

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, 2008

INTRODUCTORY AND GENERAL

This Report covers the financial year 2007/2008 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.

GOVERNMENT FINANCIAL POSITION AS AT 30 JUNE 2008

1. The Government financial position as at 30 June 2008 recorded an overall net surplus of Kshs.56,205,599,678.06 compared to a net surplus of Kshs.41,251,166,427.90 in the previous year. The surplus of Kshs.56,205,599,678.06 was arrived at as shown below:-

Exchequer Account

| Recurrent and Development Votes | 2007/2008 Kshs. | 2006/2007 Kshs. |
|--|---------------------------------|---------------------------------|
| Total Receipts | 619,772,629,216.10 | 466,914,237,860.45 |
| Total Issues | <u>(619,544,842,701.00)</u> | <u>(472,281,099,584.00)</u> |
| Surplus (Deficit) | 227,786,515.10 | (5,366,861,723.55) |
| Surplus Brought Forward | <u>836,421,471.75</u> | <u>6,203,283,195.30</u> |
| Sub-Total Net Surplus | 1,064,207,986.85 | 836,421,471.75 |
| Cereals and Sugar Finance Corp. | (897,797,000.00) | (897,797,000.00) |
| Tax Reserve Certificate | 17,774,920.00 | 17,774,920.00 |
| Tax Reserve Certificate Balance in the Bank (Unutilized Exchequer Issue) | <u>51,702,360.00</u> | <u>51,702,360.00</u> |
| Total Recurrent & Development Exchequer Balance | 235,888,266.85 | 8,101,751.75 |
| Add: Paymaster General Accounts | <u>55,969,711,411.21</u> | <u>41,243,064,676.15</u> |
| Net Overall Government financial position as at 30 June 2008 | <u>56,205,599,678.06</u> | <u>41,251,166,427.90</u> |

2. As indicated above, the total issues from the Consolidated Fund for both Recurrent and Development Services during the year 2007/2008 amounted to Kshs.619,544,842,701.00, against total receipts of Kshs.619,772,629,216.10, resulting in a surplus of Kshs.227,786,515.10. However, after taking into account

the surplus of Kshs.836,421,471.75 brought forward from 2006/2007, a Tax Reserve Certificate of Kshs.17,774,920.00, a Tax Reserve Certificate balance of Kshs.51,702,360.00 in Bank, a deficit of Kshs.897,797,000.00 relating to the Cereals and Sugar Finance Corporation and the Paymaster General Accounts balance of Kshs.55,969,711,411.21, the result is a net overall Government cash position of Kshs.56,205,599,678.06, representing an increase of Kshs.14,954,433,250.16 or approximately 36% over the previous year's cash position of Kshs.41,251,166,427.90.

3. The overall Government cash position of Kshs.56,205,599,678.06 has been arrived at after taking into consideration the short-term borrowing in form of Tax Reserve Certificates of Kshs.69,477,280.00 and a deficit of Kshs.897,797,000.00 relating to a loan owing from the yet to be wound up Cereals and Sugar Finance Corporation. However, and as previously observed, records in support of these two particular balances have not been made available for audit review, with the result that it has not been possible to ascertain their validity and accuracy. The balances have also been outstanding in the Treasury's books of account for considerably long period of time.

OUT-TURN OF EXPENDITURE FOR 2007/2008

4. The year 2007/2008 ended with a net under-expenditure of Kshs.20,311,965,325.49, compared to a net under-expenditure of Kshs.49,523,218,371.00 recorded in 2006/2007. The net under-expenditure of Kshs.20,311,965,325.49 was arrived at as follows:-

RECURRENT

| | GROSS Kshs. | A.I.A Kshs. | NET Kshs. | UNDER/(OVER) Kshs. |
|--------------|---------------------------|--------------------------|---------------------------|-------------------------|
| Estimated | 357,438,169,386.00 | 42,961,518,616.00 | 314,476,650,770.00 | |
| Actual | <u>339,697,263,933.92</u> | <u>35,066,130,467.70</u> | <u>304,631,133,466.22</u> | |
| Under (Over) | <u>17,740,905,452.08</u> | <u>7,895,388,148.30</u> | <u>9,845,517,303.78</u> | <u>9,845,517,303.78</u> |

DEVELOPMENT

| | | | | |
|-------------|---------------------------|--------------------------|---------------------------|--------------------------|
| Estimated | 199,941,216,655.00 | 44,476,296,135.00 | 155,464,920,520.00 | |
| Actual | <u>159,941,036,337.05</u> | <u>26,074,645,519.56</u> | <u>133,866,390,817.49</u> | |
| Under(Over) | <u>40,000,180,317.95</u> | <u>18,401,650,615.44</u> | <u>21,598,529,702.51</u> | <u>21,598,529,702.51</u> |

CONSOLIDATED FUND SERVICES

| | | | |
|----------------------|----------------------------|----------------------------|----------------------------|
| Estimated | 154,606,027,741.00 | 154,606,027,741.00 | |
| Actual | <u>165,738,109,421.80</u> | <u>165,738,109,421.80</u> | |
| Under(Over) | <u>(11,132,081,680.80)</u> | <u>(11,132,081,680.80)</u> | <u>(11,132,081,680.80)</u> |
| Net overall position | | | <u>20,311,965,325.49</u> |

5. The under-expenditure of Kshs.20,311,965,325.49 was mainly caused by slow implementation of projects, inadequate exchequer releases and failure to submit expenditure returns by various Development Partners. Detailed reasons for the under-expenditure are provided in the respective Appropriation Accounts.

EXPENDITURE CONTROL

6. The Excess Vote incurred during the year under review without approval of Parliament amounted to Kshs.2,484,258,548.70, compared to Kshs.118,072,874.31 recorded in 2006/2007 under Ministry of Water and Irrigation.

7. The Excess Vote of Kshs.2,484,258,548.70 was incurred under eight (8) Ministries and a Department as shown below:-

| Vote | Ministry/Department | Recurrent Kshs. | Development Kshs. | Total Kshs. |
|------|---------------------------------------|--------------------------------|------------------------------|--------------------------------|
| 11 | Medical Services | 66,323,145.48 | - | 66,323,145.48 |
| 20 | Water and Irrigation | 103,103,479.43 | - | 103,103,479.43 |
| 23 | Cabinet Office | - | 166,531,911.62 | 166,531,911.62 |
| 30 | Energy | 2,796,240.25 | - | 2,796,240.25 |
| 35 | State for Special Programmes | 2,090,234,983.15 | - | 2,090,234,983.15 |
| 41 | State for National Heritage & Culture | - | 8,840,833.15 | 8,840,833.15 |
| 49 | Public Health & Sanitation | 44,194,656.40 | - | 44,194,656.40 |
| 60 | Industrialization | <u>2,233,299.22</u> | - | <u>2,233,299.22</u> |
| | Total | <u>2,308,885,803.93</u> | <u>175,372,744.77</u> | <u>2,484,258,548.70</u> |

8. The Excess Vote of Kshs.2,484,258,548.70 does not however include pending bills totalling Kshs.9,928,597,272.82 which, though relating to 2007/2008, were not settled during the period but were instead carried forward to 2008/2009 as indicated in paragraph 9 below.

PENDING BILLS

9. During the year 2007/2008, a number of Ministries and Departments did not settle bills totalling Kshs.9,928,597,272.82, made up of Kshs.7,810,992,514.41 and Kshs.2,117,604,758.41 for Recurrent and Development Votes respectively, but instead carried forward such bills to 2008/2009 as indicated below:-

| Vote | Ministry/Department | Recurrent Kshs | Development Kshs | Total Kshs |
|------|---|-------------------|---------------------|------------------|
| 01 | State for Provincial Administration and Internal Security | - | 243,081,107.00 | 243,081,107.00 |
| 04 | Foreign Affairs | 2,222,335.05 | - | 2,222,335.05 |
| 05 | Office of the Vice President & Home Affairs | 755,827,646.21 | 2,377,200.00 | 758,204,846.21 |
| 06 | State for Planning, National Dev. & Vision 2030 | 17,478,679.06 | - | 17,478,679.06 |
| 07 | Finance | 8,968,552.55 | - | 8,968,552.55 |
| 08 | State for Defence | 1,767,640,094.60 | - | 1,767,640,094.60 |
| 09 | Regional Development | 392,521,794.30 | - | 392,521,794.30 |
| 10 | Agriculture | 7,259,892.55 | 9,377,969.75 | 16,637,862.30 |
| 11 | Medical Services | 1,631,531,229.95 | 462,656,784.05 | 2,094,188,014.00 |
| 12 | Office of the DPM and Ministry of Local Government | 1,969,150,891.25 | 108,964,413.50 | 2,078,115,304.75 |
| 13 | Roads | 84,309,249.72 | 406,690,168.70 | 490,999,418.42 |
| 14 | Transport | 13,157,750.00 | - | 13,157,750.00 |
| 15 | Labour | 39,078,666.30 | 40,164,011.80 | 79,242,678.10 |

| | | | | |
|----|---|--------------------------------|--------------------------------|--------------------------------|
| 16 | Office of the DPM and Ministry of Trade | 7,832,045.10 | - | 7,832,045.10 |
| 17 | Justice, National Cohesion & Constitutional Affairs | 14,626,665.70 | 3,492,813.00 | 18,119,478.70 |
| 18 | Gender, Children & Social Development | 15,143,244.38 | 9,697,826.40 | 24,841,070.78 |
| 20 | Water and Irrigation | 55,793,972.70 | 40,607,399.45 | 96,401,372.15 |
| 23 | Cabinet Office | 21,335,864.00 | - | 21,335,864.00 |
| 30 | Energy | 1,371,000.00 | 5,828,855.95 | 7,199,855.95 |
| 35 | State for Special Programmes | 543,378,808.35 | - | 543,378,808.35 |
| 40 | State for Immigration & Registration of Persons | 345,192,187.75 | 188,547,473.50 | 533,739,661.25 |
| 41 | State for National Heritage & Culture | 14,905,756.02 | 3,019,666.65 | 17,925,422.67 |
| 42 | Youth Affairs and Sports | 13,663,617.00 | - | 13,663,617.00 |
| 46 | Tourism | - | 2,500,000.00 | 2,500,000.00 |
| 48 | Office of the Prime Minister | 1,734,215.05 | 7,690,904.43 | 9,425,119.48 |
| 49 | Public Health and Sanitation | 19,292,540.00 | 4,304,575.05 | 23,597,115.05 |
| 56 | Fisheries Development | 46,118,067.00 | 20,000,000.00 | 66,118,067.00 |
| 59 | Public Works | 19,582,606.12 | 558,603,589.18 | 578,186,195.30 |
| 60 | Industrialization | <u>1,875,143.70</u> | - | <u>1,875,143.70</u> |
| | Total | <u>7,810,992,514.41</u> | <u>2,117,604,758.41</u> | <u>9,928,597,272.82</u> |

10. Had the bills been settled and charged to the accounts for 2007/2008, six (6) additional Ministries would have recorded Excess Votes against Recurrent and/or Development Votes as follows:-

Recurrent Vote

| Vote | Ministry | Net Surplus Kshs | Pending Bills Kshs | Excess Vote Kshs |
|------|--|--------------------------------|--------------------------------|----------------------------------|
| 05 | Office of the Vice President and Ministry of Home Affairs | 383,077.58 | 755,827,646.21 | (755,444,568.63) |
| 09 | Regional Development | 12,626,469.85 | 392,521,794.30 | (379,895,324.45) |
| 12 | Office of the DPM and Ministry of Local Government | 42,103,974.75 | 1,969,150,891.25 | (1,927,046,916.50) |
| 15 | Labour | 36,321,440.58 | 39,078,666.30 | (2,757,225.72) |
| 56 | Fisheries Development | <u>31,704,881.65</u> | <u>46,118,067.00</u> | <u>(14,413,185.35)</u> |
| | Sub Total | <u>(123,139,844.41)</u> | <u>3,202,697,065.06</u> | <u>(3,079,557,220.65)</u> |

Development Vote

| Vote | Ministry | Net Surplus Kshs | Pending Bills Kshs | Excess Vote Kshs. |
|------|------------------|--------------------------------|--------------------------------|----------------------------------|
| 59 | Public Works | <u>136,673,593.55</u> | <u>558,603,589.18</u> | <u>(421,929,995.63)</u> |
| | Sub Total | <u>136,673,593.55</u> | <u>558,603,589.18</u> | <u>(421,929,995.63)</u> |
| | Total | <u>(259,813,437.96)</u> | <u>3,761,300,654.24</u> | <u>(3,501,487,216.28)</u> |

OUT-TURN OF REVENUE

11. During the year ended 30 June 2008, revenue recorded as received amounted to Kshs.338,237,361,750.05, comprising Kshs.308,977,111,365.60 under the Recurrent Revenue and Kshs.29,260,250,384.45 under Development Revenue, against estimated total receipts of Kshs.291,756,277,702.00. There was therefore an over-collection of Kshs.46,481,084,048.05, representing approximately 15% of the estimated receipts. The reasons for the over-collection are given in footnotes to the respective Statements of Revenue.

COLLECTION OF APPROPRIATIONS-IN-AID

12. The total Appropriations-in-Aid collected during the year under review amounted to Kshs.61,140,775,987.26, against estimated receipts of Kshs.87,437,814,751.00. There was therefore an under-collection of Kshs.26,297,038,763.74 or approximately 30% of the estimated collections. The deficiency was mainly caused by under-collection in the Development Votes, where collections of Kshs.26,074,645,519.56 were realized against estimated receipts of Kshs.44,476,296,135.00. The reasons for the under-collection are similarly given under the respective Appropriation Accounts.

APPROPRIATION ACCOUNTS

13. During 2007/2008, a number of Ministries and Departments submitted for audit Recurrent and Development Appropriation Accounts which were inaccurate. Many such Appropriation Accounts reflected balances which did not agree with those shown in the respective ledgers, against which such Accounts had been prepared. In other instances, expenditure incurred under various items in the Accounts were not supported with the relevant documents, with the result that the propriety of such expenditure could not be confirmed.

14. Observations were also made in respect of substantial expenditure incurred against other items during the year, where such expenditure was altogether excluded in the Accounts. The result of such omission was that the expenditure recorded against the respective Appropriation Accounts was understated by equivalent amounts.

These matters have been dealt with in detail in the paragraphs under the respective Ministries and Departments.

STATEMENTS OF ASSETS AND LIABILITIES

15. As similarly mentioned in the previous year, the Statements of Assets and Liabilities as at 30 June 2008 for almost all Ministries and Departments continued to reflect huge balances under various accounts which have not been analysed to disclose what they represent and/or cleared from the books of account. Such accounts include General Account of Vote, Exchequer, Excess Appropriations-In-Aid, Suspense, Agency and Clearance amongst others. For instance, the total Suspense Account debit and credit balances for 2007/2008 across all Ministries and Departments stood at Kshs.23,824,443,631.02 and Kshs.9,867,487,309.18 respectively as at 30 June 2008, as summarized below:-

| Vote | Suspense Account | |
|--------------|---------------------------------|--------------------------------|
| | Debit Kshs | Credit Kshs |
| Recurrent | 15,323,936,369.28 | 1,115,502,509.87 |
| Development | 7,336,929,323.33 | 8,319,511,914.50 |
| Deposits | <u>1,163,577,938.41</u> | <u>432,472,884.81</u> |
| Total | <u>23,824,443,631.02</u> | <u>9,867,487,309.18</u> |

16. Similarly, the Clearance Account debit and credit balances for the same period totalled Kshs.3,665,996,987.80 and Kshs.1,880,155,017.34 respectively as at 30 June 2008, as shown below:-

| Vote | Clearance Account | |
|--------------|--------------------------------|--------------------------------|
| | Debit Kshs. | Credit Kshs. |
| Recurrent | 2,507,743,800.25 | 1,556,814,292.17 |
| Development | 129,773,735.85 | 104,141,082.07 |
| Deposits | <u>1,028,479,451.70</u> | <u>219,199,643.10</u> |
| Total | <u>3,665,996,987.80</u> | <u>1,880,155,017.34</u> |

Although this matter has been taken up with the respective Ministries and Departments, I have not been able to establish so far, whether or not these balances are supported with actual cash in bank.

FUND ACCOUNTS

17. In the report for the previous year, concern was expressed over various Funds which had not recorded any activities for several years, despite the fact that such Funds continued to tie up substantial cash balances which would otherwise be available for other activities or programmes. These Funds include;

- District Development Fund Ministry of State for Planning, National Development and Vision 2030
- Rural Development Fund Ministry of State for Planning, National Development and Vision 2030
- Cereals and Sugar Finance Ministry of Finance
- Provident Fund Ministry of Finance
- Asiatic Widows and Orphans Pension Fund Ministry of Finance
- Exchange Risk Assumption Fund Ministry of Finance
- Rural Enterprises Fund Ministry of Finance
- Hides and Skin Cess Fund Ministry of Livestock and Fisheries Development
- District Cash Fund Ministry of State for Provincial Administration and Internal Security.

18. A review of the status of these Funds in 2007/2008 similarly disclosed that there were minimal or no activities reported against the Funds during the period, with indications that such Funds may no longer be serving the purposes for which they were created.

BANK RECONCILIATION STATEMENTS

19. The Bank Reconciliation Statements for Recurrent, Development and Deposits Cashbooks in respect of several Ministries and Departments continue to reflect receipts and payments in the Cashbooks not recorded in the Bank Statements and also receipts and payments in the Bank Statements not recorded in the Cashbooks. According to information available, some of the receipts and payments have been outstanding in the Reconciliation Statements for an inordinately long period of time. Detailed observations on the Statements are covered in the paragraphs under the respective Ministries and Departments.

CONTROL OVER IMPRESTS

20. During the year under review, several Ministries and Departments exercised weak controls and inadequate management of imprests and as a result, substantial balances of such imprests, all totalling Kshs.143,187,225.60 were recorded as outstanding as at 30 June 2008, as summarized below:-

| Vote | Ministry/Department | Outstanding Imprest as at 30 June 2008 Kshs. |
|-------------|---|---|
| 01 | State for Provincial administration & Internal Security | 1,428,469.00 |
| 04 | Foreign Affairs | 43,212,409.15 |
| 05 | Office of the VP & Ministry of Home Affairs | 7,117,477.25 |
| 06 | State for Planning, National Development & Vision 2030 | 7,833,125.00 |
| 07 | Finance | 8,137,536.70 |
| 08 | State for Defence | 1,833,662.80 |
| 11 | Medical Services | 16,471,465.55 |
| 15 | Labour | 3,042,590.00 |
| 17 | Justice, National Cohesion & Constitutional Affairs | 4,615,717.65 |
| 18 | Gender, Children & Social Development | 863,939.00 |
| 22 | Co-operative Development & Marketing | 583,086.00 |
| 26 | Judicial Department | 3,399,530.40 |
| 30 | Energy | 439,550.25 |
| 31 | Education | 39,216,537.90 |
| 33 | Electoral Commission of Kenya | 365,405.80 |
| 43 | Higher Education, Science & Technology | 3,876,991.15 |
| 60 | Industrialization | 749,732.00 |
| | Total | <u>143,187,225.60</u> |

21. Apart from failure to have the outstanding imprests surrendered or otherwise accounted for on or before 30 June 2008, it was also observed that

some Ministries and Departments had during the year issued additional imprests to various officers, who had not accounted for balances previously issued.

22. Although the regulations and procedures governing issuance and surrender of imprests are clearly spelt out in the Government Financial Regulations and Procedures, as supplemented by various Treasury Guidelines, it is nevertheless evident that there is need to review and reinforce compliance with these Regulations and Procedures, as well as with the Guidelines.

MINISTRY OF FINANCE

SUBMISSION OF INACCURATE APPROPRIATION ACCOUNTS AND OTHER FINANCIAL STATEMENTS

23. The Appropriation Accounts and other financial statements for 2007/2008 submitted for audit by Ministry of Finance on 30 September 2008 were on examination found to be inaccurate, in that various figures reflected in the Accounts differed with those appearing in the June I Ledger, from which such Accounts had been prepared.

24. The inaccurate and incomplete Accounts were later revised by the Ministry using the correct Trial Balance and Ledger and subsequently resubmitted for audit on 17 December 2008, over 2½ months after the statutory deadline of 30 September 2008.

APPROPRIATION ACCOUNT FOR VOTE R.07

Accuracy of the Appropriation Account

25. The Appropriation Account for Vote R.07 for the year ended 30 June 2008 reflects various balances under Sub-Votes 071 and 075, which differ with those appearing in the relevant supporting analyses by a net amount of Kshs.12,135,744.60. No reconciliation or explanation has been provided for the differences between the two sets of records.

Under-Expenditure and Under-Collection of Appropriations-In-Aid

26. The Appropriation Account also reflects total actual expenditure of Kshs.14,138,065,242.50 against approved estimates of Kshs.15,486,989,200.00, resulting in an under-expenditure of Kshs.1,348,923,957.50 or approximately 8% of the estimated amount. The under-expenditure occurred mainly under Sub-Votes 070 – General Administration and Planning, 071 – Financial Services, 075 – Centralized Services and 076 – Government Investments.

27. The Account further reflects actual collections of Appropriations-In-Aid of Kshs.36,877,027.70 against estimated receipts of Kshs.49,690,080.00, resulting in an under-collection of Kshs.12,813,052.30 or about 26% of the estimated receipts. The under-collection occurred mainly under Sub-Vote 071 – Financial Services.

28. The reasons provided in the footnotes to the Account for the under-expenditure during the year include; non-conclusion of procurement procedures, non-filling of various vacant posts, failure to upgrade staff and over-estimation, while the under-collection of Appropriations-In-Aid was attributed mainly to over-estimation.

Unvouched Expenditure

29. The Appropriation Account similarly reflects expenditure of Kshs.11,750,000.00 incurred under Head 137 – Item 2620100 – Members Fees and Dues, and Subscriptions to International Organizations, and of Kshs.9,045,902.00 incurred under Head 146, Item 2630100 – Current Grants to Government Agencies and Other Levels of Government. These two balances have not however been supported with the relevant documents, with the result that propriety of expenditure totalling Kshs.20,795,902.00 incurred against the two items could not be ascertained.

APPROPRIATION ACCOUNT FOR VOTE D.07

Accuracy of the Appropriation Account

30. The Appropriation Account for Vote D.07 for the year ended 30 June 2008 reflects nil expenditure under Sub-Vote 075 Head 153, Item 3110700 – Purchase of Vehicles and Other Transport Equipment, against an Approved Estimate of Kshs.30,000,000.00. The Ministry's Ledger for the month of June 2008 however indicates that during the year, expenditure totalling Kshs.6,547,680.70 was recorded against the item. It has not been clarified why the expenditure of Kshs.6,547,680.70 was not captured in the Appropriation Account.

Under-Collection of Appropriations-In-Aid

31. The Appropriation Account also reflects actual collections of Appropriations-In-Aid of Kshs.77,889,253.00, against estimated receipts of Kshs.1,253,957,389.00, resulting in a shortfall of Kshs.1,176,068,136.00 or about 94% of the estimated amount. The under-collection occurred under all the three Sub-Votes, including General Planning and Administration, Financial Services and Centralized Services.

32. The reasons given in the footnotes to the Account for the under-collection include, slow procurement processes, late implementation of projects and non-release of funds by Development Partners.

DEVELOPMENT REVENUE - HEAD DR.1

33. The Statement of Development Revenue for Head DR.1 for the year ended 30 June 2008 reflects actual receipts totalling Kshs.20,003,323,148.00 or approximately 62% of the estimated collections of Kshs.32,510,144,220.00. The receipts totalling Kshs.20,003,323,148.00 however include an amount of Kshs.6,953,548,416.00 received from eight (8) donors/lenders in respect of eighteen (18) projects, which had not been provided for in the approved estimates for 2007/2008. Had these unbudgeted for receipts not been received during the year, the Statement of Revenue would have reflected actual collections of Kshs.13,049,774,732.00 or about 40% of the estimated total of Kshs.32,510,144,220.00. A shortfall of Kshs.19,460,369,488.00 or approximately 60% of the estimated collections would therefore have been recorded.

34. Similarly, no receipts were received during the year in respect of fifty eight (58) projects, against which collections of Kshs.8,273,280,102.00 were expected. It has not however been explained why this clearly persistent weakness in budgeting for Development Revenue has not been addressed.

35. The Statement further shows a balance of Kshs.20,003,323,148.00 as having been paid to the Exchequer during 2007/2008, while records maintained by the Exchequer Section at the Treasury reflect an amount of Kshs.20,077,231,195.75 as having been received. The difference of Kshs.73,908,047.75 between the two sets of records has not been reconciled or explained.

36. The Statement in addition reflects a balance of Kshs.94,104.40 carried forward to 2008/2009. This balance however differs from the figure of Kshs.23,810,724.35 reflected in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008, by Kshs.23,716,619.95. The difference has not been reconciled or explained.

STATEMENT OF PUBLIC DEBT

37. In the report for the year 2006/2007, it was stated that the outstanding Public Debt balance increased from Kshs.686,767,013,056.00 as at 30 June, 2006 to Kshs.744,885,408,792.00 as at 30 June, 2007. A review of the position in 2007/2008 indicates that the outstanding Public Debt balance increased by a further amount of Kshs.61,098,790,703.00 or approximately 8%, from Kshs.744,885,408,792.00 as at 30 June 2007 to Kshs.805,984,199,495.00 as at 30 June 2008 .

38. The net increase of Kshs.61,098,790,703.00 during the year was mainly attributed to disbursements of new loans to the Government and additional borrowings from the local market through Treasury Bonds, which recorded a

significant increase of Kshs.38,360,092,589.00 from Kshs.276,829,567,059.00 as at 30 June, 2007 to Kshs.315,189,659,648.00 as at 30 June 2008.

39. The Statement of Public Debt also includes an amount of Kshs.200,020,000.00 described as Kenya Currency Loans, which as similarly observed in the report for 2006/2007, has been outstanding in the books of account for a considerably long period of time. The loans are indicated in the Statement as relating to various Kenya Savings Bonds and an irredeemable loan to Central Bank of Kenya for development projects of Kshs.20,000.00 and Kshs.200,000,000.00 respectively. It has not however been indicated when the amount of Kshs.200,020,000.00 will be cleared from the Statement.

SUSPENSION OF REPAYMENT OF LOANS

40. As indicated above, the Statement of Public Debt reflects an amount of Kshs.805,984,199,495.00, representing total outstanding debt balance as at 30 June 2008. The balance however includes loans totalling Kshs.19,984,364,825.00 whose repayments were discontinued in 2004/2005, after the respective projects were suspended due to various irregularities during the procurement process.

41. Further, and as previously reported, five (5) other projects with loans amounting to Kshs.18,385,087,280.00 were cancelled during 2004/2005 and a refund of Kshs.1,050,702,075.25 received from the creditors on four (4) loans. The five (5) cancelled projects have however been excluded from Public Debt figure of Kshs.805,984,199,495.00 as at 30 June 2008.

42. Consequently and in view of what has been observed above, it has not been possible to establish the contingent liability and financial loss, if any, that would arise should any litigation claims be made by the lenders, on account of breach of contractual obligations on the suspended and cancelled projects.

CONSOLIDATED FUND SERVICES, PUBLIC DEBT – STATEMENT OF EXPENDITURE

43. The Statement of Expenditure for Public Debt for the year ended 30 June 2008 reflects actual expenditure of Kshs.141,053,060,052.55 in respect of Public Debt, representing an increase of Kshs.31,837,733,593.30 or approximately 29% over the previous year figure of Kshs.109,215,326,459.25. This increase was mainly recorded against Internal Debt Interest and Internal Debt Redemptions.

44. The balances of Kshs.41,717,022,196.15 and Kshs.75,428,806,087.00 against Internal Debt Interest and Internal Debt Redemption respectively, include amounts of Kshs.804,905,456.90 and Kshs.1,309,174,540.20 on account of Interest Accrued on Special Bonds and Redemptions of the Bonds

respectively, issued to contractors some years back for settlement of pending bills. Some of the bills, as similarly stated in the previous reports, had been considered as ineligible for payment. Consequently, and as noted in the report for 2006/2007, the propriety of expenditure of the Kshs.804,905,456.90 in respect of Interest Accrued and Kshs.1,309,174,540.20 against Bonds Redemptions could not be confirmed.

45. The expenditure of Kshs.6,998,227,645.40 and Kshs.16,833,587,890.00 incurred on External Debt Interest and Redemptions respectively, includes amounts of Kshs.167,766,546.50 and Kshs.493,052,869.90 respectively paid towards settlement of Government Guaranteed debts incurred in 1970, as a result of financing contracts entered between the Government on one hand and Austrian and Belgium Banks on the other, on account of KEN-REN Chemical and Fertilizer Company. Although the Government continues to service these debts, the project did not take off and indications are that it will not be revived. It is therefore a matter of concern that a sum of Kshs.660,819,416.40 was incurred during the year on a project against which the Government received no value for money at all.

STATEMENT OF OUTSTANDING LOANS

46. The Consolidated Statement of Outstanding Loans as at 30 June 2008 reflects total loans balance of Kshs.32,876,806,955.45, out of which an amount of Kshs.2,878,790,584.81 was repaid during the year, leaving a balance of Kshs.29,998,016,370.64. The balance of Kshs.29,998,016,370.64 was spread across various organizations through eleven (11) ministries.

47. The total loans balance of Kshs.32,876,806,955.45 as at 30 June 2008 represents a decrease of Kshs.44,597,628,227.55 or approximately 58% from the amount of Kshs.77,474,435,183.00 reported as at 30 June 2007. The following further observations were made in respect of some of the decreases.

Office of the President

48. A loan of Kshs.3,000,000.00 lent to the Agricultural Development Corporation through Office of the President for purchase of the Sotik Passion Fruit Factory had an outstanding balance of Kshs.700,000.00 as at 30 June 2007. The balance of Kshs.700,000.00 has however been excluded in the Statement for the year under review.

Ministry of Agriculture and Rural Development

49. Loans lent under Ministry of Agriculture and Rural Development decreased by Kshs.2,210,715,404.00 in 2007/2008 from Kshs.5,379,366,075.00 as at 30 June 2007 to Kshs.3,168,650,671.00 as at 30 June 2008. However, the decrease of Kshs.2,210,715,404.00 has not been supported with an analysis and

as a result, its accuracy could not be ascertained. Further, two new loans of Kshs.663,364,270.00 and Kshs.560,000,000.00 granted to Pyrethrum Board of Kenya and Coffee Board of Kenya respectively during the year have been omitted in the Statement of Outstanding Loans, casting doubt on the accuracy of the figure of Kshs.3,168,650,671.00, lent through Ministry of Agriculture and Rural Development as at 30 June 2008.

Ministry of Trade and Industry

50. Loans lent under the Ministry of Trade and Industry decreased by an amount of Kshs.118,362,340.00 during the year under review, from Kshs.1,354,295,360.00 as at 30 June 2007 to Kshs.1,235,933,020.00 as at 30 June 2008. However the exclusion of loan balances in respect of Development Finance Corporation (Kshs.7,172,660.00), East Africa Portland Cement Company (Kshs.40,080,280.00), Small Enterprise Fund (Kshs.31,394,140.00 and Kshs.24,046,200.00) and Industrial Commercial and Development Corporation (Kshs.690,669,060.00) has not been explained or supported with verifiable documentary evidence.

Ministry of Transport and Communication

51. The loan balances decreased by an amount of Kshs.14,831,871,322.00 from Kshs.17,799,802,807.00 as at 30 June 2007 to Kshs.2,967,931,485.00 as at 30 June 2008. The change in balances mainly occurred against the defunct Kenya Posts and Telecommunication Corporation, Kenya Airports Authority and Kenya Civil Aviation. However, no explanation has been provided for the change in the loan position.

Ministry of Water and Irrigation

52. The decrease in loans lent by Kshs.5,229,813,714.00 from Kshs.7,061,981,300.00 to Kshs.1,832,167,586.00 was attributed to erroneous capturing of data in the previous year's Statement, whereby the total value of the loan was captured in the Statement, instead of the amount disbursed as at the closure of the year.

Ministry of Energy

53. Loans lent under the Ministry of Energy decreased by Kshs.22,132,354,540.00 during the year under review from a balance of Kshs.36,320,864,144.00 as at 30 June 2007 to Kshs.14,188,509,604.00 as at 30 June 2008. However, the change in loan position has not been explained. Further, two new loans of Kshs.2,777,521,946.00 and Kshs.608,347,690.00 granted to Kenya Power and Lighting Company and KenGen respectively, between April 2007 and April 2008 have not been included in the Statement of Outstanding Loans.

Unrepaid Loans

54. The Statement further reflects under Ministry of Transport and Communications loans totalling Kshs.2,967,931,485.00, which include an amount of Kshs.2,065,555,780.00 lent to Kenya Railways Corporation but which has not been repaid to date. The Corporation has since been placed under a concession and as a result it has not been possible to establish how the Corporation's liabilities in form of on-lent loans were to be settled after the concession.

55. In the report for 2006/2007, reference was made to outstanding loans totalling Kshs.2,792,005,200.00 which were reflected in the audited Statement for 2005/2006 but were omitted in the Statement for 2006/2007. A review of the position during 2007/2008 revealed that only one loan of Kshs.3,596,618.00 lent to Cooperative Bank of Kenya to finance Taita Horticultural Production had been reinstated in the Statement under review, while the balance of Kshs.2,788,408,582.00 remained excluded.

56. Further, loans totalling Kshs.233,243,460.00 were cleared from the Statement of Outstanding Loans for 2006/2007. However, and as previously reported, the necessary documentary evidence to support the clearance of the loans have not been made available for audit review.

57. Loan agreements for loans lent to Nairobi City Commission revealed that loans denominated in various currencies have not been included in the Statement of Outstanding Loans and no reason has been provided for the discrepancy.

58. As similarly observed in the previous year's report, Ministry of Finance is shifting from the manual system of recording on-lent loans to computerized Commonwealth Secretariat Debt Recording and Management System (CSDRMS). However, loan ledgers maintained under the existing manual system still have incomplete and inaccurate data. Consequently and unless the loan records are first updated, the new system being adopted will generate unreliable information, due to the incomplete and inaccurate nature of data being used to create the current database.

CONSOLIDATED FUND SERVICES – SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES STATEMENT OF EXPENDITURE

59. The Consolidated Fund Services – Salaries, Allowances and Miscellaneous Statement of Expenditure for the year ended 30 June 2008 reflects total Salaries, Allowances and Miscellaneous expenditure of Kshs.1,534,243,638.00, out of which an amount of Kshs.10,036,645.00 relates to "unknown earnings" paid during the year to members of the Electoral Commission of Kenya. The nature and purpose of payment of these "unknown

earnings” has not been clarified. It has also not been explained whether or not the payment of the “earnings” had been authorized by the Ministry of State for Public Service.

60. Further, the Statement reflects under Sub-Vote 522 Item 980 – Payments Under Loan Guarantee Account Interest and Item 982 – Payments Under Loan Guarantee Account Redemption expenditure of Kshs.115,801,651.00 and Kshs.677,607,722.00 respectively both totalling Kshs.793,409,373.00, in respect of loans the Government had guaranteed on behalf of four (4) parastatals and a Local Authority.

61. The terms and conditions of taking over of these loans by the Government have not been seen and as a result, it has not been possible to establish whether or not the entities were required to reimburse the Government the loans and interest it had paid on their behalf. It has also not been possible to ascertain that the repayments of the loan and interest had complied with the terms and conditions of the take over.

CONSOLIDATED FUND SERVICES – PENSIONS AND GRATUITIES STATEMENT OF EXPENDITURE

62. The Statement of Expenditure for the Consolidated Fund Services – Pensions and Gratuities for the year ended 30 June 2008 reflects total expenditure of Kshs.23,114,877,651.97, which includes an amount of Kshs.79,428,240.00 remitted to the Crown Agents in the United Kingdom for payment of pensioners residing in that country, on behalf of Government of Kenya. However and as similarly observed in the previous year, details of the recipients of the pensions including their life certificates/returns, passports and other copies of identification documents were not made available for audit verification. Consequently, the propriety of the amount of Kshs.79,428,240.00 remitted to the Crown Agents during the year could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR CONSOLIDATED FUND SERVICES

63. As in the previous year, the Statement of Assets and Liabilities for Consolidated Fund Services as at 30 June 2008 reflects various balances under Agency Suspense, Sinking Fund, Re-credited Cheques and NSSF Imprest Accounts brought forward from 2006/2007, which have remained uncleared for a considerably long period of time. No reasons have been provided for failure to clear these long outstanding balances.

STATEMENT OF ASSETS AND LIABILITIES – C.F.S PENSIONS AND GRATUITIES

64. The Statement of Assets and Liabilities for C.F.S. Pensions and Gratuities as at 30 June 2008 reflects a balance of Kshs.386,880,070.52 against the Paymaster General Account (PMG), which has been reconciled with the Cashbook balance of Kshs.1,684,944.75 as at 30 June 2008. However, the Cashbook/ledger reconciliation statement as at the same date shows undercasts and overcasts errors of Kshs.4,728,937.25 and Kshs.22,599,340.33 respectively. Consequently, the completeness and accuracy of the Cashbook balance could not be confirmed.

65. The Statement also reflects a credit balance of Kshs.381,075,297.75 under Advance Payment to Post Bank, relating to 2006/2007 and earlier years. As stated in the previous year's report, the Bank has not submitted to the Pensions Department monthly returns showing the amount held in the Pension's Payment Reserve Account and details of uncollected pensions as at 30 June 2008, contrary to provisions of the Memorandum of Understanding signed between the Bank and the Government of Kenya on 26 February 2002. As a result, it has not been possible to confirm accuracy of the figure of Kshs.381,075,297.75 due to the Bank as at 30 June 2008. Further, and in the absence of the returns, it has also not been possible to confirm that all pensioners paid through Post Bank promptly received their dues during the year.

66. The Statement further reflects an amount of Kshs.180,772,032.70 against the Re-credited Cheques Account, comprising pension cheques dispatched to beneficiaries, but not paid due to various reasons including wrong account numbers, incorrect bank codes and closed pensioners' accounts. It has not however been indicated as to why these rather common and persistent challenges have not been conclusively addressed.

Further, the balance of Kshs.180,772,032.70 differs by an amount of Kshs.21,617,612.60 with the figure of Kshs.159,154,420.10 computed from the records containing returned and subsequently paid pension cheques. The difference has not been reconciled or explained.

67. The Statement shows a balance of Kshs.151,501,064.15 under Contract Gratuity representing gratuity paid back by female employees, which includes an amount of Kshs.150,588,419.90 relating to 2006/2007 and earlier years. This particular amount ought to have been cleared as at 30 June 2008. Further, the balance of Kshs.151,501,064.15 includes an amount of Kshs.65,661,380.50 received in 2004/2005, against which a balance of Kshs.65,154,726.00 had been analysed leaving a figure of Kshs.506,654.50.

68. The Statement also shows an unanalyzed Suspense Account debit balance of Kshs.2,360,628.20 relating to 2006/2007 and earlier years. Although

the Account has been identified as relating to stale cheques, no action appears to have been taken to clear or re-issue the cheques to the respective pensioners.

STATEMENT OF ASSETS AND LIABILITIES FOR PENSIONS AND GRATUITIES – FUNDS AND DEPOSITS

69. The Statement of Assets and Liabilities for Pensions and Gratuities – Funds and Deposits as at 30 June 2008 reflects a balance of Kshs.52,135,327.32 under Pensions Contributions, while the analysis provided shows an amount of Kshs.53,075,719.22 against the same item. The difference of Kshs.940,391.90 between the two sets of records has not been reconciled or explained. Further, no explanation has been given as to why Refer to Drawer cheques totalling Kshs.380,140.90 and included in the analysis have not been replaced or credited back to the Cashbook.

70. The Statement also reflects a balance of Kshs.73,583,569.25 against the Revenue (Widows and Children Pensions Scheme) Accounts, which includes Dishonoured Cheques of Kshs.1,420,224.40. It has not however been explained why these cheques have not been replaced.

71. The Statement further reflects various balances brought forward from 2006/2007 and earlier years, of Kshs.578,917.25 Cr., Kshs.1,878,291.60 Cr. and Kshs.103,943.75 Dr. under Asiatic Widows and Orphans Pension (AWOP), Asian Officers Family Pension Fund (AOFPF) and European Widows and Orphans Pension Scheme (EWOPS) respectively, which have been explained as representing payments of pensions for 2006/2007 and earlier years, made from specific Fund Accounts, but without the corresponding reimbursement from the Consolidated Fund Services. No reason has however been provided for failure to have the payments reimbursed.

STATEMENT OF REVENUE FOR HEAD 1110000 – TAXES ON INCOME, PROFITS AND CAPITAL GAINS

72. The Statement of Revenue for Head 1110000 – Taxes on Income, Profits and Capital Gains for the year ended 30 June 2008 reflects actual receipts of Kshs.177,246,750,110.40, comprising Kshs.81,680,929,230.20 in respect of Income Tax from individuals (PAYE), Kshs.86,695,983,472.40 under Income Tax from Corporations (Other Income Tax) and Kshs.8,869,837,407.80 relating to Income Tax Share of LATF. Records maintained by Kenya Revenue Authority however, reflect total receipts of Kshs.166,152,969,569.00, made up of Kshs.86,140,240,109.00 and Kshs.80,012,729,460.00 relating to PAYE and Other Income Tax respectively. The resultant difference of Kshs.11,093,780,541.40 between the two sets of records has not been reconciled or explained.

73. The Statement also reflects actual receipts of Kshs.177,246,750,110.40, against estimated receipts of Kshs.159,378,000,000.00, resulting in an over-collection of Kshs.17,868,750,110.40 or approximately 11% of the estimated amount. The over-collection is made up of Kshs.2,253,929,230.20 in respect of PAYE, Kshs.14,355,983,472.40 under Other Income Tax and Kshs.1,258,837,407.80 relating Income Tax Share of LATF. The over-collection of Kshs.17,868,750,110.40 has not however been explained by way of footnotes as required by the Government Financial Regulations and Procedures.

74. The Statement further reflects Income Tax Share of LATF actual receipts and LATF disbursements of Kshs.8,869,837,407.80 and Kshs.8,648,006,036.00 respectively, which differ with the balances of Kshs.8,871,451,352.10 and Kshs.8,768,427,034.00 respectively, shown in the LATF Accounts for 2007/2008, prepared by the Ministry of Local Government. The resultant differences of Kshs.1,613,944.30 and Kshs.120,420,998.00 respectively have not been reconciled or explained.

75. The Statement in addition reflects actual receipts totalling Kshs.177,246,750,110.40, while the Ledger shows total receipts of Kshs.172,965,015,195.55. The resultant difference of Kshs.4,281,734,914.85 has not been reconciled or explained.

76. Further, the Statement shows a balance of Kshs.3,148,921,514.05 carried forward to 2008/2009, while the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 shows a figure of Kshs.8,647,022,282.19 against the same account. Again, the resultant difference of Kshs.5,498,100,768.14 between the two sets of records has not been reconciled or explained.

77. In addition, the Statement shows a LATF figure of Kshs.2,770,184,499.70 in respect of balance carried forward, while the reconciled LATF Cashbook balance as at 30 June 2008 shows an amount of Kshs.2,361,317,517.75. As in the previous instances, the difference of Kshs.408,866,981.95 has not been reconciled or explained.

78. The Revenue Statement does not also show details of Arrears of Revenue due as at 30 April 2008 and uncollected as at 30 June 2008. Consequently, it has not been possible to confirm whether Arrears of Revenue totalling Kshs.125,166,946,067.00 as at 30 June, 2007, made up of PAYE and Other Income Tax of Kshs.8,038,915,157 and Kshs.117,128,030,910 respectively had been recovered as at 30 June 2008.

STATEMENT OF REVENUE FOR HEAD 1140000 – TAXES ON GOODS AND SERVICES

79. The Statement of Revenue for Head 1140000 – Taxes on Goods and Services for the year ended 30 June 2008 reflects total actual receipts of

Kshs.177,251,211,278.30, comprising balances of Kshs.61,586,108,468.70, Kshs.53,807,634,460.85 and Kshs.61,857,468,348.75 under VAT – Local, VAT – Imports and Excise Taxes respectively. Records maintained by the Kenya Revenue Authority however reflect total receipts of Kshs.173,525,253,051.00, made up of amounts of Kshs.57,373,875,358.00, Kshs.53,634,410,526 and Kshs.62,516,967,167, relating to VAT – Local, VAT – Import and Excise Taxes respectively. The resultant difference of Kshs.3,725,958,227.30 between the two sets of records has not been reconciled or explained.

80. The Statement also reflects total actual receipts of Kshs.177,251,211,278.30, while the Ministry's Ledger shows total receipts of Kshs.117,115,861,779.90, resulting in an unreconciled and unexplained difference of Kshs.60,135,349,498.40. Further, no Excise Taxes are reflected in the Ministry's Ledger, while the Statement under review shows actual collections of such Taxes totalling Kshs.61,857,468,348.75. Similarly, no explanation has been provided for the omission.

81. The Statement further reflects a Carried Forward net balance of Kshs.446,379,166.10 in respect of both VAT and Customs Excise, while the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 shows a net total of Kshs.2,177,957,773.20 against the same items. The difference of Kshs.2,624,336,939.30 between the two sets of records has not been reconciled or explained. Further, no reason has been provided for failure to transfer to the Exchequer the significant balance of Kshs.446,379,166.10 during the year under review.

82. The Statement does not show details of Arrears of Revenue uncollected as at 30 June 2008. In addition, and due to lack of the details of Arrears of Revenue, it has not been possible to confirm whether arrears of revenue totalling Kshs.91,734,032,909.00 as at 30 June 2007, made up of VAT of Kshs.91,609,679,989.00 and VAT – RD of Kshs.124,352,920.00 had been recovered as at 30 June, 2008.

STATEMENT OF REVENUE FOR HEAD 1150000 – TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS

83. The Statement of Revenue for Head 1150000 – Taxes on International Trade and Transactions for the year ended 30 June 2008 reflects an over-collection of Kshs.1,833,772,816.60 in respect of Custom Duties and Other Taxes on International Trade and Transactions, representing approximately 4% of the estimated receipts of Kshs.44,024,000,000.00. However, no reasons have been provided in the footnotes to the Statement for the material difference between the estimated and actual receipts.

84. The Statement's actual total receipts balance of Kshs.45,857,772,816.60 comprise amounts of Kshs.32,944,348,580.05 and Kshs.12,913,424,236.55 under Customs Duties and Other Taxes on International Trade and Transactions respectively. However, records maintained by the Kenya Revenue Authority reflect total receipts of Kshs.44,970,088,516.00, made up of amounts of Kshs.32,539,472,977.00 and Kshs.12,430,615,539.00 against Customs Duties and Other Taxes on International Trade and Transactions respectively, resulting in differences of Kshs.404,875,603.05 and Kshs.482,808,697.55 between the two items respectively. These differences have not been reconciled or explained.

85. Further, the Statement's actual receipts figure of Kshs.45,857,772,816.60 differs with the Ministry's Ledger balance of Kshs.45,490,323,750.75 by an amount of Kshs.367,449,065.85. The difference has not been reconciled or explained.

86. The Revenue on Hand balance of Kshs.847,412,641.95 as at 30 June 2008 differs with the figure of Kshs.53,428,871.10 appearing in the Statement of Assets and Liabilities for Deposits 07, as an overpayment against the Revenue Head by Kshs.900,841,513.05. The difference has not been reconciled or explained. It has also not been clarified why the huge balance of Kshs.847,412,641.95 was not paid over to the Exchequer during the year.

87. The Statement does not show details of Arrears of Revenue due as at 30 April 2008 but uncollected as at 30 June 2008, with the result that the level of such revenue could not be determined as at 30 June 2008. Further, the Statement does not show how much of the revenue receivables balance of Kshs.2,130,227,040.80 due from some eight (8) organizations as at 30 June 2007, had been realized during 2007/2008.

STATEMENT OF REVENUE FOR HEAD 1160000 – OTHER TAXES NOT ELSEWHERE CLASSIFIED

88. The Statement of Revenue for Head 1160000 – Other Taxes (Not Elsewhere Classified) for the year ended 30 June 2008 reflects actual receipts of Kshs.4,584,430,435.30 against estimated collections of Kshs.3,337,625,115.00, resulting in an over-collection of Kshs.1,246,805,320.30 or approximately 37% of the estimated amount. No footnotes to explain the material deviation between the estimated receipts and actual collections have been provided.

89. The Statement also reflects actual receipts of Kshs.4,584,430,435.30, while records held at the Kenya Revenue Authority show collections of Kshs.4,532,751,118.00. The difference of Kshs.51,679,317.30 between the figures at the Ministry's Headquarter and those at the Authority has not been reconciled or explained.

90. The Statement further reflects a Revenue on Hand balance of Kshs.63,562,042.30 as at 30 June 2008, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows a figure of Kshs.2,626,344.70. The difference of Kshs.60,935,697.60 between the two separate records has not been reconciled or explained. Further, it has also not been explained why the balance of Kshs.63,562,042.30 has not been remitted to the Exchequer.

STATEMENT OF REVENUE FOR HEAD 1410000 – SUB HEAD 1410100 – STATEMENT OF PROPERTY INCOME – LOAN INTEREST RECEIPTS FROM DOMESTIC AND ON- LENDING

91. The Statement of Revenue for Head 1410000 Sub Head 1410100 – Property Income – Loan Interest Receipts from Domestic and On-lending for the year ended 30 June 2008 reflects actual receipts of Kshs.371,254,013.70 against estimated receipts of Kshs.1,067,000,000.00, resulting in an under-collection of Kshs.695,745,986.30 or approximately 65% of the estimated receipts. Further and as was similarly noted in the report for 2006/2007, thirty two (32) parastatals and institutions out of forty three (43) did not remit any interest income during the year under review although clearly most of them recorded profits during the period.

92. The Statement also reflects payments to the Exchequer of Kshs.371,254,013.70 during 2007/2008, while the Exchequer records at the Treasury show a figure of Kshs.572,016,914.55, occasioning a difference of Kshs.200,762,900.85. This difference has not been reconciled or explained.

93. The actual receipts of Kshs.371,254,013.70 differ by of amount of Kshs.108,267,742.70 with the balance of Kshs.262,986,271.00 reflected in the Ministry's Ledger. The receipts of Kshs.371,254,013.70 also differ by Kshs.3,368,828.00 with the analysed vouchers figure of Kshs.367,885,185.70. The resultant differences between the three sets of the records have not been reconciled or explained.

94. The Statement does not reflect any balance on hand as at 30 June 2008, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.38,593,485.00 against the same item. No explanation has been given for the discrepancy.

95. The Statement of Arrears of Revenue due as at 30 April 2008 and uncollected as at 30 June 2008 reflects a balance of Kshs.27,467,181,021.34 brought forward from 2006/2007. This balance however differs with the carried forward amount of Kshs.26,967,971,397.48 against the same item, in the audited Statement for 2006/2007 by Kshs.499,209,623.86. The difference has not been reconciled or explained.

96. The Statement of Arrears of Revenue indicates that arrears of revenue increased by an amount of Kshs.1,228,873,716.91 from Kshs.26,967,971,397.48 as at 30 June 2007 to Kshs.28,196,845,114.39 as at 30 June 2008. The increase was mainly attributed to substantial arrears not having been received from the Kenya Electricity Generating Company, Agro-Chemical and Food Company Ltd and Kenya Power and Lighting Company of Kshs.390,768,754.00, Kshs.158,320,135.00 and Kshs.102,342,641.00 respectively. No indication has however been seen to show how the Ministry is addressing this clearly persistent problem.

STATEMENT OF REVENUE FOR HEAD 1410000 – SUB HEAD 1410200 – PROPERTY INCOME

97. The Statement of Revenue for Head 1410000, Sub-Head 1410200, Property Income for the year ended 30 June 2008 reflects an amount of Kshs.2,914,370,680.05 as having been paid to the Exchequer during the year, while the Exchequer records show a balance of Kshs.3,133,350,633.50 as having been received. The difference of Kshs.218,979,953.45 between the two sets of records has not been reconciled or explained.

Further, the amount of Kshs.2,914,370,680.05 in respect of the actual receipts differs with the figure of Kshs.2,965,275,674.05 shown in the Ledger by Kshs.50,904,994.00. Similarly, this difference has not been reconciled or explained.

98. In addition, the balance of Kshs.107,036.05 carried forward to 2008/2009 differs with the amount of Kshs.453,062.15 shown against Investment Revenue in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 by Kshs.346,026.10. As in the previous instances, the difference of Kshs.346,026.10 has not been reconciled or explained.

REVENUE STATEMENT OF HEAD FOR 1410000 – PROPERTY INCOME – SUB HEAD 1410401 – RENT OF LAND

99. The Statement of Revenue for Head 1410000 – Sub Head 1410401, Rent of Land for the year ended 30 June 2008 reflects actual receipts of Kshs.1,375,378,571.40, which differ with the Kenya Revenue Authority total receipts figure of Kshs.1,257,015,349.00 by Kshs.118,363,222.40. The difference has not been reconciled or explained.

STATEMENT OF REVENUE FOR HEAD 1450000 – OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

100. The Statement of Revenue for Head 1450000 – Other Receipts Not Classified Elsewhere for the year ended 30 June 2008 reflects actual

receipts of Kshs.15,956,423,389.60 against estimated gross receipts of Kshs.10,646,000,000.00, resulting in an over-collection of Kshs.5,310,423,389.60 or approximately 50% of the estimated amount. However, no reasons have been given in form of footnotes to the Statement, for the material difference between the estimated and actual receipts.

101. The actual receipts of Kshs.15,956,423,389.60 differ by an amount of Kshs.2,052,166,934.85 from the total receipts figure of Kshs.13,904,256,454.75 reflected in the Ministry's Ledger. The difference between the two sets of records has not been reconciled or explained.

102. The Statement also reflects a balance of Kshs.46,512,835.25 carried forward as at 30 June 2008 which however differs by a figure of Kshs.1,827,606,448.05 from the amount of Kshs.1,781,093,612.80 reflected under Miscellaneous Revenue in the Statement of Assets and Liabilities for Deposits 07. As in the previous instances, the difference has not been reconciled or explained.

STATEMENT OF REVENUE FOR HEAD 4510000 – REPAYMENTS FROM DOMESTIC LENDING AND ON-LENDING

103. The Statement of Revenue for Head 4510000 – Repayments from Domestic Lending and On-lending for the year ended 30 June 2008 reflects actual receipts of Kshs.472,433,521.55 against estimated receipts of Kshs.700,000,000.00, resulting in an under-collection of Kshs.227,566,478.45 or approximately 32% of the estimated amount. Apart from the under-collection, it has also been observed that the figure of Kshs.700,000,000.00 in respect of the estimated receipts has not been analysed to indicate the amounts expected from the various organizations.

104. The Statement also reflects nil receipts during the year from thirty three (33) out of thirty nine (39) State Corporations and Organizations. No reasons have been provided for failure to collect the revenue. Further, and as similarly observed in 2006/2007, several of these Corporations and organizations are financially sound and should therefore have had no difficulty in repaying their loans.

105. The amount of Kshs.472,433,521.55 paid to the Exchequer during the year differs with the balance of Kshs.708,564,701.45 reflected in the records maintained by the Exchequer Section at the Treasury by Kshs.236,131,179.90. In addition, the actual receipts of Kshs.472,433,521.55 differ by Kshs.61,740,522.10 from the figure of Kshs.410,692,999.45 reflected in the Ledger. No reconciliation or explanation has been provided for these differences.

106. The Statement does not reflect any balance on hand under loan Redemption Receipts as at 30 June 2008, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount on hand of Kshs.28,191,159.20 against the same item. No explanation has been given for this anomaly.

107. The Statement of Arrears of Revenue due as at 30 April 2008 and uncollected as at 30 June 2008 reflects a balance of Kshs.10,943,601,980.96 brought forward from 2006/2007, which differs with the audited figure of Kshs.15,072,267,294.90 as at 30 June 2007 by Kshs.4,128,665,313.94. Although the difference is said to relate to write-off of loans due from some five (5) organizations, and a new loan to one organization, no documentary evidence has been provided to confirm this position.

108. The Statement further reflects a balance of Kshs.11,426,485,419.96 in respect of Arrears of Revenue due as at 30 June 2008 compared to Kshs.15,072,267,294.90 as at 30 June 2007. The decrease of Kshs.3,645,781,874.94 or approximately 24% has been attributed to write-off of loans. However, there was, during the year significant increase in Arrears of Revenue of Kshs.443,848,975.00 and Kshs.37,816,000.00 from Kenya Electricity Generating Company and Mombasa Pipeline Board respectively. No reasons have been provided for the increase. In addition, the balance of Kshs.11,436,485,419.96 under Arrears of Revenue due as at 30 June 2008 includes an amount of Kshs.2,058,303,911.10 due from Kenya Railways Corporation, which has since been taken over by the Rift Valley Railways Limited. It is not clear how the loan due from the Corporation is expected to be recovered.

109. The total Arrears of Revenue of Kshs.11,426,485,419.96 include a substantial amount of Kshs.9,433,100,442.10 or about 83% of the total owed by four (4) organizations.

110. Although it had been indicated in the past that measures have been initiated to ensure that the organizations repay the loans promptly and as appropriate, Arrears totalling Kshs.9,433,100,442.10 had not been paid as at 30 June 2008.

STATEMENT OF REVENUE FOR HEAD 1420000 – SALE OF GOODS AND SERVICES

111. The Statement of Revenue for Head 1420000 - Sale of Goods and Services for the year ended 30 June 2008 reflects actual receipts of Kshs.77,868,793,972.75 against estimated gross receipts of Kshs.43,139,508,367.00 resulting in an over-collection of Kshs.34,729,285,605.75 or approximately 80.5% of the estimated amount. The significant over-collection occurred mainly under Item 1420103 – Sale of Kenya-

Re shares with receipts of Kshs.1,800,000,000.00 against nil provision; Item 1420104 – Sale of Safaricom shares with receipts of Kshs.49,887,137,100.00 against a provision of Kshs.33,800,000,000.00 and Item 1420105 – Sale of Telkom shares with receipts of Kshs.24,301,320,000.00 against a provision of Kshs.5,600,000,000.00.

112. Although concern was in previous years expressed over the inherent weaknesses in the estimation of revenue receipts under the Sale of Goods and Services, no action however appears to have been taken to address the weakness. Further, no reasons have been given for the material differences between the estimated and actual receipts under revenue items 1420101 – Sale of Kengen shares, 1420104 – Sale of Safaricom shares and 1420105 – Sale of Telkom shares.

113. The Statement also reflects receipts of Kshs.1,880,336,872.75 against Item 1420201 – Fees Under Traffic Act, for which only an amount of Kshs.698,738,367.00 was estimated during the year. The resulting over-collection of Kshs.1,181,598,505.75 or approximately 169% of the estimated receipts is explained in the footnotes to the Statement as due to inclusion under this particular item, receipts for Item 1420202 – Motor Drivers Licences, for which a sum of Kshs.540,770,000.00 had been estimated against nil collections. The lumping up of receipts under Traffic Revenue Item with those collectable under Motor Drivers Licence has in the past been attributed to the fact that the Registrar of Motor Vehicles maintained one Revenue Account with the Central Bank of Kenya. It has not however been clarified why this matter has not been conclusively addressed.

114. In addition, the actual receipts of Kshs.1,880,336,872.75 in respect of Items 1420201 (Fees under Traffic Act) and 1420202 (Motor Drivers Licenses) as at 30 June 2008 exceeded the estimated receipts of Kshs.1,239,508,367.00 by Kshs.640,828,505.75 or approximately 51% of the estimated receipts. The over-collection has not however been explained.

115. Further, the balance of Kshs.1,880,336,872.75 differs with the Kenya Revenue Authority total receipts figure of Kshs.1,948,026,933.66 by Kshs.67,690,060.91. In addition the amount of Kshs.1,880,336,872.75 differs by Kshs.30,869,263.95 from the figure of Kshs.1,911,206,136.70 reflected under revenue Items 1420201 and 1420202 in the Ministry's Ledger. Similarly, the carried forward balance of Kshs.6,259,828.40 differs with the amount of Kshs.1,964,644,173.90 reflected in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008, by Kshs.1,958,384,345.50.

OUTSTANDING PARTICULAR SECURITY BONDS – MOMBASA

116. According to the Customs and Excise Act Regulation No. 96, evidence of exportation of transit goods is required within 21 days from the date of their

importation and where no such evidence is produced, the goods in question are deemed to have been imported for home use and therefore liable for duty.

117. Examination of the manual transit goods particular bonds registers maintained at the Kenya Revenue Authority, Mombasa revealed outstanding particular security bonds totalling Kshs.3,489,143,315.00 lodged in respect of various transit goods, against which no revenue had been realized although there was no evidence of exportation of the goods.

FAILURE TO REMIT VALUE ADDED TAX

118. Examination of the Value Added Tax (VAT) records maintained at the Kenya Revenue Authority, Mombasa as at 30 June 2008 indicated that several Withholding Tax Agents, including Government Ministries/Departments and Institutions defaulted in the remission of withheld Value Added Tax amounting to Kshs.100,150,122.00 for the year 2007/2008. The reasons provided for failure to remit the Tax include; issuing of cheques without adequate funds and supporting schedules, while others were post-dated.

VAT REFUNDS PROCESSED WITHOUT AUDIT CERTIFICATES

119. A review of VAT refund claims processed during the year under review by the Kenya Revenue Authority disclosed that claims totalling Kshs.211,325,987.00 by nine (9) companies were paid without having been audited by independent auditors, as provided for under Legal Notice No.195 of the Value Added Tax Regulations. Section 13(a) (i) of the Legal Notice stipulates inter alia that all VAT refunds above Kshs.1 million should be paid after being audited and certified as a proper charge to public funds by a Certified Public Accountant.

UNACCOUNTED FOR GOODS – CUSTOMS BONDED WAREHOUSES, MOMBASA

120. In the report for 2006/2007, reference was made to goods with a customs value of Kshs.679,046,383.00 which were missing from various Customs Warehouses in Mombasa. Further, goods with a customs value of Kshs.566,428,551.00 for 2006/2007 could not be traced or accounted for due to closure of the warehouses where they had been received and entered for tax purposes.

121. A review of the position in 2007/2008 disclosed that Import Duty and Value Added Tax totalling Kshs.237,937,994.00 and Kshs.331,755,126.00 respectively for 2006/2007 relating to the goods, had not been received as at 30 June 2008 and no reason has been provided for failure to collect the revenue.

122. Further, Import Duty, Excise Duty and Value Added Tax amounting to Kshs.309,760,462.00, Kshs.15,962,820.00 and Kshs.739,568,548.40 respectively, relating to 2007/2008 in respect of missing goods with total customs value of Kshs.4,396,184,173.08 at some other eleven (11) Customs Bonded Warehouses in Mombasa, had also not been collected as at 30 June 2008.

UNCOLLECTED DUTY AND VAT – EXPORT PROCESSING ZONE (EPZ)

During the year under review, the attention of the Commissioner of Customs Services Department was drawn to the following unsatisfactory matters relating to uncollected duty and VAT at the Voi EPZ.

Unauthorized Sale of T-Shirts in the Local Market

123. Examination of records maintained by a firm at the Voi EPZ revealed that T-shirts valued at Kshs.2,341,572.29 and attracting duty and VAT amounting to Kshs.585,393.07 and Kshs.468,314.37 respectively were removed from the EPZ but without payment of duty and VAT totalling Kshs.1,053,707.44. Further, the Import Entry (Form C4) and other supporting documents in respect of the T-shirts were not made available for audit review. Consequently, it has not been possible to ascertain the basis on which the custom value of Kshs.2,341,752.29 for the T-shirts was arrived at.

Unaccounted for Raw Materials

124. Section 169 (2b) of the East African Community Customs Management Act, 2004 requires an Export Processing Zone operator to maintain proper and adequate records of all types of raw materials used and goods manufactured at the EPZ.

125. Examination of records maintained at the firm however revealed that fabrics imported with a Cost, Insurance and Freight (CIF) value of Kshs.4,831,983.98 and attracting import duty and VAT of Kshs.1,207,995.49 and Kshs.966,396.49 respectively, had not been entered in stores records. As a result, it was not possible to confirm whether the fabrics were received and issued for consumption within EPZ or were converted for home use.

Uncancelled Security Bonds

126. An audit inspection carried out at the EPZ further revealed that Outstanding Security Bonds with a value of Kshs.7,152,594.16 lodged at the Customs Office, Mombasa in respect of various import and export goods had not been cancelled, as no bond cancellation vouchers were made available for audit review. Consequently, and in the absence of the cancellation vouchers, duty and VAT amounting to Kshs.1,788,148.53 and Kshs.1,430,518.75 respectively against the goods ought to have been collected.

PROCUREMENT OF GOODS AND SERVICES

127. During the year under review, the Kenya Revenue Authority procured various goods, works and services worth Kshs.86,093,311.60 on a single sourcing basis.

Apart from the fact that such procurement contravenes Section 74(1) of the Public Procurement and Disposal Act, 2005, it is also not clear how the suppliers were identified.

PROVIDENT FUND

128. As similarly observed in the report for 2006/2007, the Provident Fund Accounts for twenty three (23) financial years from 1973/74 to 1995/96 were yet again not prepared and submitted for audit. Consequently, the accuracy of the opening balances of the Fund Accounts for the subsequent years up to 2006/2007 and for the year under review could not be confirmed.

129. The Fund's Balance Sheet as at 30 June 2008 reflects various balances under Capital Account, Provisions on Investment, Supplies Cash Remittance and Interest due from GOK brought forward from 2006/2007 and earlier years. The balances have not been analysed and as a result it has not been possible to confirm what they represent. Their completeness and accuracy are also in doubt.

130. The Balance Sheet also reflects an investment portfolio of Kshs.18,303,849.50, made up of the balances of Kshs.13,509,967.45, Kshs.997,655.80 and Kshs.3,796,226.25 under Investment at Cost, Cash on Deposit (Joint Consolidated Fund) and Cash on Deposit (Cereals and Sugar Finance Corporation) Accounts respectively.

131. As similarly noted in 2006/2007, these investments have not been supported with investments certificates or other related records. As a result, it has not been possible to ascertain ownership, existence and valuation of the total investment portfolio of Kshs.18,303,849.50. In addition, and as previously reported, the Cereals and Sugar Finance Corporation in which cash deposits of Kshs.3,796,226.25 are held is in the process of being wound up. The recoverability of the debt owing by the Corporation is therefore doubtful.

132. An amount of Kshs.6,666,900.00 in respect of Sundry Debtors and the corresponding accumulated interest of Kshs.6,060,900.00 receivable from the Cereals and Sugar Finance Corporation as at 30 June 2008 have been omitted from the Funds Accounts. No reason has been given for this omission.

RURAL ENTERPRISE FUND

133. In the reports for 2006/2007 and earlier years, concern was expressed on the manner in which the Rural Enterprise Fund was being managed and in particular the operational arrangements with regard to the Fund, including documentation of loan applications, accounting, administration and weak loan recovery terms.

134. A review of the Fund's Accounts for the year 2007/2008 revealed no significant changes in the situation as highlighted in the ensuing paragraphs.

Loan Beneficiaries.

135. The Statement of Assets and Liabilities as at 30 June 2008 reflects a loanees brought forward balance of Kshs.394,559,879.30. As previously reported, the District Commissioners have to date, not submitted to the Ministry of Finance details of Funds beneficiaries, including borrowers names, borrowed amounts, loan disbursements dates. Interest on borrowed amounts has also not been computed and accrued in the Accounts.

Unbanked Cash

136. The Statement also reflects unbanked cash balances brought forward, which include Cash with DC of Kshs.1,951,920.60 (loans repaid), Cash with DC of Kshs.108,839.70 (interest on loans) and Cash with DC of Kshs.1,288,134.70 (Miscellaneous Deposit Account). Apart from failure to explain why the above cash balances had not been banked by 30 June 2008, documentary evidence has still not been produced to confirm existence of the balances.

Irregular Advances

137. As indicated above, the Statement shows under Cash with DC (loan repaid) a balance of Kshs.1,951,920.60. Included in this balance however are advances amounting to Kshs.207,344.25 in form of IOU's issued in 1997/98 to some five (5) officers at the DC's Office Kisumu, which had not been surrendered as at 30 June 2008.

Omitted Balance

138. The Statement of Assets and Liabilities for Deposits as at 30 June 2008 reflects a debit balance of Kshs.770,125.15 against the Rural Enterprise Fund. This balance has not however been shown in the Fund Accounts for the year 2007/2008. No reason has been provided for the omission.

KENYA LOCAL LOANS SUPPORT FUND

139. The Balance Sheet as at 30 June 2008 reflects an Investment at Cost balance of Kshs.10,410,373.50 which differs with the detailed supporting schedule figure of Kshs.10,430,700.00 by an amount of Kshs.20,326.50. The difference has not been reconciled or explained. As similarly reported in 2006/2007, the detailed schedule for redeemable and unredeemable stocks of Kshs.10,430,700.00 shows that apart from a 6% Kenya Stock with nominal value of Kshs.17,400.00 due for redemption on 6 February 2010, all other stocks are past due redemption dates. Reasons have still not been provided for failure to redeem the stocks on maturity.

140. In the reports for 2006/2007 and earlier years, concern had been expressed over an initial investment of Kshs.4,000,000.00 placed with the moribund Cereals and Sugar Finance Corporation in July 1992, that was omitted in the Fund Balance Sheets without the authority of the Treasury. The investment figure of Kshs.4,000,000.00 has again been omitted from this year's Fund Balance Sheet, although an interest Income of Kshs.660,000.00 has been accrued in the financial statements. No reason has been given for the inconsistency of omitting from the balance sheet an investment of Kshs.4,000,000.00 on one hand and showing accrued interest from the same investment on the other.

DISTRICT CASH FUND

141. As in the previous year, the District Cash Fund Account Balance Sheet as at 30 June, 2008 includes a Paymaster-General Account which reflects dishonoured cheques for Kshs.19,045,362.70 relating to 2005/2006 and earlier years. These cheques were still outstanding as at 30 June 2008 in three Deposits Cashbooks. No reason has however been provided as to why the District Treasuries have not replaced the dishonoured cheques.

142. In the report for 2006/2007, reference was made to outstanding imprests and I.O.U.s totalling Kshs.5,665,988.80 owing from various officers in six (6) District Treasuries, with some imprests dating to as far back as 2001. A review of the position as at 30 June 2008 disclosed that imprests and I.O.U.s totalling Kshs.3,583,298.95 had been surrendered or accounted for, leaving a balance of Kshs.2,082,689.85 outstanding.

143. Additional information available indicate that the outstanding balance of Kshs.2,082,689.85 was owing from amongst others; officers who are on interdiction, dismissed, retired or deceased.

144. In the report for the previous year, reference was made to a cash shortage of Kshs.3,040,274.00 recorded at the Kirinyaga District Treasury, and recovery of which had not been resolved as at 30 June 2007. A review of the position during

2007/2008 disclosed that the matter had not yet been decided upon, as the outcome of the court case if already concluded, had not been formally communicated. The loss of Kshs.3,040,274 was otherwise still reflected in the books of account as at 30 June 2008.

ASIAN OFFICERS FAMILY PENSION FUND

145. As reported in 2006/2007, the Asian Officers Family Pension Fund Accounts for the years 1973/1974 to 1995/1996 have not been prepared and submitted for audit and as a result, the accuracy of the Fund Accounts opening balances for the subsequent years up to 2006/2007 have not been confirmed. The financial statements for 2007/2008 have therefore been prepared and submitted for audit with the same unconfirmed opening balances, consequent upon which the accuracy of the Fund's Balance Sheet as at 30 June 2008 could not be confirmed.

146. The Balance Sheet as at 30 June 2008 reflects credit and debit balances under Capital Account, Personal Contributions, Government Contributions, Profits, Project on Realization of Investment and Provision for Investments, brought forward from 2006/2007 and earlier years, of Kshs.135,774,463.90 and Kshs.1,982,243.50 respectively. The two balances of Kshs.135,774,463.90 and Kshs.1,982,243.50 have not however been supported with the relevant analyses, with the result that it has not been possible to ascertain their completeness and accuracy.

147. The Balance Sheet also reflects an investment portfolio balance of Kshs.276,198,271.45, made up of Investment at cost (Kshs.12,976,580.00), Cash on Deposit – JFC (Kshs.248,021,691.45) and Cash on Deposit – C S F C (Kshs.15,200,000.00).

148. The figure of Kshs.248,021,691.45 against Cash on Deposit (JFC) and of Kshs.12,976,580.00 under Investment at Cost are both not supported with investment certificates or other related documents. Consequently, it has not been possible to ascertain ownership, existence and valuation of the portfolio balance of Kshs.276,198,271.45. Further, and as earlier mentioned, the Cereals and Sugar Finance Corporation is technically insolvent and in the process of being wound up.

149. In the reports for the previous years, reference was made to proceeds amounting to Kshs.55,840,000.00 in respect of Kenyan Stocks of Kshs.22,000,000.00 and Kshs.33,840,000.00 redeemed in 2001 and 2004 respectively, which had not been invested but had been lying unutilized in the Pensions Department's Deposit Account No.01-010-E040 held at Central Bank of Kenya. Further, five (5) additional Kenyan Stocks worth Kshs.21,122,400.00 were in 2006/2007 redeemed and the proceeds placed in the same Deposit

Account. No reason has been provided for failure to invest the proceeds from the redeemed stocks totalling Kshs.76,962,400.00 as at 30 June 2008.

150. Although the Public Account Committee (PAC) in its recommendation on the 2003/2004 Report of the Controller and Auditor-General required the Accounting Officer to ensure that the Fund Accounts for 1973/74 to 1995/96 financial years were prepared and submitted for audit, no action appears to have been taken in this regard and the Accounts for the periods mentioned above have not been prepared and submitted for audit.

ASIATIC WIDOWS AND ORPHANS PENSION FUND

151. In the reports for the previous years, reference was made to the Ministry's failure to prepare and submit for audit Accounts for the Asiatic Widows and Orphans Pension Fund for the period between 1973/74 to 1995/96. Consequently, the Accounts for the years that followed including the one under review were prepared on the basis of unaudited brought forward balances, which could not be confirmed. These include amounts of Kshs.1,616,270.20, Kshs.200.00, Kshs.578,917.25, Kshs.8,113.00 and Kshs.2,187,274.45 reflected in the Balance Sheet as at 30 June 2008 against Government Contributions, Personal Contributions, PMG, Over-contributions to Fund Suspense and Accumulated Excess Expenditure Over Income respectively. Further, and as similarly observed in the report for 2006/2007, the Fund has not recorded any transaction since 2002/2003 and it is therefore dormant.

152. Although the Public Accounts Committee has since recommended winding up of the Fund in order to stop further maintenance and management costs, no action however appears to have been taken so far on the Committee's recommendation.

EUROPEAN WIDOWS AND ORPHANS PENSION SCHEME

153. As in the previous year's report, the Balance Sheet as at 30 June 2008 reflects investments at cost balance of Kshs.8,152,112.75, which differs with the amount of Kshs.14,315,814.00 reflected in share certificates made available for audit verification by Kshs.6,163,701.25. The difference has not been properly reconciled or explained.

154. The investment of Kshs.16,900,000.00 reflected in the Balance Sheet as at 30 June 2008 is held in the Cereals and Sugar Finance Corporation which, as mentioned elsewhere in this report, is technically insolvent and in the process of being wound up. The recoverability of the investment of Kshs.16,900,000.00 is therefore in doubt.

155. Similar to the previous year, the Balance Sheet as at 30 June 2008 excludes an amount of Kshs.13,440,825.50 in respect of Cereals and Sugar Finance Corporation Sundry Debtors and the corresponding accumulated interest receivable of Kshs.18,328,397.40.

156. In the report for 2006/2007, reference was made to the proceeds of Kshs.9,000,000.00 realized in July 2001 on redemption of 11% Kenya Stock 2000, which was held in the Ministry's deposit account 4-867-102-0021 without being re-invested. A review of the position as at 30 June 2008 disclosed that the amount was still being held in the deposit account, over seven (7) years after redemption of the stock.

157. The amount of Kshs.82,662,057.50 in respect of the Paymaster General Account in the Balance Sheet as at 30 June 2008 has not been supported with a bank certificate or other relevant records. Consequently, it has not been possible to ascertain its existence or accuracy.

PETROLEUM DEVELOPMENT LEVY FUND

158. The Petroleum Development Levy Fund Income and Expenditure Account for the year ended 30 June 2008 reflects total revenue of Kshs.1,197,911,724.85, being receipts from oil marketers for the year ended 30 June, 2008. However, the unused balance of Kshs.83,165,725.25 carried forward from 2006/2007 has been omitted in the Account. Had this balance been considered, the Account would have reflected a surplus of Kshs.21,077,450.65 instead of the deficit of Kshs.62,088,275.15 now shown. Further, the receipts figure of Kshs.1,197,911,724.85 differs with the balance of Kshs.1,291,177,561.52 shown in the Kenya Revenue Authority records as at 30 June 2008, by an amount of Kshs.93,265,836.67. The difference has not been reconciled or explained.

159. The Balance Sheet as at 30 June 2008 also reflects a Paymaster General Account balance of Kshs.732,116,062.80, while the Cashbook as at the same date shows an amount of Kshs.11,930,106.30. The difference of Kshs.720,185,956.50 between the two sets of records has not been reconciled or explained.

TREASURY MAIN CLEARANCE FUND

160. The Treasury Main Clearance Fund Balance Sheet as at 30 June 2008 reflects a Sundry Debtors balance of Kshs.2,332,170,394.25 brought forward from 2006/2007 and earlier years, and which could not be vouched due to inadequate book keeping and maintenance of records. Consequently, the existence and validity of these debts could not be confirmed.

161. The Balance Sheet in addition, reflects a Sundry Creditors balance of Kshs.2,316,092,026.00, which includes amounts of Kshs.523,686.45 under the

Paymaster General Account Special Account, Kshs.2,285,511,054.15 under Advance Deposits and Kshs.93,454.55 under JCF Interest brought forward from 2006/2007 and earlier years. The total sum of Kshs.2,286,128,195.15 in respect of these three Accounts has not however been analysed or supported with the relevant documents. Consequently, and in the absence of such analysis, the completeness, validity and correctness of the Creditors balance of Kshs.2,316,092,026.00 could not be ascertained. Further, no documentary evidence has been provided to indicate how the credit figure of Kshs.6,675.00 under Ministry of Justice and Constitutional Affairs appearing in the audited Statement for 2006/2007 was cleared from the books of account.

STATEMENT OF ASSETS AND LIABILITIES – GOVERNMENT CLEARANCE AGENCY FUND

162. As in the previous year, the Statement of Assets and Liabilities for Government Clearance Agency Fund as at 30 June 2008 reflects a Paymaster General Overdraft of Kshs.906,379,158.20. This balance has not, however, been supported with verifiable documents. Further, the balance differs by an amount of Kshs.117,837,849.65 from the Statement of Assets and Liabilities for Deposits 07 balance of Kshs.1,024,217,007.85. The difference has not been reconciled or explained.

163. The overdraft of Kshs.906,379,158.20 as similarly reported in the previous year, arose out of failure by various Government Ministries/Departments and Parastatals to reimburse the Fund, expenditure incurred on their behalf, which stood at Kshs.985,500,547.05 as at 30 June 2008.

164. The debtors balance of Kshs.985,500,547.05 as at 30 June 2008 increased by Kshs.220,463.00 from the balance of Kshs.985,280,084.05 as at 30 June 2007. The increase is attributed to payments made by the Treasury on behalf of the Kenya Revenue Authority and the Kenya Police Airwing of Kshs.91,865.00 and Kshs.121,149.00 respectively, and an unreconciled difference of Kshs.7,449.00.

LATE SUBMISSION OF EXCHANGE RISK ASSUMPTION FUND ACCOUNT FOR AUDIT

165. Section 6(1) of the Public Audit Act, 2003 requires each person administering a public fund to prepare accounts in respect of the fund and submit such accounts for audit within three months after the end of the financial year. Contrary to this requirement, Ministry of Finance prepared and submitted for audit the Exchange Risk Assumption Fund Account for the year ended 30 June 2008 on 13 April 2009, over six months past the statutory deadline of 30 September 2008.

Late submission of Accounts not only contravenes the law but also interferes with the programme for auditing and reporting on such Accounts.

166. An examination of the Accounts submitted for audit revealed that no activity had been recorded against the Fund since 2005/2006, following settlement of the last and final claim owing to the Industrial and Commercial Development Corporation during that year. In view of this therefore, and in the absence of any other intended purposes, the Ministry may wish to review the continued maintenance of this Fund in its books of account.

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

167. The financial statements of the Central Bank of Kenya for the year ended 30 June 2008 reflect a balance of Kshs.8,337,000,000.00 in respect of Advances made to various banks under liquidation, representing an increase of Kshs.78,000,000.00 from the previous year's figure of Kshs.8,259,000,000.00. No analysis or other supporting documents have however been provided to support or confirm the amount of Kshs.78,000,000.00, with the result that it has not been possible to establish what it represents or its completeness and correctness.

168. Further, and as was previously reported, the statements continue to reflect a balance of Kshs.8,259,000,000.00 advanced to five financial institutions under liquidation.

169. Although the Deposit Protection Fund had indicated that recovery processes were on-going in respect of three (3) of the five (5) institutions, no such recoveries appear to have been received so far. Further, and as was similarly noted in 2006/2007, the official receiver of one of the institutions has not provided information on the progress made in the recovery of a debt of Kshs.43,000,000.00.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE KENYA GOVERNMENT

170. The Statement of Outstanding Obligations Guaranteed by the Kenya Government as at 30 June 2008 reflects total contingent liability outstanding of Kshs.526,589,563.62, compared to Kshs.852,333,242.20 recorded in 2006/2007. The net decrease of Kshs.325,743,678.58 in 2007/2008 is attributed to settlement of outstanding obligations relating to Telkom (K) Ltd which Government honoured during the year on behalf of the Company.

171. In the report for 2006/2007 it was also indicated that outstanding obligations against Telkom (K) Ltd of Kshs.515,399,106.01 were settled during the year but without the relevant documentary evidence having been made

172. The Statement, as reported in the previous year, reflects under Cereals and Sugar Finance Corporation a capital and interest balance of Kshs.152,317,825.00 as at 30 June 2008 which has been in the books of account for a considerably long period of time. The Corporation is insolvent and therefore the existence of the balance of Kshs.152,317,825.00 is doubtful.

173. The Statement also reflects a brought forward balance of Kshs.153,997.60 against Reserve Account Deficiency of the Kenya Post Office Savings Bank. As observed in previous reports, it is a matter of concern that the Government has continued to recognize in its records liabilities in respect of compensation to the Kenya Post Office Savings Bank, for losses which largely appear to have arisen from weak management and inadequate investment strategies.

174. The total outstanding obligations balance of Kshs.526,589,563.62 includes contingent liabilities of Kshs.11,814,920.00 and Kshs.362,302,821.02 relating to Kenya Railways Corporation and Telkom (K) respectively. The accuracy of these two balances could not however be ascertained, as the two institutions did not submit confirmation certificates in respect of the contingent liabilities outstanding as at 30 June 2008.

STATEMENT OF SUBSCRIPTIONS BY THE KENYA GOVERNMENT TO INTERNATIONAL ORGANIZATIONS

175. The Statement of Subscriptions by Kenya Government to International Organizations as at 30 June 2008, Ministry of Finance reflects subscriptions totalling Kshs.68,238,702,207.43 payable by the Government to various International Organizations. Similar to the previous year, conversion of the foreign values into local equivalents using exchange rates provided in the footnotes to the Statement revealed variances totalling Kshs.7,972,135,160.86. The variances have not been reconciled or explained.

176. Subscriptions of Kshs.27,355,734,038.23 and Kshs.111,049,554.96 relating to the International Monetary Fund and the International Development Association respectively, had not been confirmed as at 30 June 2008 by the two Institutions. Further, the African Development Bank (Abidjan) value of Kshs.20,522,473,759.14 reflected in the Statement differs with the figure of Kshs.20,366,362,240.00 confirmed by the Bank. The difference of Kshs.156,111,519.14 has not been reconciled or explained.

177. In addition, and as similarly reported in 2006/2007, subscriptions totalling USD.4,041,000.00 payable to the International Finance Corporation on account of Kenya's share of 4,041 shares of USD.1,000 each in the Corporation as

shown in the Statement for 2005/2006 has been excluded in the Statement under review. Consequently, the completeness and accuracy of the total subscriptions of Kshs.68,238,702,207.44 payable as at 30 June 2008 could not be ascertained.

STATEMENT OF INVESTMENT BY THE FINANCIAL SECRETARY IN LOCAL COMPANIES

178. As similarly observed in the report for 2006/2007, the Government continues to hold significant investments in various local companies which did not pay any dividends during 2007/2008. The Statement of Investments by the Financial Secretary in Local Companies as at 30 June 2008 reflects total Government shareholding of Kshs.29,528,488,688.00, which includes investments in twenty four (24) companies in which the Government holds 2,658,324,488 shares with nominal value of Kshs.10,667,756,278.00. These companies did not remit any dividends to the Government during the year although clearly some were not in financial difficulties.

179. Further, and as similarly noted in the previous year, the Statement reflects Government shareholding of 1,485,675 and 250,000 shares with nominal values of Kshs.29,713,500.00 and Kshs.5,000,000.00 in Busia Sugar Company and East Africa Sugar Industries respectively. The existence and value of these shares could not however be confirmed due to non-availability of the respective share certificates.

180. As observed in 2006/2007, 1,433,529 out of 5,073,529 shares held in Ken Ren Chemical Fertilizers Limited are still not supported with share certificates. The existence and valuation of these shares at a nominal value of Kshs.101,470,580 as reflected in the Statement could not, therefore be confirmed. Further, information available indicate that the company has since been liquidated and as a result, the Government shareholding reflected in the Statement may be valueless.

181. The Statement also reflects Government shareholding of 4,335,000 shares with nominal value of Kshs.86,700,000.00 in Kenya Chemical and Food Corporation Limited. Information available indicate that the company was placed under receivership and later sold in June 1999. No documentary evidence has, however, been seen to confirm the sale and the consideration paid for the company. It is also not clear why the company, if already sold, continues to be reflected in the Statement.

182. A further review of records indicates that dividends totalling Kshs.289,469,322.00 were received by the Government from four (4) companies during the year. The Government also received a total of Kshs.692,499.70 in respect of directors fee from some five (5) other companies. However, all the nine (9) companies were excluded from the Statement of Investments in Local Companies.

183. The Statement shows Government shareholding in Nzoia Sugar Company of 26,600,000 shares with nominal value of Kshs.532,000,000.00. The Accounts of the company for 2007/2008 however, reflect a reduced Government shareholding of 26,050,000 shares, with nominal value of Kshs.521,000,000.00. No explanation has been provided for the variation of 550,000 shares with nominal value of Kshs.11,000,000.00.

184. The Statement as presented is incomplete as it excludes several other companies including the Water Service Boards and Water Service Companies in which government holds substantial investments.

OUTSTANDING TEMPORARY IMPRESTS

185. Examination of temporary imprests records maintained at the Ministry's Headquarters indicates that imprests totalling Kshs.8,137,536.70, which ought to have been surrendered or accounted for on or before 30 June 2008 were still outstanding as at that date. Out of the total, an amount of Kshs.463,054.40 was due from officers on Job Group 'M' and above, Kshs.6,344,346.20 from officers on Job Group 'L' and below, while the balance of Kshs.1,330,136.10 was owing from politicians.

Further and included in the outstanding imprest balance of Kshs.6,344,346.20 are amounts of Kshs.244,605.00 and Kshs.2,460,449.90 owed by officers who are deceased and others who are no longer in the Ministry's payroll respectively.

UNAUTHORISED ADVANCES - KITUI DISTRICT TREASURY

186. A cash survey conducted at the Kitui District Treasury during the year revealed that an amount of Kshs.2,726,550.00 was irregularly advanced to twenty (20) officers in the District and held in form of I Owe You (IOUs) by the cashier at the Treasury.

187. Further information available indicate that the IOUs were issued as soft loans to officers who only signed chits of paper as acknowledgement of receipt of cash, without specifically indicating the purpose for which the cash was advanced. In other cases, the IOUs were for purchase of unspecified goods and services. Apart from being irregular loans, it has not been clarified why the amount of Kshs.2,726,550.00 has not been recovered from the officers.

UNACCOUNTED FOR REVENUE - IJARA DISTRICT TREASURY

188. Examination of revenue records maintained at the Ijara District Treasury revealed that revenue totalling Kshs.1,934,020.05 collected through seven (7) official receipt books on account of various revenue items, between June 2006 and February 2008 had not been recorded in the Cashbook and was not

physically available at the Treasury. Indications therefore are that the revenue may have been misappropriated.

189. Further, examination of records at the Treasury disclosed that an amount of Kshs.4,121,515.15 had been deducted from various merchants and suppliers in 2006/2007 and earlier years on account of Value Added Tax (VAT), but such deductions had not been remitted to the Kenya Revenue Authority as at 30 June 2008. As in the previous instance, the amount of Kshs.4,121,515.15 had not been accounted for as at 30 June 2008 and was also not physically available at the Treasury.

190. Similarly, examination of the Office of the President Deposit Account records maintained at the Treasury revealed that amounts totalling Kshs.5,988,507.80 were withdrawn from a Deposit Account at the Kenya Commercial Bank, Hola Branch, on diverse dates between June 2002 and July 2007.

191. Payment vouchers and other related records to support the expenditure or accountability of the amount of Kshs.5,988,507.80 were not however made available for audit verification. Further, the expenditure was also not entered in the Cashbook. Again, indications are that the amount of Kshs.5,988,507.80 may have been utilized for purposes not intended.

IRREGULAR CHEQUES ENCASHMENT - MASABA DISTRICT TREASURY

192. Examination of records maintained at the Masaba District Treasury revealed that four (4) cheques for amounts totalling Kshs.276,100.00 purportedly payable to three (3) suppliers between January and April 2008 were prepared and entered in the Cashbook during the year.

193. However, examination of relevant bank statements revealed that all the four (4) cheques were encashed at the bank by 'self' under some unclear circumstances. Further, no evidence has been seen to confirm that the money encashed was eventually paid over and signed for by the suppliers. The money was also not physically available at the Treasury.

BANK RECONCILIATION STATEMENTS FOR TREASURY BILLS AND TREASURY BONDS

Examination of the Treasury Bills and Treasury Bonds Bank Reconciliation Statements as at 30 June 2008 disclosed the following unsatisfactory matters:-

Treasury Bills – Deposit Account No. 01-010-E306

194. The Treasury Bills Bank Reconciliation Statement as at 30 June 2008 reflects payments of Kshs.21,514,234,519.60 in the Cashbook not recorded in

195. The Statement also reflects receipts of Kshs.35,890,385,315.75 in the Bank Statement not recorded in the Cashbook, out of which a sum of Kshs.19,719,405,578.85 relates to 2006/2007 and earlier years. No reason has been given for failure to record the receipts in the Cashbook.

196. The Statement further reflects payments amounting to Kshs.47,213,545,679.95 in the Bank Statement not recorded in the Cashbook, which includes a figure of Kshs.37,737,395,380.30 relating to 2003/2004 and earlier years. No explanation has been provided for the failure to update the Cashbook with the payments in the Bank Statement.

197. The Statement in addition reflects receipts of Kshs.29,067,662,780.95 in the Cashbook not recorded in the Bank Statement, representing Treasury Bills receipts, commission and items referred to as direct credits. The amount includes figures of Kshs.19,645,651,524.65 relating to 2001/2002, Kshs.1,701,183,472.50 relating to 2003/2004 and Kshs.7,720,826,812.10 relating to 2004/2005.

It has not however been clarified as to why action has not been taken to have the receipts balanced in the two records.

Treasury Bonds – Deposit Account No.01-010-E307

198. The Treasury Bonds Bank Reconciliation Statement as at 30 June 2008 reflects receipts of Kshs.17,079,800,012.85 in the Cashbook not reflected in the Bank Statement, relating to 2001/2002 and earlier years. Although these entries are described as direct credits, it has not been explained how direct credits could have been recorded in the Cashbook without corresponding entries in the Bank Statement.

199. The Statement also reflects receipts amounting to Kshs.92,339,502.15 in the Bank Statement not yet recorded in Cashbook, out of which an amount of Kshs.92,080,506.15 relates to 2006/2007 and earlier year. It has not been explained why the bank receipts have not been recorded in the Cashbook.

BANK RECONCILIATION STATEMENT FOR RECURRENT ACCOUNT NO.01-010-R051 – PENSIONS DEPARTMENT

200. The Bank Reconciliation Statement for the Pensions Department as at 30 June 2008 reflects payments of Kshs.1,595,410,326.65 in the Cashbook not in the Bank Statement, which include stale cheques of Kshs.119,734,128.00. No explanation has been given for failure to replace the cheques.

201. The Statement also reflects receipts amounting to Kshs.159,007,378.40 in the Bank Statement not in the Cashbook. Included in this figure are two cheques of Kshs.125,290,428.55 and Kshs.1,745,275.20 dated September and October 2006 respectively, described as RD cheques recorded in old CFS account. It is not clear why these entries have not been recorded in the Cashbook.

BANK RECONCILIATION STATEMENT FOR DEPOSITS ACCOUNT NO.01-010-E040 – PENSIONS DEPARTMENT

202. The Bank Reconciliation Statement for Deposits Account for the Pensions Department as at 30 June 2008 reflects payments of Kshs.6,663,368.35 in the Bank Statement not recorded in the Cashbook, which represent dishonored cheques payable to the Director of Pensions in lieu of pension contributions and refund of contract gratuities. Out of this amount, a sum of Kshs.3,958,685.35 relates to 2006/2007 and earlier years. No effort appears to have been made to recover the amounts from the drawers of the cheques. Further, no explanation has been provided for the failure to update the Cashbook with the cheques.

203. The Statement also reflects receipts amounting to Kshs.181,508,826.40 in the Cashbook not in the Bank Statement. The figure includes amounts of Kshs.179,878,667.40 and Kshs.165,220.85 described as Cashbook opening balance relating to 2004/2005 and Cashbook error dated 30 June 2008 respectively. It has not been clarified why these long outstanding receipts have not been recorded in the Bank Statement.

204. The Statement further reflects payments of Kshs.403,639.55 in the Cashbook not recorded in the Bank Statement which include a figure of Kshs.78,299.75 described as Cashbook errors and another of Kshs.118,087.15 against stale cheques. No explanation has been given for not correcting the errors or replacing the cheques.

BANK RECONCILIATION STATEMENT – SUBSCRIPTIONS TO INTERNATIONAL ORGANIZATIONS

205. The Bank Reconciliation Statement for Recurrent Account No.01-010-R053 – Subscriptions to International Organizations as at 30 June 2008 reflects an amount of Kshs.1,524,154.30 under receipts in the Bank Statement not recorded in the Cashbook. It has not however been clarified what the direct CBK credit represents or why it has not however been recorded in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 07

206. The Statement of Assets and Liabilities for Vote R. 07 as at 30 June 2008 reflects a debit balance of Kshs.1,984,292,281.57 against the Paymaster General Account (PMG) which agrees with the Ledger. The PMG balance

however differs by an amount of Kshs.1,162,831,568.82 with the Cashbook balance of Kshs.821,460,712.75 as at 30 June 2008. No reconciliation or explanation has been given for the difference.

207. The Statement also reflects an Exchequer balance of Kshs.242,528,908.40 relating to the current year, while records maintained at the Exchequer Section of Treasury show an amount of Kshs.299,120.00 against the same Account. The difference of Kshs.242,229,788.40 between the two sets of records has not been reconciled or explained.

208. The balances reflected in the Statement against Provincial/District Suspense, Net Salary Advance, Returned Salaries, Advance of Salary and Temporary Imprests Accounts differ with the analysed figures provided in respect of each of these Accounts. The accuracy of the balances could not therefore be ascertained. Further, and as reported in previous years, no effort appears to have been made to recover the outstanding salary advances or to pay the returned salaries to the respective staff.

209. In the Report for the previous year, reference was made to a credit balance of Kshs.21,441,627.50 in the Statement for that year, representing stale cheques which had not been analysed. The Statement for 2007/2008 reflects the same balance which has not been analysed or cleared from the books of account. The Statement further reflects a debit balance of Kshs.10,947.00 in respect of stale cheques which similarly have not been supported with the relevant documentary evidence. No reasons have been provided for these omissions.

210. The Statement further reflects Temporary, Standing and Special Imprest Accounts balances of Kshs.8,642,290.15, Kshs.3,490,788.15 and Kshs.1,145,000.00 respectively relating to 2006/2007 and earlier years. No reasons have been given for failure to have these imprest balances surrendered or otherwise accounted for.

211. The Statement shows a debit balance of Kshs.897,146,568.80 in respect of the Items Awaiting Clearance Account which has not been analysed. The balance includes an amount of Kshs.703,420,946.35 relating to 2006/2007 and earlier years, which has not been cleared. No explanation has however been given for lack of the analysis and non-clearance of the respective balances.

212. The Statement also shows a Non-Existing Account credit balance of Kshs.45,000.00, which has not been identified or explained. Indications are that the figure was meant for balancing the Statement.

213. The Statement further shows a balance brought forward figure of Kshs.112,920,298.20 in respect of a Training DPM Account. The expenditure was apparently incurred on training matters by the Ministry of Finance on behalf

of the Directorate of Personnel Management. However, documents to support the balance were not made available for audit review. Consequently, the accuracy of the balance could not be ascertained.

214. The Statement also reflects Excess Appropriations-In-Aid balance of Kshs.38,717,321.25 brought forward from previous years. No reason has been provided for failure to clear this long outstanding balance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.07

215. The Statement of Assets and Liabilities for Vote D.07 as at 30 June 2008 reflects a Paymaster General (PMG) credit balance of Kshs.2,779,624,291.55 which agrees with the Ledger. The PMG balance, however, differs by an amount of Kshs.2,734,737,283.80 with the reconciled Cashbook balance of Kshs.44,887,007.75 as at 30 June 2008. No reconciliation or explanation has been provided for the difference.

216. The Statement also reflects a balance of Kshs.34,375,073.05 in respect of RD/Stale Cheques. The analysis provided in support of these RD/Stale Cheques indicates that the payments were made between the month of May 1977 and June 1994. No explanation has however been provided for failure to reverse these long outstanding cheques in the books of account.

217. The Statement further reflects a debit balance of Kshs.93,732,454.35 against Items Awaiting Clearance, representing a decrease of Kshs.261,714,699.80 from the amount of Kshs.355,447,154.15 as at 30 June 2007. No analysis has however been provided to support the figure of Kshs.261,714,699.80. Further, no explanation has been given for non-clearance of the long outstanding balance of Kshs.93,732,454.35 from the Ministry's records.

218. The balance of Kshs.3,865,730.25 as at 30 June 2008 in respect of Training -Directorate of Personnel Management Account reduced by Kshs.91,482,626.95 during 2007/2008 from the amount of Kshs.95,348,357.20 as at 30 June 2007. The reduction was attributed to receipts from the Directorate of Personnel Management during the year. However, the receipts were not supported with any verifiable documentation, raising doubt on the accuracy of the amount received from the Directorate.

219. The Statement reflects a Temporary Imprest Account balance of Kshs.17,325,480.25, which reduced by an amount of Kshs.113,000.00 from the figure of Kshs.17,438,480.25 against the same Account as at 30 June 2007. Although the amount of Kshs.17,325,480.25 agrees with the Ledger, no analysis has been provided in respect thereof, with the result that the completeness and accuracy of the amount of Kshs.17,325,480.25 could not be ascertained. Further, no explanation has been provided for failure to account for this long

outstanding imprest balance as required by Financial Regulations and Procedures.

220. Further, the Statement reflects a balance of Kshs.6,522,101.95 under the Provincial/District Suspense Account. However, the entries shown in the supporting analysis could not be traced to the Ledger or Trial Balance. The source of the analysed figures could not therefore be ascertained.

221. The Statement further reflects a General Account on Vote (GAV) balance of Kshs.21,052,609,295.15, which includes an amount of Kshs.18,648,741,360.55 relating to the year 2006/2007 and earlier. No reason has been provided for failure to clear the long outstanding balance of Kshs.18,648,741,360.55 from the records.

222. The Statement shows an Exchequer Account balance of Kshs.23,745,083,407.75, which includes an amount of Kshs.2,746,627,008.00 relating to 2007/2008. The amount of Kshs.2,746,627,008.00 however differs by Kshs.423,869,987.00 with the figure of Kshs.2,322,757,021.00 shown in the Exchequer records held at the Treasury. No reconciliation or explanation has been provided for the difference.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

223. The Statement of Assets and Liabilities for Deposits 07 as at 30 June 2008 reflects a Paymaster General Account (PMG) debit balance of Kshs.73,205,839.23, while the Ledger shows a figure of Kshs.1,873,205,839.23, occasioning a difference of Kshs.1,800,000,000. PMG Account balance also differs by an amount of Kshs.462,611,855.97 with the Cashbook balance of Kshs.535,817,695.20. Further, the Account balance of Kshs.10,637,866,717.00 brought forward differs with the figure of Kshs.10,691,544,914.50 appearing in the audited Statement for 2006/2007. The resultant differences have not been reconciled or explained.

224. The Statement also reflects cash balances totalling Kshs.8,696,824,591.79 in respect of eight (8) Statements of Revenue, which had not been surrendered to the Exchequer as at 30 June 2008. No reason has been provided for non-remittance of this substantial revenue to the Exchequer.

225. The Statement further reflects overpayments to the Exchequer of Kshs.453,062.15 and Kshs.2,626,344.70 under Investment Revenue and Stamp Duty and Insurance Premiums respectively. These overpayments have not however been supported with the relevant documents, with the result that it has not been possible to ascertain their origin or accuracy.

226. The Statement in addition reflects the various balances under Issue New Stock, Civil Servants claims and Government Coast Agency, Item Awaiting Clearance Accounts which have not been analysed. It has not therefore been possible to confirm the completeness and accuracy of the balances.

227. The Statement further shows various Revenue Accounts balances under other Taxes, Income Tax, VAT, Excise Tax and Development Revenue Accounts, which differ with the figures reflected in the respective Statements of Revenue for the year ended 30 June 2008. No reconciliation or explanation has been provided for the differences.

228. As similarly reported in the previous year, the balance of Kshs.70,042,400.25 under the Provincial Suspense Account in the Statement includes various erroneous balances brought forward from 2004/2005. Consequently, it has not been possible to ascertain its completeness and accuracy.

229. Further, seven (7) balances appearing in the Statement under review including Treasury Main Clearance Fund and Petroleum Development Levy Fund were brought forward from 2006/2007 with errors. As a result, it has not been possible to ascertain the completeness and accuracy of the balances shown against the Accounts.

230. The Statement further reflects various revenue items with a total of Kshs.9,049,506.00 which have not been identified. The items have also not been analysed. In the absence of clear identification and analyses of the items, it has not been possible to establish what the items represent or confirm the completeness and accuracy of the balance of Kshs.9,049,506.00.

MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY

APPROPRIATION ACCOUNT FOR VOTE D.01

Under-Expenditure and Under-Collection of Appropriations-In-Aid

231. The Appropriation Account for Vote D.01 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.846,249,908.97 or approximately 22% of the approved estimates of Kshs.3,767,766,250.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.77,590,650.00 or 100% of the estimated receipts. The under-expenditure and under-collection of Appropriations-In-Aid have been attributed to lack of adequate exchequer issues.

Pending Bills

232. Records held at the Ministry's Headquarters indicate that bills totalling Kshs.243,081,107.00 relating to 2007/2008 and chargeable to the Development Vote were not settled during the year, but were instead carried forward to 2008/2009.

233. Had the bills been settled and charged to the accounts for the 2007/2008, the Development Appropriation Account for the period would have reflected a reduced net surplus of Kshs.525,572,151.97 instead of the Kshs.768,653,258.97 now shown.

Unvouched Expenditure

234. The Development Appropriation Account also reflects expenditure of Kshs.60,000,000.00 under Sub-Vote 012 - Administration Police Services, Head 010 Item 3130100 – Acquisition of Lands, in respect of purchase of land for Administration Police Services. The amount of Kshs.60,000,000.00 however includes an expenditure of Kshs.30,000,000.00 against which payment vouchers and other supporting documents were not made available for audit review. The propriety of this particular expenditure could not therefore be ascertained.

Omission of Footnotes

235. Paragraph 11.7 of the Government Financial Regulations and Procedures requires inter alia that footnotes be provided to explain variances of over Kshs.1,000,000.00 above or below the approved estimates and actual expenditure or collection of Appropriations-In-Aid. The Development Appropriation Account shows expenditure variances in excess of Kshs.1,000,000.00 against various items under Heads 092 and 095 but no footnotes have been provided to explain the variances.

REPAIR OF BOARDED VEHICLES

236. The Administration Police Training College Departmental Committee at its meeting held on 13 December 2007 resolved to board two Land Rover pickup motor vehicles, Registration Nos.GK T167 and GK A 611A, as they had been determined as uneconomical to repair. Authority to board the vehicles was subsequently granted by the Accounting Officer.

237. Examination of payment vouchers and other expenditure records in respect of Account No.0-010-000-3110801 – Overhaul of Vehicles and Other Transport Equipment during the year, however revealed that vehicle No.GK T167 was in April 2008 repaired at a total cost of Kshs.409,510.00, while a further sum of Kshs.786,000.00 was incurred in June 2008 on repair of GK A611A. No reason has however been provided as to why expenditure totalling

UNACCOUNTED FOR FUEL

238. The Police Department paid a local firm an amount of Kshs.8,934,684.30 during the year for supply of 33,671 litres of diesel and 47,002 litres of petrol, to various police divisions within Nairobi. However, no delivery notes, receipt vouchers or other supporting documents were attached to the payment vouchers to facilitate audit verification. It has not therefore been possible to ascertain that the deliveries were made by the supplier and that the fuel was properly utilized and accounted for.

LEGAL DUES/FEEES, ARBITRATION AND COMPENSATION PAYMENTS

239. During the year under review, the Ministry incurred expenditure totalling Kshs.81,211,867.55 under Sub-Item 2211308 in respect of Legal Dues/Fees, Arbitration and Compensation Payments, against various court cases. Records available however indicate that the expenditure of Kshs.81,211,867.55 includes accrued interest of Kshs.3,336,032.80, resulting from the Ministry's failure to settle court awards in time. It has not been clarified why the decretal sums ordered by the courts in respect of the cases were not paid promptly and when due in order to avoid interest on delayed payments.

UNVOUCHED EXPENDITURE

240. Expenditure totalling Kshs.227,503,303.60 under various accounts under ref.2211312 in the Appropriation Account for Vote R.01 for the year ended 30 June 2008 were not supported with the relevant expenditure documents and other records. In the absence of the documents and other records, it has not been possible to confirm that the amount constituted a proper charge against public funds.

IRREGULAR PAYMENTS – TRANS-NZOIA EAST DISTRICT

241. Examination of records held at the Trans-Nzoia East District Commissioner's Office revealed that quotation No.TNZ/E/27/07-08 of 23 June 2008 was raised for construction of the District Commissioner's Offices. Through Local Service Order No.0094062 of 26 June 2008, a local company was awarded the construction works at a cost of Kshs.995,000.00.

242. The works involved sub-structure foundation, walling, reinforcements, fire place, vent, roofing using gauge 28 GCI sheets, windows and other fittings and special construction of armoury.

243. Records available however show that the company raised on 30 June 2008 an invoice for payment of the full contract sum of Kshs.995,000.00 although no work had at this particular time been done. For unclear reasons, payment for the sum was prepared and effected on the same day through payment voucher No.010562 and cheque No.000024 of 30 June 2008.

244. A physical verification conducted at the site of the construction on 16 October 2008 however revealed that although the full contract sum of Kshs.995,000.00 had been paid to the company, eight windows, metal doors, customer care office, walk-way and registry as provided for in the work plan had not been completed. Further, although the bill of quantities had clearly specified that roofing sheets would be of minimum gauge 28 GCI, sheets of gauge 30 GCI had been instead used. No reason has been provided for paying the company the full contract sum while the work was still incomplete.

UNSUPPORTED EXPENDITURE - RACHUONYO DISTRICT COMMISSIONER'S OFFICE

245. Examination of expenditure records at the Rachuonyo District Commissioner's Office revealed that the District Commissioner was paid a total of Kshs.675,000.00 for security operations and other related activities in the District during the year. However, no supporting documents and other records were available to indicate the nature of expenditure and operations/activities against which the amount was spent. Consequently, it has not been possible to ascertain the propriety of the expenditure.

UNSUPPORTED EXPENDITURE – TRANS-NZOIA WEST DISTRICT

Unsupported Expenditure

246. An examination of the vote book maintained at the Trans-Nzoia West District Commissioner's Office disclosed that payments totalling Kshs.4,281,686.00 had been incurred on the purchase of various goods and services during the year. Payment vouchers and other records to support the expenditure were however, not made available for audit review. Consequently the propriety of the expenditure of Kshs.4,281,686.00 could not be ascertained.

Outstanding Imprests

247. A verification of the imprest records at the Office also revealed that imprests totalling Kshs.241,294.00 issued to various officers had not been surrendered or otherwise accounted for as at 30 June 2008, although the imprests had been issued to the officers between December 2002 and December 2007.

248. It was further observed that some officers were issued with additional imprests before they had accounted for the previous ones, again contrary to the Financial Regulations and Procedures.

UNACCOUNTED FOR GOODS - WAJIR NORTH DISTRICT

Unaccounted for fuel

249. During the year under review, the District Commissioner, Wajir North, purchased 28,074.90 litres of diesel worth Kshs.2,470,908.50. However, the fuel was not recorded in the store records, consequent upon which has not been possible to ascertain whether such fuel was delivered, received and properly accounted for.

OUTSTANDING TEMPORARY IMPRESTS - NANDI NORTH DISTRICT

250. Examination of imprest records maintained at the Nandi North District Commissioner's Office revealed that temporary imprests totalling Kshs.1,428,469.00 had not been surrendered or accounted for as at 30 June 2008. Out of the total, imprests amounting to Kshs.148,000.00 were issued between February and March 2004. No reason has been provided for failure to clear these long outstanding imprests.

UNACCOUNTED FOR PURCHASES - GUCHA DISTRICT

251. Examination of records maintained at the Gucha District Commissioner's Office revealed that various goods totalling Kshs.784,411.50 were purchased during the year 2007/2008. However, these goods do not appear to have been taken on charge in the respective stock ledgers and other related records. As a result, it has not been possible to confirm whether or not the goods were received, recorded and properly accounted for.

ENCASHMENT OF CHEQUES - SIAYA DISTRICT

252. Examination of records maintained at the Siaya District Commissioner's Office revealed that cheques totalling Kshs.306,743.00 payable to various suppliers, Commissioner of Value Added Tax, Kenya Power and Lighting Company and Telkom Kenya were posted in the Cashbook during the year.

253. However, a verification of the bank statements during the period revealed that the above cheques were irregularly encashed at the bank by 'self', implying that such cheques were paid in cash to an official at the Commissioner's Office. It has not been possible to ascertain whether the amount of Kshs.306,743.00 was eventually paid over to the respective payees as no records in this regard have been seen.

UNACCOUNTED FOR FUEL – TAITA TAVETA DISTRICT

254. Examination of records maintained at the Office of the Officer Commanding Police Divisions in Taita and Taveta disclosed that between August 2007 and June 2008, the two Police Divisions purchased 32,693.5 litres of diesel worth Kshs.2,472,000.00 and 992.4 litres of super petrol worth Kshs.84,000.00 from a local dealer. However, no records including the Bulk Fuel Register and Detail Orders were maintained at the Divisions to show the amount of fuel purchased, quantities drawn and the vehicles which utilized the fuel. In the circumstances, the propriety of the expenditure of Kshs.2,556,000.00 could not be confirmed.

DISTRICT CASH FUND

255. The District Cash Fund Account as at 30 June 2008 reflects cash totalling Kshs.175,964,061.60 which had not as at 30 June 2008 been surrendered to the Office of the President Headquarters for onward transmission to the Treasury. No reason has been given for failure to surrender the amount.

256. The Fund Account also reflects a balance of Kshs.162,302,451.80 carried down as at 30 June 2008 and held in a Deposit Account. This amount however ought to have been remitted to the Exchequer by the same date.

STATEMENT OF REVENUE FOR HEAD 170-010 – TOURIST AND WILDLIFE

257. The Statement of Revenue for Head 170-010 – Tourist and Wildlife for the year ended 30 June 2008 reflects total revenue collections of Kshs.10,928,534.30, while records maintained at the Central Firearms Bureau show actual receipts of Kshs.10,950,000.00, resulting in unreconciled and unexplained difference of Kshs.21,465.70. The Statement also reflects a carried forward balance of Kshs.2,108,534.00 which similarly differs with the ledger closing balance of Kshs.2,797,668.30, by a difference of Kshs.689,134.30. As in the previous instance, the difference between the two sets of records has not been reconciled or explained. Further, no explanation has also been given for failure to pay over to the Exchequer the amount of Kshs.2,108,534.00 shown in the Statement as a carried forward balance.

258. The Statement further shows that an amount of Kshs.15,100,800.30 was remitted to the Treasury during the year. However, cheque payments and other related documents availed in support of the payments revealed an amount of Kshs.14,233,400.00 as having been paid over to the Exchequer, occasioning an unreconciled and unexplained difference of Kshs.877,400.30 between the records.

STATEMENT OF REVENUE FOR HEAD 210-010 – TRADING LICENCES

259. The Statement of Revenue for Head for 210-010 – Trading Licences, for the year ended 30 June 2008 reflects revenue collections amounting to Kshs.2,645,400.00 in respect of scrap metal licences. No provision however appears to have been made in the Revenue Estimates for 2007/2008 against Head 210 – 010 and no reason has been given for this discrepancy.

260. Further, the balance of Kshs.2,645,400.00 differs by a figure of Kshs.436,900.00 from the amount of Kshs.2,208,500.00 appearing in the records maintained at the Nairobi Provincial Police Office.

261. In addition, the Statement reflects an amount of Kshs.1,468,000.00 representing payments to the Exchequer during the year, while cheques and other supporting records show an amount of Kshs.2,345,400.00 as having been remitted as at 30 June 2008. No reconciliation or explanation has been provided for the variance of Kshs.877,400.00.

GOVERNMENT PRESS FUND

262. In the report for 2006/2007, it was stated that no meaningful effort had been made to collect outstanding debts due from Ministries, Departments, State Corporations and Presidential Commissions of Enquiries during that year.

263. The Fund Balance Sheet as at 30 June 2008 reflects nil debtors balance, indicating that all outstanding debts of Kshs.14,933,428.00 as at 30 June 2007 had been collected during the year under review. However, the Ministry has not availed for audit verification miscellaneous receipts, bank paying in slips or any documentary evidence to support collection of these debts.

264. The Fund Balance Sheet also reflects a Paymaster General Account balance of Kshs.38,527,081.00, which differs with the ledger figure of Kshs.59,543,823.25 by Kshs.21,016,742.25. Similarly, no reconciliation or explanation has been given for this discrepancy.

265. The Income and Expenditure Account for the year ended 30 June 2008 shows an opening stock brought forward balance of Kshs.60,421,573.00 which differs with the previous year's closing stock balance of Kshs.58,919,133.00. As in the previous instance, the resultant difference of Kshs.1,502,440.00 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.01

266. The Statement of Assets and Liabilities for Vote R.01, as at 30 June 2008 reflects an Advance Account balance of Kshs.43,300.00, which has not been

supported with analyses. The completeness and accuracy of the balance could not therefore be confirmed.

267. The Statement also reflects an Imprests Account balance of Kshs.95,091,614.50, which has not been properly analysed. Its completeness and accuracy could not therefore be ascertained. Further, examination of the imprest records revealed that some officers had been issued with more than one imprest, contrary to the Regulations and Procedures governing issuance of imprests. In addition, imprests amounting to Kshs.48,814,698.80 for 2006/2007 and earlier years had not been surrendered or accounted for as at 30 June 2008.

268. The Statement further reflects an Agency Account balance of Kshs.194,563,530.80 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear the balance.

269. The Statement shows a balance of Kshs.3,574,116,001.60 under the District Suspense Account, which includes an amount of Kshs.3,257,232,602.55 relating to 2006/2007 and earlier years. No explanation has been given as to why this long outstanding balance has not been investigated and cleared.

270. The Statement also shows a Paymaster General Account balance of Kshs.827,024,811.15, which differs with the Board of Survey Report and Ledger balances of kshs.121,911,312.45 and Kshs.2,012,829,671.97 respectively. No reconciliation or explanation has been provided for the difference between the three sets of records.

271. The Statement further shows a General Account of Vote credit balance of Kshs.10,098,972,963.35, which includes an amount of Kshs.8,704,777,747.55 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear this long outstanding balance.

272. The Statement in addition shows an excess Appropriations-In-Aid balance of Kshs.898,311,772.35, which includes an amount of Kshs.834,372,997.70 relating to 2006/2007 and earlier years. Non-remittance to the Exchequer of the balance of Kshs.834,372,997.70 as at 30 June, 2008 has similarly not been explained.

273. The Exchequer Account Headquarter debit balance of Kshs.6,404,933,187.40 includes an amount of Kshs.5,339,201,487.40 relating to 2006/2007 and earlier years. Again, no reason has been given for non-clearance of the long outstanding balance of Kshs.5,399,201,487.40.

274. The Statement reflects a net debit balance of Kshs.161,104,835.00 under General Suspense Headquarters Account and a net credit balance of Kshs.102,090,149.60 under General Suspense Account. These balances have

not been supported with analyses and as a result their completeness and accuracy could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.01

275. The Statement of Assets and Liabilities for Vote D.01 as at 30 June 2008 reflects a balance of Kshs.23,229,201.05 under the General Suspense Account, relating to 2006/2007 and earlier years and which has not been cleared. No analysis has also been provided to support the balance.

276. The Statement also reflects a balance of Kshs.2,442,060,247.05 under the District Suspense Account which has not been analysed, and as a result its completeness and accuracy could not be confirmed. The balance also includes an amount of Kshs.701,118,070.50 relating to 2006/2007 and earlier years. No reason has been provided for non-clearance of the latter balance. In addition, the Account balance of Kshs.2,442,060,247.05 differs with the Trial Balance figure of Kshs.1,764,734,489.52, by an amount of Kshs.677,325,757.53. No reconciliation or explanation has been given for the difference between the two sets of records.

277. The Statement further reflects an Agency Suspense Account net debit balance of Kshs.26,966,894.90 which has not been cleared although it relates to 2006/2007 and earlier years. The balance has also not been analysed with the result that its completeness and accuracy could not be ascertained.

278. The Statement further reflects an Exchequer Under Issues Account balance of Kshs.11,180,987,806.60, out of which an amount of Kshs.10,315,818,406.60 relates to 2006/2007 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.10,315,818,406.60. Further, the amount of Kshs.865,169,400.00 for the current year differs with the Treasury's Exchequer Section figure of Kshs.600,169,600.00 by an amount of Kshs.264,999,800.00. No reconciliation or explanation has been given for the difference.

279. The Statement in addition reflects an Arid Lands Imprests Account debit balance of Kshs.15,280,424.75, which includes an amount of Kshs.3,669,575.25 relating to 2006/2007 and earlier years. No reason has been given for failure to surrender or otherwise account for the latter balance. The figure of Kshs.15,280,424.75 has also not been analysed consequent upon which it has not been possible to ascertain its completeness and accuracy.

280. The Statement shows a Paymaster General Account credit balance of Kshs.4,031,675,875.00, which differs with the Trial Balance and Cashbook figures of Kshs.4,323,492,000.00 and Kshs.8,750,219.90 respectively. No reconciliation or explanation has been given for the differences between the

three sets of records. Further, no Treasury approval has been seen, authorizing the overdraft of Kshs.4,031,675,875.00 as at 30 June 2008.

281. The General Account of Vote Account credit balance of Kshs.9,656,848,699.10 includes an amount of Kshs.8,888,195,440.15 relating to 2006/2007 and earlier years. As in the previous instances, no explanation has been provided for failure to clear this long outstanding balance from the Ministry's books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

282. The Statement of Assets and Liabilities for Deposits 01 as at 30 June 2008 reflects three Deposit Account balances of Kshs.34,938,372.75 Dr., Kshs.43,804,454.25 Dr. and Kshs.673,908,958.25 Cr. under General Suspense, Stores and Services Fund and Famine Relief Fund Services respectively, brought forward from 2006/2007 but cleared during the year under review. No documentary evidence has however been provided to support clearance of these balances.

283. The Statement also reflects a Paymaster General Account (PMG) credit balance of Kshs.201,145,050.00, which differs with the Cashbook debit balance of Kshs.18,533,323.95 and the Ledger credit balance of Kshs.3,604,937,428.51 by Kshs.219,678,373.95 and Kshs.3,403,792,378.51 respectively. No reconciliation or explanation has been provided for the differences between the three sets of records. It has also not been clarified whether the overdraft of Kshs.201,145,050.00 as at 30 June 2008 had been authorized by Treasury.

284. The Statement also reflects a Government Press Fund Account debit balance of Kshs.59,543,823.45, while the Government Press Fund balance sheet as at 30 June 2008 shows a PMG balance of Kshs.38,528,081.45 against the same Account. The difference of Kshs.21,016,742.00 between the two sets of records has not been reconciled or explained.

285. The Statement further reflects balances of Kshs.401,545,393.20 Dr., Kshs.196,331.70 Dr. and Kshs.63,339,789.60 Cr. under District Suspense, Revenue and Agency Accounts respectively, which have not been supported with analyses. Consequently, it has not been possible to confirm the completeness and accuracy of the balances.

286. Retention Money totalling Kshs.50,047,979.40 in respect of various contracts was held in the Development Suspense Account No.1-114-8620-7320201, instead of the Deposits Account. No reason has been provided for placing the money under a Suspense Account.

STATE HOUSE

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.02

287. The Statement of Assets and Liabilities for Vote R.02 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.28,523,908.00, which includes an amount of Kshs.24,080,238.00 relating to 2006/2007 and earlier years. No reasons have been provided for non-clearance of the latter balance which has been outstanding for a considerably long period of time.

288. The Statement also reflects a debit balance of Kshs.3,090,522.50 under the Imprests Account, out of which an amount of Kshs.1,513,156.85 relates to 2006/2007 and earlier years. No explanation has been provided for failure to surrender or otherwise account for the long outstanding balance of KShs.1,513,156.85.

289. The Statement further reflects an Advances Account balance of Kshs.4,930,977.25, which includes an unanalysed figure of Kshs.4,617,772.00. The balance of Kshs.4,930,977.25 also includes an amount of Kshs.4,830,720.20 relating to 2006/2007 and earlier year and which has not been cleared. No reason has been given for failure to analyse the figure of Kshs.4,617,772.00 or clear the amount of Kshs.4,830,720.20 from the books of account.

290. The Statement shows a Paymaster General (PMG) balance of Kshs.3,755,847.75 relating to the current year, which differs with the report of the Board of Survey figure of Kshs.543,381.05 by Kshs.3,212,466.70. Further, the PMG credit balance of Kshs.1,600,837.30 as at 30 June 2008 differs with the Trial Balance credit figure of Kshs.1,228,918,685.85 by Kshs.1,227,317,848.55. The differences have not been reconciled or explained.

291. The Statement also shows a Suspense Account debit balance of Kshs.3,593,016.25, which differs with the Trial Balance credit balance of equivalent amount. No explanation has been given for the difference of Kshs.7,186,032.50 between the two sets of records.

292. The Statement in addition shows a General Account of Vote credit balance of Kshs.33,391,896.05, which includes an amount of Kshs.25,192,378.30 relating to 2006/2007 and earlier years. As reported in the previous year, no explanation has been provided for non-surrender of the unspent surplus of Kshs.25,192,378.30 to the Treasury.

293. The Statement further reflects a Clearance Account balance of Kshs.2,297,619.90, brought forward from 2006/2007 and earlier years. No explanation has been provided for failure to clear this long outstanding balance.

294. The Statement also reflects an Excess Appropriations-in-Aid balance of Kshs.2,848,070.75, which includes a sum of Kshs.2,488,070.75 relating to 2006/2007 and earlier years. It has not however been explained why the balance of Kshs.2,488,070.75 has not been remitted to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.02

295. The Statement of Assets and Liabilities for Vote D.02 as at 30 June 2008 reflects under the Exchequer Account, a balance of Kshs.236,079,675.50 relating to 2004/2005 and earlier years. No reason has been provided for non-clearance of this long outstanding balance.

296. The Statement further reflects a Paymaster General Account debit balance of Kshs.50,683,010.35, which differs with the Trial Balance figure of Kshs.181,648,929.60 Cr. by Kshs.232,331,939.95. The difference between the two sets of records has not been reconciled or explained.

297. The Statement, in addition, reflects a General Account of Vote balance of Kshs.282,768,862.50, which includes an amount of Kshs.278,825,827.30 relating to 2006/2007 and earlier years. No explanation has been provided for failure to surrender the latter balance to the Exchequer.

298. The Statement further reflects a Suspense Account credit balance of Kshs.6,965,278.40, brought forward from 2005/2006 and earlier years. The balance includes credit figures of Kshs.6,768,471.35, Kshs.351,191.25, Kshs.1,132.70 and Kshs.500.25 under Retention Contractors, Retention (VAT); Stale Cheques and Imprest – Western Province, respectively and a debit amount of Kshs.156,017.15 referred to as Agency. These balances have been outstanding for a considerably long period of time and no reason has been provided for their non-clearance.

OFFICE OF THE PRIME MINISTER AND MINISTRY OF STATE FOR PUBLIC SERVICE

APPROPRIATION ACCOUNT FOR VOTE D.03

299. The Appropriation Account for Vote D.03 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.63,465,612.05 or approximately 18% of the approved estimates of Kshs.358,500,000.00. The reasons provided in the

footnotes to the Account for the under-expenditure include; non-release of exchequer issues, delays in processing and awarding of construction contracts and non-replacement of furniture and equipment during the year.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.03

300. The Statement of Assets and Liabilities for Vote R.03 as at 30 June, 2008 reflects a balance of Kshs.8,048,776.50 under the District Suspense Account, which includes an amount of Kshs.4,952,511.15 relating to 2006/2007 and earlier years. No reason has however been provided for failure to clear this long outstanding balance during the year under review.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.03

301. In the previous year's report, reference was made to seven balances of Kshs.2,550,740.00, Kshs.225,403,990.00, Kshs.9,335,786.55, Kshs.29,434,541.65, Kshs.62,241,405.55, Kshs.173,691,438.00 and Kshs.30,792,214.65 under Exchequer Under-Issues (2005/2006), Exchequer Under-Issues (2004/2005), Exchequer Under-Issues (2003/2004), PMG, (2005/2006), GAV (2004/2005) and District Suspense Accounts respectively, all of which had been cleared but no supporting documents to confirm the clearance had been availed for audit review.

A review of the position in 2007/2008 showed that minimal progress had been made during the year in the effort to provide the required documentary evidence, and as a result it has not been possible to establish how these balances may have affected the Statement for the year.

MINISTRY OF FOREIGN AFFAIRS

APPROPRIATION ACCOUNT FOR VOTE D.04

Unvouched Expenditure

302. The Appropriation Account for Vote D.04 for the year ended 30 June 2008 reflects expenditure totalling Kshs.40,225,258.45 incurred on refurbishment of buildings at the Headquarters, New York, Stockholm, Riyadh and Rome Missions. The expenditure was not however supported with payment vouchers and other relevant record as at 30 June 2008 and as a result, its propriety could not be confirmed.

Excluded Expenditure

303. Examination of the Development Cashbook as at 30 June, 2008 revealed that payments totalling Kshs.19,821,715.00 made to various parties between August 2007 and February 2008 were not posted to their respective Ledger Accounts. Consequently, the expenditure has been excluded from the Appropriation Account.

OUTSTANDING IMPRESTS

304. Examination of the imprest records maintained at the Ministry's Headquarters during the year revealed that imprests totalling Kshs.42,400,133.15 which ought to have been surrendered or otherwise accounted for on or before 30 June 2008 were still outstanding as at that date. Out of this total, imprests amounting to Kshs.3,657,177.25 were due from officers on Job Group 'L' and below, Kshs.6,729,454.20 from officers on Job Group 'M' and above, Kshs.5,627,725.35 from officers at the Kenya Missions abroad, Kshs.9,581,805.95 from officers transferred to other Ministries, Kshs.13,338,374.55 from retired officers, Kshs.3,223,484.85 from deceased officers, while the balance of Kshs.242,111.00 was in respect of standing imprests at the Headquarters.

IRREGULAR PAYMENT OF SALARIES AND ALLOWANCES

305. Information available indicate that two officers contested for Parliamentary seats in the 2007 general election, while still employed in the Ministry.

306. Section G.10 of the Code of Regulations states that officers who wish to contest for Parliamentary or Civic seats will be required to resign from their duties. The Office of the President Circular Ref.No.OP.CAB.53/1A of 30 January 2007 on the 2007 General Elections also made it clear that all serving officers who wished to seek elective posts in 2007 were required to resign from the Public Service by 1 July 2007.

307. However, examination of the payroll, personnel and other establishment records at the Ministry's Headquarters revealed that one officer was paid total salary of Kshs.1,951,020.00 between July 2007 and June 2008, while the other received an amount of Kshs.311,095.00 between July 2007 and March 2008. No satisfactory explanation has been given for these irregular payments.

PROCUREMENT OF GOODS AND SERVICES

308. During the year under review, the Ministry processed payments totalling Kshs.62,305,293.60 to various suppliers for goods and services which had not been delivered as at 30 June 2008. The payments were supported by either proforma invoices or quotations of work or services to be provided later. The

cheques for the payments were as at 30 June 2008 still being held at the Ministry's Headquarters, awaiting completion of works and/or for delivery of goods or services.

309. According to Section 5.5.13(a) of the Financial Regulations and Procedures however and for control purposes, payments are to be processed in respect of demands for settlement of goods and services which have been supplied/rendered to the government.

KENYA MISSIONS FLOAT FUND

Missions Float Fund Levels

310. As reported in the previous years, the Missions Float Fund Account still reflects Capital Fund and Paymaster General (PMG) Account balances totalling Kshs.85,400,000.00, representing amounts issued to Missions at the time of their establishment. The purpose of the Fund was to assist the respective Missions meet their recurrent and development expenditures and account for the amounts advanced fortnightly. It was previously indicated that the reimbursement system was discontinued by the Treasury in July 2006, but clear instructions appear not to have been issued regarding surrender of the funds to Treasury. It appears that Treasury has still not issued instructions for the funds to be surrendered and as a result, it is not clear what the ministry intends to do with the cash, since the new instructions require Authorities To Incur Expenditures (AIEs) to be issued to the Missions together with funds.

311. The amount of Kshs.85,400,000.00 includes floats of Kshs.500,000.00 and Kshs.4,100,000.00 held in Mogadiscio and United Nations Environmental Programme (UNEP) Missions respectively. The Mogadiscio Mission was closed in the early 1990s following collapse of the Government in Somalia. I was therefore unable to confirm existence of the float. As far as the UNEP mission, which is based in Nairobi, is concerned, it has not been clarified where the amount is being held. Besides, no reconciliations, Board of Survey Reports or any returns have been made available for audit to show the existence of such funds.

312. The PMG balance of Kshs.85,400,000.00 includes authorized cash levels totalling Kshs.22,270,000.00 for thirteen (13) Missions which did not submit their Board of Survey Reports to confirm their cash levels as at 30 June 2008.

Unauthorised Cash Levels

313. Information available indicate that twenty seven (27) Missions with total authorized cash levels of Kshs.55,400,000.00 had actual cash levels of Kshs.544,531,892.92, thus exceeding the authorized levels by an amount of Kshs.489,131,892.92.

PERMANENT MISSION TO THE UNITED NATIONS – NEW YORK

314. Records maintained at the Kenya Permanent Mission to the United Nations in New York show unsurrendered imprests totalling Kshs.812,276.00 (US dollars 12,200) as at 30 June 2008. Out of the total, imprests amounting to Kshs.332,900.00 were outstanding against two former Assistant Ministers who have since left the service.

KENYA HIGH COMMISSION – WINDHOEK

Pending Bills

315. Records maintained at the Mission show that bills amounting to Kshs.2,222,335.05 in respect of salaries, staff medical claims, travel costs and maintenance of buildings, chargeable to the Recurrent Vote were not paid during the year, but were instead carried forward to 2008/2009. No reason has however been provided for failure to clear these bills during the year under review.

Rent Arrears

316. The Mission has leased to various parties five (5) out of the six (6) floors of the Chancery. As at 30 June 2008 however, rent amounting to Kshs.3,821,254.00 had not been collected from the parties and no reason has been provided for this unsatisfactory state of affairs.

KENYA HIGH COMMISSION – HARARE

Cash shortage

317. The Mission's US\$ Recurrent Cashbook as at 30 June 2008 reflects a cash balance of Kshs.4,812,598.50 (US\$64,167.98), while the Board of Survey Report submitted to the Ministry's Headquarters shows an amount of Kshs.3,674.25 (US\$40.99). The resultant difference of Kshs.4,809,524.25 (US\$64,126.99) has not been reconciled or explained.

(Exchange rate: Kshs.75.00 to US\$ 1)

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.04

318. The Statement of Assets and Liabilities for Vote R.04 as at 30 June 2008 reflects a debit balance of Kshs.11,481,091.55 under the Advances Account, which includes an amount of Kshs.10,695,945.90 that has not been analysed. No reason has been given for failure to analyse this balance. Further, the balance of Kshs.11,481,091.55 ought to have cleared from the Statement by 30 June 2008 as it relates to 2006/2007 and earlier years.

319. The Statement also reflects an Exchequer Account balance of Kshs.250,638,647.00, which includes an amount of Kshs.250,389,827.00 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear the long outstanding exchequer under issues from the books of account.

320. The Statement similarly reflects a General Account of Vote (GAV) (Excess Vote) balance of Kshs.449,541,250.15 relating to 2002/2003 and earlier years. It has not however been explained why the Excess Vote has not been regularized.

321. Further and as reported in the previous year, the above Excess Vote includes a credit balance of Kshs.8,463,425.75 indicated in the records as relating to 2000/2001, but which differs with the GAV credit figure of Kshs.9,236,390.15 shown in the Statement of Assets and Liabilities for Vote R.04 as at 30 June 2001. The resultant difference of Kshs.772,964.40 has neither been reconciled nor explained.

322. The Statement also reflects a GAV Surplus balance of Kshs.1,817,885,996.15, out of which an amount of Kshs.1,232,894,067.55 relates to 2005/2006 and 2006/2007. Although an amount of Kshs.739,463,230.60 relating to the period between 2002/2003 and 2005/2006 was cleared during the year 2007/2008, no reason has been provided for failure to clear the balance of Kshs.1,232,172,067.85 relating to the years 2005/2006 and 2006/2007.

323. The Statement shows a Temporary Imprests Account balance of Kshs.74,216,005.90 which ought to have been cleared on or before 30 June 2008. No reason has been given as to why these imprests amounts have not been recovered, as required by the Financial Regulations and Procedures. Further, a figure of Kshs.31,815,872.75 included in the Imprest Account has not been analysed, consequent upon which its accuracy could not be ascertained.

324. The Statement also shows an Imprest Clearance Account balance of Kshs.1,612,004,615.80, which includes amount of Kshs.1,496,418,665.50 relating to 2006/2007 and earlier years. The amount of Kshs.1,496,418,665.50 has remained un-cleared for a long period of time.

325. The Statement further shows a figure of Kshs.32,938,707.20 under the Suspense Account which has not been analysed and as a result, its completeness and accuracy could not be ascertained. Further, lost cash of Kshs.127,000.00 included in the above balance had not been recovered as at 30 June 2008.

326. The Statement's Salary Clearance Account net credit balance of Kshs.16,404,370.90 includes debit amounts totalling Kshs.9,618,872.55. It has not however been clarified what the debit balances in a Salary Clearance

Account represent. Further, the balance of Kshs.16,404,370.90 includes an amount of Kshs.15,593,238.75 relating to 2006/2007 and earlier years, which has not been cleared.

327. The Statement also shows an Excess Appropriations-In-Aid Account credit balance of Kshs.618,758,649.90, which includes amounts of Kshs.560,946,315.90 relating to 2004/2005 and earlier years. It has not been clarified why this significant balance of Kshs.560,949,315.90 has not been remitted to the Exchequer.

328. The Statement reflects a Paymaster General Account balance of Kshs.88,106,113.75, which though agreed with the Ledger figure, differs with the Cashbook balance of Kshs.202,303,881.00 as at 30 June 2008 by Kshs.114,197,767.25. Although the difference of Kshs.114,197,767.25 has been indicated as relating to "data captured one sided," no documentary evidence has been produced to support this explanation.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.04

329. The Statement of Assets and Liabilities for Vote D.04 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.435,902,290.00, which includes an amount of Kshs.336,902,290.00 relating to 2006/2007 and earlier years. No explanation has been given for failure to clear the long outstanding exchequer under issues from the Ministry's books of account.

330. The Statement also reflects a General Account of Vote (GAV) (Excess Vote) balance of Kshs.57,618,127.60 relating to 2003/2004 and earlier years and a GAV Surplus of Kshs.531,683,343.15 which includes an amount of Kshs.414,756,573.25 relating to 2006/2007 and earlier years. The Excess Vote of Kshs.57,618,127.60 has not been regularized. In addition, no explanation has been given for failure to surrender the GAV balance of Kshs.414,756,573.25 to the Exchequer.

331. The Statement further reflects an Excess Appropriations-In-Aid balance of Kshs.5,239,500.00 relating to 2006/2007. No reason has been given for non-surrender of this balance to the Exchequer.

332. The Statement in addition shows an Imprest Clearance Account debit balance of Kshs.32,240,818.05, which includes an amount of Kshs.19,833,767.55 relating to 2006/2007 and earlier years. No reason has been provided for non-clearance of the latter balance. The balance of Kshs.32,240,818.05 also includes an amount of Kshs.25,475,555.65 which has not been analysed and as a result the completeness and accuracy of the balance of Kshs.32,240,818.05 could not be ascertained. Further, the balance of Kshs.32,240,818.05 ought to have been surrendered or otherwise accounted for on or before 30 June 2008.

333. The Statement, similarly reflects a balance of Kshs.11,161,507.50 under the Paymaster General Account which, while agreed with the Ledger figure, differs with the Cashbook balance of Kshs.10,938,618.30 as at 30 June 2008 by Kshs.222,889.20. Although the difference has been explained being in respect of data entries that had not been fully captured, documentary evidence to support the journal entries passed to correct the error has not been made available for audit review.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

334. The Statement of Assets and Liabilities for Deposits as at 30 June 2008 reflects a Suspense Account debit balance of Kshs.192,536,207.15 relating to 2006/2007 and earlier years which has not been cleared. The balance has also not been analysed. No reasons have been provided for lack of an analysis or failure to clear the balance.

335. The Statement also reflects a Miscellaneous Deposit Account debit balance of Kshs.2,621,341.15. Under normal circumstances a Deposit Account should reflect a credit or nil balance. No reason has been given for this anomaly.

336. The Statement further reflects a Paymaster's General Account credit balance of Kshs.38, 293,894.80, which differs with the Cashbook debit balance of Kshs.100,791,668.55 as at 30 June 2008. The resultant difference of Kshs.139,085,563.35 between the two sets of record has not been reconciled or explained.

337. The Statement shows a Float Fund Deposit balance of Kshs.85,400,000.00 relating to 2006/2007 and earlier years. As similarly reported in the previous year, no reason has been given for non-remittance to the Exchequer of this long outstanding balance.

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF HOME AFFAIRS

PENDING BILLS

338. Records maintained at the Office of the Vice President and Ministry of Home Affairs Headquarters indicate that bills totalling Kshs.758,204,846.21 relating to 2007/2008 were not settled during the year but were instead carried forward to 2008/2009. Out of the above total, bills amounting to Kshs.755,827,646.21 related to the Recurrent Vote while the balance of Kshs.2,377,200.00 was in respect of those relating to the Development Vote.

339. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provision for the subsequent year to which the bills will have to be charged.

OUTSTANDING IMPRESTS AND ADVANCES

Imprests

340. Examination of records maintained at the Ministry's Headquarters indicates that imprests totalling Kshs.7,117,477.25 which ought to have been surrendered on or before 30 June 2008 were still outstanding as at that date. Out of the above total, an amount of Kshs.2,226,926.85 was owed by officers on Job Group M and above, Kshs.3,573,325.75 by officers on Job Group L and below, Kshs.395,144.50 by politicians, while the balance of Kshs.922,080.15 was owed by officers whose designations were not disclosed.

Advances

341. Examination of the Advances Register revealed that salary advances totalling Kshs.1,088,679.70 granted to various staff in 2006/2007 and earlier years had not been paid back or recovered as at 30 June 2008.

IRREGULAR CASH WITHDRAWALS - NYAMIRA DISTRICT

342. Examination of records maintained at the Nyamira District Home Affairs Office, Children's Department in respect of a bank account held at Kenya Commercial Bank (KCB), Nyamira Branch revealed that various cheques payable to suppliers and one to the Commissioner of Value Added Tax (VAT) all totalling Kshs.310,593.00 were posted to the Cashbook but were irregularly encashed by three cashiers at the District Treasury.

There is no evidence however to confirm that the sum of Kshs.310,593.00 was eventually paid over to and signed for by the respective payees. Indications therefore are that the amount of Kshs.310,593.00 may have been misappropriated.

UNACCOUNTED FOR FURNITURE - TRANS-NZOIA WEST DISTRICT

343. Examination of expenditure records at the Trans-Nzoia West District Probation Office in October 2008 revealed that an amount of Kshs.3,468,020.00 was incurred on purchase of various types of furniture for use in the office.

344. A physical verification carried out at the office during the month however revealed that furniture worth Kshs.1,056,000.00 had apparently not been received and/or accounted for. The furniture was also not in the store and could not be traced in the office.

PRISONS INDUSTRIES REVOLVING FUND

345. As in 2006/2007, the Prison Industries Fund Accounts for the year ended 30 June 2008 consist of Revenue and Expenditure balances which are drawn from manual schedules and not from accounting records and Ledgers. No journal entries for instance were prepared to post these balances in the Ledger. In the absence of proper accounting records, the completeness and accuracy of the sales, cost of sales, expenses and the loss balances reported for the year could not be confirmed.

346. The Trading, Profit and Loss Account for the year ended 30 June 2008 reflects net loss of Kshs.22,668,705.25 (2006/2007 – profit of Kshs.28,251,863.00). This clearly significant loss in 2007/2008 raises doubt on how prudently the Fund was managed during the year. Further, it is of concern that no reasons have been given for the dismal performance of the Fund during the period, while no measures appear to have been put in place to reverse this unsatisfactory state of affairs.

347. The Balance Sheet's Paymaster General Account balance of Kshs.191,412,369.60 as at 30 June 2008 differs with the Statement of Assets and Liabilities for Deposits and Funds figure of Kshs.316,983,529.00 by Kshs.125,571,159.40. The difference has not been reconciled or explained.

348. The Balance Sheet further reflects a Suspense Account figure of Kshs.73,672,293.50 representing an increase of Kshs.1,645,768.15 from the previous year's balance of Kshs.72,026,525.35. The movement of the balances under the Account during the year has not however been supported or explained and indications are that the movement was meant for Account balancing purposes.

349. Included in the Balance Sheet Fixed Assets is scrap machinery with a reported book value of Kshs.2,926,440.00 and brought forward from the previous year. The scrap machinery was not however depreciated during the year and as a result, the value of machinery in the Balance sheet is overstated by the undepreciated amount.

350. The creditor's balance of Kshs.1,238,040.00 relates to supplies and deposits made for orders awaiting manufacturing. Although the amounts are analysed on a station basis, listing and details of the specific creditors were not provided for audit review, with the result that the existence of the liability of Kshs.1,238,040.00 could not be ascertained.

351. The opening balance of Kshs.238,821,041.10 in respect of Accumulated Reserves in the Balance Sheet differs with the closing balance of Kshs.240,580,582.30 reflected in the audited Statement for 2006/2007. Although

the difference of Kshs.1,759,541.20 has been explained as relating to a prior year adjustment, the cause and reason for the adjustment have not been provided.

PRISON FARMS REVOLVING FUND

352. The Prison Farms Revolving Fund Account Balance Sheet as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.15,383,478.65, while the Statement of Assets and Liabilities for Deposits and Funds as at 30 June 2008 shows an amount of Kshs.85,757,248.00 against the same Account. The difference of Kshs.70,373,769.35 between the two sets of records has not, as in the previous year, been reconciled or explained.

353. The Balance Sheet also reflects an unanalyzed debtors balance of Kshs.39,570,335.50. In the absence of an analysis, the accuracy of this balance could not be confirmed. The balance of Kshs.39,570,335.50 also represents an increase of about 14% over the previous years' Debtors' figure of Kshs.34,788,294.25. As similarly noted in 2006/2007, the significant increase in debtors during 2007/2008 signifies an apparent laxity in debt collection efforts in the Ministry.

354. The Balance Sheet further reflects a balance of Kshs.41,867,571.56 under the Suspense Account, which has not been supported with documentary evidence. Consequently, it has not been possible to ascertain its completeness and correctness.

355. The Balance Sheet also shows a Scrap Machinery value of Kshs.1,775,580.00, which over the years has not been depreciated. For this reason, it has not been possible to confirm the extent of impairment on the value of the fixed assets as disclosed in the notes to the Accounts.

BANK RECONCILIATION STATEMENTS

356. Examination of the Bank Reconciliation Statements for the Recurrent, Development and Deposits Cashbooks as at 30 June 2008 disclosed the following unsatisfactory matters:-

RECURRENT CASHBOOK

357. The Recurrent Cashbook Bank Reconciliation Statement as at 30 June 2008 reflects an amount of Kshs.263,636,644.20 in respect of payments in the Cashbook not recorded in the Bank Statement, which includes stale cheques of Kshs.18,203,022.50. The Ministry has not explained why the cheques have not been replaced or credited back to the Cashbook.

358. The Reconciliation Statement also revealed a number of inconsistencies where payments indicated as having been recorded in the Cashbook and not in the Bank Statement were also indicated as payment in the Bank Statement not in the Cashbook. The Statement for instance shows cheques amounting to Kshs.2,523,968.52 as payments in the Cashbook not in the Bank Statement but the same cheques are also recorded as payments in the Bank Statement not in the Cashbook. This has resulted in compensating errors which cast doubts on the accuracy of the Reconciliation Statement.

359. The Reconciliation Statement further reflects cheques that show different amounts and names of payees recorded in the Cashbook and in the Bank Statement. No explanation has been given for these discrepancies.

360. The Reconciliation Statement in addition shows a balance of Kshs.263,636,644.20 in respect of payments in the Cashbook not in the Bank Statement, which includes cheques that have been duplicated, with some bearing different payees and amounts. It has not been clarified the circumstances under which a cheque could be addressed to two different persons or how one cheque could be having two different amounts.

361. The Reconciliation Statement also shows payments of Kshs.56,057,956.50 in Bank Statement not recorded in the Cashbook, which includes cheques amounting to Kshs.8,888,597.25 that could not be vouched or traced in the Ministry's records. It is not clear why the Ministry would make such huge payments and fail to record the payments in the Cashbook

362. The Reconciliation Statement in addition shows receipts totalling Kshs.4,821,744.00 in the bank not in the Cashbook, which includes an amount of Kshs.974,679.50 relating to the year 2007. It has not been clarified why these receipts have not been recorded in the Cashbook.

DEVELOPMENT CASHBOOK

363. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2008 reflects payments in the Cashbook of Kshs.127,073,820.75 not in the Bank Statement, which include stale cheques amounting of Kshs.6,448,543.20. No reason has been provided for failure to replace or re-credit the cheques.

364. The Reconciliation Statement also reflects payments totalling Kshs.960,042.05 in the Bank Statement not in the Cashbook. It has not been clarified why the payments have not been recorded in the Cashbook.

365. The Statement also reflects receipts of Kshs.4,417,424.40 in the Bank Statement not in the Cashbook. However, analysis and supporting documents for this balance have not been made available for audit verification.

DEPOSITS CASHBOOK

366. The Deposits Cashbook Bank Reconciliation Statement as at 30 June 2008 reflects payments totalling Kshs.22,608,941.85 in the Cashbook not recorded in the Bank Statement, which include stale cheques of Kshs.5,781,628.90. No reason has been given for not replacing the cheques or crediting them back in the Cashbook.

367. The amount of Kshs.22,608,941.85 includes cheques for Kshs.105,560.00 which have been duplicated and bearing different payee names and amounts. It is not clear under what circumstances one cheque would be addressed to two different persons or how a cheque could have two different amounts.

368. The Reconciliation Statement also reflects payments of Kshs.19,123,212.25 in the bank not in the Cashbook. It has not been clarified how the Ministry would make such huge payments and yet fail to post them in the Cashbook.

369. The Reconciliation Statement further reflects receipts amounting to Kshs.11,235,827.45 in the Cashbook not in the Bank Statement. The figure includes deposits of Kshs.5,403,653.40 purported to have been banked vide various pay-in slips. The slips do not however appear in the Ministry's Bank Statement. This discrepancy has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.05

370. The Statement of Assets and Liabilities for Vote R.05 as at 30 June 2008 reflects various long outstanding debit and credit balances totalling Kshs.1,859,636,316.60 and Kshs.2,386,480,755.38 respectively, under Exchequer, General Account of Vote, Advances, General Suspense, Excess Appropriations-In-Aid, District Suspense, General Suspense and Clearance Accounts. No reasons have been given for not clearing the balances from the books of accounts.

371. The Statement also reflects an Exchequer Account balance of Kshs.968,947,922.35, which includes an amount of Kshs.959,333,332.50 relating to 2006/2007 and earlier years. No explanation has been provided for failure to clear the balance of Kshs.959,333,332.50.

372. The Statement further reflects Imprest Account balances of Kshs.5,492,334.25, while the Ledger shows a figure of Kshs.7,117,477.25 resulting in an unreconciled and unexplained difference of Kshs.1,625,143.00. The balance of Kshs.5,492,334.25 includes an amount of Kshs.3,585,063.15 relating to 2006/2007 and earlier years. No reason has been given for failure to

have this long outstanding imprest balance surrendered or otherwise accounted for.

373. The Statement shows an Advances Account figure of Kshs.1,453,033.05, while both the Ministry's records and registers reflect a balance of Kshs.1,202,478.60 against the same Account. The resultant difference of Kshs.250,554.45 between the two sets of records has not been reconciled or explained.

374. The Statement further shows a Paymaster General Account balance of Kshs.327,182,686.43 which differs with the Ledger figure of Kshs.113,971,001.00 by Kshs.213,211,685.30 and the Cashbook figure of Kshs.119,774.25 by Kshs.327,062,912.18. The differences between the three sets of records have not been reconciled or explained.

375. The Statement further reflects an Excess Appropriations-In-Aid balance of Kshs.91,671,656.20 relating to 2006/2007 and earlier years. The balance ought to have been surrendered to the Exchequer on or before 30 June 2008. No reason has been given for the delay in remitting the balance to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.05

376. The Statement of Assets and Liabilities for Vote D.05 as at 30 June 2008 reflects various balances under Exchequer, General Account of Vote, Agency, District Suspense and General Suspense relating to 2006/2007 and earlier years. No reason has been provided for failure to clear these balances from the books of account.

377. The Paymaster General (PMG) Account debit balance of Kshs.344,948,584.60 as at 30 June 2008 differs with the Ledger balance of Kshs.117,180,347.10 and adjusted Cashbook balance of Kshs.2,797,145.95 by Kshs.227,768,237.50 and Kshs.342,151,438.65 respectively. In the absence of any reconciliations or explanations for the differences, the accuracy of PMG balance could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

378. The Statement of Assets and Liabilities for Deposits 05 as at 30 June 2008 reflects a balance of Kshs.311,327,711.00 under the District Suspense Account, which includes an amount of Kshs.259,982,896.00 relating to 2006/2007 and earlier years. Also outstanding is a balance of Kshs.163,233,321.97 in respect of Agency/HQ Deposits. No reasons have been given for non-clearance of these long outstanding balances.

379. The Prisons Industries' Account balance of Kshs.316,983,529.00 differs with the corresponding Prison Industries Fund Accounts PMG figure of Kshs.191,412,369.60 by Kshs.125,571,159.40. Similarly, the Prison Farm's Account balance of Kshs.85,757,248.01 differs with the corresponding amount of Kshs.15,383,478.65 under the Prison Farms PMG Account balance by Kshs.70,373,769.36. The differences have not been reconciled or explained.

380. The Statement further reflects an amount of Kshs.28,430,695.70 under the Suspense Account, described as a balancing figure arising from wrong coding of District expenditure from Treasury. This balance has not however, been analysed or explained.

MINISTRY OF STATE FOR PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

APPROPRIATION ACCOUNT FOR VOTE R.06

381. The Appropriation Account for Vote R.06 for the year ended 30 June 2008 reflects a balance of Kshs.93,367,461.96 in respect of Net Surplus to be Surrendered to the Exchequer, while the Statement of Assets and Liabilities for Vote R.06 as at 30 June 2008 shows a General Account of Vote figure of Kshs.96,526,900.95. The difference of Kshs.3,159,438.99 between the two sets of records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.06

Under-Expenditure and Under-Collection of Appropriations-In-Aid

382. The Appropriation Account for Vote D.06 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.958,095,576.82 or approximately 40% of the approved estimates of Kshs.2,382,192,149.00. The Account also reflects a deficiency in Appropriations-In-Aid of Kshs.344,010,614.65 or about 25% of the estimated receipts of Kshs.1,328,409,519.00.

The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; non-capture of expenditure incurred in the Districts and non-release of funds by donors.

Accuracy of the Appropriation Account

383. The Appropriation Account also reflects a balance of Kshs.614,084,962.17 in respect of Net Surplus to be Surrendered to the Exchequer, while the

Statement of Assets and Liabilities for Vote D.06 as at 30 June 2008 shows a General Account of Vote figure of Kshs.566,921,086.28. The difference of Kshs.47,163,875.85 between the two sets of records has not been reconciled or explained.

PENDING BILLS

384. Examination of records held at the Ministry's Headquarters revealed that bills totalling Kshs.17,478,679.06 for 2007/2008 chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2008/2009.

385. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the following year's budgetary provision to which they have to be charged.

DISTRICT DEVELOPMENT FUND

386. The District Development Fund balance sheet as at 30 June 2008 reflects Paymaster General Account balance of Kshs.14,168,038.00 brought forward from 2006/2007 and prior years. Although the Fund has been carrying this balance for the last three years, no transactions have been recorded against the fund over the same period. Further information available however indicate that there may be some uncompleted projects initiated through the fund but such projects have not been disclosed in the Accounts.

RURAL DEVELOPMENT FUND

387. The Rural Development Fund Accounts for the year ended 30 June 2008 reflects a Paymaster General (PMG) Account balance of Kshs.2,850,610.55. The Fund however did not register any activity during the year under review, raising concern as to whether the Ministry should continue tying up the PMG balance in a Fund which appears to be dormant.

OUTSTANDING TEMPORARY IMPREST – KITUI WEST CONSTITUENCY DEVELOPMENT FUND

388. Records held at the Kitui West Constituency Development Fund show that imprest totalling Kshs.2,470,394.00 were outstanding as at 30 June 2008 from various officials. Out of the above total, imprest amounting to Kshs.1,158,300.00 related to 2006/2007 and earlier years. Failure to have the latter balance retired or otherwise accounted for has not been explained.

OUTSTANDING TEMPORARY IMPREST – MUTITO CONSTITUENCY DEVELOPMENT FUND

389. Examination of imprest records maintained at the Kitui District Treasury revealed that temporary imprests totalling Kshs.4,651,256.00 issued to Mutito Constituency Development Fund officials between 12 June 2006 and 30 October 2007 had not been surrendered or accounted for as at 30 June 2008. No reason has been provided for failure to have the imprests surrendered or otherwise accounted for.

LOSS OF CASH AT GATUNDU SOUTH CONSTITUENCY DEVELOPMENT FUND

390. Examination of bank records maintained in respect of the Gatundu South Constituency Development Fund revealed that a loss of Kshs.246,000.00 against the Fund occurred in November 2006. According to information available, the loss arose from theft of two cheque leaves numbers 000099 and 000100 which were later forged and used on 15 November 2006 and 23 November 2006 to withdraw amounts of Kshs.80,500.00 and Kshs.165,500.00 respectively from the Funds Administration Account maintained at the Kenya Commercial Bank, Thika Branch.

391. Although the matter was reported to the Banking Fraud Unit, Nairobi for investigation, the outcome of the investigations have not been disclosed and the amount of Kshs.246,000.00 has also not been recovered.

UNACCOUNTED FOR PROJECT FUNDS - NDARAGWA CONSTITUENCY DEVELOPMENT FUND

392. Examination of project records maintained at the Ndaragwa Constituency Development Fund Committee Office revealed that an amount of Kshs.500,000.00 allocated to two projects during the year under review was not accounted for as detailed below:-

Baari Dispensary

393. During a Ndaragwa Constituency Development Committee meeting held on 20 August 2007, Baari Dispensary was allocated Kshs.200,000.00 for purchase of unspecified wiring supplies and electrical accessories. Payment of Kshs.200,000.00 was subsequently made to Ndaragwa Dispensary Project Committee on 13 September 2007 through payment voucher No.290632.

394. An audit inspection carried out at Baari Dispensary in October, 2008 however revealed that no wiring had been fitted at the Dispensary and the electrical accessories purportedly bought were not in the store.

395. In the absence of any evidence to the contrary, it would appear that the amount of Kshs.200,000.00 was not used for the intended purpose and has not been accounted for.

Lightning Arrestors

396. The Ndaragwa Constituency Development Fund Committee, in another meeting held on 16 April 2007, allocated a sum of Kshs.300,000.00 to Shamata Lightning Arrestors Project from the Emergency Reserve Fund. The funds were released to the project through payment voucher No.290616 of 29 August 2007.

397. A visit to the Ndaragwa Constituency Development Fund Office in October 2008 however revealed that the lightning arrestors had not been installed and no records for the project were maintained at the office. The amount of Kshs.300,000.00 had also not been accounted for or refunded to the Fund.

398. As in the previous instance and in the absence of any other evidence to the contrary, the amount of Kshs.300,000.00 was clearly not spent for the intended purpose.

IRREGULAR EXPENDITURE - JUJA COSTITUENCY DEVELOPMENT FUND OFFICE

399. Audit inspection exercise carried out at the Juja Constituency Development Fund Office, Ruiru in November, 2008 revealed the following unsatisfactory matters:-

Kwihota Secondary School Water Borehole Project

400. Records made available for audit review indicate that during the year 2007/2008, Kwihota Secondary School Water Borehole Project was allocated Kshs.1,379,000.00, through payment voucher number 0279 of 26 April, 2007. Out of the above amount, a sum of Kshs.400,000.00 was paid in cash to an engineering firm as part payment for construction of a steel tower tank.

401. An audit inspection exercise carried out in November 2008 at the project site however revealed that neither the water tank nor the tower had been erected by the firm. Further, it was observed that although the payment of Kshs.400,000.00 made to the firm was received by its representative, the firm however denied having received the cash, and at the same time denounced the authenticity of the receipt purported to have been issued by the representative on the firm's behalf. It is therefore not clear as to the circumstances under which the payment of Kshs.400,000.00 was made. Further, no documents/records were held by the Constituency Development Committee to show how the firm had been identified before eventually being awarded the contract. Consequently, and

in the absence of any further information to the contrary, the propriety of expenditure of Kshs.400,000.00 could not be confirmed.

BTL Water Project

402. The Juja Constituency Development Fund Committee released a sum of Kshs.500,000 to BTL Water Project, through payment voucher No.739 of 8 November 2007. Out of the above sum, an amount of Kshs.200,000.00 was paid to a supplier through cheque No.000018 dated 11 December 2007. However, information and records made available for audit review do not disclose the purposes for which the payment was made.

MATHIOYA CONSTITUTENCY DEVELOPMENT FUND

403. At a meeting held on 18 April 2006, the Mathioya Constituency Development Fund Committee awarded a contract for construction of Kiambuthia – Gikoe footbridge in Mathioya Constituency, Muranga District, at a total cost of Kshs.855,000.00.

According to the Bills of Quantities (BQ) for the project, the construction works included; Provision of temporary pedestrian crossing including maintenance during the construction period; Provision and compaction of class 15 concrete for blinding (50 mm thick); Provision of framework including support as necessary; and Provision of hard core for foundation.

404. Information available appears to indicate that there existed no contract agreement between the Constituency Development Fund Committee and the contractor on the project and as a result, it was not possible to establish the terms of the contract including the period of time required to complete the project. This notwithstanding, the Committee authorized on 3 March 2007 an additional expenditure of Kshs.432,755.00 purportedly for extra-works undertaken or in progress, that were necessary for completion of the footbridge. According to the District Works Officer's letter reference No.MR/MUR119.VOL.1/138 of 2 March 2007, the additional works involved; Increase of concrete; Extension of rail guards to the extra staircase; Installation of edge protection bars; Installation of gabions including rock fill, Provision of longer props and Removal of damaged old footbridge, among others.

The additional works brought the cost of the project to Kshs.1,287,775.00, representing an increase of about 50% over and above the original cost.

405. A review of expenditure records in respect of the project in April 2008 indicated that out of the total contract sum of Kshs.1,287,775.00, an amount of Kshs.1,057,775.00 had been paid to the contractor as at 30 April 2008 leaving a balance of Kshs.230,000.00. A physical verification conducted at the project site during the same month however revealed that the footbridge had been poorly

constructed and was almost collapsing and curving inwards at the middle. The staircases had also collapsed, posing a serious risk to the users. Further observation revealed that the footbridge was not in use and the community had resorted to alternative and unsafe methods to cross the river.

406. No action appears to have been taken so far to rectify the defective sections of the footbridge although an expenditure of Kshs.1,057,775.00 had already been incurred on the project as at 30 June 2008.

CONSTRUCTION OF OFFICE BLOCK - KANDARA CONSTITUENCY DEVELOPMENT FUND OFFICE

407. Examination of records maintained at the Kandara Constituency Development Fund (CDF) office revealed that the Kandara Constituency Development Fund Committee invited qualified bidders for the construction of the Kandara CDF office on 13 November 2006.

408. Out of the four (4) bids received, the lowest bidder was awarded the contract at a tender sum of Kshs.6,012,069.00. The construction works were to commence on 15 December 2006, while the completion and handing over date was agreed on as 15 June 2007. The works involved construction of a single storey office block and included; site clearance, demolitions of stone house, sub-structural works, reinforcement concrete, steel sub-structure and wallings, roof works, windows/doors finishes, electrical installation, plumbing and drainage.

A review of the project records and an audit inspection carried out at the site in February 2009 revealed the following observations:

- (a) Although the project was scheduled for completion and handing over on 15 June 2007, this had not been done as at the date of the inspection.
- (b) Although the contractor had been paid a total of Kshs.6,035,950.00 which exceeded the contract price of Kshs.6,012,069.00 by an amount of Kshs.23,881.00, the following construction defects were noted:-
 - (i) Cracks on the building
 - (ii) Non-functioning water system
 - (iii) Malfunctioning gutters all round the building
 - (iv) Defective window handlers
 - (v) Malfunctioning electrical system

409. It was further noted that the project committee did not involve the Ministry of Public Works in the implementation and supervision of the project as required by Section 30(1) of the Constituency Development Fund Act, 2003, but instead engaged the services of a private firm of architects. No reasons have however been provided for the poor and inadequate handling of this project.

UNACCOUNTED FOR EXPENDITURE - VIHIGA CONSTITUENCY DEVELOPMENT FUND

410. Examination of records held at the Vihiga Constituency Development Fund Office revealed that at a meeting held on 15 October 2007, the Vihiga Constituency Development Fund Committee allocated a sum of Kshs.500,000.00 to Londondo Community Water Project for construction of a water tank in the area. Disbursement of the sum of Kshs.500,000.00 was made to the Project Committee through payment voucher No. 001503 of 30 November 2007. Further scrutiny of records revealed that the project had earlier received an initial funding of Kshs.600,000.00 through cheque No. 0274 of 21 July 2006. The total outlay for the project therefore stood at Kshs.1,100,000.00.

411. Although no project documents including the design and bills of quantity were made available for audit verification, information gathered nevertheless brought out the following unsatisfactory observations;

- i) A physical verification of the project carried out on 14 December 2008 revealed that the construction work was set on what appears to be a weak foundation. Indications therefore are that the foundation may not withstand inclement weather conditions.
- ii) The Ministry of Water and Irrigation was not involved during design, implementation and supervision of the project as required by Section 30(1) of the Constituency Development Act, 2003, and as a result, it was not possible to ascertain the basis on which the contractor was paid the amount of Kshs.1,100,000.00 for the work done.

CONSTITUENCY DEVELOPMENT FUND – KWANZA

412. Imprest records in respect of the Kwanza Constituency Development Fund revealed that temporary imprests issued between February 2007 and January 2008 and amounting to Kshs.711,475.00 had not been surrendered or accounted for as at 30 June 2008. No reasons have been provided for failure to surrender or otherwise account for the imprests.

IRREGULAR SALARY PAYMENTS - KAPENGURIA CONSTITUENCY DEVELOPMENT FUND OFFICE

413. Examination of records maintained at the Kapenguria Constituency Development Fund (CDF) Office revealed that two Constituency Development Fund Committee members, a Treasurer and a Secretary were irregularly paid monthly salaries of Kshs.25,000.00 each for a period of ten months between July 2007 to April 2008, all totalling Kshs.500,000.00. In addition, the two members were also drawing sitting allowance at the rate of Kshs.2,500.00 per sitting during the same period.

414. The payment of monthly salaries totalling Kshs.500,000.00 would however appear to have been irregular in that the two CDF officials were not fulltime employees of the Fund and were therefore only entitled to sitting allowance.

INELIGIBLE EXPENDITURE - MARAKWET WEST CONSTITUENCY DEVELOPMENT FUND OFFICE

415. The Marakwet West Constituency Development Committee in a meeting held on 23 August 2007 approved an allocation of Kshs.1,000,000.00 to the African Inland Church (AIC) Kapsowar Medical Training College for construction of lecture rooms at the college. Payment to the college was made on 7 February 2008 through Cheque No.000710 of the same date.

416. The above expenditure however appears to contravene Section 23 (4) of the Constituencies Development Fund Act, 2003 which disallows use of funds to support political bodies or/and activities, or religious bodies and/or activities.

CONSTITUENCY DEVELOPMENT FUND - GARSEN

417. The Garsen Constituency Development Fund Committee allocated and paid Ngao Secondary School amounts of Kshs.1,000,000.00 and Kshs.450,000.00 in 2005/2006 and 2006/2007 respectively for construction of two (2) classrooms and one (1) small office. An audit inspection carried out at the school in September 2008 however revealed that the project had not been completed as at that date.

418. According to information available, the reasons for the delay in the completion of the project were inadequate funding, resulting from variation of the initial cost of the project and lack of additional building materials required by the architect, which materials had not been taken into account at the start of the project.

CONSTITUENCY DEVELOPMENT FUND – WAJIR EAST

Payment for Undelivered Goods

419. The Constituency Fund Committee paid a total of Kshs.8,071,200.00 to the Constituency Tender Committee for the supply and transportation of 2800 desks, 160 chambers and chairs to forty (40) Primary Schools and two (2) Secondary Schools in the Constituency. Payments were made through payment voucher Nos.2141 of 4/12/07; 2151 of 23,11/07; 2152 of 4/12/07; 2153 of 4/12/07 of Kshs.2,500,000.00, Kshs.2,621,200.00, Kshs.2,500,000.00 and Kshs.450,000.00 respectively.

420. In support of the payment vouchers were quotations Nos. WECDF/1/9/07 and WECDF/3/917 dated 28 September 2007, and a written contract agreement between the Wajir East Project Tender Committee and a local construction company signed on 21 October, 2007 for supply of desks, chambers and chairs.

421. A physical verification carried out at the forty (40) Primary Schools, and two (2) Secondary Schools between 12 and 13 August 2008 confirmed that, only ten (10) Primary Schools had been supplied with five hundred and ninety (590) desks while one (1) Secondary School had received sixty (60) chambers and chairs, all valued Kshs.1,584,580.00. The balance of Kshs.6,486,620.00 was therefore not accounted for. Further the desks supplied were noted to be of very low quality, and made from timber off-cuts.

CONSTITUENCY DEVELOPMENT FUND – MANDERA CENTRAL

Fencing of Rhamu District Education Board (DEB) Primary School

422. In a meeting held on 3 December 2007, the Mandera Central Constituency Development Fund Committee awarded a local construction firm a contract to build a perimeter fence at Rhamu DEB Primary School in Mandera Central Constituency at a cost of Kshs.2,300,000.00.

Examination of the contract records revealed the following unsatisfactory matters:-

- (i) Although proper procurement procedures were followed in the award of the tender, the contract agreement was not however signed between the parties. Consequently, the basis on which government was to seek redress in the event, that later became necessary was not clear.
- (ii) Although payment of Kshs.2,300,00.00 was made in full to the contractor vide payment voucher No.290169 of 24 December 2007, a physical verification of the project carried out on 3 July 2008 revealed that only about 50% of the contracted works had been completed. Further, most of the sections of the erected chain link were unstable and crumbling, implying that the workmanship was below the expected standard. There was also no evidence to confirm that the work was inspected before payment was effected. Consequently, the propriety of the expenditure of Kshs.2,300,000.00 could not be ascertained.

Emergency Funds

423. The Mandera Central Constituency Development Fund (CDF) Committee, in a meeting held on 16 October, 2007 at Rhamu CDF Office awarded a contract for water tankering and supply of foodstuff to a local firm at a cost of Kshs.2,020,000.00. The water and foodstuff were to be supplied to the residents

of Elete, Chachabole, Garsa damu, Kobadadi, Sukela, Sotowa, Oro, Chab, Issak, Kora, Aba busune and Waldiri villages within the constituency.

Examination of the contract records during the year however revealed the following unsatisfactory matters:-

- (i) No contract agreement between government and the firm was drawn and signed. As a result, the government did not have a basis for seeking redress in the event of inadequate performance by the firm.
- (ii) No records were maintained to show how the water and foodstuff were distributed to the villages. Under the circumstances, it was not possible to confirm the propriety of the expenditure of Kshs.2,020,000.00.

CONSTITUENCY DEVELOPMENT FUND – MANDERA WEST

424. Examination of records maintained at the Mandera West Constituency Fund Office disclosed that the Constituency Development Committee at a meeting held on 20 October 2007 resolved and subsequently hired on a single source basis, the services of a local Non-Governmental Organization (NGO) to purchase and distribute household materials worth Kshs.1,178,000.00, for the pastoral dropouts camping at Kob-Adabi, Dandu and Did-Koba Centres in the Constituency. This was contrary to Constituencies Development Fund Act, 2003 which requires that all works and services relating to projects be sourced using the Public Procurement and Disposal Act, 2005.

425. Apart from the fact that the procurement procedures were not followed, it was also not possible to confirm that the NGO purchased the goods and that such goods were delivered and properly accounted for.

CONSTITUENCY DEVELOPMENT FUND - LAGDERA

Irregular Payment

426. The Lagdera Constituency Development Fund Committee, in a meeting held on 28 February 2006, allocated an amount of Kshs.6,600,000.00 to the Shanta Abaq Project Management Committee, for completion of various water projects at Shanta Abaq and Afweiyne areas within the Constituency. Two boreholes were to be sunk under the projects.

427. An audit inspection exercise carried out on 14 October 2008 however revealed that the two projects had not been implemented and no boreholes had been sunk at Shanta Abaq and Afweiyae areas. The amount of Kshs.6,600,000.00 had nevertheless been spent.

Unaccounted for Expenditure

428. The Constituency Development Fund Committee made payments totalling Kshs.1,700,000.00 to four (4) Project Management Committees. Four (4) projects were to be implemented at Elan Dispensary, Jilango Primary School, Afweiyne Dispensary and Burufa Primary School. An audit inspection exercise carried out in October 2008 at the institutions however revealed that none of the projects was in existence or in a plan. The amount of Kshs.1,700,000.00 was therefore not spent on the projects as indicated and it has not been accounted for.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

429. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2008 reflects payments of Kshs.72,480,147.15 in the Cashbook not recorded in the Bank Statement, which include stale cheques totalling Kshs.2,967,648.45. No explanation has been given for not investigating and replacing the stale cheques or crediting them back to the Cashbook.

430. The Statement also reflects receipts of Kshs.4,515,288.65 in the Bank Statement not in the Cashbook, described as direct credits (wrong bankings). It has however not been clarified why the above receipts had not been recorded in the Cashbook as at 30 June 2008.

431. The Statement further reflects payments totalling Kshs.6,110,769.95 in the Bank Statement not in the Cashbook, which includes entries for Kshs.3,022,588.05 relating to the period between the months of June and December 2007. No reason has been provided for failure to update the Cashbook with the bank payments.

432. The Statement further reflects receipts of Kshs.28,357,571.80 in the Cashbook not in the Bank Statement with some entries dated November 2007. The reasons for failure to bank the receipts have not been provided.

Deposits Cashbook

433. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2008 reflects receipts amounting to Kshs.4,250,600.55 in the Bank Statement not recorded in the Cashbook, described as CBK direct credits. The receipts relate to 2003/2004 and 2005/2006. It has not been clarified why these long outstanding receipts have not been recorded in the Cashbook.

434. The Statement also reflects receipts of Kshs.10,231.90 in the Cashbook not in the Bank Statement which include cheques banked of Kshs.10,000.00 dated August 2003. No reason has been given for not promptly banking these cheques.

435. The Statement further reflects payments of Kshs.1,257,899.60 in the bank statement not in the Cashbook in respect of two entries of Kshs.1,183,800.00 and Kshs.74,099.60, described as CQID and CBK Direct Credit dated January and June 2004, respectively. It has not been clarified why the Cashbook has not been updated with these items.

Development Cashbook

436. The Development Cashbook Bank Reconciliation Statement as at 30 June 2008 shows payments of Kshs.8,653,702.60 in the Bank Statement not recorded in the Cashbook, described as direct debit transactions charged in the months of September and December 2007. No satisfactory explanation has been given for failure to update the Cashbook with the bank payments.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.06

437. The Statement of Assets and Liabilities for Vote R.06 as at 30 June 2008 reflects a balance of Kshs.96,526,900.95 under the General Account of Vote for the current year, while the appropriation Account for Vote R.06 for the year ended 30 June 2008 shows an amount of Kshs.93,367,461.96 against Net surplus to be Surrendered to the Exchequer. The difference of Kshs.3,159,438.99 between the two sets of records has not been reconciled or explained. The balance of Kshs.457,216,701.20 also includes an amount of Kshs.360,689,800.95 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear this long outstanding balance.

438. The Statement also reflects an Excess Appropriations-In-Aid balance of Kshs.601,520.00 relating to 2005/2006 and earlier years. It has not been clarified why these long outstanding receipts have not been paid over to the Exchequer.

439. The Statement further reflects a balance of Kshs.3,343,990.60 under the Re-credited Cheques Account which differs with the amount of Kshs.3,334,990.60 shown in the Ledger. The difference of Kshs.9,000.00 between the two sets of records has not been reconciled or explained. In addition, the balance of Kshs.3,343,990.60 has not been supported with an analysis and therefore its validity and accuracy could not be confirmed.

440. The Statement in addition reflects a debit balance of Kshs.92,193,278.65 against the Provincial/District Suspense Account which however differs with Ledger figure of Kshs.89,903,328.86. No reconciliation or explanation has been

provided for the difference of Kshs.2,289,949.79 between the two sets of records.

441. The Statement shows a balance of Kshs.271,286,406.00 under the Exchequer Account as at 30 June 2008 which includes an amount of Kshs.148,306,646.00 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear the amount of Kshs.148,306,646.00 from the books of account. Further, the Statement shows an Exchequer Account amount of Kshs.122,979,760.00 under 2007/2008, while records at the Exchequer Section, Treasury reflect a figure of Kshs.4,979,760.00 against the same Account. The difference of Kshs.118,000,000.00 between the two sets of records has not been reconciled or explained.

442. The Statement also shows nil balance against the Retrenchment Account, an indication that the balance of Kshs.7,293,671.00 as at 30 June 2007 was cleared during the current year. However, no documentary evidence has been made available to support the clearance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.06

443. The Statement of Assets and Liabilities for Vote D.06 as at 30 June 2008 reflects balances under GAV, Exchequer, Provincial/District Suspense and Finance Transfers-Clearance/Agency totalling Kshs.1,191,626,484.72 Dr and Kshs.865,660,422.37Cr, relating to 2006/2007 and earlier years. These balances have not been cleared although they have been outstanding for a considerably long period of time and no reason has been given for the anomaly.

MINISTRY OF STATE FOR DEFENCE

PENDING BILLS

444. Records maintained at the Ministry of State for Defence Headquarters indicate that bills totalling Kshs.1,767,640,094.60 for 2007/2008 chargeable to Vote R.08 were not settled during the year but were instead carried forward to 2008/2009.

Failure to settle bills during the financial year to which they relate distorts the financial statements for that year and adversely affects the provision of the subsequent year to which they have to be charged.

OUTSTANDING IMPRESTS

445. Examination of Temporary Imprests records maintained at the Ministry's Headquarters indicate that imprests totalling Kshs.1,833,662.80 which ought to have been surrendered or otherwise accounted for on or before 30 June 2008 were still outstanding as at that date. Out of the outstanding balance of Kshs.1,833,662.80, Kshs.819,796.35 was owed by Commissioned Officers; Kshs.742,833.00 by Non-Commissioned Officers, while the balance of Kshs.271,033.45 was held by civilian staff.

It was further observed that some officers were issued with additional imprests before they had surrendered or accounted for balances previously issued.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.08

446. The Statement of Assets and Liabilities for Vote R.08 as at 30 June 2008 reflects a General Account of Vote Account debit balance of Kshs.404,486,504.10 relating to 2005/2006 and earlier years and a credit balance of Kshs.2,167,560,426.75 relating to 2006/2007 and earlier years. No reasons have been given for the non-clearance of these balances.

447. The Statement also reflects an Exchequer Account debit balance of Kshs.4,309,394,848.00, out of which an amount of Kshs.1,347,667,498.00 relates to 2006/2007 and earlier years. As in the previous instance, no satisfactory explanation has been given for non-clearance of the balance.

448. The Statement further reflects an Excess Appropriations-In-Aid of Kshs.366,085,752.65, made up of figures brought forward from 2000/2001, 2001/2002, 2002/2003 and 2003/2004. Non-surrender of the balance to the Exchequer has not been clarified.

449. The Statement shows a Clearance Account credit balance of Kshs.198,432,341.00, out of which an amount of Kshs.173,956,481.70 relates to 2006/2007 and earlier years. Similarly, no reason has been provided for failure to clear the long outstanding balance of Kshs.173,956,481.70

450. The Statement also shows debit balances totalling Kshs.823,593,764.05, made up of amounts of Kshs.221,279,719.35, Kshs.142,460,726.10 and Kshs.459,853,318.60 under Advances, Temporary Imprests and Agency Accounts respectively. These amounts have not however been analysed and as a result, it has not been possible to ascertain their accuracy.

451. The Statement further shows credit balances totalling Kshs.510,986,308.40, made up of Kshs.148,983,164.90 under Special Imprests and Kshs.362,003,143.50 in respect of Suspense Accounts, which have also not

been analysed. Consequently, and as in the previous instance, the correctness of these balances could not be confirmed.

452. The Paymaster General Account balance of Kshs.397,018,927.80 differs with the Cashbook balance of Kshs.12,424,567.95 by an amount of Kshs.384,594,359.85. No reconciliation or explanation has been provided for the difference of Kshs.384,594,359.85.

STATEMENTS OF ASSETS AND LIABILITIES FOR DEPOSITS

453. The Statement of Assets and Liabilities for Deposits 08 as at 30 June 2008 reflects credit balances totalling Kshs.156,455,070.95, brought forward from 2006/2007 and earlier years. These balances have not been analysed with the result that it has not been possible to confirm their accuracy or establish what they represent. The balances have also been outstanding for a considerably long period of time and no reasons have been provided for their non-clearance.

MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES

APPROPRIATION ACCOUNT FOR VOTE R.09

Disbursements to Regional Development Authorities

454. The Appropriation Account for Vote R.09 for the year ended 30 June 2008 reflects disbursements totalling Kshs.319,283,977.00 made to various Regional Development Authorities during the year, which differ with the receipts of Kshs.325,381,153.55 reflected in the Authorities' financial statements for the year ended 30 June 2008. No reconciliations or explanations have been provided for the difference of Kshs.6,097,176.55.

Pending Bills

455. In the Report for the previous year, reference was made to pending bills totalling Kshs.404,241,100.90 relating to 2006/2007 and earlier, incurred by six Regional Development Authorities and which had not been settled as at 30 June 2007.

456. A review of the position during 2007/2008 revealed that out of the pending bills totalling Kshs.404,241,100.90, bills amounting to Kshs.11,719,306.60 were settled during the year, while the balance of Kshs.392,521,794.30 was carried forward to 2008/2009.

No reason has however been provided for failure to settle all the bills, which clearly will distort the financial statements for 2008/2009 and adversely affect provisions for the subsequent period.

APPROPRIATION ACCOUNT FOR VOTE D.09

Grants to Regional Authorities

457. The Development Appropriation Account for the year ended 30 June 2008 reflects grants totalling Kshs.439,681,989.00 to various Regional Authorities, which differ with the balances amounting to Kshs.199,223,268.03 reflected in the Authorities' financial statements for the same period. No reconciliation or explanation has been provided for the difference of Kshs.240,458,721.00 between the two sets of records.

Under-Expenditure and Under-Collection of Appropriations-In-Aid

458. The Development Appropriation Account further reflects gross under-expenditure of Kshs.548,980,129.05 or approximately 49% of the approved estimates of Kshs.1,138,425,295.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.360,545,365.15 or about 56% of the estimated receipts of Kshs.635,741,865.00. The explanations provided in the footnotes for the under-expenditure and under-collection of Appropriations-In-Aid include; non-remittance of funds by donors, lack of exchequer issues and reduction of capital grants in the revised estimates.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.09

459. The Statement of Assets and Liabilities for Vote R.09 as at 30 June 2008 reflects a Salary Advance balance of Kshs.559,697.90, which differs with the Advance figure of Kshs.438,625.00 shown in the register maintained at the Ministry's Headquarters. The difference of Kshs.121,072.90, between the two sets of records has not been reconciled or explained.

460. The Statement also reflects a Temporary Imprests balance of Kshs.469,137.90 brought forward from 2006/2007 and prior years. This balance ought to have been surrendered or otherwise accounted for on or before 30 June 2008.

461. The Paymaster General (PMG) balance of Kshs.12,210,793.00 differs with the figure of Kshs.15,897,139.00 shown in the Board of Survey report as at 30 June 2008 and in the bank certificate as at the same date. The PMG balance also differs with the Cashbook balance of Kshs.10,447,197.00 shown in the Bank Reconciliation Statement as at 30 June 2008. The differences between the three sets of records have similarly not been reconciled or explained.

462. The Statement further reflects a General Account of Vote (GAV) balance of Kshs.9,397,932.90, while the Recurrent Appropriation Account for 2007/2008 shows a Net Surplus to be Surrendered to the Exchequer of Kshs.12,626,469.85. The difference of Kshs.3,228,536.95 has not been reconciled or explained. The Statement also reflects a GAV balance of Kshs.156,650,116.25 relating to 2006/2007 and earlier years and which has not been cleared. No explanation has been given for failure to clear the balance.

463. The Statement shows Exchequer Under-Issues totalling Kshs.38,614,006.65, which include a balance of Kshs.37,692,336.65 relating to 2006/2007 and earlier years. The balance of Kshs.37,692,336.65 ought to have been cleared on or before 30 June 2008.

464. The Statement also shows Excess Appropriations-In-Aid (A.I.A) of Kshs.19,738.00 in respect of Deposits transfer, brought forward from 2005/2006. It has not been explained why the Excess AIA has not been remitted to the Exchequer.

465. The Statement in addition reflects stale cheques totalling Kshs.342,108.55. No reason has however been given for failure to have the cheques replaced or reversed in the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.09

466. The Statement of Assets and Liabilities for Vote D.09 as at 30 June 2008 reflects debit and credit balances of Kshs.227,568,589.50 and Kshs.251,269,389.90 respectively, under Exchequer, General Account of Vote and Miscellaneous Deposits relating to 2006/2007 and earlier years. No reason has been provided for failure to clear these long outstanding balances.

467. The Statement also reflects a General Account of Vote balance of Kshs.21,904,695.00 for 2007/2008, which differs from the Net Surplus figure of Kshs.188,434,763.90 shown in the Development Appropriations Account for the year, by Kshs.166,530,068.90. No explanation or reconciliation has been given for the difference between the two sets of records.

468. The Statement further reflects a Paymaster General (PMG) Account figure of Kshs.21,821,265.00 which does not agree with the Board of Survey balance of Kshs.40,556,872.65. The difference of Kshs.18,735,607.65 between the two sets of records has not been reconciled or explained. The PMG balance of Kshs.21,821,265.00 further differs with the Bank Reconciliation Statement figure of Kshs.36,331,738.85 by Kshs.14,510,473.85. Similarly, the difference of Kshs.14,510,473.85 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

469. The Statement of Assets and Liabilities for Deposits as at 30 June 2008 reflects a balance of Kshs.1,011,604.25 against the Paymaster General Account. The balance, however, differs with the report of the Board of Survey figure of Kshs.597,892.25 by Kshs.413,712.00. Further, the Bank Reconciliation Statement prepared as at 30 June 2008 shows a bank balance of Kshs.997,892.25 as per Cashbook. The differences between the three sets of records have not been reconciled or explained.

470. The Statement further reflects balances of Kshs.31,250.00 and Kshs.19,738.00 relating to National Humanitarian Aid Account and Appropriations-In-Aid Deposit (2006/2007) respectively, which are not appearing in the Trial Balance for the month of June 2008. The two balances have also not been analysed or supported with the relevant documents and as a result it has not been possible to establish what they represent or ascertain their completeness or accuracy.

MINISTRY OF AGRICULTURE

PENDING BILLS

471. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.7,259,892.55 and Kshs.9,377,969.75 chargeable to the Recurrent and Development Votes respectively were not settled during the year 2007/2008 but were instead carried forward to 2008/2009.

472. Had the bills been paid and the expenditure charged to the accounts for 2007/2008, the Appropriation Account for Vote R.10 for the year ended 30 June 2008 would have reflected a net surplus of Kshs.80,383,248.83 instead of Kshs.87,644,141.38 now shown. Similarly, the Appropriation Account for Vote D.10 for the same period would have reflected a net surplus of Kshs.655,514,243.47 instead of Kshs.664,892,213.22 now shown.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provision for the subsequent year to which they have to be charged.

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

473. The Appropriation Account for Vote D.10 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.1,174,448,037.82 or approximately 22% of the estimated provision of Kshs.5,219,341,165.00 and a deficiency in Appropriations-In-Aid of Kshs.509,555,824.60 or about 42% of the estimated receipts of Kshs.1,197,075,435.00.

474. The reasons given in the footnotes to the Account for the under-expenditure include delay in receipt of donor funds and poor funding levels, shortfall in exchequer issues, long procurement procedures and lack of expenditure returns from donors. The under-collection of Appropriations-In-Aid was attributed to shortfall in donor funding and unfulfilled commitments by the donors.

ARREARS OF APPROPRIATIONS-IN-AID

475. In the report for 2006/2007, reference was made to Arrears of Appropriations-In-Aid totalling Kshs.121,661,530.05 in respect of Agriculture Mechanization Services and Veterinary Services Stations, which were omitted from the Statement of Arrears of Appropriations-In-Aid for that year. The position did not change in 2007/2008 in that Arrears of Appropriations-In-Aid totalling Kshs.3,218,417.00 for eight (8) stations have been omitted from the Statement as at 30 June 2008.

476. As a result the cumulative total Arrears of Kshs.124,879,947.05 as at 30 June 2008 have been omitted from the Statement of Arrears for the last ten (10) years. It has not been clarified how the Ministry is addressing this persistent problem of Arrears of Appropriations-In-Aid.

477. The Statement also reflects various balances in respect of three (3) stations, which differ with the amounts reflected in the debtors returns received from the stations, resulting in a cumulative difference of Kshs.1,233,116.75. No reconciliation or explanation has been provided for the differences.

IRREGULAR CASH WITHDRAWALS - NYAMIRA DISTRICT AGRICULTURAL OFFICE

478. Examination of bank statements and related records maintained at the Nyamira District Agricultural Office in respect of two Kenya Commercial Bank accounts revealed that various cheques for amounts totalling Kshs.316,026.00 were entered in the Cashbook purportedly as payable to merchants for supply of various goods and services to the Agricultural Office. The cheques were however irregularly encashed by either of the three cashiers at the District

Treasury. Indications are that the cash was not paid over to the merchants and other payees and it has also not been accounted for.

Out of the above amount, a sum of Kshs.29,289.00 and another of Kshs.11,251.00 were payable to the Commissioner of Value Added Tax and the Permanent Secretary, Office of the President, respectively.

IRREGULAR CASH WITHDRAWALS - SIAYA DISTRICT AGRICULTURAL OFFICE

479. Examination of records in respect of two bank accounts operated by Siaya District Agricultural Office at the Siaya Kenya Commercial Bank branch revealed that cheques for amounts totalling Kshs.180,646.00 payable to various suppliers and others totalling Kshs.491,422.30 payable to the Commissioner of Value Added Tax were correctly posted in the Cashbooks during the year.

480. However, the respective bank statements show that all the above cheques were irregularly encashed at the bank by an unidentified officers at the Agriculture Office or District Treasury. It is not clear how the cheques which are normally crossed 'Account Payee Only' were encashed at the bank. Further it has not also been indicated how the total amount of Kshs.672,068.30 was accounted for or whether it was eventually passed on to the respective payees.

481. Further, six other cheques for amounts totalling Kshs.693,530.00 were also encashed at the bank between 25 October 2007 and 5 June 2008, but the cheques had not been posted to the Cashbook as at 30 June 2008. The purposes for which the withdrawals of Kshs.693,530.00 were made could not therefore be established.

UNACCOUNTED FOR BULK FUEL - HOMA BAY DISTRICT AGRICULTURAL OFFICE

482. Examination of fuel records maintained at the Homa Bay District Agricultural Office revealed that 4,966.9 litres of bulk petrol fuel worth Kshs.440,436.00 were purchased from a local supplier between October 2007 and February 2008. However, the fuel was not entered in the fuel register, detailed usage orders and other related records.

In the circumstances, it has not been possible to confirm that the fuel was received, used for the intended purposes, and properly accounted for.

IRREGULAR PAYMENTS FOR UTILITY BILLS

483. Examination of expenditure records maintained at the Embu Agricultural Staff Training College and the Embu District Treasury revealed that an amount of Kshs.2,395,105.00 was between November 2007 and June 2008 paid to Kenya

Power and Lighting Company Limited, Embu Water and Sanitation Company Limited and Telkom Kenya purportedly for services rendered to the college.

484. Information available however indicate that the utility bills used to support the payments had credit balances and therefore it is not clear why the payments were made. Further, the amounts paid were not reflected in the subsequent bills, received from the three companies raising doubts on whether the payments were ever received by the companies. In the circumstances, the propriety of the expenditure of Kshs.2,395,105.00 could not be confirmed.

STATEMENT OF OBLIGATIONS GUARANTEED BY KENYA GOVERNMENT

485. The Statement of Obligations Guaranteed by the Kenya Government as at 30 June 2008 reflects an outstanding contingent liability of Kshs.473,255,930.20 in respect of a loan lent by the European Investment Bank to the Bura Irrigation Scheme. As similarly reported in 2006/2007, the Ministry's records relating to this loan continue to be inadequate in that no Loan Register has been maintained, with the result that it has not been possible to confirm the accuracy and completeness of the Statement of Obligations Guaranteed by the Kenya Government as at 30 June 2008.

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

486. The Statement of Participation by the Government of Kenya (GOK) in Quasi-Government and Other Statutory Organizations through Ministry of Agriculture as at 30 June 2008, reflects investments totalling Kshs.310,235,000.00 made through the Agricultural Development Corporation (ADC) to nine organizations.

487. The Ministry does not however appear to have maintained adequate records or other related documentation during the year in respect of participation of GOK in Quasi-Government and Other Statutory Organizations, with the result that the balances reflected in the Statement of Participation under review were provided to the Ministry by the respective organizations.

488. In the absence of the records and other related documents, it has therefore not been possible to ascertain the accuracy of the investment value of Kshs.310,235,000.00 shown in the Statement.

STATEMENT OF INVESTMENTS BY KENYA GOVERNMENT IN LOCAL COMPANIES

489. The Statement of Investments by Kenya Government in Local Companies through Ministry of Agriculture as at 30 June 2008, reflects 25,158 shares valued at Kshs.496,030.00 held in eight (8) companies. Except for Nzoia Sugar

Company and Kenya Co-operative Creameries Ltd, the audited Accounts for 2007/2008 for the remaining six companies in which 13,374 shares valued at Kshs.260,350.00 were held, have not been availed for audit review. Consequently, it has not been possible to ascertain the shares valuation and dividends receivable, if any, from the six companies.

490. Further, share certificates in respect of 495 shares with nominal value of Kshs.9,610.00 in Nkuene Coffee Growers, Pyrethrum Board of Kenya, Irera Cooperative Society and Nzoia Sugar Company have not been produced for audit verification. It has not therefore, been possible to confirm Government investments in these companies.

491. The Statement also reflects Government's ownership of 424 shares valued at Kshs.8,540.00 in the Uplands Bacon Factory, a company, which as similarly observed in the report for 2006/2007, has been under receivership (now wound up) for many years and whose property has since been transferred to another firm, as part of compensation for the land on which Eldoret Airport was constructed. The viability of this investment is clearly in doubt.

492. The Statement also reflects 12,000 shares valued at Kshs.240,000.00 in Galana Ranching Company which was acquired by the Agricultural Development Corporation on 15 October 1998. As noted in the report for 2006/2007, the Ministry does not appear to have sorted out the issue of the shares with the transferor and as a result, the ownership of shares by the Government in the company has not been resolved.

493. Further and as stated in the previous year, the Statement includes investments held in Kenya Cooperative Creameries Ltd., Galana Game and Ranching Ltd. and Upland Bacon factory (In receivership) which are related to the Ministry of Livestock Development. It has not however been clarified why the above companies have been included in the Statement for the Ministry of Agriculture instead of Ministry of Livestock Development.

DEMONSTRATION FARMS FUND

494. In the Reports for 2004/2005, 2005/2006 and 2006/2007, reference was made to capital and accumulated cash balances of Kshs.33,486,748.05 and Kshs.34,107,115.00 respectively which had been omitted from the financial statements for those years. The amounts have still not been included in the financial statements for the year under review and as in the previous year, no reason has been provided for the omission.

495. The Demonstration Farms Fund Consolidated Income and Expenditure Account for the year ended 30 June 2008 and the Balance Sheet as at the same date reflect a surplus of Kshs.9,905,088.50, which differs with the surplus of

Kshs.10,085,448.50 shown in the Farmers Training Centres (FTCs) Accounts, resulting in an unreconciled and unexplained difference of Kshs.180,360.00.

496. The Fund's Cash at Bank balance of Kshs.39,965,055.30 differs with both the Cashbook amount of Kshs.43,839,971.85 as at 30 June 2008 and the bank statement figure of Kshs.45,410,050.40 as at the same date. No reconciliation or explanation has been provided for the differences between the three sets of records.

497. Further, the Ministry did not provide any certified returns from the Farmers Training Centres in respect of their financial position as at 30 June 2008. There were no Bank Reconciliation Statements or certificates of the bank balances as at 30 June 2008 for either the Demonstration Farms Fund main bank account or for the FTCs bank accounts. In the absence of these documents, it has not been possible to ascertain the correct financial position of the Fund as at the closure of the financial year.

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND

498. The Ministry yet again has not prepared and submitted for audit the Agricultural Information Resource Centre Revolving Fund Accounts for the 1993/94 financial year. As a result, and as similarly noted in 2006/2007, it has not been possible to ascertain the accuracy of the carried forward balances for the subsequent years including those for the year under review.

499. The Agricultural Information Resource Centre Revolving Fund Balance Sheet as at 30 June 2008 reflects a balance of Kshs.9,160,308.95 under Bank, while the Cashbook as at the same date shows an amount of Kshs.6,142,278.35. The difference of Kshs.3,018,030.60 between the two sets of records has not been reconciled or explained.

500. The Balance Sheet also reflects a Debtors balance of Kshs.8,749,359.70, which includes an amount of Kshs.4,520,974.70 relating to the period between 1997 to 2007. As similarly observed in the previous year's report, no explanation has been given for failure to collect these long outstanding debts, most of which are owed by Government Ministries and Departments.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.10

501. The Statement of Assets and Liabilities for Vote R.10 as at 30 June 2008 reflects a Paymaster General debit balance of Kshs.720,614,355.40, while the June Ledger shows a figure of Kshs.720,797,318.40. The difference of Kshs.182,963.00 between the two sets of records has not been reconciled or explained.

502. The Statement also reflects an Advance debit balance of Kshs.957,620.75 relating to 2006/2007 and earlier years. The balance has not been supported with an analysis, consequent upon which its completeness and accuracy could not be ascertained. For the same reason, it has not been made clear how the Ministry will recover or otherwise clear the amount from the books of account.

503. The Statement further reflects a balance of Kshs.1,266,446,207.10 under the Exchequer Account, and of Kshs.2,412,213,199.55 in respect of the General Account of Vote, both of which have been brought forward from 2006/2007 and earlier years. No reason has been provided for non-clearance of these long outstanding balances.

504. The Statement in addition reflects a balance of Kshs.1,126,421.30 under the Standing Imprest Account and an amount of Kshs.97,101,509.20 in respect of the Temporary Imprest Account, both relating to 2006/2007 and earlier years. No satisfactory explanation has been provided as to why the two imprest balances had not been surrendered on their due dates. It was further observed that some officers were issued with additional imprests before surrendering the previous ones, contrary to the Regulations and Procedures governing issuance and surrender of imprests.

505. The closing balances for 2006/2007 in respect of the Paymaster General, Temporary Imprests, Provincial District Suspense and GAV Accounts differ with the opening balances for the same Accounts, brought forward in the Statement for 2007/2008. No reason has been given for the discrepancies.

506. The Statement also reflects a Suspense Account balance of Kshs.219,639,800.65, which has not been supported with an analysis and as a result, its completeness and accuracy could not be confirmed. The balance also ought to have been cleared on or before 30 June 2008 as it relates to 2006/2007 and earlier years.

507. The Statement similarly shows a brought forward balance of Kshs.18,854,486.35 under the Clearance Account, which has also not been supported with an analysis. No explanation has been provided for failure to provide an analysis for the balance.

508. The Statement further shows an Excess Appropriations-In-Aid balance of Kshs.8,050,649.70, relating to 2006/2007 and earlier years. Again, it has not been clarified why the amount has not been surrendered to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.10

509. The Statement of Assets and Liabilities for Vote D.10 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.365,351,246.25, while the Cashbook as at 30 June 2008 shows an amount of Kshs.1,807,611.50. The

difference of Kshs.363,543,643.75 between the two sets of records has not been reconciled or explained.

510. The Statement also reflects a balance of Kshs.7,848,966,535.40 under the Exchequer Account brought forward from 2006/2007 and earlier years. No reason has been given for non-clearance of this long outstanding balance.

511. The Statement also shows debit balances of Kshs.1,337,335.00 and Kshs.127,984,722.50 against Standing and Temporary Imprests Accounts respectively. The two balances have not been analysed and as a result, it has not been possible to ascertain their completeness and accuracy. Further, the balances which relate to 2006/2007 and earlier years ought to have been surrendered or otherwise accounted for on or before 30 June 2008.

512. The Statement further shows two debit balances of Kshs.42,370,812.00 and Kshs.262,738,562.16 against Agency and Provincial District Suspense Accounts respectively. The balances have not been analysed to indicate what they represent or confirm their accuracy and no reason has been provided for the omission.

513. The Statement also reflects a General Account of Vote balance of Kshs.8,830,934,839.32 brought forward from 2006/2007 and earlier years. As in the previous instances, no reason has been given for failure to clear this long outstanding balance.

514. The Statement finally reflects Clearance and Suspense Accounts balances of Kshs.24,468,825.57 and Kshs.282,781,653.00 respectively, which have not been analysed. Consequently, the completeness and accuracy of the balances could not be ascertained. The Clearance Account balance of Kshs.24,468,825.57 includes an amount of Kshs.21,467,768.17 relating to 2006/2007 and earlier years. No reason has been provided for failure to remit the balances to the respective third parties.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

515. The Statement of Assets and Liabilities for Deposits 10 as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.136,613,219.89, while the Deposits Cashbook as at the same date shows an amount of Kshs.120,584,733.70 against the Account. No reconciliation or explanation has been provided for the difference of Kshs.16,028,486.19 between the two sets of records.

MINISTRY OF MEDICAL SERVICES

APPROPRIATION ACCOUNT FOR VOTE R.11

Excess Vote

516. The Appropriation Account for vote R.11 for the year ended 30 June 2008 reflects actual net expenditure of Kshs.22,836,598,825.48 against approved estimates of Kshs.22,770,275,680.00, resulting in an excess vote of Kshs.66,323,145.48. The excess vote occurred mainly under Sub-Votes 112, 113, 114 and 117 relating to Preventive Medicine and Promotive Health; Rural Health Services; Health Training and Research and Kenyatta National Hospital respectively.

Accuracy of the Appropriation Account

517. The Appropriation Account also reflects balances amounting to Kshs.14,438,811,885.02 against various items under Sub-Votes 110, 112 and 114, which differ with the corresponding amounts totalling Kshs.4,494,297,583.82 shown in the Ministry's Ledger for the month of June 2008 by Kshs.9,944,514,301.20. No reconciliation or explanation has been provided for the differences.

Excluded Expenditure

518. Records maintained at the Ministry's Headquarters indicate that grants totalling Kshs.4,476,324,410.45 were disbursed during the year to three public institutions. The Accounts of these institutions for 2007/2008 however show grants totalling Kshs.4,440,691,170.90 as having been received. The difference of Kshs.35,633,239.55 between the two sets of records has not been reconciled or explained.

Expenditure on Personal Emoluments and Other Allowances

519. Examination of the payroll and other related staff expenses for 2007/2008 at the Ministry's Headquarters revealed that the Ministry paid during the year Basic Salaries, House Allowance and Medical Allowance totalling Kshs.10,409,185,962.80. This amount however significantly differs with expenditure of Kshs.10,120,819,690.15 reflected against the three items in the Appropriation Account. As in the previous instances, the difference of Kshs.288,366,272.65 has not been reconciled or explained.

Irregular Payment of Owner Occupier Allowance

520. A further examination of the payroll revealed that the Ministry paid an amount of Kshs.2,643,045.10 in respect of owner occupier house allowances to various staff during the year. The expenditure was charged to Sub-Vote 111, Head 316 – Provincial Health Services and Head 317 – District Health Services. The basis of paying the above allowances to staff in the Provinces and Districts has not been explained.

Unbudgeted Expenditure

521. The Appropriation Account shows that during the year under review, expenditure totalling Kshs.188,216,897.05 was incurred under various Heads, whereas no provision had been made against these Heads in the Estimates for 2007/2008. The expenditure of Kshs.188,216,897.05 was therefore incurred without Parliamentary approval.

Footnotes to the Appropriation Account

522. The footnotes provided do not appear to relate to the material variances between the estimated and actual expenditure or collection of Appropriations-In-Aid, as reflected in the Appropriation Account. No reason has been provided for failure by the Ministry to comply with Section 11.7 of the Government Financial Regulations and Procedures.

APPROPRIATION ACCOUNT FOR VOTE D.11

(i) Accuracy of the Appropriation Account

523. The Appropriation Account for Vote D.11 for the year ended 30 June 2008 reflects twenty two (22) expenditure items under Sub-Votes 110, 111, 112 and 113 with balances totalling Kshs.1,005,252,793.20, which differ with the corresponding balances amounting to Kshs.447,512,420.80 shown in the Ledger for the month of June 2008. The difference of Kshs.557,740,372.40 has not been reconciled or explained.

(ii) Exclusion of Expenditure in the Appropriation Account

524. Expenditure totalling Kshs.50,169,452.00 relating to Rural Health Project III and Decentralized HIV/AIDS and Reproductive Health Project (DARE) both funded by two Development Partners was not captured and accounted for in the Appropriation Account during the year. No reason has been provided for excluding the expenditure in the Account.

(iii) Omission of Footnotes

525. The Appropriation Account also reflects various material differences between approved estimates and actual expenditure or collection of Appropriations-In-Aid in respect of four items of expenditure under Sub-Votes 110 and 112, which have not been explained by way of footnotes to the Account.

(iv) Unbudgeted Expenditure

526. During the year under review, expenditure totalling Kshs.1,040,893,928.55 was incurred against Heads 510, 778 and 780, while no provision had been made for the Heads in the Approved Estimates for 2007/2008. The expenditure was therefore ineligible and unauthorized by Parliament.

Under-expenditure and Under-Collection of Appropriations-In-Aid

527. The Appropriation Account also reflects gross under-expenditure of Kshs.1,388,112,632.25 or approximately 35% of the approved estimates of Kshs.3,958,694,160.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.709,472,958.00 or about 63% of the estimated receipts of Kshs.1,123,704,710.00. The under-expenditure and under-collection of Appropriations-in-Aid occurred mainly under Sub-Votes 110,111 and 113 relating to General Administration and Planning, Curative Health and Rural Health Services respectively.

528. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; non release of funds by donors, non-receipt of expenditure returns from donors and inadequate exchequer. As similarly observed in the previous year, no action appears to have been taken by the Ministry to address the unsatisfactory situation.

Unvouched Expenditure

529. Expenditure amounting to Kshs.94,371,644.00 incurred in respect of Kenya Medical Research Institute and Rural Health Project III, could not be verified due to lack of the relevant supporting documents. Consequently, the propriety of the expenditure could not be ascertained.

PENDING BILLS

530. Examination of records maintained at the Ministry's Headquarters revealed that bills totalling Kshs.2,094,188,014.00 relating to 2007/2008 were not settled during the year but were instead carried forward to 2008/2009.

531. Out of the above total, bills amounting to Kshs.1,631,531,229.95 related to the Recurrent Vote while the balance of Kshs.462,656,784.05 related to those in respect of the Development Vote.

532. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provision for the subsequent financial year to which they have to be charged.

OUTSTANDING TEMPORARY AND STANDING IMPRESTS

533. Examination of imprest records maintained at the Ministry's Headquarters revealed that temporary imprests totalling Kshs.16,471,465.55 which ought to have been surrendered on or before 30 June 2008 were still outstanding as at that date.

534. Out of the above total, an amount of Kshs.3,850,452.00 was owed by officers on Job Group 'M' and above, Kshs.7,818,155.60 by officers on Job Group 'L' and below, Kshs.3,852,931.95 by ex-officers of the Ministry while the balance of Kshs.949,926.00 was owed by former Ministers and Assistant Ministers.

535. Further, standing imprests amounting to Kshs.2,755,660,381.35 had similarly not been surrendered or accounted for as at 30 June 2008. These imprests had been issued on account of the Decentralized HIV/AIDS and Reproductive Health, Reproductive Health for nine (9) Focus Districts, the National Leprosy and Tuberculosis Programme and Malaria Control Programme under the Ministry.

No reason has been provided for failure to surrender or otherwise account for these imprests.

COURT DUES AND COMPENSATION PAYMENTS

536. The Recurrent Appropriation Account for Vote R.11 reflects expenditure of Kshs.14,183,875.00 under Sub-Vote 110, Head 310 Item 2211300 – Other Operating Expenses. This expenditure includes a sum of Kshs.6,831,418.40 incurred on settlement of court dues, compensation and ex-gratia payments through the Office of the Attorney General. The sum of Kshs.6,831,418.40 comprise Kshs.3,575,285.95 relating to the decretal amount and Kshs.3,256,132.45 in respect of interest on delayed payments. According to the available information however, the payment of Kshs.3,256,132.45 could have been avoided had the decretal amount of Kshs.3,575,285.95 been settled immediately the court judgement was passed. The sum of Kshs.6,831,418.40 also includes an expenditure of Kshs.1,055,703.95 for which the case files, payment vouchers and other supporting documents were not availed for audit review. As a result and in the absence of the vouchers and other documents, it

was not possible to confirm that the expenditure of Kshs.1,055,703.95 constituted a proper charge against public funds.

UNACCOUNTED FOR REVENUE – RACHUONYO DISTRICT HOSPITAL

537. A cash survey conducted at the Rachuonyo District Hospital on Healthcare Facility Improvement Fund in March 2008 and reviewed in August 2008 disclosed that revenue collections totalling Kshs.2,281,052.00 in respect of the Improvement Fund at the District Hospital had not been surrendered or accounted for as at 30 June 2008. According to information available, the revenue balance of Kshs.2,281,052.00 was represented in the books of account by IOUs, cash sales and cash shortages.

UNACCOUNTED FOR PURCHASES - CHEMOLINGOT DISTRICT HOSPITAL

Unaccounted for Food and Ration

538. The Chemolingot District Hospital incurred an expenditure of Kshs.741,349.00 on purchase of foodstuff and ration supplies between September 2007 and June 2008. The supplies were, however, not accounted or taken on charge and entered in the stock ledger as required under Section 18.2 of the Financial Regulations and Procedures. Consequently, it has not been possible to ascertain that supplies worth Kshs.741,349.00 were delivered, received and properly accounted for.

Unaccounted for Fuel

539. The Hospital also purchased 3,395.10 litres of diesel and 1,536 litres of petrol worth Kshs.429,805.00 from various suppliers between January and June 2008. A review of the records, however, indicated that the fuel was neither entered in the Bulk Fuel Register nor in the Detail Orders. Further, vehicle work tickets were also not made available to show which vehicles drew and utilized the fuel. In the absence of the above documents, it has not been possible to ascertain the propriety of the expenditure of Kshs.429,805.00.

UNSUPPORTED PAYMENT OF ELECTRICITY BILLS

540. The Ministry paid a total of Kshs.35,126,021.05 to Kenya Power and Lighting Co. Ltd for electricity expenses during the year 2007/2008. Electricity bills from the company to support this payment were, not however, made available for audit review. The propriety of the expenditure could not therefore be ascertained.

FINANCIAL IRREGULARITIES - BUSIA DISTRICT HOSPITAL

Irregular use of Revenue Collections

541. In the Report for 2006/2007, reference was made to cost sharing revenue collections totalling Kshs.2,143,999.20, represented by partly paid vouchers of Kshs.1,778,099.20 and I Owe You's (IOUs) of Kshs.365,900.00 which were not banked intact during the year but were irregularly spent at source.

542. A review of the position in October 2008 revealed that there has been minimal or no improvement in that as at 30 June 2008, revenue collections totalling Kshs.1,883,978.20 were still outstanding and similarly represented by partly paid vouchers and IOUs amounting to Kshs.1,614,438.20 and Kshs.269,540.00 respectively.

543. Further information available indicate that the outstanding IOUs of Kshs.269,540.00 had been issued to various officers between December 1998 and July 2007.

It is not clear why the hospital authority has failed to recover these long outstanding debts.

Unaccounted for Goods

544. During the year under review, food rations and fuel valued at Kshs.296,864.00 were purchased from various suppliers for use at the Hospital. These goods were not however taken on charge and recorded in the stock records and as a result, it has not been possible to confirm that the goods were received and used for the intended purpose.

FINANCIAL IRREGULARITIES - ELDAMA RAVINE DISTRICT HOSPITAL

Unaccounted for Bulk Fuel Purchases

545. The Eldama Ravine District Hospital purchased 4,654 litres of diesel and 950 litres of petrol at a total cost of Kshs.521,213.00, through three Local Service Orders.

546. The purchases were not however entered in the fuel register, and the work-tickets for the vehicles which used the fuel were also not made available for audit verification. In the circumstances, the expenditure of Kshs.521,213.00 could not be confirmed as constituting a proper charge to public funds.

Irregular Use of Revenue

547. A cash survey conducted at the Hospital on 17 July 2008 revealed that cash revenue totalling Kshs.269,983.00 had been irregularly spent at source and was represented in the records as partly paid vouchers. As in the previous year no reason has been given for failure to bank intact all the money collected in respect of cost sharing revenue.

COST-SHARING REVENUE – IMENTI NORTH DISTRICT HOSPITAL

548. Examination of revenue records maintained at the Imenti North District Hospital during the year under review showed that the Hospital collected a sum of Kshs.15,681,497.00 in respect of Health Care Cost Sharing revenue. Out of this total, revenue collections amounting to Kshs.9,143,970.00 were not banked but were irregularly spent at source for paying professional fees and other allowances to the hospital staff, purchase of assorted items including foodstuff, drugs and non- pharmaceutical supplies. Again, failure to comply with the Health Care Facility Improvement Fund guidelines on accounting for cost-sharing revenue has not been explained.

ENCASHMENT OF CHEQUES – MEDICAL OFFICER OF HEALTH SIAYA DISTRICT

549. Examination of records maintained at the Office of the Medical Officer of Health, Siaya District in respect of two bank accounts held at the Kenya Commercial Bank, Siaya Branch revealed that four (4) cheques for payments totalling Kshs.134,762.00 in favour of various suppliers and eleven (11) others for Kshs.393,990.60 payable to the Commissioner of Value Added Tax (VAT), all totalling Kshs.528,752.60 were posted in the Cashbook between August 2007 and June 2008.

550. These cheques were however and without clear reason encashed at the bank by an officer either at the Medical Health Office or District Treasury.

551. No evidence has been provided so far to indicate that the encashed money was eventually paid over to the respective payees and indications therefore are that the money may have been misappropriated.

HEALTH CARE SERVICES FUND

Accuracy of the Income and Expenditure Account

552. The Income and Expenditure Account for the year ended 30 June 2008 reflects total income of Kshs.794,097,701.47 and total expenditure of Kshs.2,545,254,122.17 in respect of various health facilities around the country. These receipt and expenditure balances have not, however been supported with

verifiable records, with the result that it has not been possible to ascertain their completeness and accuracy.

553. The Income and Expenditure Account also reflects total Income figure of Kshs.794,097,701.47 which includes four (4) Districts with total receipts of Kshs.13,509,639.05, while the Trial Balance shows receipts of Kshs.13,319,439.05 from the Districts. The difference of Kshs.190,200.00 has not been reconciled or explained.

554. Similarly, the Income and Expenditure Account reflects twenty two (22) Districts with payments of Kshs.537,417,304.74 which differ by an amount of Kshs.210,277,373.06 with those of Kshs.747,694,677.80 appearing in the Trial Balance. The difference between the two sets of records has also not been reconciled or explained.

Excess Expenditure

555. The Income and Expenditure Account reflects ninety six (96) health facilities in various Districts where total expenditure of Kshs.2,374,976,766.87 was recorded against total receipts of Kshs.557,443,974.82, resulting in excess expenditure of Kshs.1,817,532,792.05. It has not however been explained how the excess expenditure of Kshs.1,817,532,792.05 incurred at the facilities was financed.

Bank Reconciliation Statements

556. The Fund's Balance Sheet as at 30 June 2008 reflects a Paymaster General Account and Bank credit balances of Kshs.1,000,200.00 and Kshs.2,014,633,002.42 respectively. No authority from Treasury has been seen authorizing the overdraft of Kshs.2,015,633,202.42. Further, no Bank Reconciliation Statements for the Fund were prepared and submitted for audit during the year. Consequently, it has not been possible to ascertain the accuracy of the overdraft balance as at 30 June 2008.

Accumulated Loss

557. During the year under review, the Fund recorded a loss of Kshs.1,751,156,420.70 which increased the Fund's accumulated losses from Kshs.263,476,531.42 in 2006/2007 to Kshs.2,014,632,952.12 as at 30 June 2008. It would therefore appear that the Fund is insolvent and its continued operation is dependent on the financial assistance from the Government and suppliers.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.11

558. The Statement of Assets and Liabilities for Vote R.11 as at 30 June 2008 reflects General Account of Vote debit balances of Kshs.74,641,787.45, Kshs.62,558,384.40 and Kshs.155,811,909.20 for the years 1981/1982, 1982/1983 and 2000/2001 respectively. As previously reported, no action appears to have been taken to have these long outstanding Excess Votes balances regularised.

559. The Statement continues to reflect General Account of Vote credit balances totalling Kshs.3,104,412,548.03, representing net surplus to be surrendered to the Exchequer. Some of the balances relate to the period between 1995/96 and 1997/98 financial years. No reason has been provided for failure to clear the long outstanding balances.

560. The Statement does not include the General Account of Vote balances of Kshs.772,032,808.71 and Kshs.66,323,145.48 in respect of net surplus to be surrendered to the Exchequer for the years 2006/2007 and 2007/2008 respectively and no explanation has been given for the omission.

561. The Statement further reflects Exchequer Account debit balances totalling Kshs.2,214,005,747.00, representing un-cleared Exchequer under-Issues, spread over a period of nine (9) years. As in the previous year, no reason has been given for failure to clear the long outstanding Under Issues from the books of account.

562. The Statement excludes credit balances of Kshs.87,504,570.90 and Kshs.500,000,000.00 relating to Excess Appropriations-In-Aid for 2004/2005 and earlier years and Exchequer Account for 2006/2007 respectively, although these amounts are appearing in the Statement for 2006/2007. No explanation has been given for this anomaly.

563. The Statement also reflects an Exchequer Account credit balance of Kshs.25,567,828,346.98 for the year 2006/2007, while records maintained by the Treasury in respect of the Account reflect nil amount for the same period. The balance is also not appearing in the audited Statement for 2006/2007. The source of this unexplained figure has not been disclosed.

564. The Statement shows balances under Standing Imprests, Temporary Imprests, Advances, District, Suspense, Agency and Clearance Accounts of Kshs.126,019,602.35 Cr., Kshs.3,214,258,802.70 Dr., Kshs.77,983,357.95 Cr., Kshs.654,134,669.68 Dr., Kshs.531,775,962.30 Cr., Kshs.115,504,442.45 Cr. and Kshs.892,135,704.72 Cr. respectively, which have not been analysed. Consequently, it has not been possible to ascertain their completeness and correctness.

565. The Statement further shows a Temporary Imprest debit balance of Kshs.3,214,258,802.70, which however differs with the Trial Balance figure of Kshs.65,313,985,581.34 as at 30 June 2008 by an amount of Kshs.62,099,726,778.64. The difference between the two sets of records has not been reconciled or explained.

566. The Paymaster General Account debit balance of Kshs.18,963,347,195.20 for 2007/2008 differs with the Cashbook balance of Kshs.486,554,397.45 as at 30 June 2008 by a figure of Kshs.18,476,792,797.75. Similarly, no reconciliation or explanation has been provided for the difference.

567. The Statement in addition reflects total opening balances of assets of Kshs.4,637,058,490.19 and total opening liabilities of Kshs.3,277,521,110.58 occasioning a difference of Kshs.1,359,537,379.61 between the two items.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.11

568. The Statement of Assets and Liabilities for Vote D.11 as at 30 June 2008 reflects total assets balance of Kshs.26,181,196,265.93 which does not agree with total liabilities figure of Kshs.26,473,236,261.58. The resultant difference of Kshs.292,039,995.65 has not been reconciled or explained.

569. The Statement also reflects a Suspense Account debit balance of Kshs.76,077,426.60 which has not been properly analysed. The balance also includes an amount of Kshs.76,022,426.60 relating to 2003/2004 and earlier years, which has not been cleared. No reasons have been provided for lack of the analysis and non-clearance of the long outstanding balance.

570. The Statement further reflects a Temporary Imprests Account credit balance of Kshs.10,463,430,779.40 and a Standing Imprests Account debit balance of Kshs.14,440,876,277.20. The credit balance under the Temporary Imprest has not been explained, while the Standing Imprest balance of Kshs.14,440,876,277.20 differs with the Imprest Register figure of Kshs.2,755,660,381.35 by an amount of Kshs.11,685,215,895.95.

571. The Global Fund Imprest Account brought forward debit balance of Kshs.1,655,445,477.55 representing funds transferred to the Fund in 2004/2005 for project operational facilitation, was cleared from the Statement during the year under review. However, no documentary evidence has been provided to confirm and vouch for the clearance.

572. The District /Provincial Suspense Account brought forward balance of Kshs.406,659,032.00 differs with the previous year's audited figure of Kshs.240,081,912.61 by Kshs.166,577,119.39. Further, the balance of Kshs.762,186,963.68 under the District/Provincial Suspense Account as at 30

June 2008 has also not been analysed and therefore its completeness and accuracy could not be ascertained.

573. The Statement shows an Agency Account debit balance of Kshs.68,692,485.20 which differs with the Trial Balance figure of Kshs.49,464,426.70 by Kshs.19,228,058.50. The Agency Account balance has also not been analysed.

574. The Statement also shows a credit balance of Kshs.31,590,544.40 under the Advances Account which has not been analysed to ascertain its completeness and accuracy. The source of the credit balance has also not been identified or explained.

575. The Exchequer Account balances for 2005/2006, 2006/2007 and 2007/2008 differ with the respective Treasury records by an amount of Kshs.1,127,172,658.88. As in the previous instances, the difference has not been reconciled or explained.

576. The Statement further shows long outstanding Exchequer Account debit balances totalling Kshs.10,833,363,113.25, representing under issues for thirteen years from 1994/1995 to 2006/2007. No reason has been given for failure to clear the long outstanding balances from the books of accounts.

577. The Statement reflects an amount of Kshs.11,635,202,579.50 in respect of Net Surpluses to be surrendered to the Exchequer for the last thirteen years upto 2006/2007. Again, no reason has been given for failure to clear these long outstanding balances.

578. Further, and as reported in the previous year, the General Account of Vote net balance of Kshs.250,345,398.00 for 1998/1999 differs by an amount of Kshs.513,811.00 from the figure of Kshs.249,831,587.00 reflected in that year's audited Appropriation Account for Vote D.11. The difference of Kshs.513,811.00 has not yet been resolved or reconciled.

579. The Statement excludes Excess Vote balances of Kshs.196,111,683.30 and Kshs.46,462,885.10 relating to 1991/1992 and 1993/1994 respectively. No reason has been given for excluding the two balances.

580. The Statement also reflects a Paymaster General Account credit balance of Kshs.2,831,313,065.40 which differs with the Cashbook balance of Kshs.692,182,645.05 as at 30 June 2008 by Kshs.2,139,130,420.35. The difference has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS

581. The Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2008 reflects various unsupported and unanalysed debit and credit balances of Kshs.1,592,386,303.15 and Kshs.1,854,728,680.60 respectively, under District Suspense, Capital Fund, Healthcare Fund and Headquarter Imprests Accounts. Consequently, the completeness and accuracy of the balances could not be confirmed.

582. The Statement also reflects various debit balances totalling Kshs.233,626,524.85 under General Administration and Planning, Curative Health, Preventive Medicine and Promotive Health, Rural Health Services, Medical Supplies Co-ordinating Unit relating to Vote R.11 for 2007/2008. These balances have not been explained as to what they represent or their origin.

583. The Statement further reflects credit balances totalling Kshs.46,911,583.60 and debit balances amounting to Kshs.220,445,658.55 under Mrs. E.M. Ward Fund, GTZ Account, Foreign Payment Revaluation A/C, Health Care District Suspense, MSCU Fund Account, Health Care District Suspense Accounts, brought forward from 2006/2007 and earlier years. The balances appear to have been cleared during the year under review. However, no documentary evidence has been seen to show how the balances were cleared from the books of account.

584. The Statement excludes credit balances totalling Kshs.217,243,304.05 in respect of Medical Supplies Fund, representing Fund Capital of Kshs.180,743,304.05 and Fund Surplus of Kshs.36,500,000.00. These two balances are however appearing in the audited Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2007. No reason has been provided for not including the balances in the Statement under review.

585. The Statement also reflects a Paymaster General Account balance of Kshs.20,800,856.37 which differs by a figure of Kshs.9,303,558.72 with the Cashbook balance of Kshs.11,497,297.65 as at 30 June 2008. The difference has not been reconciled or explained.

OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT

APPROPRIATION ACCOUNT FOR VOTE D.12

586. The Appropriation Account for Vote D.12 for the year ended 30 June 2008 reflects actual collections of Appropriations-In-Aid totalling Kshs.516,868,479.65 against estimated receipts of Kshs.609,715,424.00, resulting in an under-collection of Kshs.92,846,944.35 or approximately 15% of the estimated receipts. The reasons given for the deficiency in the collection of Appropriations-In-Aid include; long process of land acquisition and signing of subsidiary agreements for implementation of the Solid Waste Management Programmes; non-receipt of returns from departments charged with the responsibility for implementing activities funded through grants; and slow procurement procedures for technical assistance and project equipment.

PENDING BILLS

587. Records held at the Ministry's Headquarter show that bills totalling Kshs.1,969,150,891.25 and Kshs.108,964,413.50 relating to 2007/2008 and chargeable to the Recurrent and Development Votes respectively were not settled during the year, but were instead carried forward to 2008/2009.

588. Had the bills been paid and charged to the accounts for 2007/2008, the Appropriation Account for the Recurrent Vote would have reflected an excess vote of Kshs.1,927,046,917.50 instead of the net surplus of Kshs.42,103,974.75 now shown, while the Appropriation Account for the Development Vote would have reflected a reduced surplus of Kshs.67,820,817.00 instead of Kshs.176,785,230.50 now recorded.

CONTRIBUTIONS IN LIEU OF RATES

589. Examination of Schedules made available for audit in respect of Contributions in Lieu of Rates (CILOR) revealed that the Government owed a sum of Kshs.1,969,150,891.64 to various Local Authorities as at 30 June 2008. However, no explanation has been provided for failure to remit the outstanding balances.

590. In addition, a further review of the Schedules showed that during the year, the Ministry made payments amounting Kshs.557,940,596.40 in respect of CILOR, while on the other hand the Appropriation Account, Sub Vote 122 – CILOR reflects payments totalling Kshs.558,040,596.85. The difference of Kshs.100,000.45 between the two sets of records has not been reconciled or explained.

BANK RECONCILIATION STATEMENTS

Examination of the Bank Reconciliation Statements for the Recurrent, Development, Deposits and Kenya Roads Board bank accounts as at 30 June 2008 revealed the following unsatisfactory matters:-

591. The Bank Reconciliation Statements reflect unpresented cheques amounting to Kshs.662,846,657.00 in respect of the Recurrent, Development and Deposits Accounts out of which cheques for Kshs.12,990,059.65 were stale as at 30 June 2008. These particular cheques have not however been replaced or reversed in the Cashbook.

592. Receipts amounting to Kshs.13,036,396.85, Kshs.141,275.85 and Kshs.17,035,989.00 appearing in the Recurrent, Development and Deposits Bank Statements respectively were not reflected in the Cashbooks as at 30 June 2009. No reason has been given as to why the receipts had not been recorded in the Cashbooks.

593. Payments amounting to Kshs.26,387,751.65, Kshs.10,973,338.10, Kshs.1,645,640.55 and Kshs.81,780.00 relating to Recurrent, Development, Deposits and Kenya Roads Board Accounts respectively, had not been recorded in the respective Cashbooks as at 30 June 2008 although they were indicated as paid in the Bank Statements. No reason has been provided for failure to record the payments in the Cashbooks.

594. Receipts amounting to Kshs.1,180,942.45 and Kshs.304,057.00 for Recurrent and Deposits Accounts respectively were not reflected in the Bank Statements although they were appearing in the Cashbooks as at 30 June 2008. It has not however been clarified why the amounts were not reflected in the Bank Statements. Further, no details have been availed to indicate what these receipts represent.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.12

595. The Statement of Assets and Liabilities for Vote R.12 as at 30 June 2008 reflects nil balance under the Exchequer Account for the year 2007/2008. However, a verification of Treasury records indicated that the Exchequer Account balance was Kshs.9,449,800.00. The closing balance of Kshs.153,429,349.80 against the Account has, therefore been understated by an amount of Kshs.9,449,800.00.

596. The Statement also reflects a Paymaster General Account (PMG) balance of Kshs.28,098,950.80 while the Cashbook reflects a closing balance of Kshs.50,307,199.20 as at 30 June 2008. The resultant difference of Kshs.22,208,248.40 has not been reconciled or explained. Further, a review of the Bank Reconciliation Statement showed a reconciled PMG balance of

Kshs.50,078,199.20, which again differs with the Cashbook balance. The differences have not been reconciled or explained.

597. The total unsurrendered Standing Imprest for the year as shown in the Statement stood at Kshs.732,018.00. However, no schedule was provided to support this balance. Further, both the Ledger and Trial Balance reflect a balance of Kshs.1,075,952.00 as at 30 June 2008 against the same item occasioning an unreconciled and unexplained difference of Kshs.343,934.00.

598. The Statement further reflects an outstanding Temporary Imprest Account balance of Kshs.13,590,214.10 as at 30 June 2008, while the Ledger reflects an amount of Kshs.12,045,280.10 against the same Account, similarly resulting in an unreconciled or unexplained difference of Kshs.1,544,934.00 between the two sets of records.

599. The Statement similarly reflects a balance of Kshs.1,597,389.50 relating to Advances for 2007/2008. However, the balance differs with the supporting schedule's figure of Kshs.1,152,024.15 by an amount of Kshs.445,365.35. Further, the ledger reflects a balance of Kshs.1,265,921.50 which similarly differs with the figure of Kshs.1,597,389.50 in the Statement by Kshs.331,468.00. No reconciliation or explanation has been given for the above differences.

600. The Statement shows an opening balance of Kshs.1,067,390.05 under the suspense Account which differs from the previous year's audited figure of Kshs.1,978,825.05 by an amount of Kshs.911,435.00. Further, the Ledger reflects a figure of Kshs.940,550.50 which differs with the Statement's balance of Kshs.215,970.05 as at 30 June 2008 by an amount of Kshs.724,580.45. These differences have not been reconciled or explained and as a result, the accuracy of the District Suspense Account balance of Kshs.215,970.05 as at 30 June 2008 could not be confirmed.

601. The Statement also shows an opening balance of Kshs.283,466,249.50 relating to the General Account of Vote (GAV), which differs with the previous year's audited amount of Kshs.283,352,629.50 by an unexplained or unreconciled figure of Kshs.113,620.00. Further, the balance for the year of Kshs.11,974,336.30 as reflected in the Statement differs with the amount of Kshs.42,103,974.75 appearing in the Appropriation Account for Vote R.12, as net surplus for the year ended 30 June 2008. The difference of Kshs.30,129,638.45 has not been reconciled or explained.

602. The Statement further shows a balance of Kshs.24,034,965.50 in respect of the Suspense Account as at 30 June 2008, which differs with the amount of Kshs.23,100,897.20 reflected in the Ledger by an unexplained difference of Kshs.934,068.30. In addition, no analysis has been provided to show what the Account balance of Kshs.24,034,965.50 represents or confirm its completeness and accuracy.

603. The Statement similarly reflects a balance of Kshs.4,974,809.45 under the Clearance Account, which differs with the Ledger figure of Kshs.5,110,216.15 by an unexplained difference of Kshs.135,406.70. In addition, no schedule has been provided to support the Clearance Account balance of Kshs.4,974,809.45. Consequently, its completeness and accuracy could not be confirmed.

604. The Statement does not balance as there is a difference of Kshs.1,632,803.00 between the total Assets and the total Liabilities.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.12

605. As in the previous year, the Suspense Account balance remained constant, at Kshs.24,088,817.00. No explanation has been given for the inordinate delay in clearing this long outstanding balance.

606. The Statement reflects a Temporary Imprests Account balance of Kshs.534,405.10 as at 30 June 2008. However, the balance of Kshs.534,405.10 differs with the amount of Kshs.1,815,047.00, reflected in the imprest records by Kshs.1,280,641.90. The difference has not been reconciled or explained.

607. The Statement further reflects opening balances under the Exchequer Account totalling Kshs.2,210,988,347.05, representing under-issues from the Exchequer; General Account of Vote (GAV) balances totalling Kshs.1,802,073,926.50 representing net surplus to be surrendered to the Exchequer; and Paymaster General (PMG) overdraft of Kshs.529,046,834.15. However, these balances, some dating back to as far as 1994/1995, have not been properly analysed. In addition no reason has been given for failure to clear them from the books of account.

608. Analyses of GAV and PMG Accounts for the period 1994/1995 to 2006/2007 indicate that the correct opening balances in respect of these Accounts as at 1 July 2007 were Kshs.1,802,073,926.50 and Kshs.529,046,834.15 respectively.

609. However, the opening balances brought forward from 2006/2007 in the Statement under review differ from the audited Statement's figures for that year by amounts of Kshs.6,097,261.15 and Kshs.824,019.90 respectively.

610. Further, the Statement also reflects nil balance in respect of the Exchequer Account for the year 2007/2008, while the Exchequer records at the Treasury show a figure of Kshs.63,539,550.00. No reason has been given for failure to include the balance of Kshs.63,539,550.00 in the Statement.

611. Similar to the previous year, the Statement does not balance and reflects a difference of Kshs.147,451,951.75 between total Assets and total Liabilities.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

612. The Statement reflects a Paymaster General Account debit balance of Kshs.178,558,684.60 as at 30 June 2008. However, the amount differs with both the Ledger and the Trial Balance Credit figure of Kshs.28,720,027.10 by an amount of Kshs.207,278,711.70. The completeness and accuracy of the Paymaster General Account balance of Kshs.178,558,684.60 could not therefore be ascertained.

613. The Statement also reflects a balance of Kshs.1,009,031.00 Dr. relating to Outstanding Temporary Imprests as at 30 June 2008. However, the Ledger reflects a figure of Kshs.640,350.00 Cr. against the imprests resulting in an unreconciled or unexplained difference of Kshs.1,649,381.00 between the two sets of records. Further, examination of the Imprests Register revealed that the total outstanding imprests amounted to Kshs.459,210.00, similarly resulting in an unreconciled and unexplained difference of Kshs.549,821.00 between the Statement's figure and that shown in the Register. In addition, no supporting schedules were provided in respect of the Statement's balance of Kshs.1,009,031.00. Consequently, it has not been possible to confirm the accuracy of the Temporary Imprests' balance reflected in the Statement as at 30 June 2008.

614. The Statement also reflects a balance of Kshs.13,112,473.70 Dr. in respect of the Local Authorities Transfer Fund (LATF). However, no schedules/analyses were prepared and submitted to support the balance. Further, the Ministry did not as at 30 June 2008 maintain a LATF Deposits Register, consequent upon which it has not been possible to confirm the accuracy of the LATF Deposits balance as at the same date.

615. The Statement further reflects a balance of Kshs.13,132,327.15 Cr. in respect of the Kenya Roads Board (KRB) Fund deposits as at 30 June 2008. However both the Ledger and Trial Balance shows a figure of Kshs.177,250,000.00 Cr., resulting in an unexplained or unreconciled difference of Kshs.164,117,672.85. In addition, the KRB Fund Cashbook, Board of Survey Report and Bank Reconciliation Statement all show a balance of Kshs.13,214,107.15 which again differs with the Statement's amount of Kshs.13,132,327.15 by Kshs.81,780.00. In the circumstances, it has not been possible to confirm the accuracy of the KRB Fund Deposits balance as at 30 June 2008.

616. The Statement shows a balance of Kshs.150,472,653.85 Cr. as at 30 June 2008 relating to the Contractors' Retention Money. However, both the Ledger and the Trial Balance reflect a figure of Kshs.119,707,214.10 Cr. resulting in an unexplained or unreconciled difference of Kshs.30,765,439.75. Further, the Retention Money Register made available for audit was not properly maintained

and updated with the result that it has not been possible to confirm the accuracy of the Retention Money balance as at 30 June 2008.

617. During 2007/2008, the Ministry paid an amount of Kshs.71,593,157.70 to various Contractors in respect of retention money out of the Development Vote D.12, instead of the Deposit Account as required by Section 14.8 of the Government Financial Regulations and Procedures. No reason has been given for failure by the Ministry to deduct and set aside the required 10% retention money from the contractors fee and subsequently pay such money from the Deposits Account. Further, the Statement reflects an opening balance of Kshs.67,938,221.00 against the Retention Money Account, while the audited Statement for 2006/2007 shows a figure of Kshs.106,585,006.70 against the same Account. The difference of Kshs.36,646,785.70 has not been reconciled or explained.

618. The Statement also reflects a comparative balance of Kshs.29,370,319.55 in respect of Other Deposits, which differs from the audited 2006/2007 Statement's figure of Kshs.32,323,275.00 Cr. by Kshs.2,952,955.45. Further, the Statement reflects a closing balance of Kshs.29,075,208.30 Cr. ,while both the Ledger and the Trial Balance show a debit balance of Kshs.313,205,117.50. The resultant difference of Kshs.342,280,325.80 has not been reconciled or explained. In addition, the other Deposits register availed for audit was not properly maintained and updated. Consequently, the accuracy of the Other Deposits balance reflected in the Statement could not be confirmed.

619. The total Assets balance of Kshs.192,680,189.30 Dr. differs with the total Liabilities figure of Kshs.195,714,924.75 Cr. as at 30 June 2008 by an amount of Kshs.3,034,735.45 which has not been reconciled or explained.

MINISTRY OF ROADS

APPROPRIATION ACCOUNT FOR VOTE R.13

Difference between the Appropriation Account and the June II Ledger figures

620. The Appropriation Account for Vote R.13 for year ended 30 June 2008 reflects net total expenditure of Kshs.59,233,246.00, whereas the June II Ledger shows a balance of Kshs.55,397,954.70 against the item. The resultant difference of Kshs.3,835,291.30 between the two sets of records has not been reconciled or explained.

Variations in expenditure on Personal Emoluments and Other Allowances

621. The Appropriation Account also reflects various personal emoluments and other allowances totalling Kshs.911,425,100.26, while the payroll and other related records show a total of Kshs.900,812,497.40 against the same items. The difference of Kshs.10,612,602.86 between the records has similarly not been reconciled or explained.

Under-Expenditure and Under-Collection of Appropriations-In-Aid

622. The Appropriation Account also shows gross under-expenditure of Kshs.7,289,923,318.10 or approximately 29% of the approved estimates of Kshs.24,408,159,760.00. The Account further reflects gross under-collection of Appropriations-In-Aid of Kshs.6,056,730,364.10 or about 26% of the expected receipts of Kshs.23,115,733,560.00.

623. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; non-filling of vacancies during the year, strict control over the use of water and electricity, delay in receipt of expenditure returns from the districts and civil disturbances in the early part of 2008 which led to reduced traffic flow.

624. Further and contrary to Section 11.7 of the Financial Regulations and Procedures, the Ministry failed to provide footnotes for material variations between estimated and actual expenditure or collection of Appropriations-In-Aid in respect of nine (9) items under Heads 384 and 392.

Pending Bills

625. Bills totalling Kshs.84,309,249.72 for 2007/2008 chargeable against Vote R.13 and Kshs.406,690,168.70 against Vote D.13 were not paid during the year but were instead carried forward to 2008/2009. Had the bills been paid and charged to the accounts for 2007/2008, the Appropriation Account for Vote R.13 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.1,148,883,704.28 instead of Kshs.1,233,192,954.00 now shown while the Appropriation Account for Vote D.13 would have shown a net surplus of Kshs.2,438,110,923.82 instead of Kshs.2,844,801,092.52 now recorded.

Disbursements by Kenya Roads Board

626. The Appropriation Account further reflects total Appropriations-In-Aid of Kshs.17,031,262,992.50 under Head 384 – Major Roads, out of which a sum of Kshs.17,002,627,111.90 relates to receipts in respect of Transit toll and Fuel Levy. However, the Kenya Roads Board Accounts for the year ended 30 June 2008 show an amount of Kshs.16,754,586,000.00 as having been disbursed to the Ministry during the period.

627. The resultant difference of Kshs.248,041,111.90 between the Appropriations-In-Aid reflected in the Appropriation Account and disbursements shown in the Kenya Roads Board Accounts, has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.13

Accuracy of the Appropriation Account

628. The June Final Ledger reflects a negative expenditure of Kshs.226,352,054.93 made up various debits and credits. It has not however been explained what this negative balance represents. Further, various adjustments against the original figures under Heads 384 – Major Roads and 385 – Other Roads in the Appropriation Account for Vote D.13 for the year ended 30 June 2008 have not been supported with the relevant journal entries. In the circumstances, the accuracy of the Appropriation Account as drawn is in doubt.

Excluded Expenditure

629. Expenditure totalling Kshs.1,049,069,497.95 incurred in various districts during the year was not captured in the ledger. As a result, the expenditure has been omitted in the Appropriation Account.

Under-Expenditure and Under-Collection of Appropriations-In-Aid

630. The Appropriation Account also reflects gross under-expenditure of Kshs.9,563,387,906.93 or approximately 28% of the approved estimates of Kshs.33,682,022,120.00. The reasons given in the footnotes to the Account for the under-expenditure include; non-conclusion of procurement procedures during the year, liquidity problems, failure by consultants to submit fee notes and non capture of districts expenditure data.

631. Similarly, the Appropriation Account shows Appropriations- In-Aid totalling Kshs.7,352,130,305.59 as having been realized during the year against estimated receipts of Kshs.14,070,717,120.00, resulting in an under-collection of Kshs.6,718,586,814.41 or about 47% of the expected receipts. The reasons given for the under-collection of Appropriations-In-Aid include; delay in approval of projects during the year, insecurity in project implementation areas and election disruptions.

Failure to Provide Footnotes

632. The Appropriation Account further reflects various material over-expenditure and under-expenditure balances under Heads 384 and 385, for which no footnotes have been provided. No reason has been given for failure to

provide the footnotes as required under Section 11.7 of the Government Financial Regulations and Procedures.

CONTRACT NO. RD 0483 FOR REPAIR AND RESURFACING OF NYALI BRIDGE – KILIFI

633. In the report for 2006/2007, reference was made to unsatisfactory matters relating to the contract for repair and resurfacing of Nyali bridge – Kilifi (B8) Road. The scope of works mainly included; repair of potholes, provision of a 35 mm asphalt concrete overlay, reinstatement of shoulders and double surface dressing for both carriageway and shoulders 14/20, 6/10 chippings. The matters raised in the report included slow progress of the works, payment of withholding tax by the government on behalf of the contractor and exclusion of an advance payment made to the contractor from the cumulative payments reflected in the certificates.

A review of the project during 2007/2008 similarly disclosed the following unsatisfactory and unexplained matters:-

Slow Progress of the Works

634. According to the Monthly Progress Report No. 16 of April 2008, the physical progress of work stood at 54% against 168% of the contract period elapsed and 47% of the certified works. The contract period elapsed on 3 November 2007 and the contractor thereafter applied for an extension of time. The Resident Engineer recommended an extension of two hundred and thirty nine (239) days citing mitigating factors such as unreliability of bitumen supply, inclement weather, increased scope of work and delayed site instructions.

635. However, the recommended extra days have not to date been approved by the employer, implying that the contractor has continued, since 4 November 2007, to work outside the contract period. Consequently, the Ministry ought to have recovered liquidated damages for two hundred and thirty nine (239) days at the rate of Kshs.10,000.00 per day as at 30 June 2008, pursuant to clause 47.1 of the conditions of contract.

CONTRACT NO.RD 0487 FOR REPAIR AND RESURFACING OF REDHILL JUNCTION-KARURA, WANGIGE-MWIMUTO, KARURA-E422 JUNCTION AND E422 JUNCTION – WESTLANDS ROADS

Examination of records in respect of contract No.RD 0487 for repair and resurfacing of Redhill Junction-Karura, Wangige-Mwimuto and Karura E422-Junction – Westlands Roads, covering a total length of 45Km revealed the following unsatisfactory and unexplained observations:

Contract Award

636. The above contract was awarded to a Local Company at a bid of Kshs.443,251,563.70 on 16 November 2006. The contract period was fixed at eight (8) months, with the order to commence works on 15 January 2007. The Project was therefore expected to be completed on 14 October 2007, followed by a defects liability period of eight (8) months.

Scope of Works

637. The scope of work included;

Road Works

- Removal and reinstatement of the failed road pavement to instructed depth;
- Application of K1-60 bitument emulsion as tack coat;
- Laying and compaction of minimum 35mm Asphalt Concrete type I overlay on the instructed 4.0 Km stretch of the road;
- Repair of the pavement layers and shoulders with stabilized gravel and graded crushed stone;
- Application of regulating layer on bumpy repaired sections; and
- Application of double seal on the carriageway and shoulders using size 14/20 and 6/10 mm pre-coated chipping.

Shoulder Works

- Laying and processing of gravel material and graded crushed stone on shoulders where applicable;
- Applying of double seal on the shoulders using 14/20 and 6/10 chippings.
- Installation of rumble strips; and
- Construction of shoulders to 1.5m width or as instructed on site.

Drainage Works

- Opening and repairing of all the drainage systems to free flow and
- installation of access and cross culverts where instructed;
- Reinstatement of road furniture; and
- Maintenance of passage of traffic through and around the works.

Slow Progress of Works

638. The Progress Report No. 11 of February 2008 indicated that 50% of work had been done against 146% of elapsed time. A percentage comparison of work done on each section of the roads according to Bill of Quantities reflected slow progress of work as follows;

- i) Bill No. 3 – Graded Crushed Stone for Base: Actual percentage of work done was 0% against an expected 100% on all roads;
- ii) Bill No. 12 – Gravel Material for Base: The contractor had done 92% on Redhill-Karura Section and 0% on the other three sections;
- iii) Bill No. 14 – Cement and Lime Treatment: The contractor was required to provide six hundred and twenty (620) tonnes of cement costing Kshs.9,300,000.00 for stabilizing natural gravel material. However, as at the end of February 2008, only 30% of cement worth Kshs.1,290,000.00 had been delivered leaving a stock of Kshs.8,010,000.00 outstanding;
- iv) Bill No.5 – Bituminous Surface Treatment: The contractor had done 5% on Redhill-Karura Road, 0% on Kingeero-Westland, 17% on Karura-Gitaru and 0% on Wangige-Mwimuto Road; and
- v) Bill No. 16 – Bituminous Mixed: The contractor had done 90% on Redhill-Karura Section and 0% on all other roads.

639. The slow progress of works had been attributed to the following factors:

- i) The contractor had few construction equipment on site which also broke down frequently. Further, he did not have a dozer, Pneumatic roller, chills spreader, pulvi mixer, mechanical broom and a loader all of which were necessary for the works.
- ii) Lack of qualified and/or experienced Materials Technologist, Surveyor, General Foreman and Site Agent. Further, failure on the part of the contractor to provide core staff on site resulted in lack of adequate quality controls, necessary for the construction process as well as slow progress of work.
- iii) Delay in giving implementing instructions by the Resident Engineer.

Payments not Supported

640. A total of Kshs.247,162,362.57 or about 55% of the contract sum had been paid to the contractor as of May 2008 and an amount of Kshs.1,590,000.00 recovered from him as liquidated damages according to Payment Certificate No. 12 of 25 May 2008.

However, the total of Kshs.247,162,362.57 includes payments amounting to Kshs.206,921,262.65 which have not been supported with the relevant documentary evidence, including payment vouchers, certificates and other

related records. The propriety of the latter payments could not therefore be ascertained.

CONTRACT FOR REPAIR AND REHABILITATION OF MASII – KITUI ROAD

Award of Contract

641. Contract No. RD 0426 for Repair and Rehabilitation of Masii-Kitui Road (C97) was competitively awarded to a Construction firm through a letter dated 14 March 2005 at a tender sum of Kshs.722,141,899.20. The road project was approximately 75Km and covered Machakos and Kitui districts. The project was financed by the Government of Kenya through Fuel Levy Funds. The works commenced on 13 September 2005 and were planned for completion within a contract period of twenty four (24) months. The handing over of the project was therefore expected to be done on 12 September 2007.

Scope of Works

642. The main works involved:-

- Carriageway repairs by patching potholes with AC Type II and crack sealing in areas where base is intact;
- Complete base reconstruction where the base had failed;
- Shoulders widening to achieve a width of 1.5m on each side;
- Double surface dressing of carriageway and shoulders;
- Drainage and protection works; and
- Ancillary works including repairing, improving and construction of junctions, bus bays and accesses, and road furniture.

Audit Observations

643. An examination of the project documents and a physical inspection of the project site carried out in September 2008 revealed the following unsatisfactory matters:-

Slow Progress of Works

644. According to the Progress Report No. 34 dated 31 July 2008, approximately 28 of the permanent works had been substantially completed as at that date, while about 144% of contract period had expired. In addition, payments of Kshs.209,462,013.25 or approximately 29% of the contract sum of Kshs.722,141,899.20 had already been made to the contractor as at the same date.

645. According to information available, the following factors have been attributed to the slow progress of works;

- Non-deployment of adequate plant and equipment on site by the contractor;
- Frequent breakdown of the few available pieces of equipment, for example, asphalt plant; and
- Shortage of construction materials, for example, bitumen 80/100 penetration grade, cement and chipping.

646. Although as a result of the slow progress of work the Engineer had issued a notice on 30 July 2008 under Clause 46.1 of the conditions of contract which required the contractor to expedite the rate of progress of works to ensure completion within the shortest time possible, he did not show any improvement in his performance. He had also stifled supervision and manual activities by failing to pay staff allowances casual wages, fuelling and servicing of the project vehicle. As a result, the project which was planned for handing over on 12 September 2007 is as at the date of this report far from completion.

Payment for Consultancy Services

647. As required in the project documents, the Ministry engaged a consultant on contract with effect from 23 June 2005 at a monthly fee of Kshs.294,570.10 to supervise the project. However, in view of the failure by the contractor to perform, the total amount of Kshs.10,690,043.95 paid to the consultant up to and including 31 August 2008 does not appear to commensurate with the services he had rendered as at that date.

REHABILITATION AND RECONSTRUCTION OF MACHAKOS TURN OFF – JKIA SECTION OF NAIROBI – MOMBASA ROAD

Award of Contract

648. Contract No.RD 0418 for rehabilitation and reconstruction of Machakos Turn Off – JKIA road project was awarded to a foreign construction firm based in Switzerland on 22 June 2006 at a contract price of Kshs.4,258,041,088.15 following an International competitive bidding. The project is 67% financed by the International Development Association and 33% by the Government of Kenya. The works commenced on 11 October 2006 and were scheduled for completion on 10 April 2009.

649. The scope of works involved construction of a 12.5 Km dual carriageway on the Nairobi bound section from Athi River, realigning and building a new three span bridge, rehabilitation or reconstruction of the existing damaged road,

Examination of records and other documents in respect of the project and an audit site inspection carried out on 16 July 2008 disclosed the following unsatisfactory matters:-

Slow Progress of Works

650. The Progress Report No.20 dated June 2008 indicated that;
- (i) The contractor was as at 30 June 2008 approximately 4 months behind schedule, when account is taken of the 59 day extension of time granted on 11 June 2007 by the Ministry vide letter reference R6734/RD.0418.
 - (ii) The project was as at 30 June 2008 43% complete compared to 66% of the contract period expired, while a sum of Kshs.2,562,725,514.55 or approximately 60% of the contract sum had been incurred on the project.
651. According to information available, the reasons attributed to slow progress of works included:-
- (i) Delay in the payment of mobilization advance of Kshs.389,092,577.07;
 - (ii) Delayed payments against certified works;
 - (iii) Stoppage of blasting at a quarry due to cash flow problems.

Time related costs

652. The 59 days extension of time to a new completion date of 10 June 2009 resulted in additional time related costs. The contractor submitted claims totalling Kshs.64,975,525.00 in respect of such costs as detailed below:-

| Item | Amount (Kshs) |
|---|-----------------------------|
| • Indirect costs | 8,151,178.00 |
| • Cost of project management & supervisory team | 8,316,087.00 |
| • Insurance of the works | 639,901.00 |
| • Performance Bond | 425,804.00 |
| • Shortfall in Head Office/Home office costs | 16,638,109.00 |
| • Pecuniary Damages, Equipment idle time | <u>27,710,373.00</u> |
| | 61,881,452.00 |
| Profit 5% | <u>3,094,073.00</u> |
| | <u>64,975,525.00</u> |

653. Following an analysis and evaluation of the claim however, the figure of Kshs.64,975,525.00 was revised downwards to stand at Kshs.40,476,154.35. Clearly this nugatory expenditure could have been avoided if the Ministry did not consider granting of extension of the contract period.

Delayed Payments

654. As at 30 June 2008, interest charged on delayed payments amounted to Kshs.36,235,922.45, while a sum of Kshs.173,963,168.80 in respect of certificates was due as at the same date. Similarly, Government would clearly have avoided interest on delayed payments had the certificates of work done been paid in time.

Variation of Prices (VOP)

655. Although the original contract sum of Kshs.4,258,041,088.15 included a provision of Kshs.187,287,603.92 for Variation of Prices, the certified amount of Kshs.2,562,725,514.55 as at 30 June 2008 included an amount of Kshs.529,885,647.16 in respect of Variation of Prices which translated to approximately 284% over and above the original provision of Kshs.187,287,603.92. This huge variation has not been explained. Further, the basis of setting the provision for Variation of Prices at Kshs.187,287,603.92 has not been explained.

656. The Payments for Variation of Prices (VOP) are based on a formulae, made up of cost indices and weightings for each relevant item, which works out to a price adjustment factor. The factor is applied to the amounts payable for works carried out every month. The price adjustment formula under clause 70.3 of the contract was amended in contract addendum No. 1 in January 2007 with most of the indices going up. According to the supervisory consultancy firm in its letter ref.K207 of 14 July 2008 however, the indices in the formulae may not reflect the actual changes in costs, as they contain the following inconsistencies.

- (i) Although the foreign payment adjustment factor has expatriate labour indices with a weight of 6.2%, there is no expatriate labour in the contract since the contractor's management team is regarded as head office overhead which is not subject to Variation of Prices.
- (ii) The reference price for reinforcement steel was sourced from the US Department of Labour, Bureau of Labour Statistics, but some of the steel bars are said to have been imported from France while others were bought from local suppliers. The propriety of expenditure of Kshs.529,885,647.16 against Variation of Prices could not therefore be confirmed.

CONTRACT FOR REHABILITATION OF MACHAKOS TURNOFF – ULU – SULTAN HAMUD ROAD

Award of Contract

657. Contract No.Rd.0417 for the rehabilitation and reconstruction of Machakos Turnoff-Ulu-Sultan Hamud Road was awarded to a foreign construction firm based in Switzerland on 22 June 2006, at a tender sum of Kshs.3,040,616,512.54 following an International Competitive Bidding. The project was financed by the International Development Association (IDA) and the Government of Kenya (GOK) at a ratio of 67% and 33% respectively. The works commenced on 11 October 2006 and were scheduled for completion within a period of twenty four (24) months. This period was, however, revised and extended by fifty nine (59) days to end on 8 December 2008.

658. The project works involved rehabilitation and widening of the 55 Km long road section between Machakos turn-off and Sultan Hamud, construction of service roads at Machakos turn-off and truck parking bay at Salama and construction of roadside amenities near Sultan Hamud.

The works also included;

- Widening the embankment to a 7m carriageway with 2m wide shoulders on either side, and additional climbing lanes;
- Construction of a new pavement;
- Construction of new cross culverts and general improvement of the drainage facilities, including repairs to existing bridges; and
- Installation of road furniture and road markings.

Audit Observations

659. A review of the project documents and an inspection of the project site carried out in July 2008 disclosed the following unsatisfactory matters:

Slow Progress of Works

660. The Progress Report No.20 of June 2008 showed that approximately 42% of the permanent works had been completed compared to the 77% programmed, while 79% of the planned time had elapsed. The slow progress of works was attributed to; late payment of advance for mobilization; interruptions during post election violence between January and February 2008; heavy rains in April 2008; cash flow problems due to outstanding GOK payments; and stoppage of blasting due to cash flow problems.

Additional Costs

661. A financial appraisal of the project carried out in July 2008 projected the final cost of the project to stand at Kshs.4,428,950,760.96, an increase of Kshs.1,388,334,248.44 or about 45% of the original contract sum of Kshs.3,040,616,512.53.

662. The net increase of Kshs.1,388,334,248.44 was contributed by the revised design, provision of asphalt concrete wearing course to shoulders, extension of existing bridges, relocation of services, additional lab equipment, additional gravel wearing course on deviations, allowances for staff and other unspecified works.

Projected Increase in Variation of Price

663. The payments for Variation of Prices are based on a formulae, made up of cost indices and weightings for each relevant item, which work out to a price adjustment factor. The factor is applied to the amounts payable for works carried out every month. The price adjustment formulae under clause 70.3 of the contract was amended through addendum No.1 in January 2007 with most of the indices going up. The supervisory consultancy firm in their letter ref.K207 of 14 July 2008 however, indicated that the indices in the formulae may not have been reflecting the actual changes in costs and contained the following inconsistencies;

- (i) Although the foreign payment adjustment factor had an expatriate labour indices with a weight of 6.2%, there was no expatriate labour on the contract since the contractor's management team was regarded as head office overhead and was not subject to Variation of Prices.
- (ii) The reference price for reinforcement steel was from the US Department of Labour, Bureau of Labour Statistics but some of the steel bars are said to have been imported from France while others were bought from local suppliers.
- (iii) The indices used for bitumen were from local suppliers but the bitumen used was imported from Middle East and/ or South Africa.

664. Although the contract price of Kshs.3,040,616,512.54 had a provision for Variation of Prices of Kshs.130,742,778.30, certified payments on the project as at 30 June 2008 amounting to Kshs.1,908,385,943.13 included an amount of Kshs.419,701,767.78 in respect of Variation of Prices. This amount represented an increase of approximately 220% over and above the original provision of Kshs.130,742,778.30. The basis on which the Variation of Prices provision was set at Kshs.130,742,778.30 is therefore, not clear.

Claim on Delayed Advance Mobilisation

665. Following delay in payment of advance for mobilization, the contractor decelerated and eventually suspended the works. As a result of this action, the Ministry on 12 July 2007 awarded the contractor an extension of fifty nine (59) days. The contractor thereafter and arising from the extension submitted a claim for Kshs.56,870,295.00.

666. After the necessary analysis and evaluation were carried out, the claim was later scaled down to Kshs.30,234,497.32. This nugatory expenditure could clearly have been avoided had the mobilization advance been paid in time.

Delayed Payments

667. Payments certified for work done and valued as at 30 June 2008, amounted to Kshs.1,908,385,943.13, out of which a sum of Kshs.26,496,866.00 related to interest on delayed payments. The balance of Kshs.26,496,866.00 further included a sum of Kshs.9,389,415.96 in respect of interest on delayed advance mobilization payment. In addition, the outstanding payments against contractor's certificates as at 30 June 2008 stood at Kshs.72,062,144.65. It is not clear how the Ministry is addressing this persistent problem of delayed payments.

REHABILITATION AND RECONSTRUCTION OF LANET-NAKURU-NJORO TURN OFF ROAD

668. The contract for rehabilitation and reconstruction of the Lanet-Nakuru – Njoro turn off road was awarded to a foreign construction firm based in China at a tender sum of Kshs.2,971,818,573.21 through a letter Ref.No. MPW/A19.10 VOL.15 dated 22 June 2006. The works commenced on 9 October 2006 and were expected to be completed within a contract period of twenty four months, that is, on 8 October 2008. The construction works and supervision services were to be funded by the Government of Kenya and the World Bank in the ratios of 33% and 67% respectively.

669. The project works involved construction of a 16 Km dual carriageway between Lanet and Njoro Turn-off and included; pavement construction on a 51 km stretch, a 9 Km service road, and a 31 Km footpath and cycle track

670. The following unsatisfactory matters in respect of the contract were observed during the year.

Variation of Price

671. Payment Certificate No.18 indicates that the contractor was paid a total of Kshs.363,505,062.11 in respect of Variation of Prices. This amount however, exceeded the ceiling of Kshs.128,880,825.48 provided in clause 70.1 of the conditions of contract by Kshs.234,624,236.63 or about 182%. The basis of setting the ceiling of Variation of Prices at Kshs.128,880,825.48 was therefore not clear.

Interest on Delayed Payments

672. The contractor had as at 30 June 2008 been paid a total of Kshs.3,148,880.72 in respect of interest on delayed payments. This expenditure could have been avoided had payments certificate for work done been made in time.

Physical Progress

673. According to the progress Report No.21 of July 2008, 63.86% of permanent works had been completed as at 30 June 2008. No explanation has been provided for the slow progress of the works and no indication has been seen of the action being taken to reverse this unsatisfactory situation.

CONTRACT FOR REHABILITATION AND RECONSTRUCTION OF NJORO TURN OFF – MAU SUMMIT – TIMBOROA ROAD

Award of Contract

674. Contract No.RD 0420 for rehabilitation and reconstruction of Njoro Turn-off – Mau Summit – Timboroa Road was competitively awarded to a foreign construction company on 28 June 2006 at a tender sum of Kshs.4,383,603,852.42. The project is part of the Northern Corridor Transport Improvement Programme, funded by the International Development Association and the Government of Kenya in the ratio of 67% and 33% respectively.

Scope of Works

675. The works involved construction of earthworks to widen the existing road to a 7 metre carriageway and extending shoulders on the Mau Summit – Timboroa by 1.5 metres and the the Njoro Turn-off – Mau Summit section by 2 meters. The project covers an 83.8 Km distance from Mau Summit.

676. The works also covered construction of off-road truck parking areas and other roadside amenities at Salgaa, Mau Summit and Timboroa trading centres. The works commenced on 9 October 2006 and were scheduled for completion on 8 April 2009, with a defects liability period of 12 months.

Audit Observations

677. A review of the project documents and an audit site inspection carried out in August 2008 revealed the following observations:-

Slow Progress of Works

678. Information available indicate that as of July 2008, the project was already behind schedule with an overall progress standing at approximately 27%, compared to the programmed progress of 79%, while about 72% of the contract period had elapsed. The following reasons were cited for the slow progress of works:-

- Inclement weather in June to September 2007;
- Post election violence in January to March 2008;
- Change of pavement design leading to increased earthworks; and
- Idle equipment due to sharing of asphalt mixing plant.

Arising from the above limitations, the contractor has since applied for an extension of time running to 521 days.

Claim Due to Post Election Violence

679. Apart from the request for extension of time, the contractor has also submitted claims totalling Kshs.302,982,000 for additional costs related to post election violence. The claims are said to be under evaluation and have not therefore been paid.

Escalation of Variation of Prices

680. Records made available for audit show that the contract provided for a sum of Kshs.138,881,979.82 to cover Variation of Prices. Payments for Variation of Prices under clause 70.3 of the conditions of contract are based on a formula that uses indices for relevant materials and labour. With the continued escalation of the prices of materials used in the formula however, the Variation of Prices is likely to significantly increase. For instance the payments certified by 25 July 2008 totalled Kshs.1,399,984,150.20 and included Variation of Prices amounting to Kshs.173,624,545.11. As may be noted, the amount of Kshs.173,624,545.11 had already as at that date exceeded the original provision of Kshs.138,881,979.82 by Kshs.34,742,565.29. It is not clear how the Ministry is addressing this challenge.

IRREGULAR PROCUREMENT OF BITUMEN

Examination of records at the Ministry's Headquarters revealed the following unsatisfactory matters in respect of Tender No.RDS/1/2006-07 for supply of

bituminous products (emulsion cut-backs, penetrating grades and asphaltic concrete).

Irregular Award of Contract No.RDS/1/2006-07

681. A review of the Ministerial Tender Committee minute No.14.10/2006/07 of 5 October 2006 indicates that the then Ministry of Roads and Public Works awarded a contract for supply of Bitumen 80/100 penetrating grade to Wilson Airport, Nairobi and Kakamega supply points, at unit prices of Kshs.43.00 and Kshs.49.00 per kilogramme respectively to a firm based in Nairobi.

682. The Ministry did not however, avail for audit the notice of tender, tender documents, test results of samples submitted by bidders, technical evaluation report, letter of award, contract agreement and performance security (guarantee). It has not therefore been possible to confirm that proper procurement procedures were followed in the identification and eventual award of the contract to the firm.

Payment for undelivered bitumen

683. On 22 June 2007 and 28 June 2007, the Ministry issued twelve Local Purchase Orders to the firm for supply of 1,800,000 litres of Bitumen 80/100 penetrating grade valued at Kshs.77,400,000.00. An extract of the Ministerial Tender Committee minute No.14.10/2006/07 however shows the unit of measurement of the bitumen in terms of kilogrammes whereas the Local Purchase Orders issued show the measurement in litres.

684. The 1,800,000 litres of bitumen were indicated as having been delivered and accounted for in the stores Ledger and other related records. However, an audit carried out at the Ministry's Wilson Airport Depot in May 2008 where the bitumen is said to have been delivered and stored revealed that no bitumen had actually been delivered and received at the Depot. This notwithstanding and despite lack of evidence of delivery of the bitumen, the firm was paid a total of Kshs.77,400,000.00 on 29 June 2007.

685. Apart from the fact that it was irregular to have paid the supplier a sum of Kshs.77,400,000.00 before delivery of the bitumen, indications are that the 1,800,000 litres of the product had still not been received at the Depot as at 30 June 2008 and no explanation has been provided.

LOSSES AT WILSON AIRPORT DEPOT

686. Examination of stores records at the Ministry's Wilson Airport Depot indicated that various pieces of equipment including vehicles and light portable weighbridges, all valued at Kshs.64,381,965.54 and acquired between October 2005 and June 2006 were, on unknown dates stolen from the Depot.

687. Although according to information available the Depot was during the period under guard of a local security firm contracted by the Ministry, it has not been clarified how equipment of such volume and high value could have been stolen and removed from the Depot without the knowledge of either the security firm personnel or the Ministry's officials. Further, details of how the Ministry is pursuing recovery of the equipment, including a police report on the theft have also not been seen. In addition, no action also appears to have been taken against the officers who occasioned the loss.

IRREGULAR CASH WITHDRAWALS - MASABA DISTRICT ROADS ENGINEER'S OFFICE

688. Examination of records maintained at the Masaba District Roads Engineer's Office in respect of a bank account held at the Kenya Commercial Bank, Kisii Branch revealed that various cheques for amounts totalling Kshs.4,899,310.40 payable to a number of suppliers and to the Commissioner of Value Added Tax (VAT), were posted in the Cashbook during the year. These cheques were, however, encashed at the bank with remarks "self" on the bank statements, implying that an officer at the Road Engineer's Office or District Treasury received the cash.

689. No evidence has been provided to confirm that the sum of Kshs.4,899,310.40 was eventually paid over to and signed for by the respective payees and indications are therefore that the amount may have been misappropriated.

IRREGULAR CASH WITHDRAWALS - GUCHA DISTRICT ROADS OFFICE

690. Examination of records maintained at the Gucha District Works Office in respect of an account held at Kenya Commercial Bank, Kisii Branch revealed that one cheque for an amount of Kshs.1,317,333.00 payable to the Commissioner of Value Added Tax (VAT) and another of Kshs.500,000.00 payable to a supplier were in June 2007 posted to the Cashbook. The cheques were however irregularly encashed at the bank in July 2007 by officers either at the Works Office or District Treasury.

691. There is no evidence however, to show that the total sum of Kshs.1,817,333.00 so encashed was eventually paid over to and signed for by the respective payees. Indications, therefore, are that the amount of Kshs.1,817,333.00 may have been misappropriated.

692. Further, two other cheques for amounts totalling Kshs.840,500.00 were encashed at the bank in February 2008 but the amount was not posted in the Cashbook. Consequently, the amount of Kshs.840,500.00 could not be accounted for.

UNACCOUNTED FOR EXPENDITURE - WAJIR EAST DISTRICT ROADS OFFICE

693. Examination of records maintained at the Wajir East District Roads Office revealed that the District Tender Committee, through Local Service Order No.A900124 of 20 June 2008 awarded Tender No.WAJ/DTC/62/07-08 for gravelling Migag – Masalale Road to a local construction firm at a cost of Kshs.4,994,728.00.

694. The gravelling works involved, site clearance and top soil stripping, including removal of trees, hedges and bushes, maintenance of the traffic passage through the works or construction of deviations where necessary, provision and erection of temporary traffic signs and provision, haulage and spread of natural gravel to 200mm depth from any distance as directed by the engineer.

695. Records available however show that the contractor was paid the full amount of the contract sum nine days after having been issued with a Local Service Order. This appears to have been an attempt by the Road's Office to ensure that the amount of Kshs.4,994,728.00 was charged to expenses and in effect avoid surrendering the money to the Treasury at the end of the financial year.

696. Coincidentally, and in support of the observation in the preceding paragraph, a physical verification carried out on the project revealed that no work had apparently had been carried out at the Migag-Masalale Road and the expenditure of Kshs.4,994,728.00 so far sunk on the project could not be explained.

KENYA INSTITUTE OF HIGHWAY AND BUILDING TECHNOLOGY

Audit inspection carried out at Kenya Institute of Highway and Building Technology during the months of February and July 2008 disclosed the following unsatisfactory matters:-

Theft of Stores

697. On 28 September 2007, the Institute lost through theft, a wall clock, electrical blower, cordless phone, radio, calculator, printers, CPU and TV monitor, all valued at Kshs.1,384,850.00. Although it has been explained that the matter was reported to police, the result of the investigation has not been availed for audit review. The security firm guarding the Institute at the time of the incidence has so far paid a compensation of Kshs.440,400.00. It has not however been clarified as to why the full loss of Kshs.1,384,850.00 was not compensated.

Cash Deficit

698. The Board of Survey report on cash and bank balances as at 30 June 2008 indicates nil cash on hand. However, a cash survey conducted on 4 July 2008 revealed Cashbook and bank balances of Kshs.1,973,398.80 and Kshs.14,606,120.90 respectively. The cash on hand included a banker's cheque No.016861 for Kshs.1,004,140.00 drawn by a local bank on 26 June 2008, against seventy (73) three money orders in respect of school fees paid by students between May and June 2008. It has not however been explained why the cheque for Kshs.1,004,140.00 was excluded from the Board of Survey report.

Lack of Accountability for School Fees

799. The Institute's main account bank statements indicate that fees totalling Kshs.54,172,275.00 were banked during the year under review. The statements also show that a sum of Kshs.51,664,583.00 was withdrawn during the period. No records have however been made available to vouch for the sum withdrawn.

UNEXPLAINED PAYMENTS – BUSIA DISTRICT WORKS OFFICE

Double Payments

700. The Busia District Works Officer contracted a local construction company through Local Services Order No. A 524618 of 8 March 2008 to carry out various works on a 4.5 Kilometer rural access road running between Bukiri and Mukhwayo, at a cost of Kshs.1,252,686.00. The works included laying of culverts, installation of reinforced concrete and pipes as well as excavation of mitre drains. According to records available, the contractor was paid the entire sum of Kshs.1,252,686.00 on 10 April 2008 through cheques nos 002365 and 02366 of the same date. Further information available indicate that an additional payment of Kshs.1,339,319.00 was made to the contractor through cheque nos 002444 and 02445 both of 23 June 2008. It has not however been clarified what the payment of Kshs.1,339,319.00 represented as records appear to show that works against which the payment was made related to the same stretch of road and same specifications. Indications therefore are that the payment of Kshs.1,339,319.00 was ineligible.

Payment for Unspecified Works

701. During the year under review, the District Works Officer authorized payments totalling Kshs.1,168,864.30 on repair of various roads in the District. However, the roads in question have not been specified. Consequently, it was not possible to ascertain that the expenditure of Kshs.1,168,864.30 represented a proper charge against public funds.

COMPENSATION AND EX-GRATIA PAYMENTS

702. The Recurrent Appropriation Account Vote R.13 for the year ended 30 June 2008 reflects under Head 380 Item 2211300 – Other Operating Expenses, expenditure of Kshs.123,556,392.25 which includes compensation and ex-gratia payments totalling Kshs.2,090,169.00 paid to various parties, following traffic accident cases involving two vehicles belonging to Ministry of Roads. Details of the claims are as follows:-

Nakuru CMCC No.2388 of 2004

703. The above court case arose when a Government vehicle and a private vehicle were involved in an accident along Nakuru-Kericho road on 7 August 2004 causing extensive damage to the latter vehicle. Records available indicate that the owner of the private vehicle raised a claim for damages at the Nakuru Chief Magistrates' Court in Nakuru. According to information available however, the Ministry was not represented during the hearing and as a result a judgement based on ex-parte hearing was passed on 22 February 2006 in favour of the plaintiff. Consequently, the Government was ordered to pay a total sum of Kshs.1,277,112.00 comprising Kshs.1,000,000.00 in respect of the principal amount, Kshs.161,632.00 in respect of accrued interest and Kshs.115,480.00 for the costs of the suit. Records available further indicate the Ministry did not pay the amount ordered until June 2008, by which time the interest had accumulated to raise the total sum payable from Kshs.1,277,112.00 to Kshs.1,441,105.00. The Government therefore incurred a nugatory expenditure of Kshs.1,441,105.00 which clearly would have been avoided, had the Ministry been adequately represented during the hearing or had the decretal amount been discharged in time.

Nairobi CMCC No. 11332 of 1994

704. A Government vehicle was involved in an accident on 28 June 1992 at Tot Divisional Centre in Keiyo/Marakwet District where a cyclist died. His dependant filed a case for compensation through a firm of Advocates.

705. The Attorney General on 13 October 1994 received a letter of intention to be sued on behalf of the Ministry and communicated the same to the Ministry on 21 October 1994. The Ministry wrote to the Attorney General's Office on 28 November 1994 and indicated that the liability should be denied as an inquest held at Eldoret Senior Principal Magistrate's Court on 4 May 1993 blamed the cyclist for the cause of the accident. When the case came up for hearing on 12 March 1999, however, the judgement was ruled in favour of the cyclists' dependant and an award of Kshs.585,796.00 in respect of special damages and interest was given. The Ministry does not appear to have received this communication until seven years, later by which time the amount payable had increased due to interest charges to stand at Kshs.613,244.00 as at 1 August

2006. Records available indicate that the Ministry eventually paid an amount of Kshs.649,064.00 on 17 May 2008 representing an excess of Kshs.63,268.00 over and above the original decretal sum of Kshs.585,796.00

MECHANICAL AND TRANSPORT FUND

Income and Expenditure Account

706. The Fund's Income and Expenditure Account for the year ended 30 June 2008 reflects comparative figures for 2006/2007 in respect of Fuel and Lubricants, General Office Supplies and Training, which differ with those reflected in the audited Income and Expenditure Account for the year ended 30 June 2007. No reconciliation or explanation has been provided for the differences.

707. The Account also reflects receipts from Hire of Equipments and Transport of Kshs.780,371,955.60. Returns of income and expenditure received from regional offices and maintained by the Mechanical and Transport Department however indicate that receipts totalling Kshs.394,362,821.73 were collected during the year. The resultant difference of Kshs.386,009,133.87 between the two sets of records has not been reconciled or explained.

Balance Sheet

General Suspense Account

708. The balance sheet reflects under liabilities a General Suspense Account balance of Kshs.77,010,257.80, for which no analysis has been provided. In the absence of an analysis, it has not been possible to ascertain what the balance represents.

Cash at Bank

709. The Balance Sheet as at 30 June 2008 reflects nil cash balance while both the Board of Survey Report and the certificate of bank balance show a cash at bank figure of Kshs.93,271,428.40 as at the same date. As in the previous cases, the difference of Kshs.93,271,428.40 has not been reconciled or explained.

Debtors

710. Records maintained at various regional offices including Laikipia, Kisumu, Kericho and Thika indicate that an amount of Kshs.106,879,508.15 was owing from various debtors as at 30 June 2008. No satisfactory explanation has been provided for failure to collect the debts. Further, the debtors balance of Kshs.106,879,508.15 has been excluded in the Balance Sheet. Consequently, it

has not been possible to ascertain the accuracy of the total assets balance of Kshs.2,534,671,935.00 reflected in the Balance Sheet.

Creditors

711. Records maintained at the Thika Regional Office show that the region owed a contractor an amount of Kshs.399,744.00 as at 30 June 2008. However, the nature of goods or services provided by the contractor have not been disclosed. Further, the amount of Kshs.399,744.00 has been excluded in the Balance Sheet as at 30 June 2008. In the circumstances the accuracy of the total creditors balance of Kshs.2,096,511,792.00 could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.13

712. The Statement of Assets and Liabilities for Vote R.13 as at 30 June 2008 reflects Exchequer Account under-issues totalling Kshs.378,123,852.35 relating to 2006/2007 and earlier years. No explanation has been given for non-clearance of the long outstanding Exchequer Account balances.

713. The Statement also reflects debit balances of Kshs.272,299,856.05 and credit balances of Kshs.10,449,981,336.70 against the General Account of Vote, representing excess votes and net surpluses for various years. No reasons have been provided for the delay in clearing these long outstanding excess votes and net surpluses. In addition, the 2007/2008 General Account of Vote balance of Kshs.1,230,125,847.80 reflected in the Statement differs with the figure of Kshs.1,233,192,954.00 in respect of net surplus to be surrendered to the Exchequer, shown in the Appropriation Account for vote R.13 for the year ended 30 June 2008. The resultant difference of Kshs.3,067,106.20 between the two sets of records has not been reconciled or explained.

714. The Statement shows a balance of Kshs.25,955,193.15 under the Advances Account, which includes an amount of Kshs.25,690,193.15 relating to 2006/2007 and earlier years. Apart from the fact that this particular balance ought to have been cleared as at 30 June 2008, it is a matter of concern that no recoveries of advances already granted appear to have been effected during the year.

715. The Statement further reflects a District and Temporary Imprests Account balance of Kshs.65,020,689.90 out of which an amount of Kshs.51,904,184.80 relates to 2006/2007 and prior years. No analysis has however been provided for the imprests balance of Kshs.65,020,689.90 to confirm its correctness. In addition no reason has been given for failure to surrender the imprests of Kshs.51,904,184.80 on or before 30 June 2008.

716. The Statement shows a debit balance of Kshs.197,302,878.07 in respect of Interministerial Cashbook transfers, out of which an amount of Kshs.135,778,268.70 relates to 2006/2007 and earlier years. No documentary evidence has however been provided to support the Cashbook transfers. Further, no reason has been given for non-clearance of the amount of Kshs.135,778,268.70 from the books of account.

717. The Statement also shows a Provincial/District Suspense Account debit balance of Kshs.9,225,770,827.07, which includes an amount of Kshs.8,427,896,316.24 relating to 2006/2007 and earlier years. No analysis has been provided to support the balance of Kshs.9,225,770,827.70 and further no reason has been given for non-clearance of the long outstanding amount of Kshs.8,427,896,316.25 from the books of account.

718. As in the previous year, the Statement continues to show Excess Appropriations-In- Aid (A.I.A) of Kshs.12,207,411.00 and Kshs.1,634,736.80 for 2000/2001 and 1996/1997 respectively. No reason has however been provided for delay in surrendering the excess A.I.A to the Exchequer.

719. The Suspense Account further shows a net debit balance of Kshs.199,738,870.40 which has not been properly analysed. In the absence of analyses to support the balances, it has not been possible to confirm the completeness and accuracy of the Suspense Account balance of Kshs.199,738,870.40.

720. The Statement in addition shows a Standing and Special Imprests Account balance of Kshs.892,039.20 which has also not been supported by an analysis. As in the previous instance, it has not been possible to ascertain its completeness or accuracy.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.13

721. The Statement of Assets and Liabilities for Vote D.13 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.10,857,556,492.75 representing under- issues relating to 2006/2007 and earlier years. No action appears to have been taken to clear the long outstanding exchequer under-issues.

722. The Statement continues to reflect credit balances of Kshs.197,361,637.35 and Kshs.35,000,000.00 under the Exchequer Account and the Civil Contingencies Fund respectively, which have been outstanding for a considerably long period of time. No explanation has been provided for the continued retention of the balances in the Statement.

723. The Statement also reflects General Account of Vote debit balances totalling to Kshs.161,793,291.30 against excess votes incurred between 1992/93 and 1997/98. As in the previous year, no explanation has been given for the delay in regularizing the excess votes.

724. The Statement further reflects a debit balance of Kshs.334,606,048.10 against the General Account of Vote, which differs with the credit amount of Kshs.2,844,801,092.52 shown as net surplus to be surrendered to the Exchequer in the Appropriation Account for Vote D.13 for the year ended 30 June 2008. The resultant difference of Kshs.3,179,407,140.62 between the two sets of records has not been reconciled or explained.

725. The Statement in addition reflects General Account of Vote credit balances totalling Kshs.12,558,827,483.70 in respect of net surpluses realized between 1987/1988 and 2006/2007. Again, no action appears to have been taken to clear this long outstanding balance.

726. The Statement shows a debit balance of Kshs.70,950,861.75 against the Temporary Imprests Account, which includes an amount of Kshs.42,020,124.45 relating to 2006/2007 and earlier years. No reason has been provided for failure to surrender or otherwise account for the long outstanding balance of Kshs.42,020,124.45 as at 30 June 2008. Further, the imprest figure of Kshs.70,950,861.75 includes a balance of Kshs.67,583,757.75, which has not been analysed. Consequently, the completeness and accuracy of the figure of Kshs.70,950,861.75 could not be ascertained.

727. The Statements also shows a credit balance of Kshs.715,909,228.75 against the Paymaster General Account which differs with the Cashbook debit balance of Kshs.40,362,880.90 as at 30 June 2008 by Kshs.756,272,109.65. The difference of Kshs.756,272,109.65 between the two sets of records has not been reconciled or explained.

728. The Statement further shows a Suspense General Account net credit balance of Kshs.160,882,841.55 which includes an amount of Kshs.65,732,684.65 relating to 2006/2007 and prior years. No explanation has been provided for failure to clear the balance of Kshs.65,732,684.65.

729. The balance of Kshs.160,882,841.55 referred to above includes Stale and RD cheques totalling Kshs.133,788,687.70, which have not been replaced and no reasons have been given for the anomaly. In addition, no analyses have been provided for the cheques and therefore the accuracy of the figure of Kshs.133,288,687.70 could not be confirmed.

730. The Statement also reflects a debit balance of Kshs.1,049,069,497.95 against the Provincial/Districts Suspense Account which includes an amount of

Kshs.1,004,146,369.55 relating to 2006/2007 and earlier years. No explanation has been given for failure to clear the latter balance from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS SCHEMES AND DEPOSITS

731. The Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2008 reflects a debit balance of Kshs.2,246,979.15 in respect of the Imprest Account, which includes an amount of Kshs.676,900.65 relating to 2006/2007 and earlier years. No reason has been provided for failure to surrender or otherwise account for the long outstanding balance of Kshs.676,900.65.

732. The Statement also reflects a debit balance of Kshs.19,217,486.60 under the Agency Accounts relating to 2006/2007 and earlier years and which has not been cleared. The balance has also not been analysed and as a result, it has not been possible to ascertain its completeness accuracy.

733. The Statement similarly reflects Ex-MOTC Agency and Ex-MOTC Private Works Accounts debit balances of Kshs.5,967,358.85 and Kshs.4,997,304.75 respectively, which were transferred from the former Ministry of Transport and Communications in 1987/1988. As also observed in the previous year's report, no action has been taken to clear these long outstanding balances from the books of account.

734. The Deposits Account shows a credit balance of Kshs.1,660,534,903.15 which has not been supported with the relevant analyses. Consequently, it has not been possible to confirm its completeness and accuracy.

735. The Statement also shows a debit balance of Kshs.35,888,526.90 under the Suspense Account relating to 2006/2007 and earlier years. This balance has not been supported with the relevant analyses. It has therefore not been possible to ascertain what the balance represents. Further, no reason has been provided for failure to clear it.

736. The Statement further shows a debit balance of Kshs.22,250,045.75 under the Provincial Suspense Accounts which relates to 2004/2005 and earlier years. Similarly, no explanation has been provided for the non-clearance of the balance.

737. The Supplies Branch credit balance of Kshs.29,001.45 for the current year has not been supported with the relevant documents. Consequently, it has not been possible to establish what the balance represents.

738. The Statement in addition shows a Revenue Account credit balance of Kshs.52,409,214.20 relating to 2003/2004 financial year. It has not been clarified why the revenue has not been remitted to the Exchequer.

739. The Statement also reflects a debit balance of Kshs.77,010,257.00 in respect of the Mechanical Branch (Head 251) Account. It has not however been possible to establish where the balance originated from, due to lack of adequate supporting documentation. Its completeness and correctness could not also be confirmed.

740. The Statement further reflects a debit balance of Kshs.1,545,395,159.30 under the Paymaster General Account, which differs with the Cashbook balance of Kshs.1,949,576,554.80 as confirmed by the Board of Survey Report, by Kshs.404,181,395.50. The difference between the two sets of records has not been reconciled or explained. In addition, no Bank Certificate to confirm the amount held at Central Bank as at 30 June 2008 was made available for audit review.

MINISTRY OF TRANSPORT

APPROPRIATION ACCOUNT FOR VOTE R.14

Pending Bills

741. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.13,157,750.00 relating to 2007/2008, chargeable to Vote R.14 were not settled during the year, but were instead carried forward to 2008/2009.

742. Had the bills been paid and charged to the accounts for the year, the Appropriation Account for Vote R.14 for the year ended 30 June 2008 would have reflected a Net Surplus to be Surrendered to the Exchequer of Kshs.56,634,862.82 instead of Kshs.69,792,612.82 now shown.

743. According to information available, the bills were carried forward to 2008/2009 due to delays in confirmation of services rendered in the repair of vehicles and delivery of goods, as well as inadequate capacity to run the Integrated Financial Management Information System (IFMIS).

Unsupported Expenditure

744. The Appropriation Account total gross expenditure of Kshs.3,946,317,939.05 includes payments totalling Kshs.155,421,089.63 which

have not been supported with payment vouchers and other related records. Consequently, the propriety of the expenditure of Kshs.155,421,089.63 could not be confirmed.

Failure to Provide Footnotes

745. The Appropriation Account also reflects variances of Kshs 1,000,000.00 or above between the estimated and actual expenditure or collection of Appropriations-In-Aid under eight (8) items, against which no footnotes have been provided.

APPROPRIATION ACCOUNT FOR VOTE D.14

Submission of Incomplete Appropriation Account

746. The Appropriation Account for Vote D.14 for the year ended 30 June 2008 submitted for audit was incomplete as it excluded a Summary of the Appropriation Account showing the Net Surplus to be surrendered to the Exchequer amongst other details, as well as a Summary of Details of Appropriations-In-Aid. No explanation has been provided for this unsatisfactory state of affairs.

Under-Expenditure and Under-Collection of Appropriations-in-Aid

747. The Appropriation Account for Vote D.14 reflects gross under-expenditure of Kshs.1,307,880,003.75 or approximately 27% of the approved estimates of Kshs.4,689,550,466.00 and a deficiency in Appropriations-in-Aid of Kshs.412,627,843.00 or approximately 83% of the estimated receipts of Kshs.492,878,826.00.

748. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; failure to conclude in time lengthy procurement procedures, failure by various contractors to complete work or supply goods within the financial year and postponement of some programmes.

STATEMENT OF OBLIGATIONS GUARANTEED BY GOVERNMENT OF KENYA

749. The Statement of Obligations Guaranteed by Government of Kenya as at 30 June 2008 reflects six (6) loans with total outstanding contingent liability of Kshs.7,136,810.00. This total does not however include four (4) obligations in respect of loans granted to the Kenya Ports Authority by the European Investment Bank and the Netherlands Bank and against which the Kenya Shillings equivalent have not been indicated. No explanation has been provided for failure to show the Kenya Shillings equivalent for the loans.

750. The contingent liabilities of Kshs.7,136,810.00 in respect all the six (6) loans in the Statement have not been confirmed by either the lenders or the borrowers. In addition, the Ministry does not appear to have maintained during the year, loan registers or other relevant and verifiable documentation in respect of these loans. As a result, it has not been possible to confirm the correctness of the balance of Kshs.7,136,810.00.

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

751. As similarly reported in 2006/2007, the Ministry during the year under review did not maintain records that could be relied upon in the preparation of an accurate Statement of Participation by Government of Kenya in Quasi – Government and Other Statutory Organizations. The ensuing paragraphs summarize various observations made during audit of the Statement.

752. The Statement shows that the Ministry held shares with a book value of Kshs.1,648,231,765.00 as at 30 June 2008 in six (6) organizations. Two (2) of these organizations namely; East African Airways Corporation and East African National Shipping Line where Government participation stood at Kshs.58,469,960.00 have since been liquidated. According to available information and as previously reported, the two organizations were liquidated without the Ministry realizing any returns or proceeds from the investments.

753. The Statement further reflects investments totalling Kshs.1,589,761,805.00 in Kenya Ferry Services Ltd, Kenya Railways Corporation and Kenya Airways Ltd. Kenya Ferry Services and Kenya Railways Corporation however show in their Accounts for 2007/2008, Government investment figures of Kshs.499,904,000.00 and Kshs.518,000,000.00 respectively, resulting in differences of Kshs.100,000,000.00 and Kshs.141,000,000.00 respectively. These differences have not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.14

754. The Statement of Assets and Liabilities for Vote R.14 as at 30 June 2008 reflects various long outstanding debit and credit balances totalling Kshs.1,311,277,391.50 and Kshs.1,321,559,990.75 respectively, some dating to as far back as 1982/1983 and 1979/1980. No reason has been provided for failure to clear these long outstanding balances from the books of account.

755. The Statement also reflects three (3) balances of Kshs.1,786,019.70, Cr. Kshs.13,130,664.95 Dr. and Kshs.8,835,725.00 Dr. under Clearance, Agency and District Suspense Accounts respectively, which have not been analysed. As

a result, the completeness and accuracy of the balances could not be ascertained.

756. The Statement further reflects a balance of Kshs.55,170,401.10 under the District Suspense Account and an amount of Kshs.35,827,750.05 against the Suspense Account both relating to 2006/2007 and earlier years. Similarly, no reasons have been provided for failure to clear the long outstanding balances.

757. The Statement shows an amount of Kshs.565,523,159.95 under the Paymaster General Account, while both the Cashbook and the Board of Survey Report reflect a figure of Kshs.85,930,100.75 as at 30 June 2008. The difference of Kshs.479,593,059.20 has not been reconciled or explained.

758. The Statement also shows total imprests of Kshs.27,551,612.85 comprising amounts of Kshs.3,421,820.10 and Kshs.24,129,792.75 under Standing and Temporary Imprests respectively. These imprests amounts ought to have been surrendered or otherwise accounted for on or before 30 June 2008.

759. Further, the cumulative figure of Kshs.38,198,533.15 under total imprests differs by Kshs.21,832,996.35 from the amount of Kshs.16,365,536.80 reflected in the imprest records. The difference has not been reconciled or explained.

760. The Statement further shows an Excess Appropriations-In-Aid (A.I.A) balance of Kshs.76,183,712.65, which relates to 2002/2003 and earlier years. No explanation has been provided as to why the excess A.I.A has not been remitted to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.14

761. The Statement of Assets and Liabilities for Vote D.14 as at 30 June 2008 reflects various long outstanding debit and credit balances amounting to Kshs.3,782,017,569.65 and Kshs.3,830,075,007.00 respectively, some dating to as far back as 1979/1980. No reasons have been provided for failure to clear the long outstanding balances from the Ministry's books of account.

762. The Statement also reflects debit and credit balances totalling Kshs.75,270,658.15 and Kshs.79,637,072.20 respectively under clearance, Agency Suspense, MOW, Advances and District Suspense Accounts which have not been analysed. In the absence of the analyses, it has not been possible to confirm completeness and accuracy of these balances.

763. The Statement further reflects a Paymaster General Account (PMG) balance of Kshs.112,086,096.90, while both the Cashbook and the Board of Survey Report as at 30 June 2008 show an amount of Kshs.494,287.95. The resultant difference of Kshs.111,591,808.95 between the two sets of records has not been reconciled or explained. The PMG balance of Kshs.112,086,096.90

also differs with the ledger figure of Kshs.131,117,372.10 by Kshs.19,031,275.20.

764. The Statement shows a Temporary Imprest Account balance of Kshs.8,556,562.85, which includes an amount of Kshs.5,329,673.85 relating to 2006/2007 and earlier years. The balance of Kshs.8,556,562.85 has not been analysed and therefore its completeness and accuracy could not be confirmed. Further, the amount of Kshs.5,329,673.85 ought to have been surrendered or otherwise accounted for on or before 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

765. The Statement of Assets and Liabilities for Deposits 14 as at 30 June 2008 reflects debit and credit balances totalling Kshs.68,672,349.40 and Kshs.46,169,718.50 respectively, relating to 2006/2007 and earlier years. No indication has however, been given as to why these long outstanding balances have not been cleared from the books of account.

766. The Statement also reflects a Paymaster General Account debit balance of Kshs.272,906,677.20, while the Cashbook as at 30 June 2008 shows a balance of Kshs.264,061,542.80. The difference of Kshs.8,845,134.40 between the two sets of records has not been reconciled or explained.

MINISTRY OF LABOUR AND HUMAN RESOURCE DEVELOPMENT

PENDING BILLS

767. Examination of records held at the Ministry's Headquarters revealed that bills totalling Kshs.39,078,666.30 and Kshs.40,164,011.80 relating to 2007/2008 chargeable to the Recurrent and Development Votes respectively, were not settled during the year but were instead carried forward to the year 2008/2009.

768. Had the bills been paid and charged to the accounts for 2007/2008, the Recurrent Appropriation Account for the year would have reflected an excess Vote of Kshs.2,757,225.72 instead of a net surplus of Kshs.36,321,440.58 now shown, while the Development Appropriation Account would have reflected a net surplus of Kshs.20,699,256.65 instead of Kshs.60,863,268.45 now recorded.

OUTSTANDING IMPRESTS

769. Examination of imprest records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.3,042,590.00 issued in 2006/2007 and earlier years, were still unaccounted for as at 30 June 2008. No reason has been given for failure to have the long outstanding balance surrendered or otherwise accounted for.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

770. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2008 reflects unpresented cheques totalling to Kshs.59,646,229.70, out of which cheques amounting Kshs.3,507,154.95 were stale as of 30 June 2008. No explanation has been provided for failure to have the cheques replaced or reversed in the Cashbook.

771. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.6,180,183.20, out of which Kshs.1,327,922.85 relates to Refer to Drawer cheques, Kshs.733,636.90 to replaced cheques for prior financial years and Kshs.6,109.50 to reversed cheques. It has not been clarified why payments in the bank have not been recorded in the Cashbook.

Development Cashbook

772. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2008 reflects payments in the Cashbook not recorded in the Bank Statement amounting to Kshs.97,385,895.60. No action appears to have been taken to have the statement updated.

773. In addition, the Statement reflects a Cashbook balance of Kshs.50,798,216.50, which differs with the Board of Survey Report figure of Kshs.96,736,216.50. The resultant difference of Kshs.45,938,000.00 has been attributed to cheque No.006064 which was paid to the Business Sector Program but reversed on 30 June 2008. For unexplained reasons however, the reversed cheque was not recorded in the statement.

774. Further, cheque No.006072 is recorded in the Cashbook as bearing an amount of Kshs.453,146.65, while in the Statement, it is shown against a figure of Kshs.782,539.65. The difference of Kshs.329,393.00 has not been reconciled or explained.

775. The Statement also shows receipts of Kshs.225,840.00 in the Cashbook not in the Bank Statement described as banking. The balance has been outstanding since 28 June 2007.

Deposits Cashbook

776. The Bank Reconciliation Statement for the deposits Cashbook as of 30 June 2008 reflects payments in the Cashbook not in the Bank Statement totalling Kshs.1,766,050.60, which include stale cheques of Kshs.122,045.90. No action appears to have been taken to have the cheques replaced or reversed in the Cashbook.

777. The Statement also reflects a balance of Kshs.271,010.60 under receipts in the Bank Statement not in the Cashbook, relating to the period between 1991 and 2004. The Statement also reflects payments in the Bank Statement not in the Cashbook of Kshs.8,008,233.85. No reason has been provided for the long delay in recording receipts and payments in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.15

778. The Statement of Assets and Liabilities for Vote R.15 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.487,304,834.00, which includes an amount of Kshs.487,267,334.00 relating to 2006/2007 and earlier years. No reason has been given for non-clearance of the long outstanding balance from the books of account.

779. The Statement also reflects a Standing Imprest Account debit balance of Kshs.3,547,222.85, which includes an amount of Kshs.2,906,472.85 relating to 2006/2007 and earlier years. No explanation has been given for the non-surrender of the balance of Kshs.2,906,472.85 as at 30 June 2008.

780. The Statement further reflects a Temporary Imprest Account debit balance of Kshs.13,035,745.15, which includes an amount of Kshs.8,476,674.65 relating to 2006/2007 and earlier years. As in the previous instance, the balance of Kshs.8,476,674.65 ought to have been surrendered or accounted for on or before 30 June 2008.

781. The Statement shows an Agency Account debit balance of Kshs.157,889,608.00, out of which an amount of Kshs.9,081,510.65 relates to 2006/2007 and earlier years. No reason has been provided for failure to clear the long outstanding balance.

782. The Statement in addition shows a Bank balance of Kshs.36,569,493.35 relating to 2007/2008, which however differs with both the Cashbook and Board of Survey Report figure of Kshs.36,311,528.50 as at 30 June 2008. No reconciliation or explanation has been provided for the difference of Kshs.257,964.85.

783. The Statement further shows a General Account on Vote credit balance of Kshs.633,278,779.40, which includes an amount of Kshs.596,957,338.82 relating to 2006/2007 and earlier years. No reason has been given as to why the long outstanding balance of Kshs.633,278,779.40 has not been cleared from the books of account.

784. The Statement reflects a Provincial/District Suspense Account credit balance of Kshs.59,832,763.20 brought forward from 2006/2007 and earlier years. No analysis has been provided for the balance, consequent upon which it has not been possible to ascertain its accuracy. No reason has also been given for failure to clear the balance from the books of account.

785. The Statement further reflects a Suspense Account credit balance of Kshs.4,776,604.00, which has not been analysed, and as a result its completeness and correctness is in doubt. In the absence of an analysis, it has also not been possible to establish what the balance represents.

786. The Statement in addition reflects a Clearance Account net credit balance Kshs.4,762,576.20 brought forward from 2006/2007. No analysis has been provided for the balance and no reason has been given for its non- clearance.

787. The Statement also shows an Excess Appropriations-In-Aid balance of Kshs.1,841,418.65 relating to 2003/2004 and earlier years, which had not been surrendered to the Exchequer as at 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.15

788. The Statement of Assets and Liabilities for Vote D.15 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.336,167,102.70, which includes an amount of Kshs.334,168,102.70 relating to 2006/2007 and earlier years. No reason has been given for non-clearance of the long outstanding balance of Kshs.334,168,102.70.

789. The Statement also reflects Standing and Temporary Imprests Accounts balances of Kshs.148,990.00 and Kshs.18,631,962.60 respectively relating to 2006/2007 and earlier years. The balances ought to have been surrendered or otherwise accounted for as at 30 June 2008.

790. The Statement further reflects a Suspense Account Headquarters debit balance of Kshs.148,164,655.00 brought forward from 2006/2007 and earlier years. As in the previous instance, no explanation has also been given for failure to clear this balance.

791. In addition, the Statement reflects Paymaster General Account debit balances totalling Kshs.32,965,149.90 and credit balances of Kshs.593,887.10 in respect of bank and cash on hand respectively, brought forward from 2006/2007

and earlier years. It has not been clarified what the balances represent or why they are still appearing in the books of account.

792. The Statement shows other balances of Kshs.531,999,532.35, Kshs.26,054,469.49, Kshs.2,263,195.45, Kshs.28,421,636.65, and Kshs.334,168,102.70 under the General Account of Vote, provincial/District Reimbursement Suspense, Development Clearance, Excess Appropriations-In-Aid and Exchequer Accounts respectively, which have similarly been outstanding for a considerably long period of time.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS

793. The Statement of Assets and Liabilities for Funds, Schemes and Deposits, as at 30 June 2008 reflects a Provincial/District reimbursement Account net debit balance of Kshs.9,140,983.65 relating to 2005/2006 and earlier years. No explanation has been provided as to why this long outstanding balance has not been cleared.

794. The Statement also reflects an Imprests Account net debit balance of Kshs.6,524,309.20 which has not been analysed. The balance also includes an amount of Kshs.6,498,209.20 relating to 2006/2007 and earlier years. No reasons have been given for failure to provide the analysis for the balance of Kshs.6,524,309.20 or to surrender or account for the long outstanding balance of Kshs.6,498,209.20.

795. The Statement further reflects a Suspense Account debit balance of Kshs.13,084,234.55 which includes an amount of Kshs.4,392,340.15 relating to 2006/2007 and earlier years. The non-clearance of the balance has not been explained.

796. The Statement in addition shows a net credit balance of Kshs.49,066,955.60 against the Deposits Accounts, which includes an amount of Kshs.45,483,672.95 that has not been analysed. Consequently, the completeness and correctness of the balance of Kshs.49,066,955.60 could not be ascertained.

OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF TRADE

APPROPRIATION ACCOUNT FOR VOTE D.16

Under-Expenditure and Under-Collection of Appropriations-In-Aid

797. The Appropriation Account for Vote D16 for the year ended 30 June 2008 reflects actual expenditure of Kshs.112,957,834.85 against gross estimate of Kshs.204,223,240.00, resulting in an under-expenditure of Kshs.91,265,405.15 or approximately 44% of the estimated expenditure.

798. The Appropriation Account also shows that out of estimated receipts of Kshs.144,023,240.00 in Appropriations-In-Aid, a total of Kshs.53,697,420.95 was realized during the year, resulting in a deficiency of Kshs.90,325,819.05 or about 62% of the estimated receipts.

799. The reasons provided in the footnotes to the Account for the under-expenditure and deficiency in the collection of Appropriations-In-Aid include non-release of funds by a Development Partner.

Internal and External Trade Services

800. The Appropriation Account reflects a balance of 9,000,000.00 under Sub-Vote 166 Head 745 - Trade Development. The amount includes grants of Kshs.5,822,440.00 given to various Loan Boards in Eastern, Central Coast, Western, North Eastern, Nyanza and Rift Valley provinces during the year. No documentary evidence has however been provided to confirm that the grants were received by the intended recipients and that such grants were used for the intended purposes.

PENDING BILLS

801. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.7,832,045.10 relating to 2007/2008 were not settled during the year, but were instead carried forward to 2008/2009.

802. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.

OUTSTANDING TEMPORARY AND STANDING IMPRESTS

803. Examination of imprest records maintained at the Ministry's Headquarters revealed that temporary and standing imprests totalling Kshs.9,871,078.20 which

ought to have been surrendered or accounted for on or before 30 June 2008 were still outstanding as at that date.

804. Out of the above total, imprest amounting to Kshs.1,153,376.20 were owed by officers on Job Group 'M' and above, Kshs.1,728,562.00 by officers on Job Group 'L' and below, Kshs.4,653,458.70 by politicians, while the balance of Kshs.1,970,181.30 was in respect of unanalyzed amounts transferred from former Ministries.

OUTSTANDING LOANS - GARISSA DISTRICT TRADE DEVELOPMENT OFFICE

805. Examination of the Garissa Joint Loans Board records maintained by the District Trade Development Officer during 2007/2008 revealed that loans totalling Kshs.8,235,507.43, some issued from as far back as 1968, were outstanding as at 30 June 2008.

806. Out of the above total, an amount of Kshs.4,333,537.43 related to the principal sum, while the balance of Kshs.3,910,980.00 was in respect of accumulated interest.

807. Apart from non-recovery of the loans, no Cashbook and other loan records were maintained in respect of the loans and therefore the completeness and accuracy of the outstanding loans balance Kshs.8,235,507.43 could not be ascertained.

OUTSTANDING LOANS – KAKAMEGA DISTRICT TRADE DEVELOPMENT OFFICE

808. Examination of records maintained at the offices of the Kakamega Trade Development Joint Loans Board in October 2008 revealed that loans totalling Kshs.8,621,388.87 issued between 1999 and 2007 were outstanding as at 30 June 2008.

809. Out of the total of Kshs.8,621,388.87, an amount of Kshs.6,283,081.51 related to the principal sum, while the balance of Kshs.2,338,307.36 represented accumulated interest.

810. It was further observed that no Cashbook was maintained for the loans and no monthly Bank Reconciliation Statements were prepared for the loan accounts. Consequently, the completeness and accuracy of the figure of Kshs.8,621,388.87 could not be ascertained.

OUTSTANDING LOANS – NAKURU DISTRICT TRADE DEVELOPMENT OFFICE

811. Examination of the Nakuru Trade Development Joint Loans Board records maintained by the District Trade Officer revealed that loans totalling Kshs.9,376,967.60 issued between 1978 and 2002 were outstanding as at 30 June 2008.

812. Out of the above total, a sum of Kshs.4,531,414.23 related to the principal sum, while the balance of Kshs.4,845,553.37 was in respect of accumulated interest.

OUTSTANDING LOANS - BUNGOMA DISTRICT TRADE DEVELOPMENT OFFICE

813. Examination of the Bungoma Joint Loans Board records maintained by the District Trade Development Officer during the year revealed that loans totalling Kshs.8,932,413.42 issued to five hundred and eighty four (584) applicants on various dates between 1988 and 2007 were outstanding as at 30 June 2008.

814. Out of the total of Kshs.8,932,413.42, an amount of Kshs.5,510,654.65 related to the principal sum, while the balance of Kshs.3,421,758.77 was in respect of accumulated interest.

OUTSTANDING LOANS – ELDORET DISTRICT TRADE DEVELOPMENT OFFICE

815. Examination of records maintained at the Eldoret District Trade Development Office in respect of Uasin Gishu, Keiyo and Marakwet Joint Loans Boards revealed that loans totalling Kshs.9,533,152.51, issued to various traders and individuals between 1972 and 2005 were outstanding as at 30 June 2008.

816. Out of the above total, a sum of Kshs.5,215,232.24 related to the principal amount, while the balance of Kshs.4,317,920.27 represented accumulated interest.

OUTSTANDING LOANS - SIAYA DISTRICT TRADE DEVELOPMENT OFFICE

817. Examination of the records maintained at the District Trade Development Office, Siaya District in respect of Siaya Joint Loans Board revealed that loans totalling Kshs.6,899,941.98 issued between the years 1970 and 2000 to various individuals and traders were outstanding as at 30 June 2008.

818. Out of the total of Kshs.6,899,942.09, an amount of Kshs.2,802,419.85 related to the principal sum, while the balance of Kshs.4,097,522.24 represented accumulated interest.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

819. Section 4 (4) of the Public Audit Act, 2003 requires each Accounting Officer to submit for audit, financial statements, within three months after the end of the financial year. However, the Ministry has not submitted for audit a Statement of Obligations Guaranteed by the Government of Kenya as at 30 June 2008.

Failure or delay in submitting the Statement not only contravenes the law but also interferes with the audit programme and the ability to report on the audit within the statutory deadline.

BANK RECONCILIATION STATEMENTS

820. The Bank Reconciliation Statements for the Recurrent, Development and Deposits Cashbooks as at 30 June 2008 reflect stale cheques of Kshs.5,485,922.40, Kshs.226,044.10 and Kshs.95,550.00 respectively, all totalling Kshs.5,847,516.10. No reason has been given for not replacing or reversing the cheques in the Ministry's books of account.

Deposits Cashbook

821. The Bank Reconciliation Statement for the Deposits Cashbook reflects amounts totalling Kshs.277,615.00 representing receipt in the Cashbook not recorded in the Bank Statement, some dating to as far back as November 2007. No reason has been given for failure to bank the receipts.

822. The Bank Reconciliation Statement also reflects a balance of Kshs.317,218.05 against payments in the Bank Statement not recorded in the Cashbook, which includes an amount of Kshs.196,268.05 relating to 2006/2007. No reason has been given for not recording the payments in the Cashbook.

Recurrent Cashbook

823. The Bank Reconciliation Statement for the Recurrent Cashbook reflects payments of Kshs.1,068,852.35 in the Bank Statement not in the Cashbook. No reason has been provided for failure to record the payments in the Cashbook.

824. The Statement also reflects amounts totalling Kshs.1,641,619.80, representing receipts in the Cashbook not in the Bank Statement. No reason has been given for this discrepancy.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.16

825. The Statement of Assets and Liabilities for Vote R.16 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.216,665,027.95, brought forward from 2006/2007. No reason has been provided for failure to clear the long outstanding balance from the books of account.

826. The Statement also reflects an Advances Account balance of Kshs.43,533,705.20 comprising an amount of Kshs.17,174,057.60 relating to 2006/2007 and earlier years. Apart from lack of an analysis for the figure of Kshs.43,533,705.20, no reason has been provided for non-recovery of the long outstanding amount of Kshs.17,174,057.60 from the respective payees.

827. The Statement further reflects balances of Kshs.299,500.00 and Kshs.23,689,443.50 relating to Standing and Temporary Imprest Accounts respectively. These two balances have not been analysed, with the result that it has not been possible to confirm their completeness and correctness. Further, the respective amounts of Kshs.159,005.00 and Kshs.12,647,432.75 against the Accounts ought to have been surrendered or otherwise accounted for by 30 June 2008.

828. The Statement shows a General Account of Vote balance of Kshs.1,042,691,581.75 brought forward from 2006/2007 and earlier years. As in the previous instances, no reason has been provided for failure to clear the balance from the books of account.

829. The Statement also shows a figure of Kshs.8,900,929.45 under General Suspense Account, which has not been analysed. Consequently, the completeness and accuracy of the balance could not be ascertained.

830. The Paymaster General Account reflects a debit balance of Kshs.668,813,105.85, while both the Cashbook and the Board of Survey report as at 30 June 2008 indicate a debit amount of Kshs.22,505,570.90. The Bank Certificate on the other hand reflects a figure of Kshs.97,971,948.00 as at the same date. The differences between the three sets of records which should have otherwise shown the same balance as at 30 June 2008 have not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.16

831. The Statement of Assets and Liabilities for Vote D.16 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.1,012,090,676.80 relating to 2006/2007 and earlier years. No reason has been given as to why this balance has remained outstanding in the Ministry's books for a considerably long period of time. Further, the Statement shows a balance of Kshs.1,116,660.30 in respect of the Exchequer Account for 2007/2008, while records at the Treasury

reflect an amount of Kshs.300,000.00 against the same Account. The difference of Kshs.716,660.30 between the two sets of records has not been reconciled or explained.

832. The Statement also reflects a brought forward figure of Kshs.3,333,005.05 in respect of an Excess Vote for 1983/84. This balance has still not been regularized and no reason has been provided for failure to take action in this regard.

833. The Statement further reflects long outstanding balances of Kshs.250,000.00 and Kshs.738,255.00 under Standing and Temporary Imprest Accounts respectively. No explanation has been provided for failure to have the Imprests balances surrendered or otherwise accounted for. In addition, the Temporary Imprest Account cumulative figure of Kshs.2,200,591.00 has not been supported with any documentary evidence, with the result that it has not been possible to confirm its completeness and accuracy.

834. The Statement shows a balance of Kshs.917,525,092.35 under the General Account of Vote, representing a brought forward figure from prior years. No reason has been provided for not clearing this long outstanding balance.

835. The Statement similarly reflects a Paymaster General Account credit balance of Kshs.100,408,336.30, representing an over-drawn Cashbook. No authority from Treasury has however been seen approving overdrawing of the Development Cashbook by an amount of Kshs.100,408,336.30.

MINISTRY OF JUSTICE, NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS

APPROPRIATION ACCOUNT FOR VOTE D.17

Under-Expenditure and Under-Collection of Appropriations-In-Aid

836. The Appropriation Account for Vote D.17 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.355,704,130.35 or about 33% of the approved estimate of Kshs.1,078,890,744.00. The Account also shows gross under-collection of Appropriations-In-Aid of Kshs.243,897,466.80 or 31% of the estimated receipts of Kshs.799,470,744.00.

837. The under-expenditure and under-collection of Appropriations-In-Aid are explained in the footnotes to the Account as being due to non-receipt of donor

funds under GJLOS-MTS3, owing to suspension of the programme following the post - election violence.

Governance Justice Law and Order Sector (GJLOS) Reform Programme

838. The Appropriation Account also reflects Appropriations-In-Aid actual receipts of Kshs.555,573,277.20 under Item 1310200 – Grants from Foreign Governments, Governance, Justice Law and Order Sector (GJLOS) Reform Programme. However, the supporting records show total expenditure of Kshs.556,604,684.00 against the Programme, resulting in an unreconciled difference of Kshs.1,031,406.80.

In addition, while the expenditure records for GJLOS maintained by the Ministry show a balance of Kshs.556,604,684.00, those kept by the Financial Management Agent (KPMG), reflect a figure of Kshs.593,917,783.70. The difference of Kshs.37,313,099.70 between the two sets of records has similarly not been reconciled or explained.

PENDING BILLS

839. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.14,626,665.70 and Kshs.3,492,813.00 chargeable to Recurrent and Development Votes respectively were not paid during the year ended 30 June 2008, but were instead carried forward to 2008/2009.

840. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provision for the subsequent year to which they have to be charged.

OUTSTANDING IMPREST

841. The Ministry's Imprest record reflects imprest balances totalling Kshs.4,615,717.65, which ought to have been surrendered or accounted for on or before 30 June 2008. Out of the above total, imprests amounting to Kshs.3,447,247.55 were owed by officers on Job Group 'M' and above, Kshs.1,054,075.10 by officers on Job Group 'L' and below, while the balance of Kshs.114,395.00 represented standing imprest.

RECURRENT VOTE R.17 – EXPENDITURE DOCUMENTS

Payment of Top-Up Allowances

842. An amount of Kshs.9,350,400.00 was paid between July 2007 and June 2008 as top-up allowance to various officers from the State Law Office (Directorate of Public Prosecutions), Ministry of Justice and Constitutional Affairs (MOJCA) and Criminal Investigation Department (CID). The amount represented

- (i) Although the Office of the President Letter Ref.No.OP/CAB17/89A dated 5 June 2006 approved payment of top up allowances, indications are that the authority to pay the allowance did not define the number of officers eligible for the allowance and the period of time covered by such authority.
- (ii) No quantifiable output or documents were made available as evidence for the exercise carried out, and which would therefore be used as a justification for payment of the allowance to the officers.

Charge of Government Funds on a Function

843. An amount of Kshs.1,260,000.00 was paid through Cashbook voucher No.2704 of 18/3/2008 to a local travel firm for provision of transport, promotional and photography services to the Ministry, during the Commonwealth Law Conference, held in Nairobi between 9th and 13th September 2007. The following observations were made:-

- (i) The Conference would appear to have been a completely private matter under the purview of the Law Society of Kenya (LSK). It has not been clarified how the Ministry got involved in sponsoring the event.
- (ii) Out of the total amount of Kshs.1,260,000.00, an amount of Kshs.725,000.00 (LPO No.821750) went towards purchase of Masai shukas, key holders, signage and invitation cards. It is, however, not clear if the goods were actually received and to whom they were issued since no Counter Receipt Voucher (S13) and Requisition Voucher (S11) seem to have been raised. No evidence was also seen to confirm that the goods were taken on charge in a store ledger card (S3). The balance of Kshs.535,000.00 (LPO 794506) was spent on transportation of 1,300 persons to Nairobi National Park for dinner and photography. There was however no indication of whether the 1,300 persons were actually transported or an identification of those who were.

844. A further sum of Kshs.4,232,500.00 was paid to a local hotel on account of a banquet package for the same group of persons. Similarly, a list of the delegates who attended the function was not availed for audit review.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

845. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2008 reflects receipts of Kshs.16,390.00 in the Bank Statement not in the Cashbook described as “credits without debits”. It has not been clarified as to what these items are and no efforts appear to have been made to identify and have the items entered in the Cashbook.

846. The Statement also reflects payments of Kshs.31,540,281.10 in the Bank Statement not recorded in the Cashbook, which includes an amount of Kshs.30,086,186.45 relating to an exchequer withdrawal, Kshs.1,311,517.05 to cheque payments and Kshs.142,577.60 to twelve (12) items described as “debits without credits”. As in the previous instances, it has not been explained why the “debits without credits” items have not been investigated to establish their nature and source with a view of having the Cashbook updated.

847. The Statement further reflects receipts of Kshs.9,075.95 in the Cashbook not recorded in the Bank Statement, described as Cashbook “overcasts”. No reason has been given as to why the Cashbook has not been adjusted to reflect the correct position.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.17

848. The Statement of Assets and Liabilities for Vote R.17 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.196,456,190.00, which includes an amount of Kshs.196,278,080.00 brought forward from 2006/2007 and earlier years. No explanation has been provided for failure to clear the latter amount.

849. A Paymaster General Account reconciliation between the Cashbook and the Ledger balances shows net cash overcasts and Bank Reconciliation adjustments of Kshs.1,349,171.75 and Kshs.447,787.65 respectively, which have not been analysed or supported with the relevant documentary evidence.

850. The Statement further reflects a Standing Imprests Account debit balance of Kshs.5,572.00, which differs with the Imprests Register figure of Kshs.114,395.00 by Kshs.108,823.00. The difference has not been reconciled and explained.

851. The Statement also reflects a General Account of Vote balance of Kshs.506,391,702.10, which includes an amount of Kshs.459,614,392.15 relating to 2006/2007 and prior years. No reason has been provided for failure to clear the long outstanding balance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.17

852. The Statement of Assets and Liabilities for Vote D.17 as at 30 June 2008 similarly reflects an Exchequer Account debit balance of Kshs.362,755,985.25 which includes an amount of Kshs.249,119,690.00 brought forward from 2006/2007 and earlier years. No explanation has been provided for failure to clear the balance of Kshs.249,119,690.00. In addition, no explanation has also been given for the difference of Kshs.41,940,295.25 between current year's Exchequer Account balance of Kshs.113,636,295.25 and that of Kshs.71,696,000.00 shown in the Treasury records.

853. The Statement also reflects Temporary Imprest and Suspense Account net debit balances of Kshs.140,427.10 and Kshs.435,446.00 respectively, relating to 2006/2007 and earlier years. As in the previous instances, no reason has been given for non-clearance of these balances.

854. The Paymaster General Account balance of Kshs.58,273,235.27 differs from the Cashbook balance of Kshs.31,884,990.60 by Kshs.26,388,244.67. The difference has not been reconciled or explained.

855. The General Account of Vote credit balance of Kshs.421,605,093.62 includes an amount of Kshs.309,798,430.07 relating to 2006/2007 and earlier years. Again, no explanation has been provided for non-clearance of the long outstanding balance.

MINISTRY OF GENDER, CHILDREN AND SOCIAL DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE R.18

Accuracy of the Account

856. The Appropriation Account for Vote R.18 for the year ended 30 June 2008 reflects expenditure and Appropriations-In-Aid balances under various items including personal allowances, under Sub Votes 180, 186 and 187, which do not appear in the Ledger for the month of June 2008. It has not therefore been possible to ascertain the accuracy of the balances in the Appropriation Account. Further, it has also not been explained where the figures reflected in the Account were drawn from.

857. The Appropriation Account Summary also reflects a net expenditure balance of Kshs.1,060,468,149.15, while the main Account shows a net expenditure – Vote R.18 figure of Kshs.1,035,844,656.30. The difference of

Kshs.24,623,492.85 between the two parts of the same Account has not been reconciled or explained.

858. The total Appropriations-In-Aid balance of Kshs.649,164.00 shown in the Appropriation Account Summary differs with the total Appropriations-In-Aid of Kshs.2,321,980.50 recorded under the respective Sub-Votes. As in the previous instance, it has not been explained why the two parts of the same Account would be showing different balances as at the same date.

Grants to Government Agencies and Other Levels of Government

859. The Appropriation Account further reflects grants totalling Kshs.48,119,174.25 paid to various Government Agencies and Other Levels of Government during the year. However, the accuracy and propriety of the expenditure could not be confirmed as the relevant documentary evidence relating to the grants was not made available for audit review. In addition, a grant of Kshs.15,029,951.75 under Sub-Vote 186 Head 900 - Social Services could not be traced in the Ministry's ledger.

Under-Collection of Appropriations-In-Aid

860. The Appropriation Account in addition shows under-collection of Appropriations-In-Aid of Kshs.4,492,632.90 or approximately 87% of the estimated receipts of Kshs.5,141,797.00 for the year. No reasons have been provided for the under-collection.

APPROPRIATION ACCOUNT FOR VOTE D.18

Accuracy of the Account

861. Various items in the Appropriation Account for Vote D.18 for the year ended 30 June 2008 with balances totalling Kshs.1,236,760,343.25 differ with the respective amounts of Kshs.1,360,003,024.50 shown in the Ledger. No reconciliation or explanation has been provided for the differences totalling Kshs.123,242,681.25 between the two sets of records.

Under-Expenditure and Under-Collection of Appropriations-In-Aid

862. The Appropriation Account also reflects gross under – expenditure of Kshs.573,014,885.75, representing approximately 32% of the voted provision of Kshs.1,809,775,229.00. The Account further reflects under-collection of Appropriations-In-Aid of Kshs.516,885,164.00, representing 100% of the estimated receipts.

863. The reasons given in the footnote to the Account for both under-expenditure and under-collection of Appropriations-In-Aid include; lack of expenditure returns from donor agencies and expenditure of units, payment vouchers not having been settled at the close of the financial year and delay in processing payment certificates by Ministry of Public Works.

Capital Grants

864. The Development Appropriation Account shows expenditure totalling Kshs.34,649,348.00 under Sub-Vote 186, on account of Capital Grants to Government Agencies and Other Transfers, and out of which, a balance of Kshs.12,109,000.00 has been supported with documentary evidence. The propriety of the remaining expenditure of Kshs.22,540,348.00 could not therefore be ascertained.

PENDING BILLS

865. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.24,841,070.78 relating to 2007/2008 were not settled during the year but were instead carried forward to 2008/2009. Out of the above total, bills amounting to Kshs.15,143,244.38 related to the Recurrent Vote while the balance of Kshs.9,697,826.40 was in respect of those related to the Development Vote.

866. Had these bills been paid and charged to the accounts for 2007/2008, the Recurrent Appropriation Account for the year ended 30 June 2008 would have reflected a reduced net surplus of Kshs.16,878,808.47 instead of Kshs.32,022,052.85 now shown, while the Development Appropriation Account for the same period would have reflected a reduced net surplus of Kshs.46,431,895.35 instead of Kshs.56,126,721.75 now recorded.

OUTSTANDING IMPRESTS

867. The Ministry's records indicate that temporary imprests balances totalling Kshs.863,939.00 which ought to have been surrendered on or before 30 June 2008 were still outstanding as at that date. The balance includes amounts of Kshs.233,150.00 owed by officers on Job group 'M' and above, Kshs.320,296.00 by officers on Job group 'L' and below, Kshs.219,373.00 by politicians and Kshs.91,120.00 by a consultant.

868. Further, it was noted that five (5) officers with outstanding imprests of Kshs.203,441.00 were cleared for transfer to other Ministries before their imprests had been recovered.

869. It was also observed that the Ministry issued additional imprests totalling Kshs.330,373.00 to various officers before they had surrendered balances previously issued.

IRREGULAR PROCUREMENT OF GOODS AND SERVICES

Unsupported Expenditure

870. The Ministry made various payments totalling Kshs.2,087,810.00 in respect of air tickets, hotel accommodation and assorted goods for workshop participants in Kilifi, Kakamega and Wajir. The payments were, however, not supported with the relevant documentary evidence, including payment vouchers, hotel receipts or tickets. Consequently, it has not been possible to ascertain the propriety of the expenditure of Kshs.2,087,810.00

Procurement of Computers and Accessories

871. During the year under review, the Ministry purchased through request for quotation sixty one (61) computers from various suppliers, at a total cost of Kshs.7,294,400.00. The Ministry, however, appears to have split the procurement apparently to avoid the use of open tendering procedure, contrary to Section 30 of the Public Procurement and Disposal Act, 2005.

872. Further information available indicate that when the sixty one (61) computers were delivered and inspected on 10 December 2007 and 28 January 2008 by the Information Communication Technology (ICT) Unit of the Ministry, it was discovered that the Microsoft Office CDs and antivirus software had not been installed in the computers, despite the fact that the two components were part of the specifications and conditions of supply. Consequently, the ICT unit recommended stoppage of payments for the computers until the two pieces of softwares were installed. The Ministry however appears to have ignored the recommendation of the unit and paid in full the amount of Kshs.7,294,400.00 due to the suppliers without the software having been installed.

WOMEN ENTERPRISE FUND

Inadequate Accounting Records

873. The Administrator of the Women Enterprise Fund does not appear to have maintained basic books of account for the Fund during the year. For instance, no Ledger or Trial Balance for the Fund was produced for audit review. The Accounts for 2007/2008 therefore appear to have been prepared using manual records such as payment vouchers, Cashbooks and Bank Statements.

Loans to Micro Finance Intermediaries

874. The Fund's Balance Sheet figure of Kshs.317,000,000.00 in respect of loans granted to Micro Finance Intermediaries relates to disbursements made to thirteen (13) financial intermediaries for on-lending to various women enterprises and groups during the year. However, it has not been clarified as to how the thirteen (13) intermediaries were identified and considered as eligible for loan purposes, as records showing the selection criteria applied during the process were not made available for audit review.

875. The guidelines issued by the Ministry for the management of Women Enterprise Fund stipulate among other aspects that the financial intermediary will seek approval from the Fund's Advisory Board, for loan amounts exceeding Kshs.500,000.00. Further, the object and purpose of the Fund as outlined in the Government Financial Management (Women Enterprise Fund) Regulations, 2007 do not envisage or consider male Kenyans as direct beneficiaries of the Fund. However, Pamoja Women Development Group contravened these guidelines and regulations during the year and went ahead and issued loans in excess of Kshs.500,000.00 to various beneficiaries, without the approval of the Advisory Board. Such loans totalled Kshs.7,800,000.00 as at 30 June 2008.

876. The group also appears to have extended loans totalling Kshs.3,000,000.00 from the Fund to four (4) male Kenyans. Clearly, this was in contravention of the guidelines and regulations governing the Fund.

Loans to Constituencies Women Groups

877. The Fund's Balance Sheet also reflects a balance of Kshs.2,870,000.00 disbursed to constituencies during the year to benefit fifty eight (58) women groups under the Constituency Women Development Scheme. However, the receipt of the funds by the Women Schemes could not be ascertained as no documentation in that respect has been made available at the Ministry's headquarters.

Unsurrendered Authorities to Incur Expenditure

878. The Balance Sheet further reflects a figure of Kshs.8,400,000.00 in respect of Authorities to Incur Expenditure (AIE) issued to various District Gender and Development Officers, for use in community mobilization and education on the Women Enterprise Fund. No expenditure returns in respect of the AIEs were however produced for audit review, and as a result, it has not been possible to ascertain that the funds represented by the AIEs were utilized for the intended purposes and that such funds were properly accounted for.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.18

879. The Statement of Assets and Liabilities for Vote R.18 as at 30 June 2008 reflects Exchequer Account and General Account of Vote debit and credit balances totalling Kshs.203,591,414.55 and Kshs.354,451,120.20 respectively, relating to 2006/2007 and prior years. As similarly observed in the previous year's report, these balances have been outstanding for a considerably long period of time.

880. The closing balances in respect of Exchequer, Imprest, Advances, Clearance General Suspense, General Account of Vote and Paymaster General Accounts as reflected in the audited Statement of Assets and Liabilities for Recurrent Vote R.18 for 2006/2007 were incorrectly brought forward as opening balances in the Statement for 2007/2008. No explanation has been provided for the discrepancies.

881. The Statement also reflects a Paymaster General Account balance of Kshs.5,976,860.25, while the Cashbook as at 30 June 2008 shows an amount of Kshs.280,034.80. The difference of Kshs.5,696,825.45 between the two sets of records has not been reconciled or explained.

882. The Statement further reflects a long outstanding Imprests Account debit balance of Kshs.1,357,166.40, which had not been surrendered or otherwise accounted for on or before 30 June 2008.

883. The Statement in addition reflects a General Account on Vote balance of Kshs.32,020,050.85 for 2007/2008 which however differs with the net surplus to be surrendered to the Exchequer of Kshs.32,022,050.85 shown in the Recurrent Appropriation Account for Vote 18 for the year then ended. No reconciliation or explanation has been provided for the resultant difference of Kshs.2,000.00 between the two records.

884. The Statement also shows Accounts balances totalling Kshs.264,010,572.95 for which no analyses have been provided to show what they represent.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.18

885. The Statement of Assets and Liabilities for Vote D.18 as at 30 June 2008 reflects various account balances under Paymaster General, General Account of Vote and District Suspense Accounts, brought forward from 2006/2007, which however differ with the respective closing balances shown in the audited Statement for 2006/2007. No reconciliation or explanation has been provided for the discrepancies.

886. The Statement also reflects various account balances under Exchequer, Imprests, Paymaster General, General Account of Vote and District Suspense Accounts relating to 2006/2007 and earlier years, which have not been cleared from the books of account. No reason has been provided for failure to clear the long outstanding balances.

887. The Statement further reflects a balance of Kshs.35,124,185.30 under the Paymaster General Account, while both the Cashbook and the Board of Survey Report as at 30 June 2008 show an amount of Kshs.26,815,502.95 against the same Account. The difference of Kshs.8,308,682.35 between the two sets of records has not been reconciled or explained.

888. The Statement shows a credit balance of Kshs.2,703,207.00 against the Imprests Account. No reason has been given for this unusual credit balance in an account which under normal circumstances should reflect nil or a debit balance.

889. The balances of Kshs.55,534,757.60, Kshs.2,703,207.00 and Kshs.36,127,891.05 relating to Inter-Ministerial Agency, Imprests and District Suspense Accounts respectively, have not been analysed. As a result, it has not been possible to ascertain their completeness and accuracy.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

890. The Statement of Assets and Liabilities for Deposits 18 as at 30 June 2008 reflects various account balances under Agency, Imprest and Advances, Non-Existent, General Deposits, Miscellaneous Deposits, Headquarter Deposits and General Suspense Accounts relating to 2006/2007 and earlier years, and which were cleared during the year under review. Documents to support clearance of the balances during the year have not however been made available for audit review.

891. The Statement also reflects various other Account balances under Imprest and Advances, Retention Money, General Deposits and Miscellaneous Deposits Accounts brought forward from 2006/2007, but which differ with those appearing in the audited Statement for that year. No reconciliation or explanation has been provided for the discrepancies.

892. The balances of Kshs.225,897.10 and Kshs.7,497,876.85 under Miscellaneous Deposits and General Suspense Accounts in the Statement have not been analysed, with the result that it has not been possible to ascertain their completeness and accuracy.

893. The Statement's Paymaster General Account balance of Kshs.7,723,773.95 differs with the Ledger's figure of Kshs.20,537,410.25 by Kshs.12,813,636.30. Again, and as in previous instances, no reconciliation or explanation has been provided for the difference.

MINISTRY OF LIVESTOCK DEVELOPMENT

RECURRENT APPROPRIATION ACCOUNT FOR VOTE R.19

Grants to Kenya Meat Commission

894. The Appropriation Account for Vote R.19 for the year ended 30 June 2008 reflects a payment of Kshs.300,000,000.00 to the Kenya Meat Commission, under Sub-Vote 190 – General Administration and Planning, Head 640 – Headquarters Administrative and Technical Services, Item 2630100- Current Grants to Government Agencies and Other Level of Government.

895. According to a Treasury Letter dated 20 December 2007, the above payment was meant to enable Kenya Meat Commission consolidate its market and to continue with normal operations. Further information available however show that the above amount was as now confirmed a loan to the Commission and the Ministry of Livestock Development was therefore expected to work out a loan repayment plan with the Commission and to have such plan implemented.

896. Records so far seen do not indicate any repayment plan as having been drawn between the Ministry and the Commission, implying that no repayments have been effected to date. It has also not been clarified why the Treasury directive on the loan repayment has apparently not been complied with or when such repayments would commence.

Failure to Provide Footnotes for Material Differences

897. The Financial Regulations and Procedures require that footnotes be provided to explain variance of over Kshs.1,000,000.00 above or below the approved estimates and actual expenditure or collection of Appropriations-In-Aid. The Appropriation Account however reflects variances in excess of Kshs.1,000,000.00 under thirty nine (39) items under Sub-Votes 190,191 and 193, for which no footnotes have been provided.

APPROPRIATION ACCOUNT FOR VOTE D.19

Under-Expenditure and Under-Collection of Appropriations-In-Aid

898. The Appropriation Account for Vote D.19 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.992,127,588.15 or approximately 53% of the approved estimates of Kshs.1,880,635,250.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.665,550,687.25 or about 79% of the estimated receipts of Kshs.839,453,050.00.

899. The reasons provided in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; non-commencement of budgeted activities, delays in procurement, over-estimation and low rate of grant absorption.

Excluded Expenditure

900. Expenditure amounting to Kshs.149,596,393.20 in respect of Pan African Tsetse and Trypanosomiasis Eradication Campaign Project – PATTEC, has not been captured and accounted for in the Appropriation Account. The total expenditure recorded against Vote D.19 has therefore been understated by an equivalent amount.

Failure to Provide Footnotes for Material Differences

901. The Appropriation Account also reflects variances in excess of Kshs.1,000,000.00 between approved and actual expenditure or collection of Appropriations-In-Aid, against thirty four (34) items under Sub-Votes 190,191 and 193, for which no footnotes have been provided. No reason has been provided for the omission.

PROCUREMENT OF GOODS

Stores not taken on Charge

902. The Ministry incurred during the year expenditure totalling Kshs.17,491,132.40 on various goods including office equipment, tyres, tubes, motor bikes fuel and LP Gas. These goods do not however, appear to have been entered in the stock control records and as a result, it has not been possible to ascertain how they were accounted for.

VETERINARY SERVICES DEVELOPMENT FUND

903. The Veterinary Services Fund's balance sheet as at 30 June 2008 reflects an Accumulated Fund brought forward balance of Kshs.10,215,775.69, which differs with the closing balance of Kshs.12,253,917.59 reflected in the audited

Fund's Accounts for 2006/2007. The resultant difference of Kshs.2,038,141.90 has not been reconciled or explained.

904. The Fund's balance sheet also reflects a bank balance of Kshs.3,616,000.39, while the Cashbook as at 30 June 2008 shows an amount of Kshs.3,994,434.80. As in the previous instance, the resultant difference of Kshs.378,434.41 between the two sets of records has not been reconciled or explained.

905. The balance sheet further reflects a Temporary Imprests Account balance of Kshs.6,509,118.00 which includes an amount of Kshs.4,298,762.15 relating to 2006/2007 and earlier years. No reason has been given for failure to surrender or otherwise account for the balance of Kshs.4,298,762.15, which has been outstanding for a considerably long period of time.

906. The Accounts do not show the comparative figures for 2006/2007 as required by section 11.10 of the Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.19

907. The Statement of Assets and Liabilities for Vote R.19 as at 30 June 2008 reflects a balance of Kshs.188,440,147.15 under the Paymaster General Account, while the Cashbook as at the same date shows an amount of Kshs.144,215,969.30. The difference of Kshs.44,224,177.85 between the two sets of records has not been reconciled or explained.

908. The Statement also reflects Standing and Temporary Imprests Accounts debit balances of Kshs.1,638,688.70 and Kshs.6,280,604.80 respectively, which have not been supported with analyses. The balances also include amounts of Kshs.1,355,873.20 and Kshs.790,629.45 respectively relating to 2006/2007 and earlier years. No reasons have been provided for the non-surrender of these long outstanding imprest balances on their due dates.

909. The Statement further reflects various other balances under Clearance, Advances, Agency, District Suspense and Suspense Accounts, against which no analyses or other supporting documents have been provided.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.19

910. The Statement of Assets and Liabilities for Vote D.19 as at 30 June 2008 reflects a balance of Kshs.13,278,067.90 under the Paymaster General Account, while the Cashbook as at the same date shows an amount of Kshs.1,272,277.75. The difference of Kshs.12,005,790.15 between the two sets of records has not been reconciled or explained.

911. The Statement also reflects an Exchequer Account debit balance of Kshs.228,353,050.00 for the year under review, while records maintained at the Exchequer Section, Treasury show a figure of Kshs.353,050.00. No reconciliation or explanation has been provided for the difference of Kshs.228,000,000.00.

912. The Statement further reflects Standing and Temporary Imprests debit balances of Kshs.40,000.00 and Kshs.559,906.25 respectively which have not been analysed. As a result, the completeness and accuracy of the balances could not be ascertained. Further, the balances ought to have been surrendered or otherwise accounted for on or before 30 June, 2008.

913. The Statement shows Suspense Account and District Suspense debit balances of Kshs.409,451,532.25 and Kshs.27,539,628.95 respectively which have not been supported with the relevant schedules. Consequently, it has not been possible to ascertain their completeness and accuracy. The two balances also include figures of Kshs.185,398,274.25 and Kshs.27,539,628.95 respectively, relating to 2006/2007. No reason has been provided for non-clearance of the two long outstanding balances.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

914. The Statement of Assets and Liabilities for Deposits 19 as at 30 June 2008 reflects a credit balance of Kshs.381,197.00 under the Temporary Imprests Account, and another of Kshs.30,000.00 in respect of the Standing Imprests Account. No analyses have been provided to support the two balances and as a result, it has not been possible to ascertain their accuracy or establish what they represent. The unusual credit balances under the Temporary and Standing Imprest Accounts have also not been explained.

915. The Statement also reflects a balance Kshs.323,383.80 under the District Suspense Account which has not been analysed. Consequently, it has not been possible to ascertain its completeness and correctness. The Statement similarly shows a figure of Kshs.103,668.00 against the Suspense Account (Head 369), relating to 2006/2007 and earlier years. No reason has been provided for failure to clear the long outstanding balance.

916. The Statement in addition reflects various other credit balances totalling Kshs.78,448,810.35 against Deposits, Miscellaneous and Kenya Meat Commission Accounts, whose analyses have not been provided for audit verification. The completeness and accuracy of the balances could not therefore be ascertained.

MINISTRY OF WATER AND IRRIGATION

APPROPRIATION ACCOUNT FOR VOTE R.20

Submission of Inaccurate Account

917. The Appropriation Account for Vote R.20 for the year ended 30 June 2008 submitted for audit on 30 September 2008 was not accurate as various figures in the Appropriation Account differed with those reflected in the June Ledger, from which the Account was drawn. The Account has not yet been revised and the differences have not been reconciled or explained.

Excess Vote

918. The Appropriation Account reflects an excess vote of Kshs.103,103,479.43. The excess vote was caused mainly by a deficiency in Appropriations-In-Aid of Kshs.965,164,514.35 or approximately 96% of the estimated receipts of Kshs.1,002,140,000.00. The deficiency in Appropriation-In-Aid has been attributed to lack of documentation to capture expenditure and Appropriations-In-Aid.

Excluded Expenditure

919. Examination of payment records for 2007/2008 revealed that payments totalling Kshs.8,515,018.05 were not posted to the Ledger during the year and were therefore excluded in the Appropriation Account. No reason has been provided for failure to include the expenditure in the Account.

Grants to Water Service Board

920. The Appropriation Account also reflects Grant Payments totalling Kshs.78,246,432.00 to Tana Water Services Board and Northern Water Services Board during the year.

921. These Boards have not however prepared and submitted for audit the Accounts for 2007/2008, with the result that it has not been possible to ascertain that the grant payments of Kshs.78,246,432.00 were received in full and that such payments were utilized for the intended purposes.

APPROPRIATION ACCOUNT FOR VOTE D.20

922. The Appropriation Account for Vote D.20 for the year ended 30 June 2008 reflects surplus of gross estimates over expenditure of Kshs.2,222,816,468.75, representing approximately 19% of the estimated expenditure of Kshs.11,655,203,644.00. The Appropriation Account also reflects under-

collection of Appropriations-In-Aid of Kshs.1,354,255,298.41 or approximately 28% of the estimated receipts of Kshs.4,732,698,844.00.

923. According to the footnotes to the Account, the under-expenditure and under-collection of Appropriations-In-Aid were caused by; under-estimation, liquidity problems, delay in concluding tenders and non receipt of expenditure returns from the donors.

PENDING BILLS

924. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.96,401,372.15 relating to the year 2007/2008 were not settled during the period but were instead carried forward to 2008/2009. Out of the total, bills amounting to Kshs.55,793,972.70 were chargeable to the Recurrent Vote and the balance of Kshs.40,607,399.45 to the Development Vote.

925. Had these bills been paid and the expenditure charged to the accounts for 2007/2008, the Recurrent Appropriation Account for 2007/2008 would have reflected an excess vote of Kshs.158,897,452.13 instead of Kshs.103,103,479.43 now recorded, while the Development Appropriation Account for the same period would have reflected a net surplus of Kshs.827,953,770.89 instead of Kshs.868,561,170.34 now shown.

IRREGULAR PAYMENTS – KAKAMEGA CENTRAL DISTRICT IRRIGATION PROJECT

926. Examination of records held at the Kakamega Central District Irrigation Office revealed that quotation requests for the construction of Ikonyero Drainage Project were floated on 24 May 2007 and 24 October 2007. The scope of the construction works included spring protection, excavation, water collection drains and culverts. The contract was awarded to the lowest bidder, a construction company based in Kakamega, at a price of Kshs.967,120.00.

927. The contractor subsequently raised two invoices of Kshs.474,295.00 and Kshs.492,825.00 on 8 June 2007 and 12 November 2007 respectively purportedly for work done and two payments of equivalent amounts were effected through payment vouchers No.200211 of 20 June 2007 and No.55981 of 26 November 2007 respectively.

928. A site visit to the project undertaken on 3 April 2008, however, revealed that although the two payments had been made, no work (except spring protection costing Kshs.30,000.00) had been carried out and the contractor was not on site. Efforts to gather more information on the apparently stalled project were also not successful.

929. The Payment of Kshs.967,120.00 to the contractor was therefore ineligible and irregular.

ENCASHMENT OF CHEQUES - RONGO DISTRICT WATER AND IRRIGATION OFFICE

930. Examination of records maintained at the Rongo District Water and Irrigation Office in respect of a bank account held at the National Bank of Kenya, Rongo Branch revealed that various cheques payable to suppliers and totalling Kshs.1,179,208.00 were posted to the Cashbook as payments between October 2007 and June 2008.

931. A review of the bank statements in respect of the account for the same period however revealed that the cheques were irregularly encashed at the bank by an official either at the Water and Irrigation Office or District Treasury.

No evidence has been seen to confirm that the sum of Kshs.1,179,208.00 was eventually paid over to the intended suppliers. The amount had also not been accounted for as at 30 June 2008.

UNCOLLECTED WATER REVENUE AND UNACCOUNTED FOR RECEIPT BOOKS

Unaccounted for Receipt Books

932. It was noted that six (6) water receipt books issued between October 2007 and February 2008 to Tambach, Kapkoi and Chepkosio Water Supply Stations for use in revenue collection had not been accounted for as at 30 June 2008. As a result it has not been possible to ascertain the amount of revenue received on account of the six receipt books. It has also not been possible to establish how such revenue was accounted for.

MT. ELGON DISTRICT WATER AND IRRIGATION OFFICE

Arrears of Water Revenue

933. Water revenue totalling Kshs.799,741.00 owed by various individuals at various water zones in Mt. Elgon District was outstanding as at 30 June 2008.

934. Although the Mt. Elgon District Water and Irrigation Officer in a response to a management letter earlier sent to him, had indicated that concerted efforts had been made to collect the outstanding revenue, this position was not evident on the ground and the balance of Kshs.799,741.00 was still outstanding as at 30 June 2008.

Unaccounted for Stores

935. During the year under review, the District Water and Irrigation Office purchased various stores worth Kshs.3,645,540.00 for use at the Chesikaki Water Supply. However, the goods do not appear to have been taken on charge and entered in the respective stores ledger and other related records. Consequently, the propriety of expenditure of Kshs.3,645,540.00 could not be ascertained.

IRREGULAR CASH WITHDRAWALS - SIAYA DISTRICT WATER AND IRRIGATION OFFICE

936. Examination of records maintained at the Siaya District Water and Irrigation Office in respect of a bank account held at the Kenya Commercial Bank, Siaya Branch revealed that various cheques for amounts totalling Kshs.545,000.00 payable to suppliers were posted to the Cashbook during the year, but were irregularly encashed at the Bank by officers either at the District Water and Irrigation Office or District Treasury.

937. There is no evidence, however, to confirm that the sum of Kshs.545,000.00 was eventually paid over to and signed for by the respective payees and indications are, therefore, that the amount of Kshs.545,000.00 may have been misappropriated.

IRREGULAR CASH WITHDRAWALS - NYAMIRA DISTRICT WATER AND IRRIGATION OFFICE

938. Examination of records maintained at the Nyamira District Water and Irrigation Office in respect of a bank account held at the Kenya Commercial Bank, Nyamira Branch revealed that various cheques for amounts totalling Kshs.700,612.00 payable to various suppliers and the Commissioner of Value Added Tax (VAT) were posted to the Cashbook between December 2007 and June 2008. The cheques were irregularly encashed at the Bank by officers either at the District Treasury or Water and Irrigation Office.

939. There is no evidence, however, to confirm that the sum of Kshs.700,612.00 was eventually paid over to and signed for by the respective payees and indications are therefore, that the amount of Kshs.700,612.00 may have been misappropriated.

ARREARS OF WATER REVENUE - TRANSMARA DISTRICT WATER AND IRRIGATION OFFICE

Arrears of Water Revenue

940. The water records at the Transmara District Water and Irrigation Office reflect outstanding water revenue amounting to Kshs.2,057,200.00, owed by various individuals and which had not been collected as at 30 June 2008. No reason has been provided for failure to collect the revenue.

UNCOLLECTED WATER REVENUE - KOIBATEK DISTRICT WATER AND IRRIGATION OFFICE

941. Examination of revenue records at the Koibatek District Water and Irrigation Office revealed that revenue totalling Kshs.1,174,386.45 had not been collected as at 30 June 2008. The revenue ought to have been collected and accounted for between September 1981 and May 2008. As in the previous instances, no reason has been given for failure to collect the revenue.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.20

942. The Statement of Assets and Liabilities for Vote R.20 as at 30 June 2008 reflects various Accounts with debit and credit balances totalling Kshs.1,232,954,959.10 and Kshs.8,837,025,898.60 respectively, all relating to 2007 and prior years. No reasons have been provided for failure to clear these long outstanding balances from the Ministry's books of account.

943. The Statement also reflects various debit and credit Account balances totalling Kshs.117,262,924.65 and Kshs.13,122,027,005.12 respectively, whose analyses have not been provided. In the absence of the analyses, it has not been possible to confirm the completeness and accuracy of the balances.

944. The Statement further reflects an Advance Account debit balance of Kshs.3,586,306.10, which differs with the Ministry's Advances Register figure of Kshs.3,528,706.66 as at 30 June 2008 by an amount of Kshs.57,599.44. No reconciliation or explanation has been provided for the difference between the two sets of records.

945. The Statement also shows a General Account of Vote credit balance of Kshs.103,103,479.43 for 2007/2008 while the Appropriation Account for Vote R.20 for the year reflects an excess vote of an equivalent amount. No explanation has been provided for this discrepancy.

946. The Statement further shows a Paymaster General Account (PMG) debit balance of Kshs.12,524,693,707.00 which differs with the Ledger figure of Kshs.4,998,996,960.92 by an amount of Kshs.7,525,696,746.08. The PMG

balance also differs with the Cashbook figure of Kshs.275,644.40 by a sum of Kshs.12,524,418,062.60. As in the previous instances, no reconciliation or explanation has been given for the differences between the three sets of records.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.20

947. The Statement of Assets and Liabilities for Vote D.20 as at 30 June 2008 reflects various debit and credit balances totalling Kshs.3,727,794,611.10 and Kshs.12,392,415,929.30 respectively, under various Accounts which have not been supported with analyses. In the absence of the analyses, it has not been possible to confirm the accuracy and completeness of the balances.

948. The Statement also reflects various excess vote balances totalling Kshs.278,619,645.50, relating to the period between 1979/80 and 1990/91. No reason has been provided for failure to have the balances regularized.

949. The Statement further reflects various Exchequer Under Issues totalling Kshs.2,695,048,558.30, relating to 2006/2007 and earlier years. As in the previous instance, no reason has been given for non-clearance of these long outstanding balances.

950. The Statement also shows various General Account of Vote (GAV) credit balances totalling Kshs.2,924,632,651.35, relating to 2006/2007 and prior years. Similarly, failure to surrender the surplus balances to the Exchequer has not been clarified.

951. The Statement further shows the current year's GAV credit balance of Kshs.2,093,153,996.64 while the Appropriation Account for Vote D.20 for the same period reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.868,561,170.34. The difference of Kshs.1,224,592,826.30 between the two sets of records has not been reconciled or explained.

952. The Statement also reflects a Paymaster General Account balance of Kshs.10,633,219,783.60, while the Cashbook as at 30 June 2008 shows an amount of Kshs.82,687,924.85. The resultant difference of Kshs.10,550,531,858.70 between the Statement and the Cashbook figures has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

953. The Statement of Assets and Liabilities for Deposits 20 as at 30 June 2008 reflects various Miscellaneous Deposits Accounts with debit balances totalling Kshs.113,777,339.03 and other credit balances amounting to Kshs.125,373,165.50 which have not been analysed. Consequently, it has not been possible to ascertain the correctness of the Miscellaneous Deposits balance shown in the Statement. Further, no explanation has been given for

debit balance of Kshs.113,777,339.03 in an Account which under normal circumstances should reflect a credit or nil balance.

954. The Statement also reflects a Paymaster General Account debit balance of Kshs.11,595,827.20, which differs with the Cashbook balance of Kshs.12,303,311.50 by Kshs.707,484.30. The difference has not been reconciled or explained.

MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES

APPROPRIATION ACCOUNT FOR VOTE R.21

Unvouched Expenditure

955. The Appropriation Account for Vote R.21 for the year ended 30 June 2008 reflects total expenditure of Kshs.989,378,950.90, out of which a sum of Kshs.476,776,246.50 incurred under various Heads and representing approximately 48% of the total expenditure recorded against the Vote, was not supported with relevant payment vouchers and other related records. Consequently, it has not been possible to confirm the propriety of the expenditure.

APPROPRIATION ACCOUNT FOR VOTE D.21

Delay in Submission of Accurate Development Appropriation Account

956. Section 4 of the Public Audit Act, 2003 requires each Accounting Officer to prepare and submit for audit the appropriation accounts and other financial statements within three months after the end of the financial year to which the accounts relate. The Ministry, and pursuant to the Act submitted the Development Appropriation Account for 2007/2008 on 30 September 2008. The Appropriation Account submitted was however found to be inaccurate and many balances reflected in the Account differed with the respective figures shown in the Ledger for the month of June 2008, against which the Account had been prepared. Consequently, the Account was returned to the Ministry for revision. The revised Account was resubmitted on 31 December 2008, three months after the deadline set in the Act.

957. The delay in the submission of accurate financial statements for audit not only contravenes the law but also interferes with the audit programmes and my ability to report by the statutory deadline as spelt out in the Act.

Under-expenditure and Under-collection of Appropriations-In-Aid

958. The Appropriation Account for Vote D.21 reflects gross under-expenditure of Kshs.679,830,886.45 or approximately 55% of the approved estimates of Kshs.1,229,646,596.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.547,112,186.15 or about 74% of the estimated receipts of Kshs.733,975,554.00. The under-expenditure and under-collection of Appropriations-In-Aid occurred mainly under Sub-Votes 210, 214,215 relating to General Administration, Department of Resource Survey and Remote Sensing and Environmental Management and Protection respectively.

959. The reasons given in the footnotes for the under-expenditure and under-collection of Appropriations-In-Aid include; liquidity problem due to under-issue of voted provisions, non-release of funds by the donors, non-extension of Multi-Donor Trust Fund Programme, lack of details of the Appropriations-In-Aid grants from the donors and Appropriations-In-Aid not being fully funded by the donor.

PROCUREMENT OF X-RAY DIFFRACTOMETER (XRD) EQUIPMENT

960. The Ministry in May 2007, awarded a contract for the supply, delivery, installation and commissioning of an X-Ray Diffractometer equipment with accessories to a foreign firm at a total cost of Kshs.22,928,694.50, inclusive of 16% VAT, through direct procurement method, as provided for under Section 74(3) of the Public Procurement and Disposals Act, 2005. The procurement was, however, not effected during the year but funds were re-voted for the purpose in the 2007/2008 financial year.

961. In their request for re-voting of funds, the users (Mines and Geology Department) had expressed the need to procure a modern computer controlled Diffractometer, to replace the old and broken down analog equipment at the Department. The equipment was also expected to boost the Department's analytical capability and capacity, as well as enhance revenue and Appropriations-In-Aid collection from services rendered to both public and private sectors. The equipment was also indicated as being a prerequisite for the ISO17025 accreditation.

962. Records available show that the Ministry paid on 14 February 2008 a total of Kshs.22,928,694.50 (Euro.249,380.00) to the firm, which included VAT of Kshs.3,162,576.55. A further amount of Kshs.3,115,455.90 was to be paid later to Central Bank of Kenya as a result of foreign exchange rate losses. It is not however clear why the Ministry did not net-off the VAT from the total sum of Kshs.22,928,694.50 as normally would have been expected. Further, no documentary evidence has been seen to confirm that the amount of Kshs.3,162,576.55 was refunded by the firm and subsequently paid over to the Kenya Revenue Authority.

963. Although information available indicate that the new equipment was delivered in March 2008, it has not however been installed, over one year since it was purchased. The reasons provided for the delay in the installation of the equipment soon after delivery includes the fact that the existing laboratory space was inadequate to accommodate it and that the requisite electrical works had not been carried out. It has not, however, been explained why these issues had not been foreseen and conclusively addressed before the equipment was purchased.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.21

964. The Statement of Assets and Liabilities for Vote R.21 as at 30 June 2008 reflects debit balances totalling Kshs.68,490,120.05 and credit balances totalling Kshs.882,591,184.90 which have not been analysed. The Ministry has not however given reasons for failure to provide the analyses in support of the balances.

965. The Statement also reflects Standing and Temporary Imprest balances of Kshs.3,780,402.10 and Kshs.37,404,836.25 respectively, relating to 2006/2007 and prior years. No reason has been given for failure to surrender or otherwise account for these long outstanding imprest balances.

966. The Statement further reflects a Salary Advances debit balance of Kshs.18,225,130.05, which includes an amount of Kshs.17,850,676.00 relating to 2006/2007 and earlier years. The long outstanding balance of Kshs.17,850,676.00 ought to have been cleared from the books of account on or before 30 June 2008.

967. The Statement in addition reflects Excess Vote balances totalling Kshs.4,403,943.90 and GAV (net surplus) balances of Kshs.761,149,730.00 relating to the period between 1983/1984 and 2006/2007. It has not however been clarified why the excess vote total of Kshs.4,403,943.00 has not been regularized or the net surplus figure of Kshs.761,149,730.00 remitted to the Exchequer.

968. The Statement shows Exchequer Account balances totalling Kshs.325,584,583.00 in respect of Exchequer Under Issues for the period between 1995/1996 and 2006/2007, which have remained uncleared for a considerably long period of time. As in the previous instances, no reasons have been provided for failure to clear the under-issues.

969. The Statement also shows Excess Appropriations-In-Aid for the year 2002/2003 amounting to Kshs.52,224,668.50, which has not been surrendered to the Exchequer as required by Financial Regulations and Procedures. No reason has been given for non-surrender of the balance.

970. The Paymaster General Account (PMG) debit balance of Kshs.1,305,908,906.25 as at 30 June 2008 differs with June I Ledger balance of Kshs.6,469,046,004.65, by an amount of Kshs.5,163,137,098.40. The PMG balance further differs with the Cashbook balance of Kshs.3,383,818.70 by a figure of Kshs.1,302,525,087.55. No reconciliation or explanation has been provided for the differences between the three sets of records.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.21

971. The Statement of Assets and Liabilities for Vote D21 as at 30 June 2008 reflects various debit and credit balances totalling Kshs.150,759,939.80 and Kshs.640,033,670.20 respectively, which have not been analysed. In absence of the analyses for the balances, it has not been possible to establish what they represent. In addition, it has also not been clarified what the credit balance of Kshs.192,500,509.90 under the Standing Imprest Account represents.

972. The Statement also reflects various Exchequer Account balances totalling Kshs.1,108,094,868.00, relating to the period 1994/95 to 2005/2006. No reasons have been given for failure to clear these long outstanding balances.

973. The Statement further reflects General Account of Vote balances totalling Kshs.1,512,859,599.95 for the years between 1994/95 and 2005/2006. Similarly, no reasons have been provided for failure to clear the balances from the Ministry's books of account.

974. The Statement reflects an Excess Vote of Kshs.36,458,423.85 relating to 2002/2003. No explanation has been given as to why the Excess Vote has not been regularized and cleared from the books of account.

975. The Statement shows a Paymaster General Account debit balance of Kshs.968,682,886.65, while both the Development Cashbook and Board of Survey Report as at 30 June 2008 show a balance of Kshs.6,363,878.65. The difference of Kshs.962,319,008.00 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

976. The Statement of Assets and Liabilities for Deposits 21 as at 30 June 2008 reflects various debit and credit balance of Kshs.28,373,848.00 and Kshs.418,881,132.45 respectively, which have not been analysed. No explanation has been given for not providing the analyses to support the balances.

977. The Statement also reflects a Vote Adjustment Account – Ministry of Water credit balance of Kshs.224,178,324.60 relating to 2006/2007 and prior years, which differs with the June Ledger balance of Kshs.3,017,480.55. The

difference of Kshs.221,160,844.05 between the two sets of records has not been reconciled or explained. Further no reason has been given for not clearing the balance Kshs.224,178,324.60 from the books of account.

978. In addition, the Statement reflects a Paymaster General Account debit balance of Kshs.390,507,284.10, which differs with the Trial Balance figure of Kshs.355,767,184.58 and the Cashbook balance of Kshs.171,925,535.30 by Kshs.34,740,099.52 and Kshs.218,581,748.80 respectively. The differences between the three sets of records have not been reconciled or explained.

MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING

OUTSTANDING IMPRESTS

979. Records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.583,086.00, which ought to have been surrendered or accounted for on or before 30 June 2008 were still outstanding as at that date.

FAILURE TO PROVIDE FOOTNOTES FOR MATERIAL VARIANCES IN THE APPROPRIATION ACCOUNT FOR VOTE R.22

980. The Ministry has not provided footnotes to various material variances between approved estimates and actual expenditure of collection of Appropriations-In-Aid under Heads 571, 706, 708, 709, 710 and 824 in the Appropriation Account for Vote R.22 for the year ended 30 June 2008.

981. Failure to provide footnotes for variances in excess of Kshs.1,000,000.00 contravenes the provisions of Paragraph 11.7.2(a) of the Financial Regulations and Procedures.

MANAGEMENT AND SUPERVISION FUND

Annual Registration of Auditors

982. The Income and Expenditure Account reflects an income of Kshs.640,500.00 against Annual Registration of Auditors. This amount has not however been supported with the relevant documentary evidence including, receipt vouchers and income schedule, consequent upon which, it has not been possible to confirm its completeness and accuracy.

Unanalysed balances

983. Amounts totalling Kshs.47,509,352.65 under Co-operative Society Control Account and Debtors – Management and Supervision Fees in the Balance Sheet have not been analysed. In the absence of the analyses, it has not been possible to confirm their completeness and accuracy.

Furniture and Equipment

984. The Furniture and Equipment balance of Kshs.7,522,455.55 brought forward from 2007/2008 was cleared during the year under review. However, documents to support the clearance have not been seen and as a result, the nil balance against the Account as at 30 June 2008 could not be confirmed.

Debtors

985. The Ministry does not appear to have a policy on provision for bad debts. Consequently, no provision for such debts was made during 2007/2008. For this reason therefore, the existence and valuation of the debtors balance of Kshs.42,882,480.45 as at 30 June 2008 could not be ascertained.

Audit Fees Payable

986. Documents and other records to support the clearance of the figure of Kshs.24,000.00 in respect of Audit Fees Payable Account were not made available for audit review. Consequently, the nil balance shown in the Balance Sheet against the Account as at 30 June 2008 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.22

987. The Statement of Assets and Liabilities for Vote R.22 as at 30 June 2008 reflects a debit balance of Kshs.2,066,188.10 under the Salary in Advance Account, relating to 2006/2007 and earlier years. No reason has been provided for failure to recover this long outstanding balance.

988. The Statement also reflects a debit balance of Kshs.2,384,231.40 against the Temporary Imprests Account, which has not been analysed. Consequently, it has not been possible to ascertain its completeness and correctness.

989. The Statement further reflects a Standing Imprests Account debit balance of Kshs.281,592.50 brought forward from 2006/2007. Again, no explanation has been provided for failure to surrender the balance by 30 June 2008 as required by the Financial Regulations.

990. The Paymaster General Account (PMG) balance of Kshs.99,144,798.10 reflected in the Statement differs with the Cashbook balance of

Kshs.2,795,872.00 as per Bank Reconciliation Statement as at 30 June 2008 by an amount of Kshs.96,348,926.10. No reconciliation or explanation has been provided for the difference. Further, both the Board of Survey Report and Certificate of Bank balance were not availed to confirm the PMG balance as at 30 June 2008.

991. The Statement shows an Agency Account debit balance of Kshs.294,850.00, which relates to 2005/2006 and earlier years. No reason has been provided for non-clearance of the long outstanding balance. The figure has also not been analysed and therefore its completeness and accuracy could not be ascertained.

992. The Statement also shows a District Suspense Control Account debit balance of Kshs.22,973,753.35, which relates to 2005/2006 and earlier years. The Statement further shows a District Suspense Account debit balance of Kshs.98,813,561.60, which includes an amount of Kshs.97,094,984.65 relating to 2006/2007 and earlier years. Apart from lack of analyses to support these balances, the figures of Kshs.22,973,753.35 and Kshs.97,094,984.65 under the District Suspense Control Account and District Suspense Account respectively ought to have been cleared on or before 30 June 2008.

993. The Statement in addition reflects Exchequer Account debit balances totalling Kshs.125,873,033.90, which include an amount of Kshs.125,717,853.90 relating to 2006/2007 and earlier years. No explanation has been given for the non-clearance of the long outstanding balance.

994. The Statement also reflects a General Account of Vote credit balance of Kshs.351,238,879.55 which relates to 2006/2007 and earlier years. As in the previous instances, no reason has been given for the non-clearance of this long outstanding balance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.22

995. The Statement of Assets and Liabilities for Vote D22 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.861,780,647.80 which includes an amount of Kshs.850,061,097.80 relating to 2006/2007 and earlier years. No reason has been given for non-clearance of the long outstanding balance. Further, the balance of Kshs.11,719,550.00 relating to 2007/2008 differs with the figure of Kshs.19,550.00 shown in Exchequer records maintained at the Treasury by an amount of Kshs.11,700,000.00. The difference has not been reconciled or explained.

996. The Statement also reflects a Kshs.784,652.85 Paymaster General Account net debit balance which differs with the Cashbook of Kshs.851,180,180.40 as at 30 June 2008 by Kshs.66,527.55. No reconciliation or explanation has been provided for the difference.

997. The Statement further reflects a District Suspense Account net debit balance of Kshs.5,306,842.10 and a District Suspense Control Account debit balance of Kshs.29,148,138.00 both relating to 2006/2007 and earlier years. Apart from lack of analyses for the two balances, no explanation has been provided for failure to clear them from the Statement.

998. In addition, the Statement shows General Account of Vote credit balances totalling Kshs.898,531,018.75, which include an amount of Kshs.895,712,002.20 brought forward from 2006/2007 and earlier years. As in the previous instance no reason has been given for failure to clear the balance.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

999. The Statement of Assets and Liabilities for Deposits 22 as at 30 June 2008 reflects the various debit balances totalling Kshs.7,414,926.90 against the Deposits Account.

No analyses have been provided to support the deposits. In addition, no explanation has been given as to why these deposits are reflecting debit instead of nil or credit balances as would be expected.

1000. The Statement also reflects a Temporary Imprests balance of Kshs.400,196.55. No explanation has been provided for failure to surrender the imprests on or before 30 June 2008.

1001. The Statement further reflects a Paymaster General Account debit balance of Kshs.5,423,436.45 which differs with the figure of Kshs.7,026,778.75 shown in the Cashbook as at 30 June 2008 by Kshs.1,603,342.30. The difference has not been reconciled or explained.

1002. The Statement shows a credit balance of Kshs.1,581,051.65 against the New Kenya Cooperative Creameries (KCC) Shares Refund Deposit. However, this balance has not been supported by an analysis, consequent upon which it has not been possible to ascertain its completeness and correctness.

1003. The Statement also shows nil balance against the Kenya Farmers Association Deposit, which differs with the Trial Balance by a figure of Kshs.1,140,000.00. The difference has not been reconciled or explained.

1004. The Statement further shows a credit balance of Kshs.2,743,102.45 against the Returned Salaries Account, out of which an amount of Kshs.1,946,167.40 relates to 2006/2007. No satisfactory reason has however been provided why the affected individuals have not been paid their salaries.

1005. The Statement reflects a credit balance of Kshs.20,107.95 against the Provident Fund Refunds. Although the Fund continues to show the balance, indications are that it stopped operating in 2006/2007 and further deductions from members were stopped. It is therefore not clear why the Ministry has not refunded the balance of Kshs.20,107.95 to the contributors.

CABINET OFFICE

APPROPRIATION ACCOUNT FOR VOTE R.23

Pending Bills

1006. Records maintained at the Cabinet Office indicate that bills totalling Kshs.21,335,864.00 chargeable to the Recurrent Vote were not settled during 2007/2008 but were instead carried forward to 2008/2009. Had the bills been paid and charged to the accounts for the year, the Recurrent Appropriation Account for the year ended 30 June 2008 would have reflected a reduced net surplus of Kshs.34,497,987.95 instead of Kshs.55,883,851.95 now shown.

Missing Documents

1007. During the year under review, the Office procured various goods and services, including media monitoring, editorial monitoring, media analysis, media coverage, advertisement, infomercial and office furniture, all at a total cost of Kshs.11,141,072.00. However, the contract agreements and other related records in support of the procurement were not made available for audit review. In the absence of the agreements and related records, it has not been possible to confirm that the goods and services were procured in accordance with the Public Procurement and Disposal Act, 2005 and that the expenditure constituted a proper charge against public funds.

APPROPRIATION ACCOUNT FOR VOTE D.23

Excess Vote

1008. The Appropriation Account for Vote D.23 for the year ended 30 June 2008 reflects gross total expenditure of Kshs.266,204,761.62, against a provision of Kshs.99,672,850.00, resulting in an excess vote of Kshs.166,531,911.62. The excess vote appears to have been attributed mainly to increased donor activities during year.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.23

1009. The Statement of Assets and Liabilities for Vote R.23 as at 30 June 2008 reflects an Imprest Account debit balance of Kshs.2,132,089.20, which was due for surrender on or before 30 June 2008. No reason has been provided for failure to surrender or otherwise account for the balance.

1010. The Statement also reflects an Exchequer Account debit balance of Kshs.957,918.20, while Treasury records show a figure of Kshs.1,352,490.00 against the same Account. The difference of Kshs.394,571.80 between the two sets of records has not been reconciled or explained.

1011. The Statement further reflects a General Deposits Account credit balance Kshs.2,726,698.75, for which no analysis has been provided. It has not therefore been possible to ascertain what the deposits balance relates to or its accuracy.

1012. The Statement in addition reflects various balances totalling Kshs.358,385,475.65 relating to 2006/2007. No reason has however been provided why these balances have not been cleared from the books of account.

1013. The Statement does not also show the cumulative total in respect of each of the Accounts, contrary to Section 11.8.3 of the Government Financial Regulations and Procedures.

STATEMENT OF ASSET AND LIABILITIES FOR VOTE D.23

1014. The Statement of Assets and Liabilities for Vote D.23 as at 30 June 2008 reflects a General Account of Vote credit balance of Kshs.35,354,513.80 for 2007/2008, which differs with the Development Appropriation Account excess vote figure of Kshs.166,531,911.62 for the same period, by an amount of Kshs.201,886,425.42. No reconciliation or explanation has been provided for the difference between the two sets of records.

1015. The Statement also reflects a credit balance of Kshs.653,754.80 under the Exchequer Account, while records maintained at the Exchequer Section, Treasury show nil amount. As in the previous instance, no reconciliation or explanation has been provided for the difference of Kshs.653,754.80. In addition, it has not also been explained why the Exchequer Account credit balance of Kshs.1,240,000.00 brought forward from 2006/2007 was not cleared during the year under review.

1016. The Statement does not also show the cumulative total in respect of each of the Accounts, contrary to Section 11.8.3 of the Government Financial Regulations and Procedures.

MINISTRY OF EAST AFRICAN COMMUNITY

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.24

1017. The Statement of Assets and Liabilities for Vote R.24 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.135,632,260.00, which includes an amount of Kshs.135,086,800.00 relating to 2006/2007 and earlier years. The latter balance ought to have been cleared on or before 30 June 2008.

1018. The Statement also reflects a General Account of Vote credit balance of Kshs.150,690,220.95, which includes an amount of Kshs.148,794,460.20 relating to 2006/2007 and earlier years. As in the previous instance, the balance of Kshs.148,794,460.20 ought to have been cleared from the books of account by 30 June 2008.

1019. The Advances Account balance of Kshs.1,566,683.20 differs with both the ledger and analysis figure of Kshs.582,073.65 by Kshs.984,609.55. No reconciliation or explanation has been provided for the difference.

1020. The Statement reflects a Temporary Imprests Account debit balance of Kshs.1,298,105.25, which ought to have been surrendered or otherwise accounted for on or before 30 June 2008. The balance also differs with both the Ledger and the analysis figure of Kshs.580,525.20 by Kshs.717,580.05. As in the previous instance, no reconciliation or explanation has been given for the difference.

1021. The Statement in addition reflects a Paymaster General Account debit balance of Kshs.80,671,573.15, which differs with the Cashbook figure of Kshs.17,871,189.35 and the Ledger amount of Kshs.187,701.90 by amounts of Kshs.62,800,383.80 and Kshs.80,483,871.25 respectively. Similarly, no reconciliation or explanation has been provided for the differences.

STATE LAW OFFICE

APPROPRIATION ACCOUNT FOR VOTE D.25

Under-Expenditure and Under-Collection of Appropriations-In-Aid

1022. The Appropriation Account for Vote D25 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.38,519,011.30 or approximately 38% of

the approved estimates of Kshs.100,800,000.00. The Account also reflects under-collection of Appropriations-in-Aid of Kshs.37,800,000.00, representing 100% of the gross estimated receipts.

1023. The under-expenditure mainly occurred under Sub-Vote 251-Legal Services, Head, 268-Public Prosecutions Department, Subhead 0000-Headquarters, which recorded gross under-expenditure of Kshs.15,000,000.00 or 100% of the estimated receipts and Subhead 0150 – Promotion of Democracy and Good Governance, which recorded gross under-expenditure of Kshs.16,834,701.20 or about 63% of the estimated amount of Kshs.26,800,000.00. The under-expenditure and the under-collection of Appropriations-In-Aid are attributed to non-procurement of a Private Automatic Branch Exchange (PABX) due to budgetary cuts, instructions by a donor that direct procurement of goods and services be used for the component funded by the donor and suspension of the Governance, Justice, Law and Order Sector (GJLOS) Reform Programme activities during the year.

BANK RECONCILIATION STATEMENT

Deposits Cashbook

1024. The Deposits Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2008 reflects payments amounting to Kshs.4,580,526.95 in the Cashbook not recorded in the Bank Statement, which include stale cheques of Kshs.2,539,497.65 relating to 2005/2006 and earlier years. It has not however been indicated why stale cheques have not been replaced or reversed in the Cashbook.

1025. The Statement also reflects receipts of Kshs.12,582,051.00 in the Bank Statement not recorded in the Cashbook. This amount relates to bank credits for 2006/2007 and earlier years. It has not been clarified why these long outstanding receipts have not been recorded in the Cashbook.

1026. The Statement further reflects payments amounting to Kshs.53,514,229.65 in the Bank Statement not recorded in the Cashbook. The amount includes balances of Kshs.14,540,261.00, Kshs.9,102,491.85 and Kshs.10,000,000.00, relating to 1997/1998, 2001/2002 and 2002/2003 respectively.

1027. In addition, the Statement reflects receipts of Kshs.24,038,397.40 in the Cashbook not recorded in the Bank Statement, all relating to 2006/2007 and earlier years. This discrepancy has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.25

1028. The Statement of Assets and Liabilities for Vote R.25 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.588,124,795.00 which includes an opening balance of Kshs.587,978,075.00. The opening balance however differs with the previous year's closing figure of Kshs.588,008,275.00 by Kshs.30,200.00.

1029. The Statement also reflects an Advances Account debit balance of Kshs.14,301,228.25 that has not been analysed to indicate who the recipients are. The balance includes long outstanding unsettled losses and Refer to Drawer (RD) Cheques totalling Kshs.934,563.25 and Kshs.131,163.05 respectively.

1030. The Statement further reflects an unsupported Temporary Imprests Account debit balance of Kshs.8,689,464.50, which includes an amount of Kshs.6,986,387.85 relating to 2006/2007 and earlier years. No reasons have however been given for failure to provide an analysis or to have the temporary imprests surrendered or accounted for on or before 30 June 2008.

1031. The Statement shows an unsupported Standing Imprests Account credit balance of Kshs.328,812.60. Apart from lack of an analysis to support the balance, it has also not been explained why the Account reflects an unusual credit balance.

1032. The Statement also shows a Provincial/District Suspense Account debit balance of Kshs.29,221,661.87, out of which an amount of Kshs.28,535,955.01 relates to 2006/2007 and prior years. The balance of Kshs.28,535,955.01 has not been cleared and no reason has been provided.

1033. The Statement further shows a Paymaster General Account balance of Kshs.229,627,492.70. The balance however differs with the Cashbook balance of Kshs.5,790,699.40 as at 30 June 2008 by Kshs.223,836,793.30. No reconciliation or explanation has been provided for the difference.

1034. The Statement also reflects a General Account of Vote credit balance of Kshs.732,407,470.82. The balance includes an opening figure of Kshs.714,343,281.56 which differs with the previous years' closing balance of Kshs.767,506,412.51 by Kshs.53,163,130.95. As in the previous instances, no reconciliation or explanation has been given for the difference.

1035. The Statement further reflects a Suspense Account credit balance of Kshs.19,011,080.55, out of which an amount of Kshs.17,553,649.45 relates to 2006/2007 and prior years. Non-clearance of the balance has not been explained.

1036. The Statement also reflects an Excess Appropriations-In-Aid (AIA) balance of Kshs.102,280,097.25 relating to 2006/2007 and earlier years which differs from the Trial Balance figure of Kshs.95,089,904.15 by Kshs.7,190,193.10. The difference has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.25

1037. The Statement of Assets and Liabilities for Vote D.25 as at 30 June 2008 reflects unanalyzed debit balance of Kshs.1,600,762.70 under the Imprests Account. In the absence of the analysis, the completeness and accuracy of the balance could not be confirmed.

1038. The Statement also reflects a General Account of Vote opening credit balance of Kshs.49,673,507.20, which differs with the credit closing balance of in the audited Statement for 2006/2007, by Kshs.4,897,563.00. No explanation has been given for the difference.

1039. In addition, the Trial Balance shows a General Account of Vote credit balance of Kshs.112,763,507.20, which differs with the Statement's credit balance of Kshs.50,392,518.50. The difference of Kshs.62,370,988.70 between the two sets of records has not been reconciled or explained.

1040. The Statement further reflects Excess Appropriations-In-Aid (AIA) and Clearance Account balances of Kshs.1,437,924.05 and Kshs.184,478.50 respectively relating to 2006/2007 and earlier years. According to information available, Treasury instructions are being awaited on the clearance of the Excess AIA.

1041. The Statement in addition reflects a Paymaster General Account credit amount of Kshs.6,960,094.40, which differs with the Cashbook debit balance of Kshs.597,117.00 as at 30 June 2008. The resultant difference of Kshs.7,557,211.40 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1042. The Statement of Assets and Liabilities for Deposits as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.184,696,923.75 which however differs with the Cashbook balance of Kshs.136,463,590.15 by Kshs.48,233,333.60. No reconciliation or explanation has been provided for the difference.

1043. The Statement also reflects a Sundry Deposits credit balance of Kshs.129,660,968.25 which includes an amount of Kshs.127,018,781.10 relating to 2006/2007 and earlier years. The non-clearance of this long outstanding balance has not been clarified.

1044. The Statements further reflects a Deposits Suspense credit balance of Kshs.58,558,066.40, which includes a sum of Kshs.54,154,058.75 relating to 2006/2007 and earlier years. As in the previous year, no reason has been provided for non-clearance of the prior year balance.

1045. The Provincial Suspense Account credit balance of Kshs.179,632.30 has also not been cleared from the books of account, although it relates to the 1992/1993 financial year. The balance has in addition not been analysed, with the result that it has not been possible to confirm its completeness or accuracy.

JUDICIARY DEPARTMENT

UNVOUCHED EXPENDITURE

1046. Expenditure totalling Kshs.17,587,546.31 incurred against Heads 860 and 861 – Refurbishment of buildings and Construction of buildings respectively in the Appropriation Account for Vote D.26 for the year ended 30 June 2008, was not supported with the relevant payment vouchers and other related records. Consequently, the propriety of the expenditure could not be confirmed.

OUTSTANDING IMPRESTS

1047. Examination of imprest records maintained at the Judiciary Department revealed that imprests totalling Kshs.3,399,530.40 which ought to have been surrendered or otherwise accounted for on or before 30 June 2008, were outstanding as at that date. No reason has been provided for failure to have the imprests cleared from the books of account.

STATEMENT OF REVENUE FOR HEAD 1430100

1048. The Statement of Revenue for Head 1430100 – Fines and Forfeitures for the year ended 30 June 2008 reflects estimated receipts of Kshs.406,000,000.00 against actual receipts of Kshs.169,889,458.00, resulting in an under-collection of Kshs.236,110,542.00 or approximately 58% of the estimated receipts. The reason given for the under-collection is “over-estimation in the Estimates of Revenue”.

1049. The Statement of Revenue also reflects revenue collections of Kshs.89,889,458.00 carried forward to 2008/2009. No reason has been given for failure to surrender the collections to the Exchequer during the year under review.

1050. The Statement of Arrears of Revenue as at 30 June 2008 reflects Arrears totalling Kshs.95,010,176.00, out of which an amount of Kshs.85,677,877.00 or about 90% relates to 2006/2007 and earlier years. From the movement of the above balance, it is apparent that the Department has not put in place an effective mechanism to address the persistent issue of Arrears of Revenue.

UNACCOUNTED FOR REVENUE - NAIVASHA LAW COURTS

1051. Examination of financial records maintained at the Naivasha Law Courts revealed that three receipt books were used to collect revenue totalling Kshs.682,900.00 between January and February 2008. However, the revenue collected had not been accounted for as at 30 June 2008.

UNSURRENDERED REVENUE - VOI LAW COURTS

1052. In the report for 2006/2007, reference was made to revenue receipts amounting to Kshs.567,507.60 which had not been surrendered as at 30 June 2007 at the Voi Law Courts. The unsurrendered amount was held at the Law Courts in form of partly paid vouchers and I Owe Yous (IOUs).

1053. A review of the position in 2007/2008 indicates that receipts collected during the year but unsurrendered as at 30 June 2008 stood at Kshs.566,576.60. These receipts were, as in the previous year, held in form of partly paid vouchers and I Owe Yous (I.O.Us), in the amounts of Kshs.482,189.60 and Kshs.84,387.00 respectively. No reason has been provided for this unsatisfactory state of affairs.

IRREGULAR EXPENDITURE - BUNGOMA LAW COURTS

1054. In the previous year's report, concern was expressed over revenue collections totalling Kshs.1,825,410.50 in respect of court fees, fines and deposits, which were not banked intact as required by regulations but were instead held irregularly as partly paid vouchers, I Owe Yous (IOUs) and Refer to Drawer (RD) Cheques.

1055. A review of the position in 2007/2008 indicates that out of the total revenue of Kshs.3,038,620.45 realized as at 30 June 2008 in respect of court fees, fines and deposits, an amount of Kshs.2,370,400.00 was irregularly spent at source or held as partly paid vouchers, I Owe Yous (IOUs) and Refer to Drawer (RD) Cheques.

UNSURRENDERED REVENUE - BONDO LAW COURTS

1056. Revenue collected between December 2004 and June 2008 totalling Kshs.7,044,689.00 in respect of court fees, fines and deposits at the Bondo Law Courts had not been surrendered or accounted for as at 30 June 2008.

1057. Further, a cash survey conducted at the Law Courts on 19 August, 2008 revealed that the amount of Kshs.7,044,689.00 unsurrendered as at 30 June 2008 included a cash deficit and irregular expenditure at source of Kshs.3,871,239.35 and Kshs.1,006,677.00 respectively.

FINANCIAL IRREGULARITIES - BUSIA LAW COURTS

Irregular Expenditure

1058. Revenue totalling Kshs.5,817,183.05 in respect of fines and forfeitures collected during the year was not banked intact, but was irregularly expended or held as partly paid vouchers and IOUs at the Busia Law Courts.

1059. Out of the total revenue spent at source of Kshs.5,817,183.05, an amount of Kshs.80,130.00 related to IOUs which had not been recovered as at 30 June 2008.

Unsurrendered Imprest

1060. Temporary Imprest amounting to Kshs.200,000.00 was issued to an Executive Officer based at the Law Courts vide Warrant No.C222375, purportedly for payment of advocates and witnesses dues. However, the officer surrendered and accounted for an amount of Kshs.50,000.00, leaving a balance of Kshs.150,000.00 outstanding as at 30 June 2008.

UNACCOUNTED FOR CASH - KITALE LAW COURTS

Unaccounted for Court Deposits

1061. In the report for 2006/2007, reference was made to unclaimed deposit balances of Kshs.6,905,711.35 reflected in the court Deposit Ledger as at 30 June 2007, which differed by an amount of Kshs.5,146,714.45 with the account figure of Kshs.1,758,996.90 shown at the Kenya Commercial Bank, Kitale Branch.

1062. A review of the position in October 2008 revealed that the Deposits Ledger reflected deposit balances totalling Kshs.6,447,262.00 as at 30 June 2008, whereas the Bank Statement for the deposits account at the Bank showed an amount of Kshs.846,667.05 as at the same date. The resultant difference of Kshs.5,600,594.95 between the two sets of records has not been reconciled or explained.

Unsurrendered Receipt Books

1063. During the year under review, nine (9) receipt books were used to collect court fines and other revenue, all totalling Kshs.967,101.00.

1064. A verification exercise carried out at the Kitale District Treasury, however, revealed that the books had not been surrendered at the Treasury and the amount of Kshs.967,101.00 had also not been accounted for.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.26

1065. The Statement of Assets and Liabilities for Vote R.26 as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.718,413,996.12, while the Cashbook and the Trial Balance as at the same date reflect debit and credit balances of Kshs.16,609,036.40 and Kshs.39,593,259.18 respectively. No reconciliation or explanation has been provided for the differences between the three sets of records.

1066. The Statement also reflects an Exchequer Account debit balance of Kshs.23,695,735.00, which includes an amount of Kshs.23,661,605.00 relating to 2006/2007 and earlier years. No explanation has been provided for non-clearance of the long outstanding balance of Kshs.23,661,605.00.

1067. The Statement further reflects a General Account of Vote (GAV) debit balance of Kshs.95,358,845.85, representing excess votes for 1998/1999 and earlier years. As in the previous years' reports, no explanation has been provided for failure to have the excess votes regularized.

1068. The Statement also reflects a GAV credit balance of Kshs.535,813,492.87, which includes an amount of Kshs.535,526,136.10 relating to 2006/2007 and prior years. No reason has been given for failure to surrender the surpluses of Kshs.535,526,136.10 for the previous years to the Exchequer.

1069. The Statement shows a Government Imprests Account debit balance of Kshs.3,271,044.00, which includes an amount of Kshs.2,167,434.35 relating to 2006/2007 and earlier years. Failure to surrender or otherwise account for imprests totalling Kshs.2,167,434.35 has not been clarified. Further the balance of Kshs.3,271,044.10 differs with the Imprest Registers figure of Kshs.3,399,530.40 by Kshs.128,486.30. No reconciliation or explanation has been provided for the difference.

1070. The Statement also shows unanalyzed District Imprest Account credit balance of Kshs.209,147.50 relating to 1999/2000 and earlier years. Apart from lack of an analysis for the balance, no indication has been given as to what the credit balance in an Imprest Account represents.

1071. The Statement also reflects an Agency Account debit balance of Kshs.19,189,079.90 relating to 2006/2007 and earlier years. No reason has been provided for non-clearance of this long outstanding balance. The balance of Kshs.19,189,079.90 also includes an amount of Kshs.15,409,079.90 in respect of Refer to Drawer (RD) cheques which has not been analysed. Consequently, it has not been possible to confirm the completeness and accuracy of the balance of Kshs.19,189,079.90.

1072. The Statement's Clearance Account credit balance of Kshs.3,570,259.95 includes stale cheques for Kshs.3,098,113.00 which have not been replaced. The balance also ought to have been cleared from the books of account on or before 30 June 2008.

1073. The Statement in addition reflects Excess Appropriations-In-Aid (A.I.A) of Kshs.306,069,466.20 brought forward from 2006/2007 and earlier years. No explanation has been given for failure to remit to the Exchequer the Excess A.I.A.

1074. The Statement further shows a Provincial and District Suspense Account credit balance of Kshs.15,299,868.15, which includes an amount of Kshs.7,464,827.55 relating to 2006/2007 and earlier years. As in the previous instances, no explanation has been given for failure to clear the balance of Kshs.7,464,827.25.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.26

1075. The Statement of Assets and Liabilities for Vote D.26 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.254,260,510.00, representing Exchequer under-issues relating to 2006/2007 and earlier years. Non-clearance of this long outstanding balance from the books of account has not been explained.

1076. The Statement also reflects a General Account of Vote (GAV) debit balance of Kshs.31,324,227.00, representing excess votes incurred in 1997/1998 and earlier years. No reason has been provided for failure to regularize these excess votes. The Statement further reflects a GAV credit balance of Ksh332,933,281.47 which includes an amount of Kshs.332,739,069.35 relating to 2006/2007 and earlier years. The surplus of Kshs.332,739,069.35 ought to have been surrendered to the Exchequer on or before 30 June 2008.

1077. The Statement further shows a District Imprest Account debit balance of Kshs.1,623,505.00, which relates to 2006/2007 and earlier years. The balance has not been analysed and therefore its completeness and accuracy could not be ascertained. The balance also ought to have been cleared on or before 30 June 2008.

1078. The Paymaster General (PMG) Account debit balance of Kshs.160,649,143.97 differs with both the Ledger and Trial Balance figures of Kshs.9,463,060.00 by Kshs.151,186,113.97 respectively. The PMG Account balance does not also agree with the Cashbook balance of Kshs.7,887,881.95 as at 30 June 2008. The differences between the three sets of records has not been reconciled or explained.

1079. The Statement also shows a Retention Account credit balance of Kshs.27,444,207.05, which relates to 2006/2007 and prior years. No explanation has been provided as to why the balance has not been transferred and accounted for under the Deposits Account.

1080. The Statement further shows an Excess Appropriations-In-Aid (AIA) Account credit balance of Kshs.30,714,306.00 relating to 1997/1998 and earlier years. The balance ought to have been remitted to the Exchequer on or before 30 June 2008.

1081. The Statement further reflects a District Suspense Account credit balance of Kshs.56,765,621.45 which has not been analysed. Consequently, its completeness and accuracy could not be ascertained. The balance also includes an amount of Kshs.43,296,773.50 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear this particular balance from the Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR REVENUE, DEPOSITS AND SUNDRIES

1082. The Statement of Assets and Liabilities for Revenue, Deposits and Sundries as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.387,193,764.55, which differs with the Cashbook debit amount of Kshs.475,087,014.00 as at the same date, by Kshs.87,893,249.45. The balance of Kshs.387,193,764.55 also differs with the Trial Balance figure of Kshs.467,193,764.55 by Kshs.80,000,000.00. No reconciliation or explanation has been provided for the differences between the three sets of records.

1083. The Statement also reflects a debit balance of Kshs.3,367,517.10 under the Suspense Account, representing R/D cheques, which has not been analysed or supported with the relevant documents. Consequently, it has not been possible to ascertain the completeness and correctness of the balance.

1084. The Statement in addition reflects unrepresented cheques of Kshs.71,187,342.66 and Kshs.1,331,195.10 under District Suspense and General Suspense Accounts respectively, which again have not been supported with the relevant records. As in the previous instance, it has not been possible to ascertain the completeness and accuracy of the two balances.

1085. The Statement further reflects a Revenue Account credit balance of Kshs.89,889,458.00, while the Trial Balance as at 30 June 2008 shows a figure of Kshs.169,889,458.00 against the same Account, resulting in an unreconciled and unexplained difference of Kshs.80,000,000.00 between the two sets of records. Further, the balance of Kshs.89,889,458.00 includes an amount of Kshs.78,521,084.00 relating to 2006/2007 and earlier years. No reason has been provided for failure to remit the long outstanding balance to the Exchequer.

PUBLIC SERVICE COMMISSION OF KENYA

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.27

1086. The Statement of Assets and Liabilities for Vote R.27 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.7,057,818.00, out of which an amount of Kshs.7,023,878.00 relates to 2006/2007 and earlier years. As explained by the Commission, Treasury instructions are still being awaited to facilitate clearance of the outstanding balance.

1087. The Statement also reflects a balance of Kshs.675,636.80 against the Advances Account, relating to 2006/2007. According to information provided by the Commission, efforts to recover the outstanding Advances are continuing.

1088. The General Account of Vote reflects a balance of Kshs.30,693,470.40, out of which a sum of Kshs.26,142,354.60 relates to 2006/2007 and earlier years. The balance of Kshs.26,142,354.60 ought to have been cleared from the books of the Commission on or before 30 June 2008.

NATIONAL ASSEMBLY

UNCOLLECTED RENTAL INCOME

1089. The National Assembly owns a piece of land situated in the Central Business District, Nairobi which has been leased to a private firm for use as a commercial parking lot. Records available however indicate that rental income amounting to Kshs.656,000.00 had not been remitted to the National Assembly by the lessee as at 30 June 2008.

1090. Additional information available further indicate that the firm paid in July 2008 an amount of Kshs.200,000.00 on account of the unsettled rental income, leaving a balance of Kshs.456,000.00 outstanding. The outstanding balance has not been cleared so far and the matter has since been placed before a court of law.

IRREGULAR PAYMENT OF OFFICE HOLDERS ALLOWANCE TO PARLIAMENTARY SERVICE COMMISSIONERS

1091. In the report for 2006/2007, reference was made to an irregular payment of Parliamentary Office Holders Allowances totalling Kshs.23,583,333.35 to thirteen (13) Parliamentary Service Commissioners. A review of the situation during the current year revealed that although the issue had been raised in the previous year's report, the National Assembly continued to pay these allowances in 2007/2008, whereby an amount of Kshs.22,300,000.00 was paid during the period, bringing an accumulated total of such payments to Kshs.45,883,333.00 for the two years.

1092. It is worth noting however that one of the Commissioners refunded a sum of Kshs.5,600,000.00 paid to him in two years, while another declined to take a payment of Kshs.1,500,000.00 for 2005/2006 thereby, reducing the total amount paid in 2006/2007 and 2007/2008 to Kshs.19,083,333.00 and Kshs.19,700,000.00 respectively, hence a cumulative total of Kshs.38,783,333.00 for the two years.

1093. As reported in the previous year, the National Assembly in October 2006 requested Treasury through a letter dated 5 October 2006 for funds to pay Parliamentary Service Commissioners, backdated to 1 July 2005. Treasury, through a letter dated 12 October 2006 objected to the issue of backdating allowances and asked for deferment of the payments until "appropriate consultations" were held. Without waiting for consultations, the National Assembly proceeded on and effected the payments, backdating them to 1 July 2005.

1094. In support of the payments, the National Assembly quoted approval of the Parliamentary Service Commission through resolutions of 90th and 101st meetings of 2 October 2006 and 6 November 2007 respectively. However, no Parliamentary approval has been obtained as provided for by Section 24 of the Parliamentary Service Act, 2000 which stipulates that "Parliamentary Service Commissioners shall receive such allowances as may be determined by Parliament under the National Assembly Remuneration Act".

1095. No justification has been provided as to why Treasury's advise against backdating the payments and the request to put on hold the payments until appropriate consultations were made was disregarded. Consequently, the

propriety of the expenditure of Kshs.38,783,333.00 incurred on the allowances in the two years could not be confirmed.

Further information available indicates that the Kenya Anti-Corruption Commission has since sued each of the former Parliamentary Office Holders individually, in its statutory capacity to recover the money paid irregularly. The determination of the case is being awaited.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.29

1096. The Statement of Assets and Liabilities for Vote R.29 as at 30 June 2008 reflects a balance of Kshs.3,901,620,141.95 under the Exchequer Account, out of which an amount of Kshs.3,021,048,071.95 relates to 2006/2007 and earlier years. The amount of Kshs.3,021,048,071.95 has been outstanding for a considerably long period of time.

1097. The Statement further reflects a General Account of Vote balance of Kshs.4,048,280,790.55, out of which an amount of Kshs.3,164,019,715.15 relates to 2006/2007 and earlier years. The amount of Kshs.3,164,019,715.15 has similarly remained uncleared for a long period of time.

1098. The Statement in addition reflects an Excess Appropriations-In-Aid balance of Kshs.8,899,914.40, which includes a figure of Kshs.7,321,257.65 relating to 2006/2007 and earlier years. No reason has been provided for failure to remit the latter amount to the Exchequer.

MINISTRY OF ENERGY

APPROPRIATION ACCOUNT FOR VOTE R.30

Accuracy of the Recurrent Appropriation Account

1099. The Appropriation Account for Vote R.30 for the year ended 30 June 2008 reflects various balances under Heads 430, 433, 435, 436 and 437, which differ with those shown in the Trial Balance. No reconciliation or explanation has been provided for the differences.

Excess Vote

1100. The Appropriation Account also reflects an Excess Vote of Kshs.2,796,240.25. The Excess Vote appears to have been caused by a deficiency in the collection of Appropriations-In-Aid, where out of estimated

collections of Kshs.162,763,400.00 during the year, only an amount of Kshs.128,207,812.15 was realized.

Under-Collection of Appropriations-In-Aid

1101. The Appropriation Account further reflects under-collection of Appropriations-In-Aid totalling Kshs.34,555,587.85 or approximately 21% of the estimated receipts of Kshs.162,763,400.00. The under-collection was mainly recorded under General Administration and Planning, Renewable Energy Development and Electric Power Development, and was attributed to the Ministry's inability to collect funds as a result of post-election violence.

APPROPRIATION ACCOUNT FOR VOTE D.30

Under-Expenditure

1102. The Appropriation Account for Vote D.30 for the year ended 30 June 2008 reflects under-expenditure of Kshs.3,368,176,935.60 or approximately 15% of the voted provision of Kshs.21,075,790,901.00. The under-expenditure occurred mainly under Sub-Votes 300 and 302, relating to General Administration and Planning and Electric Power Development respectively. The reasons given in the footnotes for the under-expenditure included; rescheduling of staff training, delay in procuring consultancy services, non-receipt of Petroleum Development Levy funds due to post-election events and delay in the implementation of projects.

Under-collection of Appropriations-In-Aid

1103. The Appropriation Account also reflects under-collection of Appropriations-In-Aid (A.I.A) of Kshs.2,069,249,074.00 or approximately 22% of the estimated receipts of Kshs.9,060,538,041.00. The reasons provided in the footnotes to the Account for the under-collection of AIA include; the effects of post-election events which affected the movement of petroleum products in some areas, hence the low collection of petroleum levy; delay in execution of contracts due to prolonged court cases; delay in awarding contracts; and delay in submission or non-submission of invoices by the contractors.

Pending Bills

1104. Records maintained by the Ministry indicate that bills totalling Kshs.7,199,855.95 for the year 2007/2008, chargeable to the Recurrent and Development Votes were not settled during the period, but were instead carried forward to 2008/2009. Out of the total, bills amounting to Kshs.1,371,000.00 related to the Recurrent Vote while the balance of Kshs.5,828,855.95 was in respect of those relating to the Development Vote.

1105. Had the bills been paid and charged to the accounts for 2007/2008, the Recurrent Appropriation Account for 2007/2008 would have reflected an excess vote of Kshs.4,167,240.25 instead of Kshs.2,796,240.25 now shown, while the Development Appropriation for the same period would have shown a reduced net surplus of Kshs.1,293,099,005.65 instead of Kshs.1,298,927,861.60 now recorded.

IRREGULAR EXPENDITURE

1106. The Training Fund's Income and Expenditure Account for the year ended 30 June 2008 reflects total expenditure of Kshs.115,745,215.10, which includes an amount of Kshs.108,792,481.00 representing approximately 93% of the total expenditure, incurred on rural electrification and petroleum exploration.

1107. The expenditure of Kshs.108,792,481.00 was however irregular and contrary to Section 11(1) of the Petroleum (Exploration and Production) Act Cap 308, which stipulates that the objective and purpose of the fund is for training Kenyan nationals in the petroleum industry.

OUTSTANDING TEMPORARY IMPRESTS

1108. Examination of imprest records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.439,550.25 which ought to have been surrendered or otherwise accounted for on or before 30 June 2008 were outstanding as at that date. No reason has been provided for failure to have the imprests surrendered or recovered from the officers' salaries.

IRREGULAR CASH WITHDRAWALS AT KISII DISTRICT ENERGY CENTRE

1109. Examination of records maintained at the Kisii Energy Centre in respect of two (2) bank accounts held at the Kenya Commercial Bank, Kisii Branch revealed that three (3) cheques for amounts totalling Kshs.86,908.00, payable to two suppliers were posted to the Cashbook, but were later encashed at the Bank, with the remark "self" on the Bank Statements. The withdrawals were therefore made by an officer either at Energy Centre or the District Treasury. No evidence has been seen to confirm that the encashed amounts were eventually paid over to and signed for by the respective payees and indications therefore are that the money may have been misappropriated.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

1110. As similarly observed in the previous year's report, the Ministry did not during the year maintain accounting records to support loans guaranteed by the Government, but relied on borrower's and lender's confirmations to prepare the Statement of Obligations Guaranteed by the Government as at 30 June 2008.

Consequently, the Ministry was not in a position to accurately establish or confirm at any one time during the period the level of loans guaranteed by the Government. This apart, it is not clear how the Ministry was able to oversee or track down repayments of loans and to ensure that the terms and conditions of such loans were complied with.

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

1111. The Statement of Participation by Government of Kenya in Quasi Government and Other Statutory Organizations as at 30 June 2008 indicates that the Government, through the Ministry held a total of 176,052 shares valued at Kshs.3,520,760.00 in KenGen Co. Ltd, KPLC Ltd., NOCK Ltd. and KPC Ltd.

1112. Although the above shareholding by Government has been confirmed with the records of the respective organizations, the Ministry has not however produced the original share certificates for audit verification. Consequently, it has not been possible to confirm the Government's ownership of the shares.

RURAL ELECTRIFICATION SCHEMES

1113. The Ministry did not prepare and submit for audit the Accounts for 2007/2008 and prior years for the Rural Electrification Schemes, contrary to the requirements of the agreement dated 26 September, 1973 between Government of Kenya and the Kenya Power and Lighting Co. Ltd. (then East African Power and Lighting Co. Ltd.)

1114. Consequently, and in the absence of the Accounts, it has not been possible to ascertain the extent of Government's participation and contribution in the Schemes. It has also not been possible to confirm that such contribution has been utilized for the intended purposes.

PETROLEUM DEVELOPMENT FUND

1115. The Petroleum Development Fund's Income Statement for the year ended 30 June 2008 reflects actual Petroleum Development Levy income of Kshs.1,260,000,000.00, while the Appropriation Account for Vote D.30 for the year ended 30 June 2008 shows receipts totalling Kshs.1,745,929,115.65 against the same Account. The resultant difference of Kshs.485,929,115.65 between the two sets of records has not been reconciled or explained.

1116. The Income Statement also reflects total expenditure of Kshs.1,396,094,514.70 against the Fund, while the Appropriation Account shows an expenditure of Kshs.1,730,715,872.60 in respect of the item. As in the previous instance, no reconciliation or explanation has been given for the difference of Kshs.334,621,357.90 between the two sets of records.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.30

1117. The Statement of Assets and Liabilities for Vote R.30 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.10,134,729.00, which includes an amount of Kshs.9,933,349.00 in respect of under issues relating to the period between 1998/1999 and 2006/2007. Although the Ministry has indicated that it is awaiting Treasury instructions to clear the balances, it has not however been indicated why Treasury has not issued such instructions.

1118. The Statement also reflects a cash at bank balance of Kshs.154,750,412.55, which differs with the Cashbook balance of Kshs.11,372,617.05 as at 30 June 2008 and the Trial Balance figure of Kshs.301,067,162.60 as at the same date. No reconciliations have been provided for the resultant differences between the three sets of records.

1119. The Statement further reflects an imprests balance of Kshs.2,166,542.80, which differs with the analysis figure of Kshs.1,714,815.80. The resultant difference of Kshs.451,727.00 has not been reconciled or explained. The imprest balance of Kshs.2,166,542.80 includes an amount of Kshs.1,499,557.70 relating to 2006/2007 and earlier years which has been outstanding for a considerably long period of time.

1120. The District Suspense Account balance of Kshs.5,847,597.35 reflected in the Statement differs with the figure of Kshs.707,325.20 shown in the analysis by Kshs.5,140,272.15. No reconciliation or explanation has been provided for the difference.

1121. The Statement also shows a General Account of Vote balance of Kshs.136,208,929.35, which includes amounts totalling Kshs.88,815,309.65 relating to 2005/2006 and earlier years. It is not clear why these balances have not been surrendered to the Exchequer.

1122. The Appropriation Account for Vote R.30 for the year ended 30 June 2008 reflects an Excess Vote of Kshs.2,796,240.25, while the Statement shows a credit balance of Kshs.32,677,302.10. The difference of Kshs.35,473,542.35 between the two sets of records has not been reconciled or explained.

1123. The Statement similarly reflects a cumulative Excess Appropriations-In-Aid balance of Kshs.64,123,436.00 relating to 2002/2003 and earlier years. Again, no reason has been given for failure to surrender the balances to Treasury.

1124. The Statement shows a General Suspense Account Credit balance of Kshs.2,793,418.25 and a cumulative Suspense Account adjustment credit figure

of Kshs.663,598.60, both of which have not been analysed. The completeness and accuracy of these two balances could not therefore be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.30

1125. The Statement of Assets and Liabilities for Vote D.30 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.8,001,091,348.55, which includes an amount of Kshs.6,723,071,633.30 relating to 2006/2007 and earlier years. No explanation has been provided for non-clearance of the long outstanding balance. Further, the balance of Kshs.1,278,019,715.25 for 2007/2008 differs with the figure of Kshs.1,132,525,940.00 shown in the Exchequer records maintained at the Treasury by an amount of Kshs.145,493,775.25. The difference between the two sets of records has not been reconciled or explained.

1126. The Statement also reflects a District Suspense Account balance of Kshs.1,134,921.30 relating to 2006/2007 and earlier years. No analysis has been provided for the balance and therefore its completeness and accuracy could not be ascertained. In addition, no reasons have been given for failure to clear it from the books of account.

1127. The Kshs.6,758,306,041.15 General Account of Vote (GAV) credit balance brought forward from 2006/2007 and prior years differs with the previous year's closing balance of Kshs.6,764,434,252.65 by Kshs.6,128,211.50. Initial indications are that the Ministry netted-off the GAV surplus against the GAV excess vote, both reflected in the Statement for 2006/2007. No explanation has been provided for this irregular accounting.

1128. The Statement also reflects a 2007/2008 GAV Account balance of Kshs.1,298,846,997.70, while the Appropriation Account for the period shows a figure of Kshs.1,298,927,861.60 against the same Account. The resultant difference of Kshs.80,863.90 between the two sets of records has not been reconciled or explained.

1129. The Statement further reflects a General Suspense Account debit balance of Kshs.7,440,245.20 which has not been analysed. The completeness and accuracy of the balance could not therefore be ascertained.

1130. The Statement shows a credit balance of Kshs.360,929.55 against the Imprests Account, while under normal circumstances, such an Account should reflect nil or debit balance. No clarification has been given as to what the credit balance represents.

1131. The Statement also shows an Excess Appropriations-In-Aid balance of Kshs.313,235,540.55 brought forward balance from 2006/2007. No explanation

has been given for failure by the Ministry to surrender the amount to the Exchequer.

1132. The Statement further shows a credit balance of Kshs.1,811,574.60 against the Suspense Account Adjustments. However, no documents, schedules or analyses to support the adjustments have been made available for audit review. As a result and similar the previous instances, the completeness and accuracy of the balance could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS

1133. The Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2008 reflects a cash at bank balance of Kshs.17,030,606.50, brought forward from the year 1996/97 and comprising receipts from Kenya Pipeline Company Ltd. for Kipevu Oil Storage Facility, National Youth Development Fund Contributions and the Energy Development Fund.

1134. Apart from the fact that it has not been clarified as to what the balance represents, available information also indicates that the Ministry has been awaiting Treasury's instructions for the last eleven (11) years, on how to clear the amount.

1135. The Statement also reflects a cash at bank balance of Kshs.302,193,260.15 which, however, differs with the Board of Survey figure of Kshs.271,013,282.70. The resultant difference of Kshs.31,179,977.45 between the two sets of records has not been reconciled or explained.

1136. The Funds, Schemes and Deposits balance of Kshs.317,124,112.65 has not been analysed and as a result, it has not been possible to confirm its completeness and accuracy.

1137. The Statement further reflects a balance of Kshs.2,103,664.00 under the Energy Development Fund, which has been outstanding for nine (9) years. This amount ought to have been cleared in accordance with legal Notice. No. 6 of 30 December 1999, under which the Fund was wound up. No satisfactory explanation has been given for failure to clear this balance.

MINISTRY OF EDUCATION

APPROPRIATION ACCOUNT FOR VOTE D.31

Under-collection of Appropriations-In-Aid

1138. The Appropriation Account for Vote D.31 for the year ended 30 June 2008 reflects under-collection of Appropriations-In-Aid of Kshs.276,430,531.30 or approximately 13% of the estimated receipts of Kshs.2,057,070,435.00. The under-collection occurred mainly under Sub-Vote 314 – Policy and Planning, where collections amounting to Kshs.49,347,766.00 were realized against expected receipts of Kshs.692,442,605.00.

1139. The reasons provided in the footnotes to the Account for the under-collection include; non submission of expenditure returns by Development Partners, delay in release of funds by Development Partners and non-submission of certificates for payments.

OUTSTANDING IMPRESTS

1140. Examination of imprest records maintained at the Ministry's Headquarters indicate that imprests totalling Kshs.38,639,137.90 which ought to have been surrendered on or before 30 June 2008 were still outstanding as at that date. Out of the above total, imprests amounting to Kshs.11,947,993.85 were owing from officers on Job Group 'M' and above, Kshs.25,584,927.70 from officers on Job Group 'L' and below, while the balance of Kshs.1,106,216.35 was held by former Members of Parliament. Further, it was observed that several officers were issued with additional imprests during the year before they had surrendered previous balances.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.31

1141. The Statement of Assets and Liabilities for Vote R.31 as at 30 June 2008 reflects various long outstanding General Account of Vote debit and credit balances totalling Kshs.40,166,826.55 and Kshs.10,994,779,595.95 respectively, some dating to as far back as 1997/1998. No reasons have been provided for failure to clear these balances.

1142. The Statement also reflects various Exchequer Account debit balances totalling Kshs.8,706,541,450.55 in respect of Exchequer Under Issues for the years 1995/1996 to 2006/2007. As in the previous instance, no reasons have been provided for non-clearance of the balances.

1143. The Statement further reflects a balance of Kshs.662,309,150.70 under the District/Provincial Suspense Account, which includes an amount of Kshs.654,567,059.60 relating to 2006/2007 and earlier years. Similarly, the Ministry has not indicated why the long outstanding balance of Kshs.654,567,059.60 has not been cleared from the books of account.

1144. The Statement shows a Standing Imprests Account balance of Kshs.89,974,987.90, which includes an amount of Kshs.89,734,332.40 relating to 2006/2007 and prior years. The Statement further reflects a Temporary Imprest Account balance of Kshs.24,689,040.00, also relating to 2006/2007 and earlier years. It has not however been clarified why these long outstanding imprest balances had not been surrendered or otherwise accounted for by 30 June 2008. Further, Returns on Temporary Imprest Account made to Treasury reflect an amount of Kshs.19,585,411.90 as outstanding at 30 June 2008 against the Account, resulting in a difference of Kshs.5,103,628.10 between the Statement's and Return's figures. No reconciliation or explanation has been provided for the difference.

1145. The Statement in addition shows a balance of Kshs.106,602,040.15 under the Suspense General Account, which includes a figure of Kshs.104,621,110.65 relating to 2006/2007 and earlier years. The continued non-clearance of the long outstanding balance of Kshs.104,621,110.65 from the Ministry's books of account has not been clarified.

1146. The Statement reflects a balance of Kshs.109,712,966.20 under an account referred to as "Non-Existing". It has not however been explained as to what this account represents or why it would be appearing in the Ministry's books of account.

1147. The Statement also reflects a credit balance of Kshs.320,658,983.40 against the Paymaster General (PMG) Account, while the Cashbook as at 30 June 2008 shows a debit amount of Kshs.992,332,494.40. The Ledger for the month of June 2008 on the other hand reflects a PMG credit figure of Kshs.175,302,738.75. The differences between the three sets of records have not been reconciled or explained.

1148. The Statement in addition reflects Excess Appropriations-In-Aid totalling Kshs.40,318,715.20 relating to 2005/2006 and earlier years, and which have not been surrendered to the Exchequer.

1149. Various debit and credit balances totalling Kshs.43,837,795.80 and Kshs.9,642,332.90 respectively under Agency, Clearance and Miscellaneous Accounts have not been analysed or supported with the relevant records. Consequently, the completeness and the accuracy of the balances could not be ascertained.

1150. Finally, the Statement reflects total Assets of Kshs.9,425,411,317.10 against total Liabilities of Kshs.11,832,284,433.30. The Statement is therefore out of balance by an unreconciled and unexplained difference of Kshs.2,406,873,116.20.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.31

1151. The Statement of Assets and Liabilities for Vote D.31 as at 30 June 2008 reflects various balances totalling Kshs.12,830,757,460.20 under the General Account of Vote, which have been outstanding for a considerably long period of time. No reason has been provided for failure to clear the balances.

1152. The Statement also reflects a balance of Kshs.28,693,520.00 in respect of an excess vote incurred in 2005/2006. The excess vote has not been regularized.

1153. The Statement similarly reflects various Exchequer Account balances totalling Kshs.12,877,358,336.00, representing Exchequer under issues relating to the period between 1994/1995 and 2006/2007. The Ministry has not however indicated the action it intends to take to clear these long outstanding balances.

1154. The Statement further reflects a Paymaster General Account credit balance of Kshs.2,240,549,906.25, while the Cashbook as at 30 June 2008 shows a figure of Kshs.21,559,332.45. The difference of Kshs.2,262,109,238.70 between the Statement and Cashbook has not been reconciled or explained.

1155. The Statement also shows an Extra Exchequer Receipts credit balance of Kshs.72,140,582.20 brought forward from 1998/1999. As previously reported, the amount relates to a reimbursement made in 1998/1999 by a lender to the Ministry under the University Investment Project Credit Agreement, which amount, however, was irregularly spent under various items, instead of being paid to the Exchequer. It has not been clarified why this long outstanding issue has not been resolved and the balance in question cleared from the books of account.

1156. The Statement further shows balances of Kshs.22,043,155.10, Kshs.1,927,195,895.60, Kshs.41,706.50 under District Suspense, Suspense General and Miscellaneous Items Accounts respectively which have not been analysed. Consequently, the completeness and accuracy of the balances could not be ascertained.

1157. The Statement also reflects a Temporary Imprest Account balance of Kshs.3,410,539.85 relating to 2006/2007 and prior years. This balance ought to have been surrendered or others accounted for on or before 30 June 2008.

1158. The Statement in addition reflects an amount of Kshs.48,730,926.50 against the Agency Account, which includes a balance of Kshs.38,503,551.50 relating to 2006/2007 and earlier years. As in the previous instances, the Ministry has not provided reasons for delay in the clearance of this long outstanding balance.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1159. The Statement of Assets and Liabilities for Deposits 31 as at 30 June 2008 reflects long outstanding debit and credit balances totalling Kshs.4,109,555.00 and Kshs.21,252.30 respectively, against various accounts. The balances have not however been supported with analyses and as a result , it has not been possible to ascertain their completeness and accuracy.

1160. The Statement also reflects Temporary Imprests balances totalling Kshs.1,145,930.15 as at 30 June 2008. The imprests have been outstanding for a considerably long period of time.

1161. The Statement similarly reflects a Paymaster General Account balance of Kshs.178,834,781.65, while the Cashbook shows an amount of Kshs.178,352,709.20 as at 30 June 2008, occasioning a difference of Kshs.482,072.45. The Ledger for the month of June 2008 on the other hand shows a figure of Kshs.175,302,738.75 against the Account, again resulting in a difference of Kshs.3,532,042.90 between the Statement and the Ledger. No reconciliations or explanations have been provided for these differences.

1162. The Statement further reflects a balance of Kshs.9,771,504.40 under a Non-Existing Account. Information available indicate that the Account relates to transfers of balances from debit to credit between various items during 2006/2007. No efforts however appear to have been made to identify and clear the balances from the Ministry's books of account.

1163. The Statement finally shows total Assets of Kshs.185,802,419.75 against total Liabilities of Kshs.187,768,836.55, resulting in an unreconciled and unexplained difference of Kshs.1,966,416.80.

MINISTRY OF INFORMATION AND COMMUNICATIONS

APPROPRIATION ACCOUNT FOR VOTE D.32

Under- Expenditure and Under- Collection of Appropriations-In-Aid

1164. The Appropriation Account for Vote D.32 for the year ended 30 June 2008 reflects surplus of gross estimates over expenditure of Kshs.2,175,684,050.07, representing approximately 57% of the estimated provision of Kshs.3,783,200,736.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.947,907,836.00 which equals the total estimated receipts during the year.

1165. The reasons given in the footnotes to the Account attribute the under-expenditure and under-collection of Appropriations-In-Aid to failure by Treasury to release donor funds, delay in submission of invoices and non-hiring of project staff during the year.

Omissions of Foot notes

1166. Footnotes to explain material variances between approved estimates and actual expenditure or collection of Appropriations-In-Aid against various items in the Account were not provided contrary to Section 11.7 of the Government Financial Regulations and Procedures.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

1167. Section 4 (4) of the Public Audit Act, 2003 requires the Accounting Officers to submit for audit, financial statements within three months after the end of the financial year. However, the Ministry has not submitted for audit the Statement of Obligations Guaranteed by the Government of Kenya as at 30 June 2008. The Ministry is therefore in breach of the law in this regard.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.32

1168. The Statement of Assets and Liabilities for Vote R.32 as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.28,431,637.80, which differs with the Board of Survey report figure of Kshs.10,853,881.75, by an amount of Kshs.17,577,756.05. The difference has not been reconciled or explained.

1169. The Statement also reflects credit balances totalling Kshs.22,092,529.44 under Suspense, District Suspense and Clearance Accounts which have not

been analysed. No reasons have been given for failure to analyse the Accounts. It has also not been possible to establish what the balances represent.

1170. The Statement further reflects net balances of Kshs.214,399.40 Dr. Kshs.9,479,753.35 Cr. and Kshs.3,164,873.85 Dr. under various Accounts which have not been cleared although they relate to 2006/2007 and earlier years. No explanation has been given for non-clearance of these long outstanding balances from the books of Account.

1171. The Statement shows an Agency Account balance of Kshs.88,699.90 brought forward from 2006/2007, but cleared during the year under review. Documentary evidence to support clearance of this balance has not however been availed for audit.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.32

1172. The Statement of Assets and Liabilities for Development Vote D.32 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.1,227,483,000.00, which includes an amount of Kshs.1,990,100.00 relating to 2005/2006 and earlier years. No reason has been provided for not clearing the long outstanding balance of Kshs.1,990,100.00.

1173. The Statement also reflects a Paymaster General Account debit figure of Kshs.104,811,656.60, which differs with the Cashbook balance of Kshs.100,786,838.65, by Kshs.4,024,817.95. The difference has not been reconciled or explained.

1174. The Statement further reflects nil Imprest Account balance after clearing an amount of Kshs.531,675.45 during the year under review. No documentary evidence to support clearance of the balance of Kshs.531,675.45 has however been produced for audit review, with the result that the validity of the transaction could not be confirmed.

1175. The Statement shows a balance of Kshs.1,392,427.88 under the District Deposit Suspense Account. This balance has not however been supported with an analysis or other documentary evidence and as a result, its completeness and accuracy could not be ascertained. It has also not been clarified what the balance represents.

1176. The Statement also shows a General Account of Vote credit balance of Kshs.1,333,801,719.62, out of which an amount of Kshs.106,025,505.55 relates to year 2006/2007 and earlier years. The Ministry has not explained why the amount of Kshs.106,025,505.55 has not been surrendered to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES DEPOSITS

1177. The Statement of Assets and Liabilities for Deposits 32 as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.1,971,501.00, while the adjusted Cashbook as at the same date shows an amount of Kshs.2,201,148.80. The difference of Kshs.229,647.80 between the two sets of records has not been reconciled or explained.

1178. The Statement also reflects a credit balance of Kshs.1,971,501.00 under the Facilitation Account, representing a reduction of Kshs.14,506,950.85 from the amount of Kshs.16,478,451.85 as at 30 June 2007. However, documentary evidence to support the movement of Kshs.14,506,950.85 during the year has not been submitted for audit verification.

1179. The Statement further reflects nil balance against the Deposit Imprest Account, while the Account had an opening credit balance of Kshs.137,989.60 on 1 July 2007. Similarly, no supporting records have been seen showing the movement of the figure of Kshs.137,989.60 during the year.

ELECTORAL COMMISSION OF KENYA

RECURRENT APPROPRIATION ACCOUNT FOR VOTE R.33

Under Expenditure

1180. The Appropriation Account for Vote R.33-Electoral Commission of Kenya for the year ended 30 June 2008 reflects under-expenditure of Kshs.885,408,539.00 or approximately 11% of the estimated amount of Kshs.7,752,391,800.00. The under-expenditure occurred mainly under Sub-Vote 330 – General Planning and Administration, where an expenditure of Kshs.6,491,434,924.00 was recorded against a provision of Kshs.7,752,391,800.00. According to the footnotes to the account, the under-expenditure was mainly caused by a reduction in the number of polling stations during the 2007 general elections and non-recruitment of staff.

IRREGULAR PROCUREMENT OF LEGAL SERVICES

1181. During the year under review, the Electoral Commission of Kenya paid a total of Kshs.36,281,138.05 to a number of law firms, for provision of various legal services to the Commission. However, it has not been indicated how the firms were identified and their fees determined. Further, no records and other

OUTSTANDING TEMPORARY IMPREST - BURETI DISTRICT

1182. Examination of imprest records at the Bureti District Election Commission's Office revealed that an officer was issued with temporary imprest amounting to Kshs.405,200.00 on 14 November 2007. The imprest was to be used for training of nomination clerks for three (3) days. However, as at 30 June 2008, the officer had accounted for or surrendered imprest amounting to Kshs.39,794.20, leaving a balance of Kshs.365,405.80 outstanding. No reason has been given for failure to surrender or otherwise account for the balance of Kshs.365,405.80.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.33

1183. The Statement of Assets and Liabilities for Vote R.33 as at 30 June 2008 reflects the various differences between the opening balances under Exchequer, Advances, Imprest, General Suspense, Suspense, Provincial/District, General Account of Vote, Excess Appropriations-In-Aid and Salary Clearance Accounts in the Statement and those appearing as closing balances in the audited Statement for 2006/2007. No reason has however been provided for failure to bring forward to the Statement under review, the correct balances from the audited Statement for 2006/2007.

1184. The Statement also reflects an Exchequer Under Issue balance of Kshs.1,392,431,100.00, which includes an amount of Kshs.1,391,839,300.00 relating to 2006/2007 and earlier years. Non-clearance of the long outstanding balance has not been explained.

1185. The Statement similarly reflects an Imprest balance of Kshs.1,945,357.80, which includes an amount of Kshs.221,069.30 relating to 2006/2007 and earlier years. No explanation has been provided for failure to have the long outstanding balance surrendered or otherwise accounted for.

1186. The Statement further reflects a balance of Kshs.364,848,741.70 under the General Suspense Account, which relates to 2006/2007 and earlier years. As in the previous instances, non-clearance of this long outstanding balance has not been explained. In addition, the above Account includes an amount of Kshs.294,303.80 which has not been analysed. Consequently, it has not been possible to ascertain the completeness and accuracy of the entire balance of Kshs.364,848,741.70 appearing under the Account.

1187. The Statement shows a balance of Kshs.875,829,994.65 against the Provincial/District Suspense Account, out of which an amount of Kshs.54,259,971.30 relates to 2006/2007 and earlier years. Similar to the

previous instances, no reason has been given for the non-clearance of the long outstanding balance.

1188. The Statement reflects a General Account of Vote balance of Kshs.3,473,952,249.45, out of which a sum of Kshs.2,588,543,712.45 relates to 2006/2007 and earlier years. The Statement also shows an Excess Appropriation-In-Aid amount of Kshs.55,005,108.90, which includes a figure of Kshs.40,705,086.40 relating to 2006/2007 and earlier years. It has not however, been explained why the two long outstanding balances of Kshs.2,588,543,712.45 and Kshs.40,705,086.40 respectively have not been remitted to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1189. The Statement of Assets and Liabilities for Deposits as at 30 June 2008 reflects opening balances under Deposits, Suspense, Cash at Bank and Cash on hand Accounts, which differ with those appearing as closing balances in the audited Statement for 2006/2007. No reason has been given for failure to carry forward the accurate balances from 2006/2007 to 2007/2008.

1190. The Statement also reflects a balance of Kshs.30,500.00 against the Deposits Account, which relates to 2006/2007 and earlier years. Again non-clearance of this long outstanding balance from the books of the Commission has not been explained.

1191. The Statement further reflects a balance of Kshs.28,401,537.45 under the Suspense Account, which includes an amount of Kshs.23,198,941.60 brought forward from 2006/2007 and earlier years. No reason has been provided for failure to clear the balance of Kshs.23,198,941.60. Further, it has also not been clarified why the Refer to Drawer and Stale Cheques balances of Kshs.145,000.00 and Kshs.127,801.10 respectively under the Account have not been replaced.

MINISTRY OF STATE FOR SPECIAL PROGRAMMES

APPROPRIATION ACCOUNT FOR VOTE R.35

Excess Vote

1192. The Appropriation Account for Vote R.35 for the year ended 30 June 2008 reflects an excess vote of Kshs.2,090,234,983.15. The excess vote appears to have been caused mainly by an expenditure of Kshs.2,227,244,044.75 under Head 564 – National Food Security, which had not been provided for in the

Approved Estimates for 2007/2008 for Ministry of State for Special Programmes. According to information available, Head 564 – National Food Security, had been provided for in the same Estimates but erroneously under Vote R.10 – Ministry of Agriculture. An Authority to Incur Expenditure (AIE) of 25 May 2008 for Kshs.2,226,000,000.00 was later issued by Ministry of Agriculture to Ministry of State for Special Programmes. No reason has however been provided for failure by both Ministries to detect the error in their budgets in time, in order to avoid the excess vote now recorded under Vote R.35.

Failure to Provide Footnotes for Material Differences

1193. The Financial Regulations and Procedures require that footnotes be provided to explain variances of over Kshs.1,000,000.00 above or below the approved estimates and actual expenditure or collection of Appropriations-In-Aid. The Appropriation Account for Vote R.35 however, reflects variances in excess of Kshs.1,000,000.00 against six (6) account items under Heads 143 and 564, in respect of which no footnotes were provided.

Pending Bills

1194. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.543,378,808.35 relating to famine relief operations and strategic grain reserve stocks and chargeable to the Recurrent Vote were not paid during 2007/2008 but were instead carried forward to 2008/2009. Had the bills been paid and the expenditure charged to the accounts for the year, the Recurrent Appropriation Account would have reflected an excess vote of Kshs.2,633,613,791.50 instead of Kshs.2,090,234,983.15 now recorded.

APPROPRIATION ACCOUNT FOR VOTE D.35

Under-Expenditure and Under-collection of Appropriations-In-Aid

1195. The Appropriation Account for Vote D.35 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.1,474,277,240.16 or about 51% of the approved estimates of Kshs.2,873,411,409.00 and a deficiency in Appropriations-In-Aid (AIA) of Kshs.80,694,328.20 or approximately 63% of the estimated receipts of Kshs.127,088,554.00.

The under-expenditure and under-collection of Appropriations-In-Aid are explained in the footnotes to the account as having been caused by delay in hiring staff for the Western Kenya Flood Mitigation Project and failure by the donors to honour their pledges during the year.

Failure to Provide Footnotes for Material Differences

1196. The Appropriation Account reflects variances in excess of Kshs.1,000,000.00 against seven (7) items under Heads 603 and 770, in respect of which no footnotes have been provided.

Grants to National AIDS Control Council

1197. The Appropriation Account also shows a grant of Kshs.41,617,192.00 under Sub-Vote 350 – General Administration and Planning, Head 603 – National Aids Council, Sub-Head 0156 - Capacity Building, Item 2640500 – Other Capital Grants and Transfers to the National AIDS Control Council. The Accounts of the National AIDS Control Council for 2007/2008 however reflect an amount of Kshs.31,345,344.55 as having been received during the year. The resultant difference of Kshs.10,271,847.45 between the two sets of records has not been reconciled or explained.

HUMANITARIAN FUND FOR MITIGATION OF EFFECTS AND RESETTLEMENT OF VICTIMS OF POST-2007 ELECTION VIOLENCE

Unvouched Expenditure

1198. The Income and Expenditure Account for the year ended 30 June 2008 reflects expenditure totalling Kshs.174,337,540.45 which includes payments amounting to Kshs.32,443,570.00 made to various District Commissioners, for the purpose of facilitating transport and allowances for the Internally Displaced Persons (IDPs) in the respective Districts.

However, no expenditure returns and other related records from the Districts were made available to support the expenditure of Kshs.32,443,570.00, with the result that it has not been possible to confirm its propriety.

Cash at Bank

1199. The Statement of Assets and Liabilities as at 30 June 2008 reflects a Cash at Bank (Central Bank of Kenya) debit balance of Kshs.937,587,838.35, while the Cashbook as at 30 June 2008 shows an amount of Kshs.929,396,708.60. The difference of Kshs.8,191,129.75 between the two sets of records has not been reconciled or explained.

Fund Balance

1200. The Statement further reflects a balance of Kshs.1,332,209,805.35 representing the Fund's total assets. This balance however differs with the Ledger figure of Kshs.941,063,678.35, by an amount of Kshs.391,146,127.00.

As in the previous instance, no reconciliation or explanation has been provided for the difference.

STRATEGIC GRAIN RESERVE TRUST FUND

1201. As observed in the report for 2006/2007, an Agency Agreement between the Ministry of State for Special Programmes and the National Cereals and Produce Board had not been signed by both parties and as a result, no regulatory framework that would have guided the agency relationship between the Government and the National Cereals and Produce Board during that year was in place.

1202. A review of the position in 2007/2008 revealed that although a Draft Agency Agreement covering the period between 1 July 2007 and 30 June 2010 had been drawn, the Agreement had not been signed by the two parties as at 30 June 2008. Consequently and as similarly noted in the previous year, the fees and commissions levied during the year by the National Cereals and Produce Board against the Strategic Grain Reserve Trust Fund would appear not representative of negotiated, reasonable and competitive charges.

1203. The Funds Balance Sheet as at 30 June 2008 reflects a stocks balance of 1,713,514 bags of maize worth Kshs.2,144,158,755.10, while records maintained at the National Cereals and Produce Board as at the same date show a balance of 1,656,852 bags worth Kshs.2,297,531,375.00. The significant difference of 56,662 bags worth Kshs.152,372,619.90 has been attributed to normal and plant loss of stocks of 15,992, 5,406, 15,621 and 19,643 bags during 2004/2005, 2005/2006, 2006/2007 and 2007/2008 respectively. It has not however been indicated how these losses occurred and the respective figures arrived at.

1204. The Balance Sheet also reflects a balance of Kshs.1,903,300,000.45 under Cash at Bank. The Cashbook and the bank certificate on the other hand show amounts of Kshs.411,269,858.15 and Kshs.1,143,627,620.60 respectively. No reconciliation or explanation has been provided for the differences between the three sets of records. In the circumstances, it has not been possible to ascertain whether all bank transactions during the year were properly recorded and that the Balance Sheet figure of Kshs.1,903,300,000.45 against Cash at Bank is fairly stated.

1205. The Income and Expenditure Account for the year ended 30 June 2008 shows sales totalling Kshs.3,989,952,429.80 during the year, which include commercial sales of Kshs.2,289,952,429.80. Records maintained at the National Cereals and Produce Board however reflect the commercial sales as having totalled Kshs.2,163,502,428.00 during the period, resulting in a difference of Kshs.126,450,001.80 between the two sets of records. No reconciliation or explanation has been provided to clarify the difference.

1206. The Income and Expenditure Account also shows a net loss of Kshs.567,275,110.55 (Kshs.978,134,895.30 in 2006/2007) as at 30 June 2008. The loss of Kshs.567,275,110.55 which appears to relate to the high Cost of Goods Sold and Other Expenses during the period raised the accumulated losses against the Fund from Kshs.1,413,672,513.85 as at 30 June 2007 to Kshs.1,980,947,624.40 as at 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.35

1207. The Statement of Assets and Liabilities for Vote R.35 as at 30 June 2008 reflects an Imprests Account balance of Kshs.5,494,182.80, which includes an amount of Kshs.507,535.00 relating to 2006/2007. No reason has been provided for failure to surrender or otherwise account for the amount of Kshs.507,535.00 on or before 30 June 2008.

1208. The Statement also reflects a District Suspense Account debit balance of Kshs.22,663,055.00 which has not been analysed. In the absence of an analyses, it has not been possible to confirm the completeness and accuracy of the balance.

1209. The Statement further reflects a General Account of Vote credit balance of Kshs.137,380,016.85 relating to 2007/2008, while the Appropriation Account for Vote R.35 for the same period shows an excess vote of Kshs.2,090,234,983.15, occasioning an unreconciled and unexplained difference of Kshs.2,227,615,000.00 between the two sets of records.

1210. The Statement in addition reflects an Excess Appropriations-In-Aid (A.I.A.) balance of Kshs.693,825.00 brought forward from 2006/2007. No satisfactory explanation has been provided for failure to remit the excess A.I.A to the Exchequer.

STATEMENT OF ASSETS AND LIABILITIES VOTE D.35

1211. The Statement of Asset and Liabilities for Vote D.35 at 30 June 2008 reflects a Paymaster General Account balance of Kshs.460,020,251.96, which differs with the Ledger balance of Kshs.235,703,380.25 by Kshs.224,316,871.75. The difference has not been reconciled or explained.

1212. The Statement also reflects an Exchequer Account debit balance of Kshs.12,961,795.00 for the year 2007/2008, which differs with the balance of Kshs.19,584,255.00 shown in the records held at the Exchequer Section, Treasury. Similarly, no reconciliation or explanation has been provided for the difference of Kshs.6,622,460.00.

1213. The Statement further reflects a General Account of Vote credit balance of Kshs.585,078,621.61, which includes an amount of Kshs.262,808,178.65 relating to 2006/2007. Non-clearance of the latter balance has not been explained.

1214. The Statement in addition reflects a credit balance of Kshs.53,419,982.05 under the Suspense Account, brought forward from the previous year. The balance has not been analysed and hence, its completeness and accuracy could not be confirmed. The balance also ought to have been cleared from the books of account by 30 June 2008.

1215. The Statement also shows an Imprests Account credit balance of Kshs.567,072.30, brought forward from 2006/2007. This unusual credit balance under an Imprest Account has not been analysed or explained.

MINISTRY OF LANDS

FAILURE TO SUBMIT FINANCIAL STATEMENTS FOR AGRICULTURAL SETTLEMENT FUND TRUSTEES

1216. The Ministry of Lands has not submitted for audit, financial statements for Agricultural Settlement Fund Trustees for thirteen (13) financial years from 1995/1996 to 2007/2008, contrary to Section 18(2) (b) of the Exchequer and Audit Act, Cap 412 and Section 6(4) of the Public Audit Act, 2003, both of which require an Accounting Officer charged with the responsibility for administering a public fund to prepare fund accounts and submit such accounts within three months after the end of each financial year to the Controller and Auditor General.

1217. During the period 1995/1996 to 2007/2008, the Settlement Fund Trustees received on behalf of the Fund grants totalling Kshs.2,382,583,827.00. However, in the absence of fund accounts for the period, it has not been possible to ascertain that the amount was received, utilized for the intended purposes and properly accounted for.

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

1218. The Appropriation Account for Vote D.36 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.387,025,905.00, representing approximately 21% of the approved estimates of Kshs.1,842,497,780.00. The under-expenditure occurred mainly under Sub-Votes 360, 363 and 364, relating

to General Planning and Administration, Survey of Kenya and Lands respectively.

1219. The under-expenditure has been attributed mainly to development partners not honouring their commitments in full, delay in receiving expenditure returns from such partners and uncaptured district expenditure.

1220. The Appropriation Account also reflects under-collection of Appropriations-In-Aid amounting to Kshs.50,497,780.00 or 100% of the estimated receipts. The under-collection was recorded under Sub-Votes 360 and 363 relating to General Planning and Administration and Survey of Kenya respectively. The under-collection has been mainly attributed to non-receipt of expenditure returns from various development partners.

UNVOUCHED EXPENDITURE

1221. Examination of expenditure records at the Ministry's Headquarters revealed that expenditure totalling Kshs.140,955,851.85 charged to the Appropriation Account for Vote R.36 for the year ending 30 June 2008 was not supported with the relevant documentary evidence, including payment vouchers. In the absence of the vouchers and other relevant records, the propriety of the expenditure could not be confirmed.

IRREGULAR CASH WITHDRAWALS - NYAMIRA DISTRICT LANDS OFFICE

1222. Examination of records maintained at the Nyamira District Lands Office in respect of an account held at the Kenya Commercial Bank, Nyamira Branch revealed that seven (7) cheques for amounts totalling Kshs.162,648.35 payable to various suppliers and two (2) others for Kshs.12,104.00 payable to the Commissioner of Value Added Tax, all totalling Kshs.174,752.35 were encashed at the Bank by two cashiers, attached to Nyamira District Treasury.

1223. No reason has been given for encashing the cheques and also no indication has been given as to whether the withdrawn cash was eventually paid over to the respective payees. Further, out of the nine (9) cheques, three (3) for a sum of Kshs.54,000.00 were not, for unclear purposes, posted in the Cashbook. Consequently, and in the absence of any other information to the contrary, the amount of Kshs.54,000.00 may have been utilized for purposes not intended.

STATEMENT OF REVENUE FOR HEAD 150-360 – LANDS REVENUE

1224. The Statement of Land Revenue for Head 150-360 - Lands Revenue for the year ended 30 June 2008 reflects lands revenue totalling Kshs.90,496,846.65 as having been paid over to the Exchequer during the year. Records held at the Treasury however indicate revenue totalling Kshs.1,375,378,671.40 as having

Arrears of Revenue

1225. Arrears of Revenue received during 2007/2008 amounted to Kshs.458,422,749.00 or about 5% of total arrears outstanding of Kshs.8,923,425,620.00 as at 30 June 2007, leaving a balance of Kshs.8,465,002,871.00. Additional Arrears of Revenue amounting to Kshs.443,136,823.50 were however recorded in 2007/2008, raising the outstanding balance of such Arrears to Kshs.8,908,139,694.50 as at 30 June 2008.

TOWNSHIP ROADS AND DRAINS ACCCOUNT

1226. In the previous year's report, mention was made of an unsupported journal voucher dated 30 September 2005 for an amount of Kshs.361,196,634.45, used to clear an accumulated deficit of Kshs.345,585,533.65 against the Township Roads and Drains Account as at 30 June 2004.

1227. The Ministry has not yet obtained approval from Treasury to clear the deficit and no reason has been provided for failure to secure the approval.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.36

1228. The Statement of Assets and Liabilities for Vote R.36 as at 30 June 2008 reflects a debit balance of Kshs.328,641,238.50 under the Exchequer Account, which includes an amount of Kshs.312,392,484.00 brought forward from 2006/2007 and earlier years. No reason has been provided for non-clearance of the balance.

1229. The Statement also reflects a debit amount of Kshs.45,746,937.90 under the General Account of Vote (GAV) relating to excess votes incurred between 1998/1999 and 1999/2000 financial years. Non-clearance of these long outstanding excess votes has similarly not been explained. In addition, the Statement reflects a GAV credit balance of Kshs.570,062,690.63, which includes balances totalling Kshs.525,836,382.15 relating to 2006/2007 and earlier years. No reason has however been given for non-surrender of the GAV surpluses to the Exchequer.

1230. The Statement further reflects an amount of Kshs.1,033,761.40 under the Advances Account, which includes an amount of Kshs.556,741.15 relating to 2006/2007 and earlier years. It has not however been clarified why the long outstanding amount of Kshs.556,741.15 has not been recovered.

1231. The Statement also shows a Paymaster General Account balance of Kshs.228,414,844.50 which however differs with the Board of Survey Report figure of Kshs.75,878,168.45 by Kshs.152,536,676.05. The difference has not been reconciled or explained.

1232. The Statement in addition reflects an Excess Appropriations-In-Aid (A.I.A) credit balance of Kshs.50,392,191.26, which includes an amount of Kshs.37,301,711.60 relating to 2006/2007 and earlier years. The latter balance ought to have been remitted to the Exchequer on or before 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.36

1233. The Statement of Assets and Liabilities for Vote D.36 as at 30 June 2008 reflects a debit balance of Kshs.440,686,879.05, which includes an amount of Kshs.233,265,330.00 relating to the period between 1999/2000 and 2005/2006. No reason has been provided for failure to clear the long outstanding balance of Kshs.233,265,330.00.

1234. The Statement also reflects a debit balance of Kshs.296,726,641.45 under the Paymaster General (PMG) Account, which includes an amount of Kshs.175,618,234.45 relating to the period between 1999/2000 and 2006/2007. It has not however been clarified as to what the cumulative balance of Kshs.175,618,234.45 represents.

1235. Further, the PMG (Old Account) closing balance of Kshs.33,319,554.75 for the year 2000/2001 as reported in the previous year continues to be excluded in the Statement, although no documentary evidence has been made available to show how it was cleared. In addition, the PMG Account balance of Kshs.296,726,641.45 differs with the Cashbook balance of Kshs.183,522,579.35 as at 30 June 2008. No reconciliation or explanation has been provided for the difference of Kshs.113,204,062.10 between the two sets of records.

1236. The Statement in addition reflects a General Account of Vote (GAV) credit balance of Kshs.701,461,960.25 which includes an amount of Kshs.364,933,835.25 relating to 2006/2007 and previous years. Similarly, no reason has been provided for failure to surrender the latter amount to the Exchequer.

1237. The Statement further reflects a District Suspense credit balance of Kshs.36,387,917.30, brought forward from 2005/2006 and earlier years. As in the previous instances, no explanation has been provided for non-clearance of the balance.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1238. The Statement of Assets and Liabilities for Deposits as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.388,355,580.17, which differs with the Cashbook balance of Kshs.389,957,996.00 shown in the Board of Survey Report as at 30 June 2008 by Kshs.1,602,415.88. The difference has not been reconciled or explained.

1239. The Statement also reflects a credit balance of Kshs.40,928,778.95 under Contributions in Lieu of Rates, which includes an amount of Kshs.35,583,018.00 brought forward from 2006/2007 and earlier years. It has not been indicated why the Contributions of Kshs.35,583,018.00 were not surrendered to the respective Local Authorities during the year.

1240. The Statement also shows an amount of Kshs.1,009,352.30 under Personal Deposit Account and another of Kshs.53,760.00 in respect of East Africa Land Surveyors (E.A.L.S.) Exam Board, both relating to 2006/2007 and earlier years. These two balances have not been analysed, consequent upon which it has not been possible to establish what they represent or confirm their completeness and accuracy.

MINISTRY OF STATE FOR IMMIGRATION AND REGISTRATION OF PERSONS

APPROPRIATION ACCOUNT FOR VOTE R.40

Under-Expenditure

1241. The Appropriation Account for Vote R.40 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.704,757,358.15 or approximately 21% of the estimated expenditure of Kshs.3,328,306,618.00. The under-expenditure which was recorded across all heads under the Vote has been attributed to; late receipt of utilities bills, late release of the supplementary budget, change in transport policy which resulted in cost savings, and delayed procurement.

APPROPRIATION ACCOUNT FOR VOTE D.40

Under-Expenditure

1242. The Appropriation Account for Vote D.40 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.367,076,692.00 or approximately 53% of the approved estimates of Kshs.692,180,000.00. The under-expenditure

is attributed mainly to Sub-Vote 402 – Immigration, where actual expenditure of Kshs.52,782,993.00 was incurred against an estimate of Kshs.293,000,000.00, resulting in an under-expenditure of Kshs.240,717,007.00. The under-expenditure of Kshs.240,717,007.00 occurred under item 3111100 – Purchase of Specialized Plant, Equipment and Machinery and Item 3110100 – Purchase of Buildings.

Unsupported Expenditure

1243. The propriety of expenditure of Kshs.118,552,302.45 incurred under Head 377 – National Registration of Persons Bureau against Item 2211000 – Specialized Material and Supplies could not be ascertained due to lack of the relevant supporting documents.

PENDING BILLS

1244. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.533,739,661.25 were not settled during the year 2007/2008 but were instead carried forward to 2008/2009. Out of the total, bills amounting to Kshs.345,192,187.75 related to Vote R.40 while the balance of Kshs.188,547,473.50 was in respect of those relating to Vote D.40.

1245. Had the bills been settled and charged to the accounts for 2007/2008, the Appropriation Account for Vote R.40 would have reflected a reduced surplus to be surrendered to the Exchequer of Kshs.377,723,783.50 instead of Kshs.722,915,971.25 now shown, while the Appropriation Account for Vote D.40 would have reflected a reduced surplus of Kshs.178,529,218.75 instead of Kshs.367,076,692.25 now recorded.

PROCUREMENT AT ELDORET IMMIGRATION OFFICE

(a) Unaccounted for Bulk Fuel

1246. Examination of records maintained at the Eldoret Immigration Office revealed that 7,801 litres of bulk super fuel worth Kshs.710,000.00 purchased from two local suppliers between September 2007 and June 2008 had not been accounted for in the Stock records. Further, fuel registers, detail orders and work-tickets to account for the receipt and usage of the fuel, were also not made available for audit verification.

1247. In the absence of proper documentation as indicated above, it has not been possible to confirm that fuel worth Kshs.710,000.00 was received, used for the intended purpose and properly accounted for.

(b) Hire of Seminar Facilities

Two (2) restaurants in Eldoret were awarded contracts to provide seminar/workshop facilities for forty five (45) days at a total cost of Kshs.600,000.00, between August and October 2007. Competitive bidding does not however appear to have been used in identifying the two restaurants. Further, additional available information indicate that the workshops/seminars were held for fifteen (15) days, while payments to the restaurants were made for forty-five (45) days.

In the circumstances, the number of days paid for were overstated by thirty (30), resulting in an overpayment of Kshs.400,000.00.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.40

1248. The Statement of Assets and Liabilities for Vote R.40 as at 30 June 2008 reflects various balances under Imprests, Advances, General Suspense, District Suspense, RD Cheques and Clearance Accounts, which differ with those reflected in the June Ledger.

1249. No reconciliation or explanation has been provided for the differences. Further the balances have also not been supported with analyses, raising doubts on their completeness and accuracy.

1250. The Statement also reflects an Inter-Ministerial Account debit balance of Kshs.19,053,064.00 which has not been analysed. The Account further includes an amount of Kshs.11,554,397.00 relating to 2006/2007 and earlier years. No reason has been provided for failure to analyse the balance of Kshs.19,053,064.00 or clear the figure of Kshs.11,554,397 from the books of account.

1251. The Statement further reflects a current year's General Account of Vote balance of Kshs.705,447,289.15, which differs with the Net Surplus to be Surrendered to the Exchequer of Kshs.704,757,358.15 shown in the Appropriation Account for Vote R.40 for the year ended 30 June 2008. The difference of Kshs.689,931.00 between the two sets of records has not been reconciled or explained.

1252. The Statement also shows a Paymaster General Account balance of Kshs.665,646,756.80, while the Cashbook and Ledger show amounts of Kshs.430,741,963.20 and Kshs.613,994,264.65 respectively. As in the previous instances, the differences between the three sets of records have not been reconciled or explained.

1253. The Statement further shows debit and credit balances of Kshs.403,898,462.20 and Kshs.305,717,480.30 respectively under Exchequer, Imprest, Advance, District Suspense and RD Cheques Accounts, all relating to 2006/2007 and prior years and which have not been cleared. No reason has been provided for failure to clear these long outstanding balances.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.40

1254. The Statement of Assets and Liabilities for Vote D.40 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.85,096,131.35, while the Board of Survey Report as at the same date shows a figure of Kshs.23,199,879.05. The difference of Kshs.61,896,252.30 between the two sets of records has not been reconciled or explained.

1255. The Statement also reflects a District Suspense Account debit balance of Kshs.93,903,776.30, while the June Ledger shows a credit amount of Kshs.67,474,445.30 in respect of the Account. Again, the difference of Kshs.161,378,221.60 between the two sets of records has not been reconciled or explained.

1256. The Statement further reflects a balance of Kshs.1,306,700.00 under the Exchequer Account and of Kshs.130,409,915.40 under the General Account of Vote both relating to 2006/2007. These two balances ought to have been cleared from the books of account on or before 30 June 2008.

OFFICE OF THE VICE-PRESIDENT MINISTRY OF STATE FOR NATIONAL HERITAGE AND CULTURE

PENDING BILLS

1257. Records maintained at Headquarters of the Office of the Vice-President, Ministry of State for National Heritage and Culture indicate that bills totalling Kshs.17,925,422.67 chargeable to the Recurrent and Development Votes were not settled during the year 2007/2008 but were instead carried forward to 2008/2009.

1258. Out of the total, bills amounting to Kshs.14,905,756.02 related to the Recurrent Vote, while the balance of Kshs.3,019,666.65 was in respect of those relating to the Development Vote.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.41

1259. The Statement of Assets and Liabilities for Vote R.41 as at 30 June 2008 reflects an Outstanding Imprests balance of Kshs.945,336.95. Although the balance agrees with the Ledger as at 30 June 2008, it differs by an amount of Kshs.149,084.50 from the analysed figure of Kshs.796,252.45. The balance of Kshs.945,336.95 also differs with the amount of Kshs.532,650.00 shown in the Ministry registers by Kshs.412,686.95. The differences have not been reconciled or explained.

1260. In addition, the Statement reflects under the District Suspense Account an unanalyzed balance of Kshs.4,878,990.15, which does not also agree with the Ledger figure of Kshs.5,799,697.15. The difference of Kshs.920,707.00 has not been reconciled or explained.

1261. The Statement's total Assets exceed total Liabilities by Kshs.7,845,372.05. This figure has been shown as an "unreconciled difference" in the Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AND FUNDS

1262. The Statement of Assets and Liabilities for Deposits and Funds as at 30 June 2008 reflects a Miscellaneous Deposit balance of Kshs.596,264.40, compared to a figure of Kshs.668,000.00 for the previous year. The decrease of Kshs.71,735.60 during the year has not however been analysed or explained.

MINISTRY OF YOUTH AFFAIRS AND SPORTS

APPROPRIATION ACCOUNT FOR VOTE R.42

1263. Examination of the Appropriation Account for Vote R.42 for the year ended 30 June 2008 revealed that during the period, the Ministry spent a total of Kshs.76,962,214.60 under various Heads without any provision in the Estimates for 2007/2008. The expenditure was therefore ineligible and unauthorized by Parliament.

1264. Various expenditure balances under Headquarters Administrative Services and Youth Polytechnic and Printing Services in the Appropriation Account, differ with those reflected in the Ledger as at 30 June 2008. No reconciliation or explanation has been provided for the differences.

1265. The Appropriation Account also reflects Appropriations-In-Aid totalling Kshs.65,767,876.45 as having been realized during the year, while other related records held by the Ministry show that such collections amounted to Kshs.69,966,360.00. The difference of Kshs.4,198,483.55 has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.42

Accuracy of the Appropriation Account

1266. The Appropriation Account for Vote D.42 for the year ended 30 June 2008 reflects expenditure totalling Kshs.23,437,627.00, incurred against various items under Sub-Votes 421, 422 and 423, relating to National Youth Service, Youth Development and Training and Department of Sports respectively. No provision had however been made against these items in the Estimates for 2007/2008 and therefore the expenditure of Kshs.23,437,627.00 incurred during the period had not been authorized by Parliament.

Under-Expenditure and Under-Collection of Appropriations-In-Aid

1267. The Appropriation Account also reflects gross under-expenditure of Kshs.239,314,202.25 or approximately 13% of the approved estimate of Kshs.1,809,309,200.00. The reasons provided in the footnotes to the Account for the under-expenditure include; over estimation, delay in procurement procedures and failure to capture data from the districts.

1268. The Account further reflects under-collection of Appropriations-In-Aid of Kshs.22,375,400.00 or about 86% of the expected receipts of Kshs.25,979,200.00. The under-collection of Appropriations-In-Aid has been attributed to delay in the release of funds by Development Partners.

PENDING BILLS

1269. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.13,663,617.00 for 2007/2008 chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2008/2009. These bills related to telephone and postage expenses, inter-ministerial – government printer, contracted and supply services.

MECHANICAL TRANSPORT AND PLANT MAINTENANCE FUND

1270. The Income and Expenditure Account for the year ended 30 June 2008 reflects total income and expenditure of Kshs.33,973,614.00 and Kshs.26,145,976.00 respectively, resulting in a profit of Kshs.7,827,638.00. The expenditure figure of Kshs.26,145,976.00 however includes a 'Repairs and Maintenance' balance of Kshs.24,707,894.00 representing about 95% of the total

expenditure, which has not been analysed to show how it has been built up. In the absence of the analysis, and as similarly observed in the previous year, the Income and Expenditure Account does not provide reliable, adequate and relevant disclosures.

1271. The Balance Sheet's Paymaster General Account balance of Kshs.60,378,899.35 as at 30 June 2008 differs with the figure of Kshs.47,950,890.70 reflected both in the Statement of Assets and Liabilities for Deposits and in the Ledger by Kshs.12,428,008.65. The difference has not been reconciled or explained.

1272. Domestic debtors decreased by Kshs.8,667,186.00 or about 58% from the balance of Kshs.15,002,254.75 as at 30 June 2007 to Kshs.6,335,068.75 as at 30 June 2008. However, and as was reported in the previous year, the debtors balance has been understated by an amount of Kshs.9,078,488.00, representing unaccounted for debtors for 2005/2006 and earlier years. Although this matter was reported in 2006/2007, no action appears to have been taken so far to rectify the anomaly.

1273. As was similarly noted in the previous report, the Fund does not maintain basic accounting records such as Cashbooks, journals, ledgers and bank accounts to record the day to day operations and transactions. The only record which appears to be maintained is a memorandum Cashbook, which shows receipts only. The balances reflected in the financial statements were therefore derived from manual analyses and schedules. Consequently and in the absence of the basic books of account, it has not been possible to confirm the accuracy of the balances reflected in the financial statements.

MECHANICAL TRANSPORT AND PLANT RENEWALS FUND

1274. The Fund's Balance Sheet amount of Kshs.18,626,729.75 under the Paymaster General (PMG) Account differs with the balance of Kshs.75,706,684.75 reflected in the Statement of Assets and Liabilities for Deposits and Funds as at 30 June 2007, from where the former balance was brought forward. The PMG balance of Kshs.18,626,729.75 also differs with the Ledger figure of Kshs.898,134.64 by Kshs.17,728,595.10. Consequently, it has not been possible to confirm the completeness and accuracy of the amount of Kshs.18,626,729.75 appearing in the Balance Sheet as at 30 June 2008.

1275. The Debtors balance increased by Kshs.6,061,163.00 from an amount of Kshs.22,774,987.35 in the previous year to Kshs.28,836,150.85 as at 30 June 2008. The Ministry has not however indicated how it is addressing this steadily growing challenge of debt collection management.

1276. The motor vehicles and plant and equipment, all placed at a value of Kshs.241,752,623.30 in the Balance Sheet (2006/2007 Kshs.246,752,623.30) as at 30 June 2008, have not been depreciated. Accordingly, it has not been possible to confirm the carrying value of these assets as at the close of the financial year. No reason has been given for failure to provide for a depreciation charge during the year.

1277. Similarly and as was reported in the previous year, the balances reflected in the Accounts were derived from manual schedules and analyses instead of the Ministry's Ledgers and books of accounts. The Fund Administrator did not during the year, maintain basic accounting records such as Cashbooks, journals, ledgers and bank accounts to record daily transactions. In the absence of proper books of accounts and other relevant records therefore, it has not been possible to confirm the accuracy of the Fund Accounts for the year ended 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.42

1278. The Statement of Assets and Liabilities for Vote R.42 as at 30 June 2008 reflects an Imprests Account balance of Kshs.3,386,720.35, while the Imprest Register shows an amount of Kshs.756,800.90, resulting in a difference of Kshs.2,629,919.45 between the two sets of records. The difference has not been reconciled or explained. Further, the entire imprest balance of Kshs.3,386,720.35 ought to have been surrendered or otherwise accounted for by 30 June 2008, as it relates to 2006/2007 and earlier years.

1279. The Statement further reflects a balance of Kshs.67,345,963.14 under the Paymaster General (PMG) Account, while the reconciled Cashbook as at 30 June 2008 shows an amount of Kshs.31,988.65. The resultant difference of Kshs.67,377,951.79 between the PMG and Cashbook figures has not been reconciled or explained.

1280. The Statement's total Assets balance of Kshs.442,176,111.72 exceeds the total Liabilities figure of Kshs.333,969,514.16 by Kshs.108,206,597.56. The difference has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.42

1281. The Statement of Assets and Liabilities for Vote D.42 as at 30 June 2008 reflects a Paymaster General Account credit balance of Kshs.68,840,137.45, while the Cashbook as at 30 June 2008 shows a debit balance of Kshs.5,961,970.45. The resultant difference of Kshs.74,802,107.90 between the Statement's figure and the Cashbook balance has not been reconciled or explained.

1282. The Statement also reflects a District Suspense Account balance of Kshs.93,330,224.40 relating to 2006/2007 and earlier years. No reason has been provided for failure to clear this long outstanding balance.

1283. The Statement's total Liabilities balance of Kshs.217,531,476.25 exceeds total Assets balance of Kshs.199,749,852.55 by Kshs.17,781,623.70. No reconciliation or explanation for the difference has been provided.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS AND FUNDS

1284. The Statement of Assets and Liabilities for Deposits and Funds as at 30 June 2008, reflects a Paymaster General Account debit balance of Kshs.95,050,171.85, while the Cashbook shows an amount of Kshs.78,561,986.55. The difference of Kshs.16,488,185.30 between the two sets of records has not been reconciled or explained.

1285. Various Account balances under Welfare, National Youth Service (NYS) Institute of Business Studies and Renewals Fund in the Statement differ by a total amount of Kshs.33,404,807.65 with those reflected in the Ledger. As in the previous instances, the difference has not been reconciled or explained.

MINISTRY OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY

APPROPRIATION ACCOUNT FOR VOTE R.43

Double Charge of Expenditure

1286. The Appropriation Account for Vote R.43 for the year ended 30 June 2008 reflects an actual expenditure of Kshs.25,000,000.00 under Sub-Vote 437, Head 854, Item 2640400 - Other Current Transfers and Subsidies, against which no provision had been made in the Estimates for 2007/2008. However, the same expenditure was captured in the Appropriation Account for Vote R.31 for the year ended 30 June 2008 - Ministry of Education, under Sub-Vote 313, Head 854, Item 2640400. No explanation has been given for charging the expenditure of Kshs.25,000,000.00 against each of the two Votes. Had the expenditure of Kshs.25,000,000.00 been excluded in the Appropriation Account for Vote R.43 for the year under review, the Account would have reflected net surplus to be surrendered to the Exchequer of Kshs.176,976,597.20 instead of Kshs.151,976,597.20 now shown.

Under-Collection of Appropriations-In-Aid

1287. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.6,421,831.95 or approximately 43% of the expected receipts of Kshs.14,700,000.00. The under-collection occurred mainly under Sub-Vote 437 – Higher Education Support Services, where collections amounting to Kshs.6,811,168.05 were realized against estimated receipts of Kshs.13,200,000.00. According to the footnotes to the Account, the under-collection was caused by over-estimation.

APPROPRIATION ACCOUNT FOR VOTE D.43

Under- Expenditure

1288. The Appropriation Account for Vote D.43 for the year ended 30 June 2008 reflects under-expenditure of Kshs.178,352,812.55 or approximately 15% of the approved estimate of Kshs.1,163,307,120.00. The under-expenditure occurred mainly under Sub-Votes 431 – Technical Education and 435 – University Education, where out of total provision of Kshs.1,155,507,120 during the year, only an amount of Kshs.997,154,308.05 was expended.

The reasons provided in the footnotes to the Account for the under-expenditure include; over provision in the budget, failure by various donors to release project funds and non-submission of expenditure returns on direct payments.

Under-Collection of Appropriations-In-Aid

1289. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.152,507,120.00, representing 100% of the estimated receipts. Nil collections were recorded under Sub-Vote 435 Head 833 – Egerton University and Head 840 - Jomo Kenyatta University of Agriculture and Technology, where the entire Appropriations-In-Aid amount of Kshs.152,507,120.00 had been budgeted for. According to the footnotes to the Account, the under-collection was caused by non-capture of expenditure returns during the year, as well as non-release of funds by a donor.

OUTSTANDING IMPRESTS

1290. Records maintained at the Ministry's Headquarters indicate that imprests totalling Kshs.3,876,991.15 which ought to have been surrendered on or before 30 June 2008 were still outstanding as at that date.

1291. Out of the total, an amount of Kshs.2,645,525.05 was owed by officers on Job Group 'M' and above, Kshs.1,102,041.10 by officers on Job Group 'L and below, while the balance of Kshs.129,425.00 was held by politicians.

PROCUREMENT OF GOODS AND SERVICES

1292. Between November 2007 and May 2008, the Ministry purchased materials worth Kshs.31,791,016.20 from various suppliers for repair works at the Nairobi show stand, renovation of various offices in Nairobi and in the provinces. As in the previous instance, no quotations were invited for supply of the materials, contrary to the Public procurement and Disposal Act, 2005.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 43

1293. The Statement of Assets and Liabilities for Vote R.43 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.108,880,837.95, while the reconciled Cashbook shows an amount of Kshs.98,117,780.65. The difference of Kshs.10,763,057.30 between the two sets of records has not been reconciled or explained.

1294. The Statement also reflects a General Account of Vote balance of Kshs.152,011,597.65 for the year under review, while the Appropriation Account for Vote R.43 for the year ended 30 June 2008 shows a net surplus to be surrendered to the Exchequer of Kshs.151,976,597.20. The difference of Kshs.35,000.45 has not been reconciled or explained.

1295. The Statement further reflects debit and credit balances of Kshs.1,298,015.45 and Kshs.1,000,000.00 under District Suspense and Agency Inter-Ministerial Accounts respectively. No analyses have however been provided for these balances and as a result it has not been possible to confirm their completeness and accuracy.

1296. The Statement in addition reflects a current year's Exchequer Account balance of Kshs.103,329,303.65, which differs with the figure of Kshs.90,702,200.00 shown in records held at the Treasury, by Kshs.12,627,103.65. As in the previous instances, no reconciliation or explanation has been provided for the difference.

1297. The Statement also shows a Temporary Imprest Account balance of Kshs.3,331,748.05, while the Imprest Register reflects a figure of Kshs.3,876,991.15 against the same Account. The analysis provided for the Account on the other hand shows an amount of Kshs.2,905,495.15. No reconciliation or explanation has been provided for the differences between the three separate records. Further, the balance of Kshs.3,331,748.05 includes an amount of Kshs.2,499,683.40 relating to 2006/2007 and earlier years. The inordinate delay in recovery or surrender of the latter amount has not been clarified.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.43

1298. The Statement of Assets and Liabilities for Vote D.43 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.38,808,375.55, while the Cashbook as at the same date shows an amount of Kshs.36,607,383.55. The difference of Kshs.2,200,992.00 between the two sets of records has not been reconciled or explained.

1299. The Statement also reflects an Exchequer Account credit balance of Kshs.10,440,000.00, while records maintained at the Exchequer section in the Treasury show an amount of Kshs.9,560,000.00 against the Account. As in the previous instance, the difference of Kshs.20,000,000.00 between the two sets of records has not been reconciled or explained.

1300. The General Account of Vote and Paymaster General Account balances of Kshs.31,322,683.00 and Kshs.2,522,683.00 respectively brought forward from 2006/2007 do not agree with the figures of Kshs.28,322,683.50 and Kshs.477,316.50 respectively reflected in the audited Statements for 2006/2007. No explanation has been given for the discrepancy.

MINISTRY OF HOUSING

APPROPRIATION ACCOUNT FOR VOTE R.44

Under-Expenditure and Under-Collection of Appropriations-In-Aid

1301. The Appropriation Account for Vote R.44 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.270,956,760.82 representing approximately 15% of the estimated expenditure of Kshs.1,766,121,500.00. The Account also reflects under-collection of Appropriations-In-Aid amounting to Kshs.194,031,193.70 or about 21% of the estimated receipts of Kshs.887,000,000.00.

1302. The reasons provided in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; failure to make payments as a result of collapse of the Integrated Financial Management Information System (IFMIS) and over-estimation in the revised budget.

APPROPRIATION ACCOUNT FOR VOTE D.44

Under-Collection of Appropriations-In-Aid

1303. The Appropriation Account for Vote D.44 for the year ended 30 June 2008 reflects under-collection of Appropriations-In-Aid (A.I.A) amounting to Kshs.8,000,000.00 against an estimated equivalent amount. The Account further shows that the entire under-collection was recorded under Sub-Vote 442, Head 404, Item 1320200 – Grants from International Organizations. The footnotes to the Account indicate that the under-collection was caused by non-remission of A.I.A by Swedish International Development Association (SIDA) during the year.

1304. A physical verification carried out at the sites on 7 July 2008 revealed that no work had actually been done although the payment of Kshs.425,000.00 had already been made. In the circumstances, the propriety of the expenditure of Kshs.425,000.00 could not be confirmed.

BONDO DISTRICT HOUSING OFFICE

1305. Examination of the Bondo District Housing Office Bank Statements and the related Cashbooks during the year for an account maintained at the Kenya Commercial Bank (KCB) Ltd, Siaya, revealed that a cheque for Kshs.400,000.00 was encashed on 30 June 2008, with the remarks on a Bank Statement indicating that the withdrawal had been made by an individual officer at the Housing Office or District Treasury. The amount was subsequently posted in the Cashbook as a “contra entry”, before being paid over to various officers and individuals. The payment vouchers indicated as having effected the payments however appear to have been fictitious as they were not entered in the Vote book, implying that they were non-existent. Indications therefore, are that the amount of Kshs.400,000.00 may have been misappropriated.

SIAYA DISTRICT HOUSING OFFICE

1306. Examination of records maintained at the Siaya District Housing Office in respect of a bank account held at the Kenya Commercial Bank, Siaya Branch revealed that seven (7) cheques for amounts totalling Kshs.501,153.90 payable to suppliers and four (4) others for a sum of Kshs.79,455.60 payable to the Commissioner of Value Added Tax (VAT), all totalling Kshs.580,609.50 were properly posted to the Cashbook between October 2007 and May 2008. These cheques however appear to have been irregularly encashed at the Bank during the same period, by unidentified officers at either the District Housing Office or District Treasury.

1307. No evidence has been seen to confirm that the sum of Kshs.580,609.50 was eventually paid over to and signed for by the payees. As in the previous case, indications therefore are that the amount of Kshs.580,609.50 may have been misappropriated.

KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND ACCOUNTS

1308. The net fixed assets balance of Kshs.696,693,108.00 reflected in the Balance Sheet of the Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund as at 30 June 2008 includes unvalued parcels of land in Langata and Mavoko areas in Nairobi and Machakos respectively. Apart from two letters of allotment issued by Ministry of Land, no title deeds have however been processed for the properties. In the absence of the title deeds, the ownership of the land on which the slum development project is being undertaken could not be ascertained.

CIVIL SERVANTS HOUSING SCHEME FUND

Unreconciled Prior Year Adjustments

Net Fixed Assets

1309. The Balance Sheet as at 30 June 2008 reflects Fixed Assets net balance of Kshs.8,176,251.00 relating to 2006/2007, which differs with the Fixed Assets figure of Kshs.10,305,066.00 shown in the audited Accounts for that year. The resultant difference of Kshs.2,128,815.00 has not been reconciled or explained.

Mortgage Recoverable

1310. The Balance Sheet also reflects Mortgage Recoverable comparative balance of Kshs.1,133,702,770.00 relating to 2006/2007. No analysis has however been provided to show from whom the mortgage was recoverable. For the same reason, the accuracy of the balance could not be ascertained.

Group Insurance Cover

1311. The Balance Sheet Group Insurance Cover comparative figure of Kshs.16,779,348.00 for 2006/2007 differs with the amount of Kshs.12,161,775.30 reflected in the audited accounts for 2006/2007 by Kshs.4,617,572.70. The difference has not been reconciled or explained.

Revenue Reserve

1312. The Balance Sheet further reflects a Revenue Reserve of Kshs.74,947,916.00 for the year 2006/2007, while the audited Accounts for the

Mortgage Interest

1313. The Mortgage Interest balance of Kshs.45,961,719.00 shown in the Income and Expenditure Account as a comparative figure for 2006/2007 differs with the amount of Kshs.17,672,463.03 reflected in the audited Accounts for that year. The resultant difference of Kshs.28,289,255.97 has not been reconciled or explained.

Balance Sheet

Mortgage Recoverable

1314. The Balance Sheet figure of Kshs.1,507,010,829.00 as at 30 June 2008 under Mortgage Recoverable has not been analysed. Consequently, it has not been possible to determine the individuals from whom the mortgage was recoverable as at the same date. The accuracy of the balance could not also be ascertained.

Mortgage Interest (Arrears)

1315. No schedules were provided for Mortgage Interest (Arrears) of Kshs.1,681,356.00 reflected under Fixed/Long Term Assets. Accordingly, it has not been possible to ascertain the accuracy of this figure.

Cash and Bank Balances

1316. The Balance Sheet shows a Cash and Bank balance of Kshs.491,040,093.00, which differs with the Cashbook balance of Kshs.442,796,274.10 as at 30 June, 2008. The difference of Kshs.48,243,818.90 has not been reconciled or explained. In addition, no Bank Reconciliation Statement, Board of Survey report and Certificate of Bank Balance as at 30 June 2008 was availed for audit review.

Debtors/Account Receivable

1317. The Debtors/Account Receivable balance of Kshs.588,025.00 relates to temporary imprests which have been outstanding since 2005/2006. No reason has been provided for failure to surrender or otherwise account for these long outstanding imprests.

Work-In-Progress

1318. No analyses and other related documentation were provided for the Work-In-Progress balance of Kshs.250,240,747.00 reflected in the Balance Sheet.

Capital Reserves

1319. The figure of Kshs.499,641,825.00 shown against Capital Reserve has similarly not been analysed. It has not, therefore been possible to ascertain how the figure was arrived at.

Deposits Accounts Payable (Unclaimed 10%)

1320. The Balance Sheet reflects a Deposits Account Payable (Unclaimed 10%) brought forward balance of Kshs.520,888,099.00, which differs with the 2006/2007 audited Accounts figure of Kshs.148,633,579.60 by Kshs.372,254,519.40. The difference of Kshs.372,254,519.40 has not been reconciled or explained.

1321. Further, out of the Deposits Account Payable balance of Kshs.320,028,368.00 as at 30 June, 2008, an amount of Kshs.168,634,368.00 has not been analysed, with the result that the accuracy of the Deposit Account Payable balance of Kshs.320,028,368.00 could not be confirmed.

Deposits

1322. The Balance Sheet also shows a Deposits Account balance of Kshs.43,347,774.00, out of which Kshs.17,773,700.00 relates to property validation. No supporting documents or analyses have been provided for the latter balance. Consequently, it has not been possible to establish what the property validation relates to.

Income and Expenditure Account

Mortgage Interest

1323. No documentation was provided in support of the Mortgage Interest balance of Kshs.49,205,768.00 shown in the Income and Expenditure Account for the year ended 30 June 2008.

Boards and Committees

1324. The Income and Expenditure Account also reflects an amount of Kshs.19,606,950.00 against Boards and Committees Expenses, which differs with the figure of Kshs.18,668,197.40 reflected in the Ledger payments analysis by Kshs.938,752.60. The difference has not been reconciled or explained.

Account/Ledger Difference

1325. Various Income and Expenditure items including Transport Operating Expenses, Advertisement Awareness, General Office Supplies, Supplies and Accessories and Maintenance of Equipment reflect figures which differ with the Ledger analyses provided in support of the balances. No reconciliation or explanation has been provided for the differences.

Depreciation

1326. Note (2) to the Fund's Accounts shows a depreciation charge for the year amounting to Kshs.3,717,256.00. This charge was however omitted from the Income and Expenditure Account with the result that the surplus for the year has been overstated by an equivalent amount.

STATEMENT OF ASSETS AND LIABILITES FOR RECURRENT VOTE R.44

1327. The Statement of Assets and Liabilities for Vote R.44 as at 30 June 2008 reflects an Exchequer Account debit balance of Kshs.579,100.00 which includes an amount of Kshs.257,660.00, relating to 2006/2007 and earlier years. No reason has been given for non-clearance of the latter balance from the books of account.

1328. The Statement also reflects a Temporary Imprest Account balance of Kshs.711,654.67 which ought to have been surrendered or accounted for on or before 30 June 2008. No reason has been given for failure to surrender or account for the amount.

1329. The Paymaster General Account balance of Kshs.79,937,537.48 differs with the Board of Survey Report amount of Kshs.83,050,220.20 by Kshs.3,112,682.72. The difference has not been reconciled or explained.

1330. The Statement further reflects a District Suspense Account balance of Kshs.80,855,264.57 relating to 2006/2007 and earlier years. No explanation has been provided for non-clearance of the balance, which has been outstanding for a considerably long period of time.

1331. The Statement shows a General Account of Vote balance of Kshs.163,281,421.32, which includes an amount of Kshs.86,355,854.20 relating to 2006/2007 and earlier years. As in the previous instances, no explanation has been provided for failure to clear the long outstanding balance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.44

1332. The Statement of Assets and Liabilities for Vote D.44 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.65,176,047.75, while the Cashbook shows an amount of Kshs.61,903,914.45 as at the same date. The resultant difference of Kshs.3,272,133.30 between the two sets of records has not been reconciled or explained.

1333. The Statement also reflects a General Account of Vote balance of Kshs.128,077,183.35, which includes an amount of Kshs.5,894,633.95 relating to 2006/2007. No reason has been provided for failure to clear the latter balance.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1334. The Statement of Assets and Liabilities for Deposits 44 as at 30 June 2008 reflects a Paymaster General balance of Kshs.160,094,204.95, while the Cashbook as at the same date shows an amount of Kshs.162,248,488.25. The resultant difference of Kshs.2,154,283.30 between the two sets of records has not been reconciled or explained. Further, the Bank Reconciliation Statement for the month of June 2008 which would have facilitated a reconciliation between the records was not availed for audit review.

1335. The General Deposits Rent Restriction Account balance of Kshs.1,172,905.50 has not been analysed and as a result, its completeness and accuracy could not be ascertained.

NATIONAL SECURITY INTELLIGENCE SERVICE

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.45

1336. The Statement of Assets and Liabilities for Vote R.45 as at 30 June 2008 reflects an Advances Account balance of Kshs.149,845,636.65, which includes an amount of Kshs.144,017,051.00 relating to 2006/2007 and earlier years. No reason has been provided for non-recovery of the long outstanding amount of Kshs.144,017,051.00.

1337. The Statement also reflects debit and credit balances of Kshs.25,376,383 and Kshs.4,325,492.25 respectively, under the District Suspense Account, relating to 2006/2007 and earlier years. Non-clearance of these long outstanding balances has not been clarified. The balances have also not been analysed with the result that it has not been possible to ascertain their completeness and accuracy.

1338. The Statement further reflects debit and credit balances of Kshs.2,098,251.05 and Kshs.4,587,263.40 respectively, under the Suspense Account which have not been analysed. As a result, their completeness and accuracy could not be confirmed. The two balances also ought to have been cleared from the books of account on or before 30 June 2008 as they relate to 2006/2007 and earlier years.

1339. The Statement shows a balance of Kshs.68,360,360.00 under the Exchequer Under Issue which includes an amount of Kshs.68,344,360.00 relating to 2006/2007 and earlier years. As in the previous instances, the balance of Kshs.68,344,360.00 ought to have been cleared on or before 30 June 2008. Additional information however indicate that the service has since sought guidance from Treasury on how to clear the under issue.

1340. The Statement in addition shows an Excess Appropriations-In-Aid balance of Kshs.19,873,302.10, brought forward from 2005/2006. It has not however been clarified as to why a request for an account code from Treasury to facilitate clearance of the balance has not been acted upon.

1341. The Statement further shows a General Account of Vote (GAV) balance of Kshs.371,742,210.75, which includes an amount of Kshs.349,222,739.00 relating to 2006/2007 and earlier years. Although available evidence indicates that the Service has requested Treasury for a GAV Account code to facilitate clearance of the balance, no response appears to have been received and no progress has therefore been made in this regard.

1342. The Statement also reflects an Agency (Advances – MFA) Account in respect of long outstanding advances of Kshs.130,765,760.05 granted to the Ministry of Foreign Affairs. Although the Service has taken up the matter and written several correspondences to the Ministry requesting for the outstanding balance to be accounted for, no meaningful progress has been recorded. The Service has therefore written to the Treasury seeking the latter's intervention to have the matter resolved.

1343. The Statement in addition reflects imprests balances totalling Kshs.9,129,355.00, out of which a sum of Kshs.5,090,782.10 relates to 2006/2007 and earlier years. No reasons have been provided for failure to surrender these balances on their due dates.

MINISTRY OF TOURISM

ACCURACY OF THE APPROPRIATION ACCOUNT FOR VOTE R.46

1344. Examination of the Appropriation Account for Vote R.46, for the year ended 30 June 2008 revealed that the Ministry incurred expenditure totalling Kshs.220,000.00 under Head 538, Item 3110100-Purchase of Buildings and Head 540, Item 2220200 – Routine Assets Maintenance – Other Assets, without any provision in the Printed Estimates for 2007/2008. The expenditure was therefore unauthorized by Parliament.

APPROPRIATION ACCOUNT FOR VOTE D.46

Under-Expenditure and Under-Collection of Appropriations-In-Aid

1345. The Appropriation Account for Vote D.46 for the year ended 30 June 2008 reflects surplus of gross estimates over expenditure of Kshs.561,331,451.57, representing approximately 63% of the approved estimates of Kshs.884,315,218.00.

1346. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.558,831,451.57 or about 73% of the estimated receipts of Kshs.764,315,218.00. The under-expenditure and under-collection of Appropriations-In-Aid occurred mainly under Sub-Vote 461, Head 540 – Tourism Marketing and Promotions.

1347. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; delay in the signing of programme estimates, delay in disbursement of funds, effects of post-election violence and malfunctioning of the Integrated Financial Management Information System (IFMIS) during the year.

1348. The Appropriation Account further reflects an amount of Kshs.205,483,755.43 under Sub-Vote 461, Head 540 item 1310200, Grants from Foreign Governments – Direct Payments. Records to support the expenditure were however not made available for audit review, with the result that its propriety could not be confirmed.

PENDING BILLS

1349. Records maintained at the Ministry's Headquarters indicate that a bill of Kshs.2,500,000.00 relating to the Development Vote payable to Utalii College was not settled during the year 2007/2008 but was instead carried forward to 2008/2009.

1350. Had the bill been paid and charged to the accounts for 2007/2008, the Development Appropriation Account for the period would have reflected nil balance instead of the surplus of Kshs.2,500,000.00 now shown.

BANK RECONCILIATION STATEMENTS

Deposits Cashbook

1351. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2008 reflects receipts of Kshs.967,842.25 in the Cashbook not in the Bank Statement, which include an amount of Kshs.938,700.00 relating to the period between September 2001 and November 2002. It has not been explained why the receipts of Kshs.938,700.00 had not been recorded in the Bank Statement as at 30 June 2008.

1352. The Statement also reflects receipts of Kshs.2,978,400.00 banked on 23 June 2008 but had not been recorded in the Cashbook as at 30 June 2008.

1353. The Statement in addition reflects a Cashbook overcast of Kshs.471,724.20 which had not been rectified as at 30 June 2008.

Recurrent Cashbook

1354. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2008 reflects payments of Kshs.139,239,298.10 in the Cashbook not recorded in the Bank Statement which include four stale cheques for amounts totalling Kshs.11,389.10. No reason has been provided for failure to replace the cheques.

1355. The Statement also reflects receipts in the Bank Statement not in the Cashbook of Kshs.2,715,343.45, which include an amount of Kshs.2,714,587.45 relating to 2006/2007 and earlier. It has not been explained why the receipts of Kshs.2,714,587.45 have not been recorded in the Cashbook.

1356. The Statement further reflects a payment of Kshs.17,849,591.30 in the Bank Statement not in the Cashbook, which has not been supported with the relevant documents. Its accuracy could not therefore be confirmed.

STATEMENT OF ASSETS AND LIABILITIES VOTE R.46

1357. The Statement of Assets and Liabilities for Vote R.46 as at 30 June 2008 reflects a Paymaster General Account (PMG) credit balance of Kshs.11,512,113.89, which differs with the Ledger credit figure of Kshs.28,972,865.49 by Kshs.17,460,751.60. Further, the PMG balance differs with the Cashbook balance of Kshs.125,822.15 by Kshs.11,386,291.74. The

differences between the three sets of records which under normal circumstances should show the same balance have not been reconciled or explained.

1358. The Statement also reflects uncleared Standing and Temporary Imprests Accounts balances of Kshs.143,000.00 and Kshs.1,913,450.50 respectively, which include amounts of Kshs.3,000.00 and Kshs.481,365.00 respectively relating to 2006/2007 and prior years. These two long outstanding balances ought to have been surrendered or otherwise accounted for on or before 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1359. The Statement of Assets and Liabilities for Deposits 46 as at 30 June 2008 reflects a current year's Paymaster General Account balance of Kshs.8,118,075.00, while the reconciled Cashbook as at the same date shows an amount of Kshs.4,835,138.25. The difference of Kshs.3,282,936.75 between the two sets of records has not been reconciled or explained.

OFFICE OF THE PRIME MINISTER

APPROPRIATION ACCOUNT FOR VOTE D.48

Under-Expenditure and Under-Collection of Appropriations-In-Aid

1360. The Appropriation Account for Vote D.48 for the year ended 30 June 2008 reflects an actual expenditure balance of Kshs.31,110,212.10 against estimated gross expenditure of Kshs.183,494,690.00, resulting in an under-expenditure of Kshs.152,384,477.90, or approximately 83% of the approved estimates. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.112,494,690, representing 100% of the total collections expected. The under-expenditure and under-collection of Appropriations-In-Aid were recorded against Sub-Votes 480 and 481, relating to General Administration and Planning and Efficiency Monitoring Unit respectively.

1361. The under-expenditure and under-collection of Appropriations-In-Aid are explained in the footnotes to the Account as having been caused by an expenditure relating to the Office of the Prime Minister being captured and charged under the Cabinet Office (Vote 23) where the Department previously was.

Further information available indicate that following creation of the Office in the last quarter of 2007/2008, various Departments were transferred from other Votes where various provisions for the year had, prior to the transfer, been

factored in. In addition, data in respect of the transferred Departments was also in many instances incomplete.

PENDING BILLS

1362. Records held at the Office of the Prime Minister indicate that as at 30 June 2008, bills totalling Kshs.9,425,119.48 relating to 2007/2008 were not settled during the year but were instead carried forward to 2008/2009. Out of the above total, bills amounting to Kshs.1,734,215.05 related to the Recurrent Vote while the balance of Kshs.7,690,904.43 was in respect of those relating to Development Vote.

According to information available, failure to clear the bills was mainly caused by liquidity constraints.

MINISTRY OF PUBLIC HEALTH AND SANITATION

APPROPRIATION ACCOUNT FOR VOTE R.49

Differences between the Appropriation Account and the Ledger

1363. The Appropriation Account for Vote R.49 for the year ended 30 June 2008 reflects under Sub-Votes 490 and 491, expenditure totalling Kshs.168,082,050.40, incurred against various Heads during the year. The Ministry's Ledger for the month of June 2008 and against which the Appropriation Account was drawn however shows expenditure amounting to Kshs.774,080,880.75 against the same Heads. The difference of Kshs.604,998,830.35 between the records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.49

Under-Expenditure

1364. The Appropriation Account for Vote D.49 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.3,850,406,615.86 or approximately 58% of the estimated provision of Kshs.6,533,961,796.00. The under-expenditure occurred against Sub-Vote 491 Preventive Medicine and Promotive Health, under Heads 510 – Kenya Expanded Programme Immunization, 778-Special Global Fund, 779-Special Global Fund, TB and Head 780 – Special Global Fund, Malaria Control. According to the footnotes to the Account, the under-expenditure was caused by late remittance of funds by Development Partners.

Differences between the Appropriation Account and the Ledger

1365. The Appropriation Account also reflects balances under twenty eight (28) items of expenditure which do not tally with the respective balances appearing in the June I Trial Balance, from which the Account was prepared. The differences have not been reconciled or explained.

Excluded Expenditure

1366. Expenditure totalling Kshs.1,577,745.40 incurred in respect of two (2) Health Sector Projects namely; GAVI Health Systems Management and Reproductive Health for (9) Focus Districts (UNFPA) was not captured in the Ledger for the month of June 2008. The expenditure was therefore, excluded in the Appropriation Account.

PENDING BILLS

1367. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.23,597,115.05 for 2007/2008 were not settled during the year but were instead carried forward to 2008/2009. Out of the above total, bills amounting to Kshs.19,292,540.00 related to the Recurrent Vote while the balance of Kshs.4,304,575.05 was in respect of those relating to the Development Vote.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.49

1368. The Statement of Assets and Liabilities for Vote R.49 as at 30 June 2008 reflects a Paymaster General (PMG) Account debit balance of Kshs.31,714,850.00, while the Ministry's Ledger for the month of June 2008 shows nil balance as at 30 June 2008. The source and accuracy of the PMG balance of the Kshs.31,714,850.00 has not therefore been confirmed.

1369. The Statement also reflects an Exchequer Account balance of Kshs.81,741,270.00 for the year 2007/2008, while records maintained at the Treasury show a figure of Kshs.101,166,390.00 against the same Account. The difference of Kshs.19,425,120.00 between the two records has not been reconciled or explained.

1370. The Statement further reflects a balance of Kshs.113,456,120.00 in respect of the General Account of Vote for 2007/2008, which differs with the net surplus to be surrendered to the Exchequer figure of Kshs.31,556,778.00, shown in the Appropriation Account for Vote R.49 for the same year, by Kshs.81,899,342.00. As in the previous instance, the difference has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.49

1371. The Statement of Assets and Liabilities for Vote D.49 as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.4,383,386.00, while the June Ledger shows a figure of Kshs.2,079,953,168.85 against the same Account. The difference of Kshs.2,075,568,782.85 between the two sets of records has not been explained or reconciled.

1372. The Statement also reflects an Exchequer Account debit balance of Kshs.355,378,377.00, while records maintained at the Treasury show an amount of Kshs.1,980,368,943.00 against the same Account. The difference of Kshs.1,624,990,566.00 between the Ministry's and Treasury's records has not been reconciled or explained.

1373. The Statement further reflects a General Account of Vote balance of Kshs.359,762,763.00 for 2007/2008. This balance however differs with the net surplus to be surrendered to the exchequer figure of Kshs.3,850,406,615.86 appearing in the Appropriation Account for Vote D.49 for the year, by Kshs.3,490,643,852.86. Similar to the previous instance, the difference has not been reconciled or explained.

MINISTRY OF FORESTRY AND WILDLIFE

APPROPRIATION ACCOUNT FOR VOTE D.55

Submission of Inaccurate Appropriation Account for Vote D.55

1374. Section 4 of the Public Audit Act, 2003 stipulates that each Accounting Officer shall prepare and submit for audit the respective appropriation accounts and other financial statements within three months after the end of each financial year. Although the Ministry prepared and submitted the Appropriation Account for Vote D55 for the year ended 30 June 2008 within the statutory deadline of 30 September 2008, the Account was found to be inaccurate as balances under several Heads did not agree with the figures shown in the Ledger. The Account was returned and subsequently revised, before being re-submitted for audit on 25 November 2008.

Failure to submit accurate accounts in time interferes with the programmes for audit and also for reporting within the statutory deadline as set by the Act.

Under – expenditure and under – collection of Appropriations-In-Aid

1375. The Appropriation Account for Vote D.55 reflects gross under-expenditure of Kshs.812,124,988.03 or approximately 37% of the approved estimates and under-collection of Appropriations-in-Aid of Kshs.80,519,053.00 or about 11% of the estimated receipts. The under-expenditure and under-collection of Appropriations-In-Aid have been attributed mainly to non-release of funds by the Government and Donors.

APPROPRIATION ACCOUNT FOR VOTE R.55

Under-collection of Appropriations-In-Aid

1376. The Appropriation Account for Vote R.55 for the year ended 30 June 2008 also reflects a deficiency in Appropriations-In-Aid of Kshs.18,381,158.30 or approximately 26% of the estimated receipts of Kshs.70,100,000.00. The deficiency was recorded under Sub-Vote 552 – Forestry Department. The footnotes to the Account attribute the deficiency to over-provision in the budget for 2007/2008.

REVENUE HEAD 160-210 – FOREST REVENUE

1377. The Statement of Revenue for Head 160-210, Forest Revenue for the year ended 30 June 2008 does not show a summary of payments made to the Exchequer during the year, with the result that it has not been possible to establish the balance on hand in respect of the revenue as at 30 June 2008.

1378. In the previous years' report, reference was made to the deteriorating position with regard to Arrears of Revenue which stood at Kshs.200,773,134.85 as at 30 June 2007. A review of the position in 2007/2008 showed that no or minimal improvement was recorded during the period, in that the total arrears of Kshs.200,773,134.85 outstanding as at 30 June 2007 remained uncollected as at 30 June 2008. As similarly observed in the report for 2006/2007, the Ministry does not appear to have put in place an effective mechanism for collection of the Arrears of Revenue which continue to accumulate year after year.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.55

1379. The Statement of Assets and Liabilities for Vote R.55 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.55,242,129.10, while both the Cashbook and the Board of Survey Report show an amount of Kshs.4,986,433.25 as at the same date. The difference of Kshs.50,255,695.85 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.55

1380. The Statement of Assets and Liabilities for Vote D.55 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.86,665,920.63, while the Cashbook as at the same date shows nil balance. The June Ledger on the other hand reflects a balance of Kshs.833,984,145.20 against the Account. No reconciliation or explanation has been provided for the differences between the three sets of records.

MINISTRY OF FISHERIES DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE R.56

Under-Collection of Appropriations-In-Aid

1381. The Appropriation Account for Vote R.56 for the year ended 30 June 2008 reflects a deficiency in Appropriations-in-Aid of Kshs.25,878,726.40 or approximately 18% of the estimated receipts of Kshs.140,488,361.00. The under-collection occurred under Heads 532 – Fisheries Development, 534 – Fisheries Stations and 539 – Fisheries Regional Centres. According to the footnotes provided, the under-expenditure was attributed to post-election violence which resulted in destruction of some offices and documents, including some revenue books; non-recruitment and upgrading of staff during the year.

APPROPRIATION ACCOUNT FOR VOTE D.56

Under-Expenditure

1382. The Appropriation Account for Vote D.56 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.88,526,036.80 or approximately 41% of the estimated provision of Kshs.213,167,060.00. The reasons provided in the footnotes to the Account for the under-expenditure include; actual expenditure on various items being lower than anticipated, delay in signing contract documents between the International Development Association (IDA) and the Government of Kenya and delay in releasing disbursements by a donor.

Pending Bills

1383. The Ministerial Public Expenditure Review records indicate that bills totalling Kshs.46,118,067.00 relating to 2007/2008 chargeable to the Recurrent Vote were outstanding as of 30 June 2008. Had these bills been settled and charged to the accounts for the period, the Recurrent Appropriation Account for

the year ended 30 June 2008 would have reflected an Excess Vote of Kshs.14,413,185.35 instead of the net surplus of Kshs.31,704,881.65 now shown.

1384. Further records indicate that bills totalling Kshs.20,000,000.00 for the same period chargeable to Vote D.56 were similarly not settled during the year but were instead carried forward to 2008/2009. Had the bills been paid and the expenditure charged to the accounts for the year 2007/2008, the Appropriation Account for Vote D.56 for the period would have reflected a reduced net surplus of Kshs.66,526,036.20 instead of Kshs.88,526,036.20 now shown.

SUBA DISTRICT FISHERIES OFFICE

Cash Deficit

1385. A cash survey conducted on 12 June 2008 at the Suba District Fisheries Office revealed a cash deficit of Kshs.173,200.00, which resulted from the difference between a cash count of Kshs.42,800.00 and the Cashbook balance of Kshs.216,000.00 as at the same date. The shortage had not been made good as at 30 June 2008.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.56

1386. The Statement of Assets and Liabilities for Vote R.56 as at 30 June 2008 reflects a General Account of Vote debit balance (Excess Vote) of Kshs.16,875,810.00 for 2007/2008 which however differs with the Recurrent Appropriation Account net surplus to be surrendered to the exchequer figure of Kshs.31,704,881.65. No reconciliation or explanation has been provided for the difference of Kshs.14,829,071.65 between the two set of records.

1387. The Statement also reflects a Paymaster General credit balance (overdraft) of Kshs.20,755,598.00, while the Cashbook as at 30 June 2008 shows an amount of Kshs.462,083,069.75 against the same Account. The significant difference of Kshs.441,327,471.75 between the two sets of records has not been reconciled or explained.

1388. The Statement further reflects a Temporary Imprests Account credit balance of Kshs.355,510.00 which has not been analysed and therefore its completeness and accuracy could not be ascertained. It has also not been explained what the credit balance under the Temporary Imprest represents.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.56

1389. The Statement of Assets and Liabilities for Vote D.56 as at 30 June 2008 reflects a Paymaster General Account credit balance of Kshs.94,641,024.30, an indication that the Cashbook was over drawn by an equivalent amount as at 30

June 2008. No authority from Treasury has however been seen for this overdraft. Further, the amount of Kshs.94,641,024.30 differs with the Cashbook debit balance of Kshs.48,893.00 by Kshs.94,689,917.30, and no reconciliation or explanation has been provided for the difference.

MINISTRY OF STATE FOR DEVELOPMENT OF NORTHERN KENYA AND OTHER ARID LANDS

DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE D.58

Under- Expenditure and Under-Collection of Appropriations-In-Aid

1390. The Development Appropriation Account for Vote D.58 for the year ended 30 June 2008 reflects gross under-expenditure of Kshs.533,725,821.28 or approximately 29% of the approved estimates of Kshs.1,817,870,713.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.169,025,576.80 or about 83% of the estimated receipts of Kshs.203,655,583.00. No reasons have been provided in the footnotes to the Account for the under-expenditure and under-collection in Appropriations-In-Aid.

Unbudgeted Expenditure and Appropriations-In-Aid

1391. Expenditure totalling Kshs.11,427,760.55 was incurred and charged to various items under Heads 283 (Disaster Emergency Response Coordination) and 298 (Arid Lands Resource Management Project), but without any provision in the Approved Estimates for 2007/2008. The expenditure did not have Parliamentary approval, and was therefore ineligible and unauthorized.

1392. Appropriations-In-Aid totalling Kshs.1,040,067.00 under Head 298 – Items 1110100, 1110300 and 111040 were collected during the year, while no provision had been made in the Approved Estimates for such collections. No reason has been given for failure to provide for the collections in the Estimates.

Failure to Provide Footnotes to the Accounts for Material Differences

1393. Government Financial Regulations and Procedures require that footnotes to the accounts be provided to explain variances of over Kshs.1,000,000.00 above or below the approved estimates and the actual expenditure or collection of Appropriations-In-Aid. The Appropriation Account reflects variances in excess of Kshs.1,000,000.00 under various items of expenditure and Appropriations-In-Aid, for which no footnotes have been provided.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.58

1394. The Statement of Assets and Liabilities for Vote R.58 as at 30 June 2008 reflects a Paymaster General Account debit balance of Kshs.313,884.90, which differs with the Bank balance of Kshs.18,967,985.70 by Kshs.18,654,100.80. The difference between the two sets of records has not been reconciled or explained.

1395. The Ledger for the month of June 2008 shows an Imprest Account credit balance of Kshs.17,500.00, which has not been reflected in the Statement. No reason has been given for failure to show the balance in the Statement. The credit balance under the Imprest Account has also not been explained.

1396. The Statement also reflects total Assets of Kshs.413,684.90 while the total Liabilities amount to Kshs.256,135.30. The Statement is therefore out of balance by a figure of Kshs.157,549.60. No reconciliation or explanation has been provided for the difference.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.58

1397. The Statement of Assets and Liabilities for Vote D.58 as at 30 June 2008 was submitted by the Ministry for audit on 3 March 2009, over five months after the statutory submission deadline of 30 September 2008. The Ministry is therefore in breach of the law.

1398. The Statement reflects an Exchequer Account balance of Kshs.200,624,661.00, while records maintained at the Treasury's Exchequer Section show an amount of Kshs.1,271,943,130.00 against the same Account. The difference of Kshs.1,071,318,469.00 between the two sets of records has not been reconciled or explained. The balance of Kshs.200,624,661.00 also differs with the figure of Kshs.700,000,000.00 appearing in the Trial Balance by an amount of Kshs.136,624,661.00. Similarly, no reconciliation or explanation has been given for this particular difference.

1399. The Statement also reflects a Suspense Account balance of Kshs.164,075,583.48 which has not been analyzed. The balance also differs with Trial Balance figure of Kshs.342,272,000.00 by Kshs.178,196,416.52. Consequently, it has not been possible to ascertain the completeness and correctness of the balance of Kshs.164,075,583.48 under the Account.

1400. The Statement further reflects a General Account of Vote balance of Kshs.364,700,244.48 which differs with the amount of Kshs.272,272,000.00 shown in the Trial Balance by Kshs.92,428,244.48. The difference has not been reconciled or explained.

MINISTRY OF PUBLIC WORKS

APPROPRIATION ACCOUNT FOR VOTE R.59

Variations between the Appropriation Account and the Ledger

1401. The Appropriation Account for Vote R.59 for the year ended 30 June 2008 reflects total net expenditure of Kshs.632,040,039.40 and net surplus to be surrendered to the Exchequer of Kshs.83,070,060.00, while the June 1 Ledger against which the Account was drawn shows figures of Kshs.613,575,363.00 and Kshs.101,534,737.00 under the two items respectively. The differences of Kshs.18,464,676.40 and 18,464,677.00 respectively have not been reconciled or explained.

Variations in Expenditure on Personal Emoluments and Other Allowances

1402. A comparison of expenditure amounts under salaries and allowances in the Appropriation Account against related payroll and other records' balances during the year revealed material differences of Kshs.59,614,987.95 between the two sets of records. The differences have not been reconciled or explained and as a result, the correctness of the expenditure of Kshs.646,398,732.75 reflected in the Appropriation Account in respect of the two items could not be confirmed.

Excluded Expenditure

1403. Expenditure totalling Kshs.125,000.00 incurred under civil works and routine maintenance was not captured in the Appropriation Account. No explanation has been provided for excluding of the expenditure in the Account.

Appropriations-In-Aid

1404. The Appropriation Account also reflects total Appropriations-In-Aid (A.I.A) of Kshs.95,276,118.40 which differs with the figure of Kshs.19,981,041.10 shown in the monthly A.I.A returns maintained at the Ministry's Headquarters. The resultant difference of Kshs.75,405,077.30 between the two records has not been reconciled or explained.

Unauthorized Expenditure

1405. The Appropriation Account further reflects expenditure amounting to Kshs.978,699.45 incurred under Sub-Votes 590 and 591, Heads 419, 402 and 413, while the Printed Estimates for 2007/2008 reflect nil provisions against these Heads. Consequently, the expenditure of Kshs.978,699.45 was not only irregular but also unauthorized by Parliament.

Variances on Personal Allowances

1406. The Appropriation Account in addition reflects total estimated expenditure of Kshs.211,270,826.90 and Kshs.23,452,233.55 against House Allowance and Medical Allowance respectively, which differ with the amounts of Kshs.165,312,598.00 and Kshs.20,012,595.00 respectively appearing in the Approved Estimates. The substantial variances of Kshs.45,958,228.90 and Kshs.3,439,638.55 respectively against the two items has not been explained.

APPROPRIATION ACCOUNT FOR VOTE D.59

Under-Collection of appropriations-In-Aid

1407. The Appropriation Account for Vote D.59 for the year ended 30 June 2008 reflects nil collections of Appropriations-In-Aid during the year, against estimated receipts of Kshs.114,790,000.00. The reason given in the footnotes to the Account for the under-collection of Appropriations-In-Aid is that expenditure documents for the Bomet Maize Flour Processing Factory were not submitted to the Ministry by a donor, so as to facilitate journalizing of the transactions in the Ledger.

Unsupported Expenditure

1408. The Appropriation Account also shows an expenditure of Kshs.49,065,021.95 against Item 3110500 – Construction and Civil Works under Sub Head 000, Head 402 – Structural Department, out of which an amount of Kshs.43,858,480.60 was not supported with any records or documentary evidence. The propriety of the expenditure could not therefore be ascertained.

Excluded Expenditure

1409. Expenditure totalling Kshs.1,593,803.95 incurred during the year on construction of building and charged to Sub-Vote 591, Head 400, Sub Head 1000, Item 3110200 was excluded from the Appropriation Account, although the expenditure had been captured in the Ledger. No satisfactory explanation has been provided for failure to include the expenditure in the Account.

Unbudgeted Expenditure

1410. Expenditure totalling Kshs.127,596,913.90 was incurred under Heads 400, 402 and 413 during the year, while no provision had been made in the Approved Estimates for 2007/2008. The expenditure of Kshs.127,596,913.90 was therefore ineligible and unauthorized by Parliament.

Failure to Provide Footnotes

1411. The Appropriation Account further reflects over and under-expenditure in respect of various items under Heads 400, 402,413 and 505, against which the threshold of Kshs.1,000,000.00 has been exceeded, but no footnotes have been provided to explain the variances.

Pending Bills

1412. Records held at the Ministry's Headquarters indicate that bills totalling Kshs.19,582,606.12 and Kshs.558,603,589.18 for 2007/2008 chargeable to the Recurrent and Development Votes respectively were not settled during the year, but were instead carried forward to 2008/2009.

1413. Had the bills been paid and charged to the accounts for 2007/2008, the Recurrent Appropriation Account for the year would have reflected a net surplus to be surrendered to the Exchequer of Kshs.63,487,454.48 instead of Kshs.83,070,060.60 now shown, while the Development Appropriation Account for the same period would have reflected an excess vote of Kshs.421,929,995.63 instead of a net surplus of Kshs.136,673,593.55 now recorded.

PROPOSED COMPLETION OF GOVERNMENT HOUSING PROJECT AT WESTPARK – NAIROBI

Award of Contract

1414. The contract for the proposed completion of government housing project at West Park Nairobi was competitively awarded to a local company on 20 September 2005, following its bid for the project at a sum of Kshs.1,444,125,345.00.

Scope of Works

1415. The works involved completion of a stalled government housing project comprising one hundred and fifteen (115) four bedroom maisonettes, one hundred and ninety two (192) three bedroom flats and two hundred and eighty eight (288) two bedroom flats.

1416. The works included installation of doors and windows, floor ceiling and wall finishes, joinery works and fittings, paint works and decorations, external works (landscaping, storm water drains, walkways and road works), associated mechanical and electrical works, repair works to roofing tiles and roofing structure, and street-lighting.

1417. The works commenced on 23 January 2006 for a contract period of twenty four (24) months and were scheduled for completion on 22 January 2008 under the supervision of the Ministry.

Audit Observations

1418. An audit review of the project records and other related documents, followed by an inspection carried out at the construction site in September 2008 revealed the following unsatisfactory and unexplained matters:-

Slow Progress and Expiry of the Contract

1419. The contractor was indicated as having initially performed well until sometimes in January 2007 when the works began to slow down. The slowdown became persistent even after the contractor was severally warned by the Ministry. A default notice was subsequently issued by the Ministry on 16 June 2008 to the contractor warning him that if he continued to breach the contract by failing to complete the outstanding works within a reasonable time, the Ministry would invoke clause 33.1 of the conditions of contract and terminate the employment of the contractor fourteen days thereafter. The recorded progress of works by 27 August 2007 was as follows: Builders' works – 38%, Electrical works – 40%, Plumbing works – 40%, Foul drainage works – 90% and Roads works – 90%.

1420. On 15 September, 2008 the Ministry proposed to terminate the contract due to fundamental breach of the contract. This proposal has not as far as I have been able to establish, been formalized and no clarification in this regard has been made.

Liquidated Damages

1421. Although the contractor had submitted a revised programme of works requesting for time extension upto 29 June 2009, no evidence of approval has been seen. Further, no explanation has been provided for failure by the Ministry to recover liquidated damages from the contractor at the rate of Kshs.20,000.00 per week, following the end of the contract period on 22 January 2008, as provided for under clause 27 of the conditions of the contract.

Under Recovery of Advance Payment

1422. The contractor was granted a 10% advance payment of Kshs.144,412,535.00 in February 2006 through certificate No.1 dated 10 February 2006, in accordance with clause 23.7 of the conditions of contract, which amount was secured under a bank guarantee issued by Equity Bank. According to information available, the advance payment was to be recovered from interim payments and the balance owing to the contractor, by way of

successive deductions. Additional records show that the deductions were to begin when the amount due under the contract reached 20% of the original contract sum, and were expected to be completed by the time 80% of the amount due under the contract was reached.

1423. However, as of 26 June 2008, by which time the total payments on account had reached Kshs.930,633,036.15 (or about 65% of the contract sum), only an advance of Kshs.108,742,662.96 had been recovered. No explanation has been provided for the under-recovery of the advance payment of approximately Kshs.8,592,521.70 as at 30 June 2008.

Training Costs

1424. Certificate No.33 dated 26 June 2008 shows that the contractor had contributed an amount of Kshs.5,000,000.00 for Continuous Professional Development and Training of the Ministry's staff. However, the Ministry has not availed for audit review documentary evidence and other records relating to this training. In addition, it has also not been indicated when and where the training did or would take place.

THE PROPOSED COMPLETION OF SOCIAL HALL FOR KENYA TECHNICAL TEACHERS COLLEGE

1425. The Ministry incurred an expenditure of Kshs.24,552,469.40 during the year, against the proposed project for completion of a Social Hall at the Kenya Technical Teachers College under Ministry of Education. The expenditure was charged to the Development Vote.

1426. According to information available, the contract was awarded to a local construction company based in Nairobi at a sum of Kshs.29,081,530 and works commenced on 7 May 2007. The contract period was set at 16 weeks with the expected completion date being 27 August 2007. This date was later revised to 30 June 2008.

An examination of the few records available in respect of the project revealed the following unsatisfactory and unexplained matters:-

1427. Tender documents including tender notice, signed bids, tender committee minutes and contract award letters were not made available for audit review. Consequently, it has not been possible to confirm that the contract was competitively awarded and that there was value for money consideration with regard to the project.

1428. The contract agreement between the contractor and Government was also not made available for audit review, with the result that it has also not been possible to ascertain that payments totalling Kshs.24,552,469.40 made to the

contractor as at 30 June 2008 complied with the terms and co-ordinations of the agreement.

MECHANICAL AND TRANSPORT FUND

Income and Expenditure Account

1429. The Fund's Income and Expenditure Account for the year ended 30 June 2008 reflects comparative figures for 2006/2007 under Fuel and Lubricants, General Office Supplies and Training, which differ with those reflected in the audited Income and Expenditure Account for the year ended 30 June 2007. No reconciliation or explanation has been provided for the differences.

1430. The Account also reflects receipts of Kshs.780,371,955.60 from Hire of Equipments and Transport. Returns of income and expenditure received from regional offices maintained by the Mechanical and Transport Department however indicate that receipts totalling Kshs.394,362,821.73 were collected during the year. The resultant difference of Kshs.386,009,133.87 between the two sets of records has not been reconciled or explained.

Balance Sheet

General Suspense Account

1431. The Balance Sheet as at 30 June 2008 reflects under liabilities a General Suspense Account balance of Kshs.77,010,257.80, for which no analysis has been provided. In the absence of an analysis, it has not been possible to ascertain what the balance represents.

Bank Reconciliation Statement

1432. The Balance Sheet as at 30 June 2008 reflects nil cash balance, while both the Board of Survey report and the Certificate of Bank balance show a cash at bank figure of Kshs.93,271,428.40 as at the same date. As in the previous cases, the difference of Kshs.93,271,428.40 has not been reconciled or explained.

Debtors

1433. Records maintained at various regional offices including Laikipia, Kisumu, Kericho and Thika indicate that an amount of Kshs.106,879,508.15 was owing from various debtors as at 30 June 2008. No satisfactory explanation has been provided for failure to collect the debts. Further, the debtors balance of Kshs.106,879,508.15 has been excluded in the Balance Sheet. Consequently it has not been possible to ascertain the accuracy of the total assets figure of Kshs.2,534,671,935.00 reflected in the Balance Sheet as at 30 June 2008.

Creditors

1434. Records maintained at the Thika Regional Office show that the Office owed a construction company an amount of Kshs.399,744 as at 30 June 2008. However, the nature of goods or services provided by the company have not been disclosed. Further, the amount of Kshs.399,744 has been excluded in the Balance Sheet. In the circumstance, the accuracy of the total creditors balance of Kshs.2,096,511,792 as at 30 June 2008 could not be ascertained.

CONSTRUCTION OF GOVERNMENT QUARTERS IN KAREN – NAIROBI

Background

1435. The construction of Government Quarters in Karen, Nairobi was awarded on 9 June 2005 to a local construction company at a contract sum of Kshs.197,004,780.00. The work involved perimeter fencing, construction of access gates, guard houses, main house, office block, domestic and security staff quarters, parking and garage facilities.

1436. An examination of the contract records in respect of the project revealed the following unsatisfactory and unexplained matters:-

Performance Guarantee

1437. A performance guarantee of Kshs.19,700,478.00 dated 16 August 2005 issued on behalf of the contractor by a local bank has since been invalidated as the bank under reference has been placed under statutory management by the Central Bank of Kenya. No documentary evidence has been seen to confirm that a replacement guarantee has been taken out with another financial institution.

Slow Progress of Work

1438. Although the project commenced on 25 January 2006 and was scheduled for completion on 27 January 2007 (i.e. within 52 weeks), it is far from completion and information available indicates that on 24 July 2007, a default notice, was, pursuant to the contract agreement, issued to the contractor on account of reduced labour force on site, disruption and unrest on site by workers, power disconnection due to non-payment of electricity bills and general inadequate performance.

1439. Further, an audit site inspection exercise carried on 4 August 2008 observed that only 65% of the works had been completed as at that date. It was also noted that the project was being implemented on an adhoc basis as there were no approved programmes of work and/or cashflow projections. In addition,

procurement of civil works, boreholes, roads and interior fittings amongst other components were yet to be undertaken.

Irregular Advance Payment

1440. The contractor was paid a sum of Kshs.19,700,000.00 in advance through Certificate No.1 in contravention of section c-appendix to conditions of contract, which stipulates that “advance payment shall not be granted”. Although an amount of Kshs.1,315,790.57 was later recovered through certificate No.13, the Ministry has not indicated how it intends to recover the balance of Kshs.18,384,209.43 from the contractor.

Undocumented Training Costs

1441. Payment on Account Certificate No.13 indicates that the Project Manager was during the year paid a sum of Kshs.1,000,000.00 for training. No documentary evidence and other records have however been availed to show how the money was spent. Consequently, the propriety of the expenditure could not be ascertained.

Liquidated Damages

1442. The Ministry has not raised a claim for liquidated damages at the rate of Kshs.50,000.00 per week against the contractor as stipulated under clause 27.1 of the conditions of contract.

STORES AND SERVICES FUND

Statement of Assets and Liabilities

Capital Fund

1443. The Statement of Assets and Liabilities for Stores and Services Fund as at 30 June 2008 reflects a debit balance of Kshs.51,594,347.70 against the Capital Fund, which differs with the credit figure of Kshs.120,975,370.20 appearing in the Trial Balance as at 30 June 2008 by Kshs.172,569,717.90. No reconciliation or explanation has been provided for the difference of Kshs.172,569,717.90.

Suspense Account – Supplies Branch

1444. The balance of Kshs.482,983,865.60 against the Suspense Account increased from the previous year’s figure of Kshs.480,322,514.30, by Kshs.2,661,351.30. However, no documentary evidence and analyses were made available to support the balance of Kshs.482,983,865.60, with the result that it has not been possible to confirm the completeness and accuracy of the balance.

Paymaster General Account

1445. The Paymaster General (PMG) Account overdraft balance of Kshs.861,214,059.50 reflected in the Statement differs with the balance of Kshs.854,897,157.40 shown in the Trial Balance as at 30 June 2008, by Kshs.6,316,902.10. No reconciliation or explanation has been provided for the difference. In addition, no records were provided to support the increase in the overdraft from the previous year's balance of Kshs.858,178,074.20 to Kshs.861,214,059.50 in 2007/2008. The overdraft balance of Kshs.861,214,059.50 does not also appear to have been authorized by the Treasury.

1446. The Cashbook balance of Kshs.20,686,085.50 as at 30 June 2008 (made up of Kshs.11,796,573.25 under cash on hand, and Kshs.8,889,512.25 in respect of bank) differs with the PMG balance of Kshs.861,214,059.50, by Kshs.881,900,145.00. No reconciliation or explanation has been provided for the difference between the two sets of records.

1447. Further, the cash on hand balance of Kshs.11,796,573.25 was represented by refer to drawer cheques totalling Kshs.11,730,453.35, held as part of cash, and out of which, cheques worth Kshs.2,830,647.05 were not supported with the relevant records. Consequently, the authenticity of cheques worth Kshs.2,830,647.05 could not be confirmed.

Credit Purchases

1448. The Credit Purchases balance of Kshs.39,762,138.95 reflected in the Statement has been omitted from the Trial Balance for some unclear reasons. The balance of Kshs.39,762,138.95 also differs with the actual pending bills of Kshs.46,109,803.30 as at 30 June 2008, by Kshs.6,347,664.35. The difference has not been reconciled or explained.

Unallocated Stores Account

Stores Claims

1449. The balance of Kshs.22,247,097.57 in respect of stores claims reflected in the Unallocated Stores Account was not captured in the Trial Balance. No reason has been provided for the omission.

Stock

1450. A review of the stock taking report revealed that most of the items in the stores were either classified as obsolete, dormant, unserviceable or slow moving. These items were not, however, disclosed in the Accounts together with the

explanatory notes. The situation at the Supplies Branch Headquarters Depot in Nairobi and at the District Supplies Office in Garissa for instance was as follows:-

Nairobi Depot

1451. Records maintained at the Stationery Store show that out of total Stock worth Kshs.79,460,277.68 as at 30 June 2008, Stock items valued at Kshs.45,443,855.18 and Kshs.9,851,200.00 were determined as dormant and obsolete respectively.

1452. The Records also indicate that the Clothing and Textile Stock items valued Kshs.31,356,522 were categorized as dormant out of the total, worth Kshs.61,496,693.45.

Garissa District Supplies Office

1453. Out of the total physical stock valued at Kshs.2,674,318.50 at the Garissa District Supplies Office, Stationery worth of Kshs.764,480.95 and Clothing/Textile worth Kshs.284,145.25 were classified as dormant.

1454. In addition, some of the above items although categorized as obsolete, were carried at cost price, despite the fact that their net realizable value was far below the purchase price.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.59

1455. The Statement of Assets and Liabilities for Vote R.59 as at 30 June 2008 reflects an Exchequer Account credit balance of Kshs.83,864,991.90, representing excess Exchequer Issues during 2007/2008. Adequate clarification has not been given by the Ministry, to explain how the exchequer over-issues arose.

1456. The Statement also reflects a General Account of Vote credit balance of Kshs.103,035,822.20, representing net surplus to be surrendered to the Exchequer for 2007/2008, which differs with the figure of Kshs.83,070,060.60 shown in the Recurrent Appropriation Account Vote R.59 for the year. The difference of Kshs.19,965,761.60 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.59

1457. The Statement of Assets and Liabilities for Vote D.59 as at 30 June 2008 reflects account balances under the Exchequer, Paymaster General and General Account of Vote which differ with the Ledger/Trial Balance figures. No reconciliation or explanation has been provided for the differences.

1458. The Statement also reflects an Exchequer Account debit balance of Kshs.135,027,347.00, which differs with the Treasury records figure of Kshs.1,440,500,000.00. The resultant difference of Kshs.1,305,472,653.00 between the two sets of records has not been reconciled or explained.

1459. The Statement further reflects a General Account of Vote credit balance of Kshs.135,037,788.60 for 2007/2008, which differs with the figure of Kshs.136,673,593.55 reflected in the Appropriation Account Vote for D.59 for the period, as net surplus to be surrendered to the Exchequer. Similarly, the resultant difference of Kshs.1,635,804.95 between the records has not been reconciled or explained.

1460. The Statement in addition reflects a credit balance of Kshs.42,000.00 against the Temporary Imprests Account which is unusual. Although it has been indicated that the amount was posted in the Ministry's ledger by error, it has not however been clarified why a journal entry to correct the error has not been passed.

MINISTRY OF INDUSTRIALIZATION

APPROPRIATION ACCOUNT FOR VOTE R.60

Under-collection of Appropriations-In-Aid

1461. The Appropriation Account for Vote R.60 for the year ended 30 June 2008 reflects under-collection of Appropriations-In-Aid of Kshs.114,200,107.15 or approximately 57% of the expected receipts of Kshs.203,109,771.00. The under-collection was mainly recorded against Sub-Votes 601 – Kenya Industrial Estates and Sub-Vote 604 – Export Development and Promotion. The reason provided in the footnote to the Account for the under-collection has been indicated as over-provision against various items.

APPROPRIATION ACCOUNT FOR VOTE D.60

Under-Expenditure

1462. The Appropriation Account for Vote D.60 for the year ended 30 June 2008 reflects under-expenditure of Kshs.127,283,365.10 or approximately 25% of the estimated provision of Kshs.503,064,280.00. The under-expenditure occurred mainly under Head 792 – Directorate of Industries Item 2640300 – Subsidies to Small Business, Cooperatives and the Self-employed, where an under-expenditure of Kshs.126,443,269.00 was recorded against a provision of Kshs.199,704,280.00. The reason given in the footnote to the Account for the

under-expenditure was that a Project Management Consultant delayed submission of reimbursement claims.

Unvouched Expenditure

1463. The Appropriation Account total expenditure balance of Kshs.375,780,914.90 includes amounts totalling Kshs.8,397,259.00 against Sub-Votes 602, 603, and 604, with balances of Kshs.3,000,000.00, Kshs.2,373,547.00 and Kshs.3,023,712.00 respectively. These balances have not been supported with payment vouchers and other related records and as a result, the propriety of the expenditure of Kshs.8,397,259.00 could not be confirmed.

PENDING BILLS

1464. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.1,875,143.70 for 2007/2008 were not paid during the year but were instead carried forward to 2008/2009.

According to information available, non-payment of the bills was caused by the split of the former Ministry of Trade and Industry into two.

OUTSTANDING IMPRESTS

1465. Imprests records maintained at the Headquarters indicate that imprests totalling Kshs.432,632.00 and Kshs.317,100.00 under the Recurrent and Development Votes respectively and which ought to have been surrendered on or before 30 June 2008, were still outstanding as at that date.

Out of the total of Kshs.432,632.00 under the Recurrent Vote, an amount of Kshs.32,640.00 was owed by officers on Job Group "M" and above, Kshs.261,000.00 by officers on Job Group "L" and below, while the balance of Kshs.138,992.00 was held by politicians.

1466. Similarly, out of the sum of Kshs.317,100.00 relating to the Development Vote, an amount of Kshs.52,500.00 was owed by officers on Job Group 'M' and above, Kshs.147,848.00 by officers on Job Group 'L' and below, while the balance of Kshs.116,752.00 was held by politicians.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.60

1467. The Statement of Assets and Liabilities for Vote R.60 as at 30 June 2008 reflects a Paymaster General Account balance of Kshs.53,221,286.75, while the Cashbook as at the same date shows a figure of Kshs.12,686,664.20. The resultant difference of Kshs.40,534,622.50 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES VOTE D.60

1468. The Statement of Assets and Liabilities for the Vote D.60 as at 30 June 2008 reflects an Exchequer Account balance of Kshs.68,087,619.00, while records held at the Exchequer Section, Treasury reflects a figure of Kshs.68,904,280.00. The difference of Kshs.816,661.00 between the two sets of records has not been reconciled or explained.

1469. The Statement also reflects a balance of Kshs.1,889,130.00 against the District Suspense Account. According to information available, the amount of Kshs.1,889,130.00 was meant for purchase of some laboratory equipment for the Kenya Industrial Training Institute in Nakuru. For some unclear reasons however, the balance was placed in a Suspense Account while returns from the districts confirming the expenditure were being awaited. No clarification has been provided for failure to charge the amount of Kshs.1,889,130.00 against the relevant expenditure item during 2007/2008 or to return the money to the Exchequer at the end of the financial year.

STAFF

I wish to sincerely thank the entire staff of the Kenya National Audit Office for the great effort and hard work they have put in during the year.

A. S. M. Gatumbu
CONTROLLER AND AUDITOR GENERAL

NAIROBI

28 May 2009

**CERTIFICATE OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30
JUNE 2008**

I certify that I have audited the financial statements of the Government of Kenya for the year ended 30 June 2008 which are listed in Appendices A and B, in accordance with Section 105(2)(c) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of the audit. Except where indicated in the accompanying Report, proper books of account have been kept and the financial statements 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 preparation of financial statements which fairly present their respective Ministries', Departments' and Funds' financial positions. My responsibility is to express an independent opinion on the financial statements based on the audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used, verification of the estimated amounts, compliance of the expenditure with the authority, rules and regulations which govern it, as well as an evaluation of the overall presentation of

the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, except for the reservations set out in the accompanying Report, the financial statements listed in Appendix A fairly present the financial position of the Government of Kenya and its funds as at 30 June 2008, and of its operations for the year then ended and on the basis of the audit tests performed, the sums shown as expended have been applied for the purposes authorized by Parliament.

However, because of various unexplained discrepancies, omission of expenditure from the Accounts, lack of documentation to support some of the figures shown in the financial statements listed in Appendix B, and failure by the Accounting Officers to provide information and explanation considered necessary for the purpose of the audit as detailed in the Report, I am unable to express any meaningful opinion on the financial statements listed in Appendix B.

A.S.M. Gatumbu

CONTROLLER AND AUDITOR GENERAL

NAIROBI

28 May 2009

APPENDIX A

LIST OF CERTIFIED ACCOUNTS:-

Exchequer Account

CONSOLIDATED FUND SERVICES:

Pensions and Gratuities - Statement of Expenditure.

Public Debt - Statement of Expenditure.

Statement of Public Debt.

Salaries, Allowances and Miscellaneous Services – Statement of Expenditure.

Subscriptions to International Organizations - Statement of Expenditure.

SUMMARIES:

Summary of Appropriation Accounts (Recurrent).

Summary of Appropriation Accounts (Development).

Summary of Payments Made out of Issues from Exchequer

APPROPRIATION ACCOUNTS - RECURRENT:

Votes R.1, R.2, R.3, R.4, R.5, R.6, R.8, R.9, R.10, R.12, R.15, R.16, R.17, R.19, R.21, R.22, R.23, R.24, R.25, R.26, R.27, R.29, R.30, R.31, R.32, R.33, R.36, R.40, R.41, R.42, R.43, R.44, R.45, R.46, R.48, R.55, R.56, R.57, R.58, R.60.

APPROPRIATION ACCOUNTS - DEVELOPMENT:

Votes D.1, D.2, D.3, D.5, D.6, D.9, D.10, D.12, D.15, D.16, D.17, D.19, D.20, D.21, D.22, D.26, D.30, D.31, D.32, D.35, D.36, D.41, D.42, D.43, D.44, D.46, D.48, D.55, D.56, D.58, D.60.

STATEMENTS OF REVENUE - RECURRENT:

1410000-1410200, 1430100, 160-210.

STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA:

Ministry of Energy

STATEMENTS OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN QUASI-GOVERNMENT ORGANIZATIONS AND OTHER STATUTORY ORGANIZATIONS:

Ministry of Finance

Ministry of Energy.

FUNDS ACCOUNTS:

Civil Contingencies Fund.
District Cash Fund.
District Development Fund.
Electoral Commission Car Loan Scheme Fund.
Exchange Risk Assumption Fund.
Intelligence Service Development Fund.
Kenya Energy Sector Environmental and Social
Responsibility Fund
Kenya Slums Upgrading Fund.
National Assembly Car Loan Fund.
Rural Development Fund.
Parliamentary Mortgage Scheme Fund.
Provincial Administration District Cash Fund.

APPENDIX B

LIST OF ACCOUNTS EXCLUDED FROM THE CERTIFICATE:-

CONSOLIDATED FUND SERVICES:

Statement of Subscriptions by the Government of Kenya to International Organizations.

SUMMARY:

Summary of Statements of Revenue (Recurrent).

Summary of Statements of Revenue (Development).

Summary of Statements of Outstanding Loans.

Summary of Statements of Obligations Guaranteed by the Government of Kenya.

Summary of Statements of Participation by the Government of Kenya in Quasi-Government Organizations and Other Statutory Organizations.

Summary of Statements of Investments by the Government of Kenya in Local Companies.

APPROPRIATION ACCOUNTS - RECURRENT:

Vote R.7, R.11, R.13, R.14, R.18, R.20, R.35, R.49, R.59.

APPROPRIATION ACCOUNTS - DEVELOPMENT:

Votes D.4, D.7, D.11, D.13, D.14, D.18, D.23, D.25, D.40, D.49, D.59.

STATEMENTS OF REVENUE - RECURRENT:

1110000, 1140000, 1150000, 1160000, 1410000-1410100, 1410000-1410401, 1420000, 1450000, 4510000, 150-360, 170-010, 210-010.

STATEMENTS OF REVENUE - DEVELOPMENT:

Development Revenue - Head DR.1.

STATEMENTS OF OUTSTANDING LOANS:

Ministry of Finance.

STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA:

Ministry of Finance.

Ministry of Agriculture.

Ministry of Transport.

STATEMENTS OF INVESTMENTS BY THE GOVERNMENT OF KENYA IN LOCAL COMPANIES:

Ministry of Finance.
Ministry of Agriculture.

STATEMENTS OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN QUASI-GOVERNMENT ORGANIZATIONS AND OTHER STATUTORY ORGANIZATIONS:

Ministry of Agriculture
Ministry of Transport.

FUNDS ACCOUNTS:

Agricultural Information Centre Revolving Fund.
Asian Officers Family Pensions Fund.
Asiatic Widows and Orphans Pensions Fund.
Civil Servant Housing Scheme Fund.
European Widow's and Orphans Pension Scheme Fund.
F.T.C. Demonstration Farms Fund.
Government Clearing Agency Fund.
Government Press Fund.
Health Care Services Fund.
Hides and Skin Cess Fund.
Humanitarian Fund
Kenya Local Loans Support Fund.
Kenya Missions Float Fund.
Management Supervision and Liquidation Fund.
Mechanical and Transport Department Fund.
Mechanical Transport and Plant Maintenance Fund.
Mechanical Transport and Plant Renewals Fund.
Medical Supplies Fund.
Petroleum Development Fund.
Petroleum Development Levy Fund.
Prisons Farm Fund.
Prisons Industries Fund.
Provident Fund.
Rural Electrification Programme Fund.
Rural Enterprises Fund.
Stores and Services Fund.
Strategic Grain Reserve Trust Fund.
Township Roads and Drains Fund.
Training Fund.
Treasury's Main Clearance Fund.
Veterinary Services Development Fund.
Women Enterprise Fund.