



REPUBLIC OF KENYA

**SUMMARY OF THE REPORT
OF THE AUDITOR GENERAL
ON THE APPROPRIATION ACCOUNTS,
OTHER PUBLIC ACCOUNTS
AND THE
ACCOUNTS OF THE FUNDS OF THE
REPUBLIC OF KENYA
FOR THE YEAR 2009/2010**

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SUMMARY OF THE REPORT OF THE 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 2010

LEGAL MANDATE

This Report covers the financial year 2009/2010 and is issued in accordance with the requirements of Article 229 (4) of the Constitution of Kenya.

EXCHEQUER ISSUES

All issues from the Exchequer were authorized by me pursuant to the requirements of the Sixth Schedule, Part 6, Clause 31(6) of the Constitution of Kenya.

GOVERNMENT FINANCIAL POSITION AS AT 30 JUNE 2010

1. The Government financial position as at 30 June 2010 recorded an overall net surplus of Kshs.25,920,539,658.81 compared to Kshs.35,783,271,151.10 reported in the previous year.
2. The total issues from the Consolidated Fund for both Recurrent and Development Services amounted to Kshs.733,976,639,355.00 during the year 2009/2010 against total receipts of Kshs.735,298,117,988.70, resulting in a surplus of Kshs.1,321,478,633.70 as at 30 June 2010. However, and when added to the Exchequer balance of Kshs.1,352,489,034.50 brought forward from 2008/2009, and a bank balance of Kshs.23,246,571,990.61, the result is a net overall Government cash position of Kshs.25,920,539,658.81 as at 30 June 2010. This position

represents a decrease of Kshs.9,862,731,492.29 or approximately 27% of the previous year's balance of Kshs.35,783,271,151.10.

OUT-TURN OF EXPENDITURE FOR 2009/2010

3. The year 2009/2010 ended with a net under-expenditure of Kshs.54,584,282,574.90 compared to a net under-expenditure of Kshs.37,995,330,420.91 recorded in 2008/2009. The under-expenditure of Kshs.54,584,282,574.90 was arrived at as follows:-

RECURRENT

	Gross Kshs.	AIA Kshs	Net Kshs.	Under(Over) Kshs.
Estimated	443,172,966,720.00	42,806,915,425.00	400,366,051,295.00	
Actual	<u>424,427,034,397.30</u>	<u>40,912,586,728.60</u>	<u>383,514,447,668.70</u>	
Under(Over)	<u>18,745,932,322.70</u>	<u>1,894,328,696.40</u>	<u>16,851,603,626.30</u>	16,851,603,626.30

DEVELOPMENT

Estimated	253,067,322,472.00	71,659,067,251.00	181,408,255,221.00	
Actual	<u>186,155,761,143.70</u>	<u>32,660,899,249.77</u>	<u>153,494,861,893.93</u>	
Under(Over)	<u>66,911,561,328.30</u>	<u>38,998,168,001.23</u>	<u>27,913,393,327.07</u>	27,913,393,327.07

CONSOLIDATED FUND SERVICES

Estimated	187,534,163,185.00	-	187,534,163,185.00	
Actual	<u>177,714,877,563.47</u>	-	<u>177,714,877,563.47</u>	
Under (Over)	<u>9,819,285,621.53</u>	-	<u>9,819,285,621.53</u>	<u>9,819,285,621.53</u>

Net overall position

54,584,282,574.90

4. The under-expenditure of Kshs.54,584,282,574.90 was mainly attributed to slow implementation of projects during the year, inadequate exchequer issues, delayed disbursement of donor funds and non-submission of expenditure returns by various development partners. Detailed reasons for the under-expenditure are provided in the respective Appropriation Accounts.

EXPENDITURE CONTROL

5. The Excess Vote incurred during 2009/2010 without approval of Parliament amounted to Kshs.44,479,490.95 compared to Kshs.633,999,805.03 recorded in 2008/2009. The Excess Vote was incurred under Vote D.32, Ministry of Information and Communications.

6. The Excess Vote of Kshs.44,479,490.95 does not however include bills totalling Kshs.9,285,488.60 in respect of the Ministry, which though relating to 2009/2010 were not settled during the year, but were instead carried forward to 2010/2011, as indicated in the ensuing paragraph.

PENDING BILLS

7. During the year under review, a number of Ministries and Departments did not settle bills amounting to Kshs.16,640,966,825.99, comprising Kshs.5,469,155,183.02 and Kshs.11,171,811,642.97 relating to Recurrent and Development Votes respectively, but instead carried forward such bills to 2010/2011 as shown below:-

Vote	Ministry/Department	Recurrent Kshs.	Development Kshs.	Total Kshs.
01	Provincial Administration and Internal Security	824,937,506.71	128,334,516.32	953,272,023.03
02	State House	10,042,522.30	-	10,042,522.30
04	Foreign Affairs	80,514,356.80	-	80,514,356.80
05	Home Affairs	342,435,526.22	6,901,751.29	349,337,277.51
06	Planning, National Development and Vision 2030	9,558,314.55	974,957.00	10,533,271.55
07	Finance	81,138,896.30	40,747,605.25	121,886,501.55
08	Defence	197,989,791.80	-	197,989,791.80
10	Agriculture	66,307,923.85	701,972,698.90	768,280,622.75
11	Medical Services	5,212,902.00	-	5,212,902.00
12	Local Government	1,841,222,148.06	297,750,912.20	2,138,973,060.26

13	Roads	624,459,775.25	8,909,145,525.26	9,533,605,300.51
14	Transport	10,194,800.85	2,178,000.00	12,372,800.85
15	Labour and Human Resource Development	19,123,702.97	13,737,980.80	32,861,683.77
16	Trade	18,562,832.00	537,080.00	19,099,912.00
17	Justice, National Cohesion and Constitutional Affairs	55,413,328.28	7,764,755.00	63,178,083.28
18	Gender, Children and Social Development	48,464,951.40	4,300,885.00	52,765,836.40
19	Livestock Development	22,137,994.16	1,488,962.60	23,626,956.76
20	Water and Irrigation	1,588,726.00	43,653,397.45	45,242,123.45
21	Environment and Mineral Resources	48,749,292.00	113,282,791.00	162,032,083.00
22	Co-operative Development and Marketing	9,970,003.40	24,593,399.50	34,563,402.90
23	Cabinet office	23,802,249.95	4,132,000.00	27,934,249.95
24	East African Community	5,756,066.40	-	5,756,066.40
26	Judicial Department	19,353,921.94	-	19,353,921.94
29	National Assembly	50,017,544.50	-	50,017,544.50
30	Energy	293,519.00	25,674,039.00	25,967,558.00
31	Education	312,603,887.95	6,964,491.30	319,568,379.25
32	Information and Communications	20,312,222.35	9,285,488.60	29,597,710.95
33	Interim Independent Electoral Commission	280,858,715.50	-	280,858,715.50
35	Special Programmes	278,899,452.54	-	278,899,452.54
36	Lands	11,217,377.70	3,140,292.00	14,357,669.70
40	Immigration and Registration of Persons	31,481,680.65	-	31,481,680.65
41	National Heritage and Culture	23,599,411.75	578,000.00	24,177,411.75
42	Youth Affairs and Sports	16,636,869.80	7,665,144.49	24,302,014.29
43	Higher Education, Science and Technology	5,080,055.00	-	5,080,055.00
44	Housing	8,071,890.50	2,902,224.40	10,974,114.90
46	Tourism	14,591,070.64	9,824,054.98	24,415,125.62
48	Office of the Prime Minister	15,031,598.75	-	15,031,598.75
49	Public Health and Sanitation	6,947,988.40	60,137.90	7,008,126.30
56	Fisheries Development	3,961,232.00	-	3,961,232.00

58	Development of Northern Kenya and Other Arid Lands	-	12,055,837.00	12,055,837.00
59	Public Works	3,260,030.00	792,164,715.73	795,424,745.73
60	Industrialization	2,882,112.00	-	2,882,112.00
61	Interim Independent Boundaries Review Commission	<u>16,470,990.80</u>	-	<u>16,470,990.80</u>
	Total	<u>5,469,155,183.02</u>	<u>11,171,811,642.97</u>	<u>16,640,966,825.99</u>

8. Had the bills totalling Kshs.16,640,966,825.99 been settled during the period and the expenditure charged to the accounts for 2009/2010, eleven (11) additional Ministries and Departments would have recorded Excess Votes under Recurrent and/or Developments Votes as indicated below:-

Recurrent Vote

Vote	Ministry/Department	Net Surplus Kshs.	Pending Bills Kshs.	Excess Vote Kshs.
02	State House	8,138,409.90	10,042,522.30	(1,904,112.40)
08	Defence	52,336,128.25	197,989,791.80	(145,653,663.55)
12	Local Government	2,911,166.85	1,841,222,148.06	(1,838,310,981.21)
13	Roads	562,889,735.40	624,459,775.25	(61,570,039.85)
17	Justice, National Cohesion and Constitutional Affairs	2,825,481.00	55,413,328.28	(52,587,847.28)
26	Judicial Department	4,201,077.20	19,353,921.94	(15,152,844.74)
33	Interim Independent Electoral Commission	78,518,384.05	280,858,715.50	(202,340,331.45)
35	Special Programmes	37,367,522.55	278,899,452.75	(241,531,930.20)
41	National Heritage and Culture	3,989,684.00	23,599,411.75	(19,609,727.75)
48	Office of the Prime Minister	<u>10,809,294.00</u>	<u>15,031,598.75</u>	<u>(4,222,304.75)</u>
	Sub-Total	<u>763,986,883.20</u>	<u>3,346,870,666.38</u>	<u>(2,582,883,783.18)</u>

Development Vote

Vote	Ministry/Department	Net Surplus Kshs.	Pending Bills Kshs.	Excess Vote Kshs.
13	Roads	4,188,933,475.10	8,909,145,525.26	(4,720,212,050.16)
30	Energy	<u>464,194.95</u>	<u>25,674,039.00</u>	<u>(25,209,844.05)</u>
	Sub-total	<u>4,189,397,670.05</u>	<u>8,934,819,564.26</u>	<u>(4,745,421,894.21)</u>
	Total			<u>(7,328,305,677.39)</u>

OUT-TURN OF REVENUE

9. During 2009/2010, revenue recorded as received as at 30 June 2010 totalled Kshs.529,291,183,101.20, comprising amounts of Kshs.511,397,293,329.20 and Kshs.17,893,889,772.00 under Recurrent and Development Revenue respectively, against estimated total receipts of Kshs.568,285,407,998.00. There was therefore an under-collection of Kshs.38,994,224,896.80, representing approximately 7% of the estimated receipts.

The reasons for the under-collection are contained in the footnotes to the respective Statements of Revenue.

COLLECTION OF APPROPRIATIONS-IN-AID

10. The total Appropriations-In-Aid realized during the year under review amounted to Kshs.73,573,485,978.37 against estimated receipts of Kshs.114,465,982,676.00, resulting in a deficiency of Kshs.40,892,496,697.63. The deficiency represented about 35% of the estimated collections, and was mainly recorded under the Development Votes where collections totalling Kshs.32,660,899,249.77 were realized against estimated receipts of Kshs.71,659,067,251.00.

Similarly, the reasons for the under-collection are provided under the respective Appropriation Accounts.

APPROPRIATION ACCOUNTS

11. During the year under review, various Ministries and Departments submitted for audit Recurrent and Development Appropriation Accounts which were inaccurate. As in 2008/2009, many such Appropriations Accounts had errors and reflected balances which did not reconcile with those shown in the respective ledgers.

Further, and in other instances, expenditure incurred under various items in the Accounts were not supported with the relevant documents and as a result, the propriety of such expenditure could not be ascertained.

12. In other respects, significant expenditure relating to other items was altogether excluded from the Accounts. The effect of such omission was that the total expenditure recorded under the respective Accounts was understated by equivalent amounts.

These matters have been dealt with in detail later in this Summary, and also in the Main Report.

STATEMENTS OF ASSETS AND LIABILITIES

13. As in the previous year, the Statements of Assets and Liabilities for 2009/2010 submitted by various Ministries and Departments continued to reflect substantial balances against a number of items, which had not been analysed or cleared from the books of accounts as at 30 June 2010. Such items included, General Account of Vote, Exchequer, Advances, Agency and Clearance Accounts, amongst others.

14. For instance, the Exchequer Item reflected debit and credit balances totalling Kshs.190,963,646,057.61 and Kshs.1,595,926,015.30 respectively, across Ministries and Departments as shown below:-

Vote	Exchequer Item	
	Debit	Credit
	Kshs.	Kshs.
Recurrent	51,115,707,371.96	548,362,564.30
Development	<u>139,847,938,685.65</u>	<u>1,047,563,451.00</u>
Total	<u>190,963,646,057.61</u>	<u>1,595,926,015.30</u>

15. Similarly, the Advances Item debit and credit balances stood at Kshs.1,564,414,114.09 and Kshs.338,509,836.30 as at 30 June 2010 as indicated below:-

Vote	Advances Item	
	Debit Kshs.	Credit Kshs.
Recurrent	1,284,625,432.74	330,012,636.35
Development	277,723,473.35	8,497,199.95
Deposits	<u>2,065,208.00</u>	<u>-</u>
Total	<u>1,564,414,114.09</u>	<u>338,509,836.30</u>

16. Although this matter has been comprehensively dealt with in the Report, it has still not been possible to establish so far what many of the balances represent or whether such balances are backed by actual cash.

BANK RECONCILIATION STATEMENTS

17. The Bank Reconciliation Statements for Recurrent, Development and Deposits Cashbooks as at 30 June 2010 for a number of Ministries and Departments continued to reflect significant receipts and payments in the Cashbooks not recorded in the Bank Statements and also receipts and payments in the Bank Statement not recorded in the Cashbook. According to records related thereto, some of the receipts and payments have been outstanding in the Reconciliation Statements for a considerably long period of time.

Detailed observations on the Statements are covered under the respective Ministries and Departments in the Report.

UNSUPPORTED EXPENDITURE

18. During 2009/2010, a number of Ministries and Departments failed to provide records and documentation in support of various expenditure totalling Kshs.6,955,884,425.51, appearing in the respective Appropriation Accounts, as summarized below:-

Vote	Ministry/Department	Amounts Kshs.
01	Provincial Administration and Internal Security	662,034,957.83
04	Foreign Affairs	743,603,028.45
05	Home Affairs	3,750,000.00
07	Finance	10,507,723.30
10	Agriculture	92,551,720.00
13	Roads	889,646,331.10
15	Labour and Human Resource Development	56,807,294.05
24	East African Community	2,000,000.00
32	Information and Communications	59,082,420.00
35	Special Programmes	408,452,251.00
36	Lands	196,085,627.00
48	Office of the Prime Minister	59,200,000.00
49	Public Health and Sanitation	3,653,384,515.11
59	Public Works	28,798,957.52
60	Industrialization	<u>89,979,600.15</u>
	Total	<u>6,955,884,425.51</u>

In absence of the records and documentation, the propriety of the expenditure of Kshs.6,955,884,425.51 could not be ascertained.

RESEARCH AND FEASIBILITY STUDIES

19. Expenditure totalling Kshs.5,647,584,448.20 was recorded in 2009/2010 against Research, Feasibility Studies, Project Preparation and Design and other related activities, in various Ministries and Departments as indicated below:-

Vote	Ministry/Department	Recurrent Kshs.	Development Kshs.	Total Kshs.
01	Provincial Administration and Internal Security	2,762,500.00	-	2,762,500.00
02	State House	4,998,478.00	-	4,998,478.00
06	Planning, National Development and Vision 2030	167,539,041.00	109,853,724.60	277,392,765.60
07	Finance	9,083,844.00	415,018,820.00	424,102,664.00
08	Defence	181,814.50	-	181,814.50
10	Agriculture	770,940.00	1,467,805,122.00	1,468,576,062.00
12	Local Government	-	336,703,496.45	336,703,496.45
13	Roads	2,750,603.00	537,327,845.00	540,078,448.00
14	Transport	13,610,791.00	805,145,426.00	818,756,217.00
15	Labour and Human Resource Development	110,620,385.20	4,249,002.00	114,869,387.20
16	Trade	-	5,018,376.00	5,018,376.00
17	Justice, National Cohesion and Constitutional Affairs	14,734,161.85	24,132,436.35	38,866,598.20
18	Gender and Children Development	2,241,100.00	7,172,104.00	9,413,204.00
19	Livestock Development	-	269,000.00	269,000.00
20	Water and Irrigation	1,248,297.00	245,584,991.00	246,833,288.00
21	Environment and Mineral Resources	3,966,361.00	32,307,645.00	36,274,006.00
22	Co-operative Development and Marketing	2,002,608.00	40,923,912.00	42,926,520.00
23	Cabinet office	493,000.00	-	493,000.00
24	East African Community	-	8,546,249.00	8,546,249.00
25	State Law office	5,242,371.00	-	5,242,371.00
30	Energy	-	197,893,283.00	197,893,283.00
31	Education	2,021,866.00	-	2,021,866.00
32	Information and Communications	2,133,000.00	613,082,420.00	615,215,420.00
36	Lands	6,200.00	69,364,958.00	69,371,158.00
41	National Heritage and Culture	11,679,031.00	3,953,185.00	15,632,216.00
42	Youth Affairs and Sports	10,122,885.80	3,000,000.00	13,122,885.80

43	Higher Education, Science and Technology	-	24,756,661.00	24,756,661.00
44	Housing	3,458,776.00	-	3,458,776.00
46	Tourism	2,498,250.00	49,114,608.00	51,612,858.00
48	Office of The Prime Minister	115,942,620.00	18,770,490.00	134,713,110.00
49	Public Health and Sanitation	-	1,639,700.00	1,639,700.00
55	Forestry and Wildlife	-	5,000,000.00	5,000,000.00
56	Fisheries Development	-	2,460,660.00	2,460,660.00
57	Nairobi Metropolitan Development	72,874,389.00	7,634,447.00	80,508,836.00
58	Development of Northern Kenya and Other Arid Lands	2,689,150.00	13,999,165.95	16,688,315.95
59	Public Works	1,991,209.85	6,907,547.65	8,898,757.50
61	Interim Independent Boundaries Review Commission	-	22,285,500.00	22,285,500.00
Total			<u>5,079,920,775.00</u>	<u>5,647,584,448.20</u>

20. Although according to information available some of the research and feasibility studies appear to have been concluded during the year, the intended and desired impact of the studies and other related activities against which the expenditure of Kshs.5,647,584,448.20 was incurred has largely been less evident.

EXCLUDED EXPENDITURE

21. Expenditure amounting to Kshs.4,037,475,912.68 incurred during the year under review against various Votes as shown below, was excluded from the Appropriation Accounts for the year ended 30 June 2010.

Vote	Ministry/Department	Amount Kshs.
01	Provincial Administration and Internal Security	9,948,613.00
04	Foreign Affairs	65,058,422.25

07	Finance	515,177,780.25
14	Transport	10,025,322.58
18	Gender, Children and Social Development	83,401,805.10
19	Livestock Development	29,011,819.60
21	Environment and Mineral Resources	12,508,939.00
24	East African Community	9,177,196.85
32	Information and Communications	3,888,696.00
46	Tourism	21,800,000.00
49	Public Health and Sanitation	3,242,575,580.50
59	Public Works	<u>34,901,737.55</u>
	Total	<u>4,037,475,912.68</u>

In consequence, the total expenditure recorded against the Votes has been understated by an equivalent amount.

Although this matter has been discussed in detail under the respective paragraphs in the Report, most of the expenditure was excluded from the Accounts due to inadequate maintenance of records, uncaptured district expenditure and non-submission of expenditure returns for various projects, spread across the country.

CONTROL OVER IMPRESTS

22. During 2009/2010, a number of Ministries and Departments exercised weak or inadequate controls in the management of imprests, consequent upon which substantial balances of such imprests, as indicated below, were recorded as outstanding as at 30 June 2010:-

Vote	Ministry/Department	Amounts (Kshs)
1	Provincial Administration and Internal Security	63,971,164.00
02	State House	2,492,372.50

04	Foreign Affairs	37,410,946.75
05	Home Affairs	33,012,196.30
07	Finance	14,498,523.85
08	Defence	7,588,191.40
09	Regional Development Authorities	732,219.00
10	Agriculture	6,772,252.75
11	Medical Services	16,571,803.00
12	Local Government	3,680,586.70
13	Roads	7,778,225.40
14	Transport	6,537,349.00
15	Labour and Human Resource Development	6,548,825.55
17	Justice, National Cohesion and Constitutional Affairs	2,108,742.25
18	Gender, Children and Social Development	2,447,164.95
19	Livestock Development	4,557,268.50
20	Water and Irrigation	2,052,061.50
21	Environment and Mineral Resources	4,624,387.95
22	Co-operative Development and Marketing	513,518.65
24	East African Community	547,778.45
25	State Law Office	1,807,493.10
26	Judicial Department	693,857.00
29	National Assembly	1,483,387.95
31	Education	76,708,420.45
32	Information and Communications	391,760.00
33	Interim Independent Electoral Commission	5,028,384.00
35	Special Programmes	5,386,618.25
36	Lands	3,837,749.50
40	Immigration and Registration of Persons	1,345,372.30
41	National Heritage and Culture	1,914,725.00

42	Youth Affairs and Sports	3,011,225.95
43	Higher Education, Science and Technology	2,142,886.00
44	Housing	2,143,443.00
49	Public Health and Sanitation	480,364,263.05
56	Fisheries Development	2,416,297.00
57	Nairobi Metropolitan Development	3,971,248.80
58	Development of Northern Kenya and Other Arid Lands	875,988.00
59	Public Works	<u>2,279,664.00</u>
	Total	<u>792,557,902.65</u>

Apart from failure to have the outstanding imprests surrendered or otherwise accounted for on, or before 30 June 2010, it was also noted that some Ministries and Departments had issued additional imprests to various officers who had not accounted for balances previously issued.

23. Although as has been observed in the previous Reports the Government Financial Regulation and Procedures clearly spell out the guidelines for control and management of imprests, it is nevertheless apparent that there is need to review and reinforce compliance with such guidelines and the related Treasury circulars.

MAINTENANCE OF ACCOUNTING RECORDS

24. As in the previous year, weak and inadequate maintenance of accounting records was observed during the year in various Ministries and Departments. For instance, various ledgers against which the financial statements had been drawn were found to be incomplete or not upto date as at 30 June 2010. In other instances, routine below-the-line accounts were not analysed to indicate what they represented. Further, material book-keeping errors were also detected in various records, and as a result, some of the expenditure for the year was excluded from the financial statements.

In the circumstances, and in absence of revised accounts, a number of financial statements have been excluded from the Certificate of the Auditor General for 2009/2010.



A. S. M. Gatumbu
AUDITOR GENERAL

NAIROBI

26 May 2011

KENAO