,924.85. No reconciliation or explanation has been given for the difference of Kshs.14,150.00

1171. The Statement further reflects a credit balance of Kshs.5,840,400.95 against Liquidation Fund Account which agrees with June II trial balance but has not been analysed.

1172. The Statement in addition reflects a credit balance of Kshs.30,543.40 in respect of Inquiry Fees Deposits Account but no analysis has been provided to support this balance. Also, no documents were given to show the reduction of Kshs.1,989,166.50 from previous year's balance of Kshs.2,019,709.90.

1173. The Statement also reflects a net credit balance of Kshs.1,149,253.35 against returned salaries but the analysis provided in support of the figure reflects a total of Kshs.1,170,530.55 which exceeds the amount in the Statement by Kshs.21,277.20, a difference which has not been explained.

1174. It was further noted that returned salaries amounting to Kshs.95,721.80 were recorded in official receipts, but were not included in the analysis provided. No explanation has been provided for the omission. Also, returned salaries amounting to Kshs.94,889.80 were included in the analysis given but no official receipts were provided to support the figure.

1175. Although the Statement reflects credit balance of Kshs.218,439.00 which is described as "Transfer from Agriculture", no documents were produced to show what the balance represents.

1176. In the absence of analyses for the balances and reconciliations or explanations for the differences noted, it has not been possible to ascertain the correctness of the Statement of Assets and Liabilities for Deposits as at 30 June 2004 or the effects these differences may have on the Appropriation Accounts for 2003/2004.

OFFICE OF THE ATTORNEY GENERAL

BANK RECONCILIATION STATEMENTS FOR RECURRENT AND DEPOSITS CASHBOOKS AS AT 30 JUNE 2004

1177. Examination of Bank Reconciliation Statements for Recurrent and Deposits Cashbooks as at 30 June 2004 has revealed a number of unsatisfactory matters.

1178. The Statement also shows receipts in Bank Statement not recorded in Cashbook amounting to Kshs.5,748,150.80. These comprise of bankings, Exchequer Issues and Other Adjustments. Included in the total is an amount of Kshs.2,289,544.50 described as Cashbook adjustment without any further explanation. It is not clear why these amounts have not been cleared from the Reconciliation Statement.

1179. The Statement further reflects payment in Bank Statement not recorded in Cashbook of Kshs.13,876,159.40 which includes Kshs.224,977.05 in respect of 'Unpaid Cheques' and Kshs.10,265,754.70 referred to as 'Bank debits'. Included in the "Bank debits" is an amount of Kshs.8,300,000.00 which has been explained as relating to district reimbursements. Non clearance of the amount of Kshs.8,300,000.00 has been attributed to failure by Treasury to provide the necessary documentation. It is not, however, clear why the other amounts have not been cleared from the Reconciliation Statement.

Deposits Cashbook

1180. The Statement reflects payments in the Cashbook not recorded in Bank Statement totalling Kshs.11,413,026.20 which includes an amount of Kshs.9,156,605.95 representing stale cheques relating to year 2002/2003 and earlier years. No explanation has been given as to why the stale cheques and other payments have not been investigated and cleared from the Reconciliation Statement.

1181. The Statement also reflects receipts in Bank Statement not recorded in Cashbook amounting to Kshs.13,158,911.80 all relating to 2002/2003 and earlier

years. It is not clear why these receipts have not been verified for recording in the Cashbook.

1182. The Statement further reflects payments in Bank Statement not in Cashbook totalling Kshs.56,045,087.30. The balance includes an amount of Kshs.14,540,216.00 referred to as transfer from Vote R.25 relating to 1997/98, Kshs.975,873.20 described as missing bunch of cheques and Kshs.10,000,000 referred to as payment to the Attorney General. No explanation has been given for failure to clear these amounts from the Reconciliation Statement.

1183. The Statement also shows receipts in Cashbook not in Bank Statement totalling Kshs.24,822,020.75 which includes Kshs.24,562,020.75 relating to 2002/2003 and earlier years. No explanation has been given for failure to investigate these receipts for clearance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.25 AS AT 30 JUNE 2004

1184. The audit of the Statement of Assets and Liabilities for Vote R.25 as at 30 June, 2004 has revealed a number of unsatisfactory matters. The Statement reflects an Exchequer Account debit balance of Kshs.371,458,878.00 and a credit balance of Kshs.30,200.00 relating to 2002/2003 and earlier years. No explanation has been provided for failure to clear these long outstanding balances.

1185. The Statement also reflects an Advances Account debit balance of Kshs.13,936,622.00 which has not been fully analysed. The balance includes unsettled losses totalling Kshs.934,563.25 and R.D. Cheques amounting to Kshs.131,163.05 which have been outstanding for several years. No explanation has been provided for failure to fully analyse the balance or to clear the long outstanding unsettled losses and R.D. cheques.

1186. The Statement further reflects an Imprest Account debit balance of Kshs.3,160,783.75 which has not been analysed. The balance also differs from Imprests totalling Kshs.5,184,011.25 recorded as outstanding in the Imprests Register as at 30 June 2004. In addition, the Imprest balance of Kshs.3,160,783.75 includes unusual credit balances totalling Kshs.124,540.00.

1187. No explanation has been provided for lack of the analysis or for the unusual credit balances in an Account which should normally reflect only debit or nil balances.

1188. The Statement in addition reflects a Provincial and District Suspense Account debit balance of Kshs.16,192,449.15 relating to 2002/2003 and earlier

years which has not been analysed. No explanation has been given for the lack of analysis or failure to clear the balance.

1189. The Statement shows an Agency Account debit balance of Kshs.229,303.50 relating to 2000/2001 and earlier years which has not been analysed. No explanation has been given for the failure to analyse or clear the balance.

1190. The Statement also shows a General Account of Vote (GAV) credit balance of Kshs.518,138,190.50 which in turn includes an amount of Kshs.476,570,890.70 relating to 2002/2003 and earlier years. The Statement also continues to reflect GAV debit balance of Kshs.53,163,130.95 relating to 1997/98 and earlier years. No reason has been given for failure to clear these long outstanding balances.

1191. The Statement further reflects a Suspense Accounts credit balance of Kshs.17,125,917.15 which has not been analysed and which include an amount of Kshs.16,674,880.70 relating to 2002/2003 and earlier years. The balance also includes a credit balance of Kshs.1,246,736.40 in respect of stale cheques. No explanation has been given for failure to analyse or clear these balances.

1192. The Statement further shows a net Clearance Accounts credit balance of Kshs.12,409,089.55 out of which Kshs.10,910,041.50 relates to 2002/2003 and earlier years. This balance includes unexplained debit balances totalling Kshs.18,778,643.80 in accounts which under normal circumstances should reflect credit or nil balances.

1193. The Statement also shows an Excess Appropriation in Aid credit balance of Kshs.95,088,604.15 out of which Kshs.73,705,099.30 relates to 2001/2002 and earlier years. No explanation has been given for failure to remit the amount to the Exchequer.

1194. The Paymaster General Account debit balance of Kshs.129,585,234.00 shown in the Statement differs from the Cashbook balance of Kshs.12,444,027.50 by Kshs.117,141,206.50. The difference has not been reconciled or explained.

1195. In the absence of proper analyses for the balances referred to above and lack of explanation for the differences, the unusual debits and credits under Clearance and Imprests account respectively, amongst other issues, it has not been possible to confirm the accuracy of the Statement of Assets and Liabilities Vote R.25 as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.25 AS AT 30 JUNE 2004

1196. The Statement of Assets and Liabilities for Vote D.25 as at 30 June, 2004, shows a Paymaster General Account credit balance of Kshs.29,244,827.20 while the Cashbook shows a debit balance of Kshs.542,151.50. The difference of Kshs.29,786,978.70 between these two sets of records has not been reconciled or explained.

1197. The Statement also shows unanalysed debit balance of Kshs.1,600,762.70 in respect of Imprest Accounts and credit balances totalling Kshs.3,640,559.65 in three Suspense Accounts which have remained uncleared from 1998/99 and earlier period. In the absence of analysis, it has not been possible to determine what these balances represent or how they affect the accuracy of the Statement.

1198. The Statement also shows long outstanding balances in respect of Exchequer Account, General Account of Vote and Excess AIA which though analysed have not been cleared from the books of Accounts. No explanation has been provided for non-clearance of these balances.

1199. In view of the matters raised above, it has not been possible to ascertain the accuracy of the Statement of Assets and Liabilities for Vote D.25 as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1200. The Statement of Assets and Liabilities for Deposits 25 as at 30 June 2004 shows a District Suspense Account debit balance of Kshs.38,828.60 relating to 1992/93 which has remained uncleared and outstanding in the books for a long period without any explanation.

1201. The Statement also reflects a Paymaster General Account debit balance of Kshs.117,742,492.25. However, the Cashbook shows a debit balance of Kshs.71,079,712.00. The difference between the two balances of Kshs.46,662,780.25 between the two sets of records has not been reconciled or explained.

1202. The Statement further reflects a Sundry Deposit Account net credit balance of Kshs.56,218,491.10 which includes, a credit balance of Kshs.59,786,064.45 brought forward from the previous years and a debit balance of Kshs.3,567,573.35 in respect of 2003/2004. No explanation has been given for failure to provide detailed analyses for the balance which apparently consists

of miscellaneous deposits, debt collection, confiscated goods and benevolent fund.

1203. The Statement also shows a Deposit Suspense Account credit balance of Kshs.61,363,364.45 which includes Kshs.51,194,120.50 brought forward from the previous year and Kshs.10,169,243.95 relating to the financial year under review. No detailed analysis have been given for the balance which apparently consists of items awaiting clearance, election candidates deposits, retention money, remittance without particulars, dishonoured cheques, stale cheques, legislative review fund, payments to advocates in arbitration cases, Auctioneers Licensing Board deposits and deposits relating to Civil Service Reform Programme, Legal Sector Reform Programme and Company Registry Computerization Programme.

1204. Further, the Statement shows a Clearance Account credit balance of Kshs.19,833.00 relating to 1998/99, which has remained uncleared and outstanding for a long period without any explanation for its non-clearance.

1205. In addition, the Statement shows a Provincial Suspense Account credit balance of Kshs.179,632.30 relating to 1992/93, which has similarly remained uncleared and outstanding for a long time again without explanation for its non clearance.

JUDICIARY

BANK RECONCILIATION STATEMENTS FOR RECURRENT AND DEPOSITS CASHBOOKS

1206. Audit of Bank Reconciliation Statements for Recurrent and Deposit Cashbooks as at 30 June 2004 has revealed a number of unsatisfactory matters.

Recurrent Cashbook

1207. The Bank Reconciliation Statement for Recurrent Cashbook shows payments in cash book not recorded in Bank Statement of Kshs.74,035,962.50 some dating back to December 2003. The Statement also reflects receipts in Cashbook not recorded in Bank Statement of Kshs.24,728,817.96 some dating back to July 2003. It has not been explained why the payees would fail to bank government cheques amounting to Kshs.74,035,962.50 or why receipts in Cashbook amounting to Kshs.24,728,817.96 would remain unbanked for such a long time.

1208. The Statement also show receipts in Bank Statement not recorded in Cashbook amounting to Kshs.24,163,421.21 and payments in Bank Statement not recorded in Cashbook of Kshs.19,054,028.30, some dating back to July 2003. No explanation has been given why the Cashbook has not been updated with both the receipts and payments shown in the Bank Statements.

Deposits Cashbook

1209. The Bank Reconciliation Statement for Deposits Cashbook reflects receipts in Cashbook not recorded in Bank Statement amounting to Kshs.13,206,461.92 which includes Kshs.878,672.52 relating to 2002/2003 and earlier years. No explanation has been given for failure to clear these long outstanding transactions.

1210. The Statement also shows payments in Cashbook not recorded in Bank Statement amounting to Kshs.1,732,255.70 some dating back to January 2004. The Statement further shows receipts in Bank Statement not in Cashbook amounting to Kshs.17,828.00 and payments in Bank Statement not in Cash book totalling Kshs.65,000.00. It has not been explained why these amounts have not been cleared from the Reconciliation Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R26 AS AT 30 JUNE 2004

1211. The Statement of Assets and Liabilities for Vote R.26 as at 30 June 2004 reflects a Paymaster General Account debit balance of Kshs.490,140,810.00 whereas the Ledger and Trial Balance reflects a debit balance of Kshs.387,860,350.90. The difference of Kshs.102,280,459.10 between these two balances has not been reconciled or explained.

1212. Further, the balance of Kshs.490,140,810.00 differs from the Cashbook debit balance of Kshs.22,872,678.50 by Kshs.467,268,131.50. The difference of Kshs.467,268,131.15 between the two sets of records has also not been reconciled or explained.

1213. In addition, the balance of Kshs.490,140,810.00 includes Kshs.420,565,060.30 brought forward from 2002/2003. No explanation has been provided for non-clearance of this balance.

1214. The Statement also shows an Exchequer Account debit balance of Kshs.22,348,320.00 which relates to 2002/2003 and earlier years. No reasons have been given for the non-clearance of this balance.

1215. The Statement further reflects a General Account of Vote (GAV) debit balance of Kshs.95,358,845.85 representing Excess Votes for 1998/99 and earlier years. The Statement also shows a GAV credit balance of Kshs.330,232,381.90 relating to 2002/2003 and earlier years. No explanation has been provided for non-clearance of these balances.

1216. The Statement shows an Advance Account debit balance of Kshs.76,450,326.65 which has not been analysed. No explanation has been provided for failure to analyse and clear the balance.

1217. The Statement also shows Standing and Temporary Imprest Account debit balances of Kshs.485,961.50 and Kshs.8,844,724.85 respectively and a District Imprest Account credit balance of Kshs.209,147.50 all which have not been analysed. No explanation has been given for failure to analyse or clear these balances.

1218. The Statement further shows an Agency Account debit balance of Kshs.62,317,904.20 which has not been analysed and which includes a balance of Kshs.58,027,654.60 relating to 2002/2003 and earlier years. No explanation has been provided for lack of analysis and for non-clearance of the balance.

1219. The Statement shows a Retention Money Account credit balance of Kshs.176,317.40 relating to 2001/2002 and earlier years. No explanation has been provided for non-clearance of the balance.

1220. The Statement also shows a Clearance Account credit balance of Kshs.7,955,178.65 which has not been analysed and which includes unexplained and unusual debit balances totalling Kshs.91,180,431.75. No explanation has been provided for failure to analyse the former balance or for the above unusual debit balances in Accounts which should normally reflect nil or credit balances.

1221. The Statement further shows an Excess Appropriations-in-Aid balance of Kshs.274,624,430.75 which relates to 2002/2003 and earlier years. No explanation has been provided for failure to remit the Excess Appropriations-in-Aid to the Exchequer.

1222. The Statement similarly shows a Provincial and District Suspense Account credit balance of Kshs.99,886,194.25 which has not been analysed and which includes Kshs.57,626,605.25 relating to 2002/2003 and earlier years. The credit balance of Kshs.99,886,194.25 shown in the Statement differs from the debit balance of Kshs.54,328,415.30 reflected in the Trial balance by Kshs.154,214,609.55. The difference has not been reconciled or explained. No explanation has also been provided for failure to analyse or clear the balance of Kshs.57,626,605.25 from books of accounts.

1223. In the absence of analyses for the various balances mentioned above and explanation for the various differences it has not been possible to ascertain the accuracy of the Statement of Assets and Liabilities for Vote R26 as at 30 June 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D 26 AS T 30 JUNE 2004

1224. The Statement of Assets and Liabilities for Vote D.26 as at 30 June 2004 reflects an Exchequer Account debit balance of Kshs.66,274,660.00 relating to 2002/2003 and earlier years. No explanation has been given for non-clearance of the long outstanding balance.

1225. The Statement also reflects a General Account of Vote debit balance of Kshs.31,324,227.00 relating to 1997/98 and earlier years. The Statement also shows under the same account a credit balance of Kshs.85,536,446.40 relating to 2002/2003 and earlier years. No explanation has been provided for non-clearance of these long outstanding balances.

1226. The Statement further reflects a Paymaster General Account debit balance of Kshs.47,812,108.94 which differs from both the Cashbook debit balance of Kshs.2,720,405.90 by Kshs.45,091,703.04 and the Trial Balance figure of Kshs.28,101,055.94 by Kshs.19,711,053.00. No explanation or reconciliation has been provided in respect of these differences.

1227. The Statement also shows a District Imprests Account net debit balance of Kshs.10,600.00 relating to 2002/2003 and prior years which has not been analysed. No explanation has been given for failure to analyse or clear the balance.

1228. The Statement further shows a District Suspense Account credit balance of Kshs.15,732,652.15 which has not been analysed and which differs from Trial balance figure of Kshs.28,231,599.05 by Kshs.12,498,946.90. No explanation has been given for the difference of Kshs.12,498,946.90. The balance of Kshs.15,732,652.15 includes Kshs.15,504,632.20 relating to 2002/2003 and earlier years. No explanation has been provided for failure to analyse and clear the long outstanding balances.

1229. The Statement also reflects a Retention Money Account credit balance of Kshs.1,033,360.25 which has not been analysed. No explanation has been given for failure to analyse or clear the balance.

1230. The Statement further reflects an Excess Appropriations-In-Aid Account credit balance of Kshs.30,714,306.00 relating to 1996/97 and 1997/98. No explanation has been given for failure to surrender the amount to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS, REVENUE AND SUNDRIES AS AT 30 JUNE 2004

1231. The Statement of Assets and Liabilities for Deposits, Revenue and Sundries as at 30 June 2004 shows a Paymaster General Account debit balance of Kshs.251,721,636.50 while the Cashbook shows a debit balance of Kshs.237,732,411.52. The difference of Kshs.13,989,224.98 between the two balances has not been reconciled or explained.

1232. The Statement also shows a Suspense Account net debit balance of Kshs.13,694,625.05 which has not been analysed. The balance includes dishonoured and stale cheques amounting to kshs.19,661,305.80 and Kshs.17,797,352.30 respectively. It is not clear what action has been taken on the dishonoured and stale cheques and no explanation has been provided for failure to analyse or clear the balances.

1233. The Statement further shows a Deposits Account net credit balance of Kshs.98,205,182.95 which is not analysed. The Account includes unusual and unexplained debit balances totalling Kshs.19,240,020.55 while it should normally reflect nil or credit balances. No explanation has also been given for failure to analyse the balance of Kshs.98,205,182.95.

1234. The Statement also reflects a Provincial and District Suspense Account net credit balance of Kshs.6,257,552.10 which has not been analysed. No explanation has been provided for failure to analyse or clear the balance.

1235. In the absence of analyses and explanation for various differences and unusual balances in the Statement, it has not been possible to ascertain the accuracy of the Statement of Assets and Liabilities for Deposits, Revenue and Sundries as at 30 June 2004.

PUBLIC SERVICE COMMISSION

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R27 AS AT 30 JUNE 2004

1236. The Statement of Assets and Liabilities for Vote R.27 as at 30 June, 2004 reflects an Agency Account debit balance of Kshs.666,170.40 made up of RD cheques Kshs.94,259.00 Dr, Members salary Kshs.978,772.35 Dr, Stale Cheques Kshs.334,712.30 Cr and Cashbook Adjustment Kshs.72,148.65 Cr. The

balance includes Kshs.601,629.40 relating to 2002/2003 and earlier years which has not been analysed or cleared from the accounts or explanation given as to why it has not been cleared.

1237. The Statement also reflects an Exchequer under issues debit balance of Kshs.3,846,914.00 which relates to 2002/2003 and earlier years. No explanation has been given for failure to clear the balance.

1238. The Statement further reflects an Advance Account debit balance of Kshs.937,176.85 out of which an amount of Kshs.540,230.55 relates to 2002/2003 and earlier years. No explanation has been given for its non-clearance. Further, the debit balance of Kshs.937,176.85 includes an amount of Kshs.186,677.30 in respect of Salary In Advance which normally should be cleared at the end of the month in which it was advanced. No explanation has been given for failure to clear this balance.

1239. The Statement in addition reflects a Paymaster General Account with a debit balance of Kshs.10,510,954.85 out of which an amount of Kshs.3,720,378.60 relates to 2002/2003 and earlier years. No explanation has been given for non clearance of the later balance.

1240. The Statement shows an Excess Appropriations-In-Aid (AIA) Account with a credit balance of Kshs.135,312.00 out of which Kshs.34,700.00 relates to 2002/2003. In addition, the Statement reflects a General Account of Vote (GAV) credit balance of Kshs.15,422,181.65 out of which an amount of Kshs.8,300,628.85 relates to the years between 1995/96 and 2002/2003. No explanation has been given for failure to clear the long outstanding Excess AIA and GAV credit balances.

1241. The Statement also shows a Clearance Account credit balance of Kshs.467,289.70 relating to 2002/2003 and earlier years. No explanation has been given for failure to clear this long outstanding balance.

NATIONAL ASSEMBLY

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.29 AS AT 30 JUNE 2004

1242. The audit of the Statement of Assets and Liabilities for Vote R 29 as at 30 June, 2004 revealed a number of unsatisfactory matters. The Statement reflects an Exchequer Account balance of Kshs.1,337,354,968.30 out of which Kshs.763,394,068.30 relates to 2002/2003 and earlier years. The Statement also shows an Advance Account balance of Kshs.2,567,927.45 out of which

Kshs.1,132,081.80 relates to 2002/2003 and earlier years. The Statement in addition reflects a General Account of Vote credit balance of Kshs.1,471,772,868.75 out of which a sum of Kshs.903,756,125.55 relates to 2002/2003 and earlier years. The Statement further reflects an Excess Appropriations-In-Aid balance of Kshs.9,753,333.00 out of which a sum of Kshs.6,918,660.50 relates to 2002/2003 and earlier years. No satisfactory explanation has been given for failure to clear the above 2002/2003 and earlier years balances.

MINISTRY OF ENERGY

BANK RECONCILIATION STATEMENT FOR THE DEPOSITS CASHBOOK AS AT 30 JUNE 2004

1243. In the report for the previous year, reference was made to a payment of Kshs.281,502.00, relating to 1999/2000 financial period and which was in Bank Statement but not in Deposits Cashbook. A review of the position as at 30 June 2004 revealed that the payment was still outstanding as at that date. Although the Ministry has explained that the payment relates to a cheque no.275396 for US\$4,000 which was received from Kaplan and Straton Advocates but dishonoured by the Bank on 20 June 2000, no action appears to have been taken to recover the amount in order to clear it from the Reconciliation Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.30 AS AT 30 JUNE 2004

1244. In the previous years reports, concern was raised on various unsatisfactory matters arising from the audit of the Statement of Assets and Liabilities for Vote R.30. The same unsatisfactory matters persisted during the year 2003/2004 as follows:-

1245. The Statement of Assets and Liabilities as at 30 June 2004 reflects cumulative Excess Appropriations –In-Aid (AIA) of Kshs.64,123,436.60 relating to the years 1994/95, 1996/97, 1997/98, 1999/2000 and 2002/2003. No action appears to have been taken to surrender the Excess A.I.A to the Exchequer as required under laid down Government Financial Regulations and Procedures.

1246. The Statement again reflects an Exchequer balance of Kshs.5,272,931.00 representing under issues during the years 1998/99, 2001/2002 and 2002/2003. The under issues should ordinarily be cleared after Finalization of the audit of the

accounts for the respective years and it is therefore not clear why the amounts have not been cleared.

1247. The Statement also reflects cumulative bank and cash balances of Kshs.117,045,302.10 and Kshs.1, 490,839.95 respectively. However, according to the audited Statement of Assets and Liabilities for the years 1996/97 to 2002/2003 and the Statement under review, the cumulative Cash at Bank and Cash on Hand amounted to Kshs.125,984,897.35 and Kshs.1,512,272.40 respectively as at 30 June, 2004.

1248. There are, therefore unexplained differences in Cash at Bank and Cash on Hand of Kshs.8,939,595.25 and Kshs.21,432.25 respectively between the balances of Cash at Bank and Cash on Hand of Kshs.117,045,302.10 and Kshs.1,490,839.95 reflected in the Statement of Assets and Liabilities as at 30 June, 2004 and the cumulative total balances of Kshs.125,984,897.35 and Kshs.1,512,272.20 respectively obtained from the audited Statements for previous years and the Statement under review. No explanation has been given for these differences.

1249. The Statement also reflects a General Account of Vote cumulative net surplus of Kshs.56,390,003.65 for the year 2002/2003 and earlier years. Although the ministry has explained that it is awaiting instructions from Treasury on how to surrender the outstanding net surplus, it is not clear why appropriate instructions have not been issued.

1250. The Statement further reflects debit balances of Kshs.5,780.00 and Kshs.55,400.00 against Advances and Imprest Accounts respectively under the column for balances for 2002/2003 and earlier years. However, these balances differ from Advances and Imprests Accounts closing debit balances of Kshs.1,433,099.40 and Kshs.588,778.00 respectively, reflected in the Statement of Assets and Liabilities as at 30 June, 2003. Closing balances in the preceding year are ordinarily the opening balances in the current year. No explanation has been given for the anomaly in the case of these Advances and Imprest Accounts.

1251. The Advances Account debit balance of Kshs.1,527,239.50 reflected in the Statement includes Advance Net Salaries totalling Kshs.1,001,885.40 some dating back to as far back as May, 2001. Advance Net Salaries should normally be recovered at the end of the month in which they were issued. No explanation, however, has been given for the non-recovery of the above amount, which has remained outstanding for a long period.

1252. The Statement similarly reflects a Provincial/District Suspense Account credit balance of Kshs.6,670,003.50 but does not show as an opening balance the Provincial/District Suspense Account Closing credit balance of

Kshs.4,874,481.80 as at 30 June 2003. No explanation has been given for this omission.

1253. The Statement also shows a Cashbook adjustment credit balance of Kshs.11,917.85 under balances for 2002/2003 and earlier years, which differs from the closing balance of Kshs.11,918.40 shown against the same item as at 30 June 2003. This apart, it has also not been explained as to what is represented by the Cashbook adjustment.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.30 AS AT 30 JUNE 2004

1254. In previous reports, attention was drawn to long outstanding balances reflected in the Statement of Assets and Liabilities for Vote D.30 without being cleared and without adequate reasons being given for their non-clearance. A review of the Statement of Assets and Liabilities for Vote D.30 as at 30 June, 2004 shows a similarly unsatisfactory state of affairs. The Statement reflects a cumulative Exchequer Account net balance of Kshs.5,098,085,855.00 comprising of Kshs.4,867,625,575.00 relating to 2002/2003 and earlier years and Kshs.230,460,290.00 relating to 2003/2004. The balance of Kshs.5,098,085,855.00 includes a credit balance of Kshs.6,773,800.00 relating to 1997/98. Apart from non-clearance of the long outstanding Balance of Kshs.4,867,625,575.00 It is not clear how the credit balance of Kshs.6,773,800.00 arose in an account which should under normal circumstances reflect nil or debit balance.

1255. The Statement also reflects a cumulative credit balance of Kshs.5,223,388,745.50 against the General Account of Vote which includes balances for 2002/2003 and earlier years totalling Kshs.5,002,013,767.90. No effort appears to have been made by the Ministry to clear these long outstanding balances.

1256. The Statement further reflects Cash on Hand and Cash at Bank cumulative balances of Kshs.725,144.85 and Kshs.93,240,155.90 respectively which include balances of Kshs.697,986.85 and Kshs.74,355,304.85 respectively relating to 2002/2003 and earlier years. No reasons have been given for the non-clearance of the balances for 2002/2003 and earlier years.

1257. In addition, the Trial Balance reflects a Paymaster General Account balance of Kshs.93,014,367.55 which differs from the Cash at Bank balance of Kshs.93,240,155.90 reflected in the Statement. No reconciliation or explanation has been given for the difference of Kshs.225,788.35.

1258. The Statement further reflects a credit balance of Kshs.704,344.25 against the Provincial/ District Suspense Account for which no analysis has been

provided. It has therefore not been possible to ascertain what the balance represents. The Statement also reflects a credit balance of Kshs.950,931.20 against the Suspense Accounts Adjustment for which again no analysis or explanation has been provided. It has therefore not been possible to ascertain what the Adjustment represents.

1259. Further various debit and credit balances which were reflected in the audited Statement of Assets and Liabilities for Vote D.30 as at 30 June, 2003 were not brought forward in the Statement of Assets and Liabilities for 2003/2004. Such balances include General Suspense Account Kshs.63,136,810.90 Dr, Cash at Hand Kshs.1,545,655.55 Dr, Cashbook (Adjustment) Kshs.347,235.70 Cr, Imprest Account Kshs.1,577,964.95 Cr, and Provincial/District Suspense Account Kshs.2,728,635.50 Cr. No satisfactory explanation has been given for the omission from the Statement of these balances which casts doubts on the accuracy of the Statement of Assets and Liabilities for vote D.30 as at 30 June, 2004.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS AS AT 30 JUNE 2004

1260. The Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2004 shows a Cash at Bank balance of Kshs.17,030,606.50 for the year 1996/97 comprising of receipts from Kenya Pipeline Company Ltd for the Kipevu Oil Storage Facility, National Youth Development Fund Contributions and The Energy Development Fund. Available information indicates that the Ministry has been awaiting clearance instructions from the Treasury for seven (7) years now but no explanation has been given for the long delay in the issuance of such instructions.

1261. The Statement further shows a Cash at Bank balance of Kshs.1,635,648.05 and Cash on Hand balance of Kshs.63,874.30. However, no Board of Survey report was produced for audit review to confirm the actual Cash on Hand and Cash at Bank positions as at 30 June 2004.

1262. Cash at Bank balance of Kshs.1,316,520.10 and Cash on Hand amount of Kshs.20,142.95 reflected in the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2003 are not reflected as opening balances in the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2004. No explanation has been provided for the omission of these balances in the Statement under review.

1263. The Statement reflects against various Suspense and Clearance Accounts an outstanding net credit balance of Kshs,16,263,605.55 against Funds, Schemes and Deposits Account for 2002/2003 and earlier years. No explanation has been given for the non-clearance of these balances.

1264. Similarly, the Statement reflects an amount of Kshs.2,103,664.00 representing residue balance of the Energy Development Fund which has not been credited to the Exchequer in accordance with Legal Notice No.6 of 30 December, 1999 under which the Fund was wound up.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.31 AS AT 30 JUNE 2004

1265. The audit of the Statement of Assets and Liabilities for Vote R31 as at 30 June 2004 has revealed a number of unsatisfactory and unexplained matters. The Statement reflects long outstanding General Account of Vote debit and credit balances totalling Kshs.40,166,826.55 and Kshs.4,076,503,487.35 respectively relating to the period 1992/93 to 1999/2000 which have not been cleared. As in the previous years, the Ministry does not appear to have taken any action to clear these balances and no explanation has been given for their non-clearance.

1266. The Statement also reflects long outstanding Exchequer Account debit balances totalling Kshs.3,654,085,835.85 representing Exchequer under-issues relating to the years 1995/96 to 2001/2002. No explanation has been provided for not clearing these balances.

1267. In addition, the Statement shows an Exchequer balance of Kshs.1,893,168,024.20 for 2003/2004 which however, differs by an amount of Kshs.15,138,550.20 from the figure of Kshs.1,878,029,474.00 reflected in the Exchequer Account records held by Treasury as at 30 June 2004. No reconciliation or explanation has been provided for the difference.

1268. The Advances Account reflects a debit balance of Kshs.13,543,849.15 while the Ledger shows an amount of Kshs.12,749,208.80 resulting in a difference of Kshs.749,640.35 between the two sets of records. The difference has not been reconciled or explained. The Statement further reflects advances amounting to Kshs.7,346,057.15 relating to 2002/2003 and earlier years and which have not been cleared or recovered.

1269. The Statement further reflects a Standing Imprest Account balance of Kshs.89,661,690.90 while the analysis provided for the balance shows an amount of Kshs.53,325,653.90 resulting in a difference of Kshs.36,336,037.00. No reconciliation or explanation has been provided for the difference. In addition,

no reasons have been given as to why the imprest balance of Kshs.89,661,690.90 had not been surrendered or accounted for as at 30 June 2004.

1270. The Statement in addition reflects a debit balance of Kshs.33,409,744.05 against the Temporary Imprest Account which differs by an amount of Kshs.2,301,828.30 from the figure of Kshs.35,711,572.35 shown in the analysis in support of the Account. Further, the Imprest Register shows a balance of Kshs.26,466,837.08 against the same Account, again resulting in a difference of Kshs.6,942,906.97 between the Statement and the Register. No reconciliation or explanation has been provided for the differences between the three sets of records which under normal circumstances should show the same balance.

1271. The Statement similarly reflects Excess Appropriations-In-Aid totalling Kshs.9,885,603.45 relating to 1997/98 and earlier years and which have not been paid over to the Exchequer. No explanation has been provided for failure to surrender the amount to the Exchequer.

1272. The Agency Account reflects a balance of Kshs.243,700,647.30 which has not been analysed. In the absence of an analysis, it has not been possible to ascertain the correctness of the balance.

1273. The District/Provincial Account shows a balance of Kshs.337,856,175.15 while the Ledger reflects a figure of Kshs.93,131,923.40 against the same Account occasioning a difference of Kshs.244,724,251.75. On the other hand, the analysis provided in support of the Account shows an amount of Kshs.125,946,876.50 resulting in yet another difference of Kshs.211,909,298.65 between the Statement and the analysis. No reconciliation or explanation has been provided for the differences between the three sets of records.

1274. The Statement in addition reflects under Clearance Account a balance of Kshs.7,996,639.40 while the Ledger shows a figure of Kshs.7,977,166.10 against the same Account. As in the previous instances, the difference of Kshs.19,473.30 between the two records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.31 AS AT 30 JUNE 2004

1275. The Statement of Assets and Liabilities for Vote D.31 as at 30 June 2004 reflects a balance of Kshs.1,902,869,471.00 against the Exchequer Account for 2003/2004 while the Ledger shows a balance of Kshs.2,097,029,270.00 resulting in an unreconciled and unexplained difference of Kshs.194,159,799.00 between the two sets of records. The Statement also reflects other Exchequer Account balances totalling Kshs.4,126,286,958.00 relating to the years 1994/95 to

2001/2002. As in the previous year, no explanation has been provided for non-clearance of these balances.

1276. Further and as stated in the Report for 2002/2003, the Exchequer Account balances for the years 1994/1995, 1998/1999 and 1999/2000 differ from those reflected in the records held at Treasury. No reconciliation or explanation has been given for these discrepancies.

1277. The Statement similarly reflects a balance of Kshs.2,136,168,073.20 against General Account of Vote (GAV) while the Ledger shows a balance of Kshs.6,397,673,190.00 resulting in an unreconciled and unexplained difference of Kshs.4,261,505,116.80. Further the Statement shows long outstanding GAV balances totalling Kshs.3,641,467,922.50 representing surpluses to be surrendered to the Exchequer for the respective years. No reasons have been provided for non-clearance of these balances.

1278. The Statement also shows a Paymaster General Account credit balance of Kshs.123,474,690.95 while the Cashbook as at 30 June 2004 reflects a debit balance of Kshs.2,729,217.90 resulting in an unreconciled and unexplained difference of Kshs.126,203,908.65. Further, Treasury authority for the overdraft of Kshs.123,474,690.25 appearing in the Statement has not been availed for audit review.

1279. The Statement further shows Extra Exchequer Receipts of Kshs.72,140,582.20 brought forward from 2002/2003. As stated in the report for that year, the amount of Kshs.72,140,582.20 relates to a reimbursement made during the year 1998/99 by a lender to the Ministry under the University Investment Project credit agreement, which however was irregularly spent under various expenditure items instead of being paid to the Exchequer. The Ministry has not yet indicated the measures it has taken or intends to take to resolve the matter.

1280. The Statement in addition reflects a Temporary Imprest Account balance of Kshs.4,995,114.90 which differs by an amount of Kshs.159,438.95 from the balance of Kshs.4,835,675.95 shown in the Ledger. The Temporary Imprest Register on the other hand reflects a balance of Kshs.685,742.00 against the same Account again resulting in a difference of Kshs.4,309,372.90 between the Statement and the Register. No reconciliation or explanation has been provided for these differences.

1281. The Statement also reflects a debit balance of Kshs.32,019.00 in respect of Standing Imprest Account out of which an amount of Kshs.25,024.00 has been analysed leaving a balance of Kshs.6,995.00. No explanation has been given for lack of analysis for the figure of Kshs.6,995.00. Apart from lack of analysis, it has also not been explained why the balance of Kshs.32,019.00 which has been outstanding for a considerably long period of time has not been cleared.

1282. The Statement shows a District Suspense Account balance of Kshs.76,811.80 while the Ledger and the analysis provided for the balance show against the same Account amounts of Kshs.9,305,011.55 and Kshs.18,144,266.50 respectively. No reconciliation or explanation has been given for the differences between the three sets of records.

1283. The Statement similarly reflects a debit balance of Kshs.173,247,567.60 against the Suspense General Account which differs by an amount of Kshs.135,485,305.35 from the balance of Kshs.37,762,262.25 shown in the analysis provided. As in the previous instances, no reconciliation or explanation has been provided for the difference.

1284. The Statement further reflects under Miscellaneous Items and Agency Accounts balances of Kshs.65,943.50 and Kshs.42,915,083.40 respectively which have not been analysed without any explanation being provided for failure to analyse these balances. Apart from lack of analyses, it has not been explained why these two long outstanding balances have not been cleared.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1285. The audit of Statement of Assets and Liabilities for Deposits as at 30 June 2004 has revealed a number of unsatisfactory and unexplained matters.

1286. The Statement reflects long outstanding balances against Agency, Clearance, District Suspense and Funds and Schemes (Research) Accounts all totalling Kshs.37,629,065.40. No explanation has been provided for non-clearance of these balances. The balances have also not been analysed and as a result, it has not been possible to establish what they represent.

1287. The Statement also reflects a balance of Kshs.1,926,928.65 against the Temporary Imprest Account which however differs by an amount of Kshs.256,388.65 from the figure of Kshs.1,670,540.00 shown in the analysis supporting the Account. The balance of Kshs.1,926,928.65 also differs by an amount of Kshs.1,096,906.15 from the figure of Kshs.830,022.50 shown in the Ministry's Imprest Register. No reconciliation or explanation has been provided for the differences between the three sets of records which otherwise should reflect the same balance.

1288. The Statement further reflects a Paymaster General's Account balance of Kshs.169,438,616.10 while the Deposits Cashbook as at 30 June 2004 shows an amount of Kshs.65,457,543.65. The difference of Kshs.103,981,072.45 between the two sets of records has not been reconciled or explained.

1289. The Statement shows balances totalling Kshs.33,974.05 relating to Educational Bursary Schemes managed by the Ministry on behalf of various contributors. As indicated in the Report for 2002/2003, these Bursary Schemes have remained inactive for many years but no action appears to have been taken to either reactivate or liquidate them.

1290. The Statement also shows credit balances amounting to Kshs.37,339,593.15 for which no analyses have been provided. In the absence of the analyses, it has not been possible to ascertain what the balances represent or their correctness. In addition, no action appears to have been taken to clear the balances some of which have been outstanding for a considerably long period of time.

1291. The Statement in addition shows a balance of Kshs.4,842,775.95 against Advertisement Fees(KIPO) and Patent Transmittal Fees (KIPO) of Kshs.6,826.70 which, however should have been transferred to the Ministry of Trade and Industry following reorganization of Government Ministries and Departments in 1999. Although this matter had been pointed out in the reports for the previous years, no action appears to have been taken.

1292. The Statement further shows a balance of Kshs.166,784,140.30 against the Headquarters Deposits Account. The analysis provided in respect of the Account however reflects a figure of Kshs.169,310,933.75 occasioning a difference of Kshs.2,526,793.45 which has not been reconciled or explained.

1293. In view of the unanalysed and unreconciled balances as indicated above, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities for Deposits as at 30 June 2004.

ELECTORAL COMMISSION OF KENYA

STATEMENT OF ASSETS AND LIABILITIES VOTE R.33 AS AT 30 JUNE 2004

1294. The Statement of Assets and Liabilities as at 30 June 2004 reflects Exchequer under issues totalling Kshs.1,356,388,283.00, out of which Kshs.1,138,674,053.00 relates to 2002/2003 and earlier years. No explanation has been given for failure to clear the balance for 2002/2003 and earlier years.

1295. The Statement also shows a General Account of Vote balance of Kshs.1,843,607,739.45. No explanation has been given for non clearance of the balance of Kshs.1,614,096,948.60 relating to 2002/2003 and earlier years.

1296. The Statement further reflects Excess Appropriations-In-Aid credit balance of Kshs.32,678,529.75 out of which an amount of Kshs.21,840,562.30 relates to 2002/2003 and earlier years. No explanation has been given for failure to clear the balance of Kshs.21,840,562.30.

1297. The Statement in addition reflects a General Suspense Account debit balance of Kshs.416,220.15 which relates to 2002/2003 and earlier years. Available information indicate that out of the balance of Kshs.416,220.15, debit balances totalling Kshs.283,350.55 have since been cleared leaving an amount of Kshs.132,869.60 made up of debit of Kshs.212,152.60 in respect of RD Cheques and a credit balance of Kshs.79,283.00. No indication has been given as to when these outstanding balances will be cleared.

1298. The Statement, in addition, reflects a net Provincial District Suspense Account balance of Kshs.133,404,539.20 out of which a sum of Kshs.126,681,069.00 relates to 2002/2003 and earlier years. The schedules supporting the balance show a District Reimbursement Deposit Suspense account with a debit balance of Kshs.271,836,828.80 which has not been analysed further to show what it represents. Available information however indicate that out of the figure of Kshs.271,836,828.00, a balance of Kshs.56,453,083.15 has since been received and processed leaving a balance of Kshs.215,383,745.65 unanalysed. Further, no explanation has been provided for non-clearance of the balance of Kshs.126,681,069.00 which has been outstanding for a considerably long period of time.

MINISTRY OF LANDS AND HOUSING

STATEMENT OF ASSETS AND LIABILITIES VOTE R. 36 AS AT 30 JUNE 2004

1299. Audit of the Statement of Assets and Liabilities for Vote R. 36 as at 30 June 2004 revealed a number of unsatisfactory matters. The Statement reflects an Exchequer Account debit balance of Kshs.119,065,929.00 which includes a balance of Kshs.,105,668,459.00 relating to 2002/2003 and earlier years. Although the Ministry had requested the Treasury for authority to clear the under issues for the earlier years in September 2004, no such authority has been seen.

1300. The Statement also reflects a General Account of Vote (GAV) debit balance of Kshs.45,746,937.90 in respect of 1998/99 and 1999/2000. Similarly, it shows a GAV credit balance of Kshs.95,039,978.80 in respect of 2002/2003

and earlier years. Although the Ministry had sought authority from the Treasury to clear these balances, the authority has apparently not been given.

1301. The Statement further reflects an Advances Account debit balance of Kshs.13,261,933.10 which includes an amount of Kshs.8,164,310.00 relating to 2002/2003. Little effort if any appears to have been made to recover these advances.

1302. The Statement in addition reflects a Temporary Imprests Account debit balance of Kshs.1,257,381.70 which includes a figure of Kshs.852,632.55 relating to 2002/2003 and earlier years. No explanation has been given for the non-clearance of the Temporary Imprests Account balance for the previous years. The Account also shows a Standing Imprest debit balance of Kshs.57,950.00 which differs from the balance of Kshs.42,950.00 reflected in the Imprest Register. The difference of Kshs.15,000.00 has not been reconciled or explained.

1303. The Statement shows Paymaster General Account balance of Kshs.30,042,233.10 while the reconciliation submitted shows an amount of Kshs.19,523,298.25. The difference of Kshs.10,518,934.85 has not been explained.

1304. The Statement also shows a District Suspense Account credit balance of Kshs.113,122,880.05 which includes a balance of Kshs.103,384,511.35 in respect of 2002/2003 and earlier years. No explanation has been given for non-clearance of the latter balance.

1305. The Statement further shows Agency – Other Ministries and Clearance Accounts credit balances of Kshs.733,848.95 and Kshs.587,930.30 respectively. However, no analysis has been provided for these balances and their nature and accuracy has not therefore been ascertained.

STATEMENT OF ASSETS AND LIABILITIES VOTE D.36 AS AT 30 JUNE 2004

1306. In the reports for the previous years it was indicated that the Statement of Assets and Liabilities for Vote D.36 reflected various debit and credit balances which were either brought forward incorrectly or omitted altogether. A review of the Statement of Assets and Liabilities for Vote D.36 as at 30 June 2004 revealed that the unsatisfactory situation persisted during the year as follows:-

1307. The Paymaster General (PMG) Account balance of Kshs.41,623,936.30 reflected in the Statement includes an uncleared closing balance of Kshs.702,874.00 as at 30 June 2000 which continues to be shown incorrectly as Kshs.1,088,299.60. Further, PMG (Old Account) closing balance of

Kshs.33,319,554.75 as at 30 June 2001 has been omitted from the Statement under review although no evidence has been produced to show how it was cleared.

1308. The Suspense General Account credit balance of Kshs.23,378,575.75 as at 30 June 2001 has been omitted from the Statement for 2003/2004. Although the Ministry has explained that the Account balance was cleared, no documentary evidence has been produced to show how and when it was cleared.

1309. The District Merging Account balance of Kshs.28,959,316.50 reflected in the statement does not include an amount of Kshs.5,427,038.65 as at 30 June relating to 2000/2001 which although not yet cleared has been omitted as in the previous years.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1310. Audit of the Statement of Assets and Liabilities for Deposits as at 30 June 2004 has revealed a number of unsatisfactory matters. The Statement reflects a credit balance of Kshs.156,435.95 against Items Awaiting Clearance out of which an amount of Kshs.156,293.65 relates to 2001/2002 and earlier years. According to the analysis provided these items relate to non-existing accounts. No explanation has been provided for failure to clear the items from the books of account.

1311. The Statement also reflects credit balances totalling Kshs.50,645,539.60 in respect of four accounts which were brought forward from 2001/2002 and earlier years and in respect of which detailed analyses have not been provided for audit review. No action appears to have been taken to provide the analyses in respect of the balances or to clear them.

1312. The Statement further reflects a Clearance Account credit balance of Kshs.90,039,107.30 out of which an amount of Kshs.82,760,983.80 relates to 2002/2003 and earlier years. No detailed analyses have been provided for the balance of Kshs.90,039,107.30 or explanation given for non-clearance of the figure of Kshs.82,760,983.80.

1313. The Statement shows a Roads and Drains Account debit balance of Kshs.345,585,533.65 which differs from the balance of Kshs.345,633,863.65 shown in the related but separate Roads and Drains Fund Account for 2003/2004. The difference has been attributed to an amount of Kshs.48,330.00 which was omitted from 2002/2003 Account. No explanation has been given however for failure to include the amount in the Statement for 2003/2004.

NATIONAL SECURITY INTELLIGENCE SERVICES

STATEMENT OF ASSET AND LIABILITIES FOR VOTE R45 AS AT 30 JUNE 2004

1314. The audit of the Statement of Assets and Liabilities for Vote R.45 as at 30 June 2004 revealed a number of unsatisfactory matters. The Statement reflects an Advances balance of Kshs.33,464,296.75 which includes Kshs.24,985,870.90 relating to 2002/2003 and earlier years. This balance is however, understated by Kshs.4,693,898.50 when compared with the closing balance of Kshs.29,679,769.40 for 2002/2003. Although the Service has explained and identified the causes of the understatement, the necessary adjustments have yet to be made in the accounts.

1315. The Statement also reflects a balance of Kshs.57,802,229.65 being advances paid to the Ministry of Foreign Affairs including Kshs.44,362,951.45 relating to 2002/2003 and earlier years. Although the Service has taken up the matter with the Ministry of Foreign Affairs, the information necessary for the clearance of these advances has not been forthcoming.

1316. The Statement further reflects Temporary Imprests totalling to Kshs.3,855,992.85 which include Kshs.3,695,988.00 relating to 2002/2003 and earlier years. Analyses for these long outstanding imprests have not been provided or an explanation given for their non-recovery.

1317. The Statement further reflects a debit District Suspense balance of Kshs.5,304,184.60 and a credit District Suspense balance of Kshs.1,242,946.90 in respect of 2002/2003. The closing balances for 2002/2003 were however a debit balance of Kshs.333,861.00 and a credit balance of Kshs.1,002,156.90 respectively. The differences between the two sets of balances of Kshs.4,970,323.60 and Kshs.240,790.00 respectively have not been explained. Further, it is not clear why these amounts have not been cleared from the books.

1318. The Statement shows a credit balance under Suspense Account of Kshs.1,549,514.95 relating to 2002/2003 and earlier years. However the audited Statement for 2002/2003 reflects a credit of Kshs.1,558,319.35 under the same account giving rise to a difference of Kshs.8,804.40 which has been explained as an error without any elaboration. It is also not clear why these long outstanding balances have not been cleared.

1319. The Statement also shows a General Account of Vote balance of Kshs.162,870,816.65 which includes Kshs.147,931,711.05 relating to 2002/2003 and earlier years. The closing balance for 2002/2003 was, however,

Kshs.146,716,629.90 and the difference of Kshs.1,215,081.45 has not been adequately explained. No explanation has also been provided for non-clearance of this balance from the books of account of the Service.

1320. The Statement further shows Exchequer Under Issues of Kshs.63,000,000.00, a Clearance Account of Kshs.8,851,840.35 and Excess Appropriations-In-Aid (AIA) of Kshs.14,394,126.90 which includes Kshs.6,856,534.90 relating to 2002/2003 and earlier years. No explanation has been provided for non-clearance of these balances from the books of account or why the Excess AIA has not been remitted to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1321. In the previous year's report, reference was made to an amount of Kshs.1,075,000 in respect of tender deposits held in cash as at 30 June 2003 because the Service did not operate a separate bank account for Deposits contrary to Government Financial Regulations and Procedures which require that separate Cashbooks and bank accounts be maintained in respect of Recurrent Vote, Development Vote, and Funds and Deposits. Reference was also made to an amount of Kshs.165,513.40 in respect of retention money held in the Recurrent Cash Bank account for Vote R.45.

1322. A review of the position as at 30 June 2004 revealed that an amount of Kshs.425,000.00 in form of Deposits for sale of tender documents was still held in Cash. The retention money balance of Kshs.165,513.40 brought forward from the previous year was also still held in the Recurrent Cash Book Account because and as in the previous year, a Deposits Bank Account with the Central Bank of Kenya had not been opened by 30 June 2004. No explanation has been provided for failure to comply with Government Financial Regulations and Procedures.

1323. In addition, available information shows the Service has a bank account with the Standard Chartered Bank, Kenyatta Avenue, in which an amount of Kshs.24,079,158.55 was held as at 30 June 2004 in respect of a Development Fund. This amount however was not disclosed in the Statement of Assets and Liabilities for Deposits as at 30 June 2004.

MINISTRY OF TOURISM AND INFORMATION

STATEMENT OF ASSETS AND LIABILITES FOR VOTE R.46 AS AT 30 JUNE 2004

1324. The Statement of Assets and Liabilities for Vote R.46 as at 30 June 2004 reflects debit balances of Kshs.5,022,340.00, Kshs.13,168,374.30 and Kshs.10,052,348.20 Under Exchequer, Temporary Imprest and Clearance Accounts respectively relating to 2002/2003 and earlier years and which have not been cleared. No explanation has been given for their non-clearance.

1325. Further, the Temporary Imprest Account shows a balance of Kshs.13,361,126.40 as brought forward from 2002/2003 while the audited Statement for that year reflects a closing balance of Kshs.13,691,126.40 against the same Account. Again no reasons have been provided for the difference of Kshs.330,000.00.

1326. The Statement also reflects a Paymaster General Account (PMG) debit balance of Kshs.78,126,239.77 while the Cashbook as at 30 June 2004 shows a balance of Kshs.19,318,670.40 against the Account resulting in a difference of Kshs.58,807,596.37. The Trial Balance on the other hand reflects a figure of Kshs.79,182,319.31 against the same Account similarly resulting in a difference of Kshs.1,056,079.54 between the Statement and the Trial Balance. No reconciliation or explanation has however been provided for the differences between the three sets of records.

1327. In addition, the balance of Kshs.61,065,578.36 brought forward from 2002/2003 in respect of the PMG does not accord with the closing balance of Kshs.51,457,081.51 reflected against the same Account in the audited Statement for 2002/2003. No explanation has been given for the anomaly.

1328. The Statement further reflects a balance of Kshs.7,905,430.70 under Advances Account which has not been properly analysed. This balance includes an amount of Kshs.4,393,063.25 relating to 2002/2003 and earlier years and which has not been cleared. No explanation has been provided for lack of the analysis or non-clearance of these balances. The balance of Kshs.7,905,430.70 also includes an amount of Kshs.904,210.35 indicated as representing Non-Existent Account. It has not been explained what exactly is represented by Non-Existent Accounts.

1329. The Statement also shows debit balances of Kshs.109,179.00 and Kshs.67,537,002.92 under Agency Account and General Account of Vote (GAV) respectively which have not been properly analysed. Consequently, it has not

been possible to ascertain the correctness of the Agency Account or to determine the composition of the GAV.

1330. The Statement further shows an amount of Kshs.273,405.60 Cr under Standing Imprest Account made up of credit and debit balances of Kshs.450,405.60 and kshs.177,000.00 respectively. No explanation has however been given as to what is represented by the credit balance of Kshs.450,405.60 in an account which under normal circumstances should reflect a debit or nil balance.

1331. The Statement in addition shows under Suspense Account an amount of Kshs.20,921,261.60 out of which a balance of Kshs.20,752,874.90 relates to 2002/2003 and earlier years. As in the previous instances, no explanation has been given for non-clearance of the latter balance.

1332. The Statement also reflects a brought forward balance of Kshs.24,379,259.65 under District Suspense Account while the audited Statement for 2002/2003 shows a closing figure of Kshs.14,770,812.80, occasioning a difference of Kshs.9,608,446.85. No explanation has similarly been provided for this discrepancy.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D 46 AS AT 30 JUNE 2004

1333. The audit of the Statement of Assets and Liabilities for Vote D 46 as at 30 June, 2004 has revealed a number of unsatisfactory matters. The Statement reflects an Exchequer Account balance of Kshs.58,310,206.00 out of which, an amount of Kshs.18,569,710.00 relates to 2002/2003 and earlier years. No explanation has been given for non-clearance of the balance of Kshs.18,569,710.00.

1334. The Statement also reflects a Paymaster General Account balance of Kshs.13,065,360.75 while the Cashbook as at 30 June, 2004 shows an amount of Kshs.1,285,041.00. The resultant difference of Kshs.11,780,319.75 between the two sets of records has not been reconciled or explained.

1335. The Statement further reflects a Temporary Imprest Account balance of Kshs.158,889.00 relating to 2002/2003 and earlier years which has not been cleared. No explanation has been provided for non clearance of these imprests. Apart from non-clearance of the balance, the analysis provided includes an unusual credit balance of Kshs.824,836.00 which has not been explained.

1336. The Statement also shows a balance of Kshs.11,511,298.75 against the District Suspense Account which has not been analysed. In the absence of the analysis, the correctness of the balance has not been ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AS AT 30 JUNE 2004

1337. The Statement of Assets and Liabilities for Deposits as at 30 June 2004 reflects a debit balance of Kshs.11,493,650.40 under Paymaster General Account which, however differs by an amount of Kshs.969,216.75 from the balance of Kshs.10,524,433.65 shown in the Ministry's Cashbook as at the same date. No reconciliation or explanation has been provided for the difference of Kshs.969,216.75 between the two records.

1338. The Statement also reflects a credit balance of Kshs.4,900,624.50 against Student Deposits (K.I.M.C) which includes receipts amounting to Kshs.3,642,280.00. No analysis has however, been provided to support the balance of Kshs.3,642,280.00 and as a result, it has not been possible to ascertain its correctness.

1339. The Statement further reflects a net credit balance of Kshs.3,292,602.00 under K.I.C.C Deposits which has not been properly analysed and as a result it has not been possible to ascertain its correctness. The balance also ought to have been cleared as at 30 June 2004 as it relates to 2002/2003 an earlier years. No explanation has been given for its non-clearance.

1340. The Statement also reflects other debit and credit balances totalling Kshs.4,175,625.80 and Kshs.10,395,172.50 respectively which have not been analysed. In the absence of the analyses, it has not been possible to confirm the correctness of the balances.

1341. Further, no reasons have been provided as to why Temporary Imprests totalling Kshs.3,046,457.30 and relating to 2002/2003 and earlier years had not been surrendered or accounted for by 30 June 2004.

E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

29 July 2005

CERTIFICATE OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2004

I have audited the accounts of the Government of Kenya for the year ended 30 June 2004 which are listed in Appendices A and B. The audit has been carried out as provided for under Section 105(2)(c) of the Constitution of Kenya and Section 8 of the Public Audit Act 2003. Except as reported in my accompanying Report, proper books of account have been kept and the accounts are in agreement therewith.

Respective Responsibilities of the Accounting Officers and the Controller and Auditor General

The Permanent Secretary Treasury and the respective Accounting Officers are responsible for the preparation of the accounts and statements which fairly present their respective Ministries', Departments' and Funds' receipts, expenditures and balances for the year. My responsibility is to express an independent opinion on the accounts and statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the generally accepted auditing standards. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the accounts are free from material misstatements. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting principles used, the verification of the estimated amounts, compliance of the expenditure with the authority which governs it as well as evaluating the overall financial statements presentation. I believe my audit provides reasonable basis for my opinion.

Opinion

Subject to the issues discussed and reservations set out in my accompanying Report for the year 2003/2004, in my opinion, the accounts and statements listed in Appendix A present fairly the receipts, expenditures and balances for the year ended 30 June 2004 and, on the basis of audit test performed, the sums shown as expended have been applied for the purposes authorized by Parliament.

However, because of unexplained discrepancies, lack of documentation to support some of the figures shown in the accounts and statements listed in Appendix B and failure to provide all the information and explanations considered necessary for the purpose of the audit as set out in my accompanying Report, I am unable to form an opinion as to whether the accounts and statements listed in Appendix B present fairly the receipts, expenditures and balances for the year

ended 30 June 2004 or whether the sums shown as expended have been wholly applied for the purposes authorized by Parliament.

E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

29 July 2005

APPENDIX A

LIST OF CERTIFIED ACCOUNTS:-

Exchequer Account
Paymaster General's Account.

CONSOLIDATED FUND SERVICES:

Pensions and Gratuities - Statement of Expenditure.
Subscriptions to International Organizations - Statement of Expenditure.
Statement of Subscriptions by the Government of Kenya to International Organizations.
Salaries, Allowances and Miscellaneous Services - Expenditure.

SUMMARIES:

Summary of Appropriation Accounts (Recurrent).
Summary of Appropriation Accounts (Development).
Summary of Statements of Revenue (Recurrent).
Summary of Statements of Revenue (Development).
Summary of Statements of Outstanding Loans.
Summary of Payments Made out of Issues from Exchequer
Summary of Statements of Investments by the Government of Kenya in Local Companies.
Summary of Statements of Participation by the Government of Kenya in Quasi-Government Organizations and Other Statutory Organizations.
Summary of Statements of Obligations Guaranteed by the Government of Kenya.

APPROPRIATION ACCOUNTS - RECURRENT:

Votes R.1, R.2, R.3, R.4, R.5, R.7, R.8, R.9, R.10, R.12, R.13, R.14, R.15, R.17, R.18, R.19, R.20, R.21, R.22, R.25, R.27, R.29, R.30, R.33, R.36, R.46.

APPROPRIATION ACCOUNTS - DEVELOPMENT:

Votes D.1, D.2, D.3, D.5, D.6, D.7, D.9, D.10, D.12, D.13, D.14, D.16, D.17, D.18, D.21, D.22, D.25, D.30, D.36, D.46.

STATEMENTS OF REVENUE - RECURRENT:

100-070, 110-070, 120-070, 140-070, 150-360, 160-210, 170-010, 180-070, 190-070, 200-130, 210-070, 220-260, 260-070.

STATEMENTS OF REVENUE - DEVELOPMENT:

600-070, Development Revenue - Head DR.1.

STATEMENTS OF OUTSTANDING LOANS:

Ministry of Finance.

STATEMENT OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN QUASI-GOVERNMENT ORGANIZATIONS AND OTHER STATUTORY ORGANIZATIONS:

Ministry of Finance.
Ministry of Energy.

FUNDS ACCOUNTS:

Government Press Fund.
Kenya Missions Float Fund.
Civil Contingencies Fund.
Parliamentary Mortgage Scheme Fund.
Constitution of Kenya Review Commission Fund.
Electoral Commission Car Loan Scheme Fund.
Township Roads and Drains Fund.

APPENDIX B

LIST OF ACCOUNTS EXCLUDED FROM THE CERTIFICATE:-

CONSOLIDATED FUND SERVICES:

Statement of Public Debt.
Public debt - Statement of Expenditure.

APPROPRIATION ACCOUNTS - RECURRENT:

Vote R.6, R.11, R.16, R.26, R.31, R.45.

APPROPRIATION ACCOUNTS - DEVELOPMENT:

Votes D.4, D.11, D.15, D.19, D.20, D.26, D.31.

STATEMENTS OF REVENUE - RECURRENT:

180-140, 210-010, 250-070, 300-070.

STATEMENTS OF REVENUE - DEVELOPMENT:

230-070, 570-070, 630-070.

STATEMENTS OF OUTSTANDING LOANS:

Ministry of Energy.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA:

Ministry of Finance.
Ministry of Agriculture and Rural Development.
Ministry of Transport.
Ministry of Energy.

STATEMENT OF INVESTMENTS BY THE GOVERNMENT OF KENYA IN LOCAL COMPANIES:

Ministry of Finance.
Ministry of Agriculture.

**STATEMENT OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN
QUASI-GOVERNMENT ORGANIZATIONS AND OTHER STATUTORY
ORGANIZATIONS:**

Ministry of Transport.

FUNDS ACCOUNTS:

Provincial Administration District Cash Fund.
Strategic Grain Reserve Trust Fund
Prisons Industries Fund.
Prisons Farm Fund.
Mechanical Transport and Plant Maintenance Fund.
Mechanical Transport and Plant Renewals Fund.
Rural Development Fund.
District Development Fund.
Exchange Risk Assumption Fund.
Government Clearing Agency Fund.
Treasury's Main Clearance Fund.
Provident Fund.
Petroleum Development Fund.
District Cash Fund.
Kenya Local Loans Support Fund.
Rural Enterprises Fund.
Asiatic Widows and Orphans Pensions Fund.
Asiatic Officers Family Pensions Fund.
European Widow's and Orphans Pension Scheme Fund.
F.T.C. Demonstration Farms Fund.
Agricultural Information Centre Revolving Fund.
Health Care Services Fund.
Medical Supplies Fund.
Stores and Services Fund.
Hides and Skin Cess Fund.
Veterinary Services Development Fund.
Management of Supervision and Liquidation Fund.
National Assembly Car Loan Fund.
Rural Electrification Programme Fund.