



REPUBLIC OF KENYA

**REPORT
OF
THE AUDITOR-GENERAL
ON
THE APPROPRIATION ACCOUNTS,
OTHER PUBLIC ACCOUNTS
AND THE
ACCOUNTS OF THE FUNDS
OF THE REPUBLIC OF KENYA
FOR THE YEAR 2010/2011**

TABLE OF CONTENTS REPORT OF THE AUDITOR-GENERAL

Vote	Paragraph	Page
	Introductory and General	1 - 21 1 - 10
7.	Office of the Deputy Prime Minister and Ministry of Finance ...	22 - 299 11 - 62
1.	Ministry of State for Provincial Administration and Internal Security	300 - 360 63 - 73
2.	State House	361 - 377 74 - 76
3.	Office of the Prime Minister and Ministry of State for Public Service	378 - 396 77 - 80
4.	Ministry of Foreign Affairs	397 - 433 81 - 86
5.	Office of the Vice President and Ministry of Home Affairs	434 - 497 87 - 97
6.	Ministry of State for Planning, National Development and Vision 2030	498 - 668 98 - 128
8.	Ministry of State for Defence	669 - 683 129 - 131
9.	Ministry of Regional Development Authorities	684 - 709 132 - 136
10.	Ministry of Agriculture	710 - 765 137 - 146
11.	Ministry of Medical Services	766 - 830 147 - 158
12.	Office of the Deputy Prime Minister and Ministry of Local Government	831 - 878 159 - 166
13.	Ministry of Roads	879 - 935 167 - 176
14.	Ministry of Transport	936 - 957 177 - 181
15.	Ministry of Labour and Human Resource Development	958 - 1003 182 - 189
16.	Ministry of Trade	1004 - 1035 190 - 195
17.	Ministry of Justice, National Cohesion and Constitutional Affairs	1036 - 1054.. 196 - 199
18.	Ministry of Gender, Children and Social Development	1055 - 1098 200 - 207
19.	Ministry of Livestock Development	1099 - 1159 208 - 217
20.	Ministry of Water and Irrigation	1160 - 1196 218 - 224
21.	Ministry of Environment and Mineral Resources	1197 - 1223 225 - 229
22.	Ministry of Co-operative Development and Marketing	1224 - 1259 230 - 236
23.	Cabinet Office	1260 - 1280 237 - 240

TABLE OF CONTENTS (*Contd.*)

24.	Ministry of East African Community	1281 – 1293	241 - 243
25.	State Law Office	1294 – 1321	244 - 248
26.	Judiciary	1322 – 1350	249- 253
27.	Public Service Commission of Kenya.....	1351 – 1352	254
29.	National Assembly.....	1353 – 1363	255 - 256
30.	Ministry of Energy	1364 – 1420	257 - 267
31.	Ministry of Education.....	1421 – 1458	268 - 274
32.	Ministry of Information and Communications	1459 – 1476	275 - 278
33.	Interim Independent Electoral Commission	1477 – 1499	279 - 283
35.	Ministry of State for Special Programmes.....	1500 – 1546	284 - 292
36.	Ministry of Lands.....	1547 – 1582	293 - 298
40.	Ministry of State for Immigration and Registration of Persons.....	1583 – 1608.....	299 - 303
41.	Office of the Vice President and Ministry of State for National Heritage and Culture	1609 – 1641	304 - 310
42.	Ministry of Youth Affairs and Sports	1642 – 1698	311 - 320
43.	Ministry of Higher Education, Science and Technology	1699 – 1729	321 - 326
44.	Ministry of Housing	1730 – 1762	327 - 332
45.	National Security Intelligence Service.....	1763 – 1768	333
46.	Ministry of Tourism	1769 – 1784	334 - 336
48.	Office of the Prime Minister.....	1785 – 1796	337 - 338
49.	Ministry of Public Health and Sanitation	1797 – 1849	339 - 347
55.	Ministry of Forestry and Wildlife.....	1850 – 1867	348 - 351
56.	Ministry of Fisheries Development.....	1868 – 1874	352 - 353
57.	Ministry of Nairobi Metropolitan Development	1875 – 1898	354 - 358
58.	Ministry of Development of Northern Kenya and Other Arid Lands.....	1899 – 1931	359 - 364
59.	Ministry of Public Works	1932 – 2042	365 - 383
60.	Ministry of Industrialization.....	2043 – 2065	384 - 388
	Certificate of the Auditor-General		389 – 392
	Appendix A.....		393-394
	Appendix B		395-398

REPORT OF THE AUDITOR-GENERAL ON THE APPROPRIATION ACCOUNTS, OTHER PUBLIC ACCOUNTS AND THE ACCOUNTS OF THE FUNDS OF THE REPUBLIC OF KENYA FOR THE YEAR ENDED 30 JUNE 2011

INTRODUCTORY AND GENERAL

LEGAL MANDATE

This Report covers the financial year 2010/2011 and is issued in accordance with the requirements of Article 229 (4) of the Constitution of Kenya.

EXCHEQUER ISSUES

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

GOVERNMENT FINANCIAL POSITION AS AT 30 JUNE 2011

1. The overall Government financial position as at 30 June 2011 recorded an overall net surplus of Kshs.37,290,421,688.31 compared to a surplus of Kshs.25,920,539,658.81 posted in the previous year. The surplus of Kshs.37,290,421,688.31 was arrived at as shown below:-

(i) Exchequer Account	2010/2011	2009/2010
Recurrent and Development Votes	Kshs	Kshs
Total Receipts	828,355,598,036.35	735,298,117,988.70
Total Issues	830,960,838,365.80	733,976,639,355.00
Surplus/(Deficit) for the year	(2,605,240,329.45)	1,321,478,633.70
Exchequer Balance brought forward	<u>2,673,967,668.20</u>	<u>1,352,489,034.50</u>
Exchequer Balance as at 30 June 2011	68,727,338.75	2,673,967,668.20
(ii) Balances in the Bank		
Central Bank of Kenya	<u>37,221,694,349.56</u>	<u>23,246,571,990.61</u>
Total	<u>37,290,421,688.31</u>	<u>25,920,539,658.81</u>

2. The total issues from the Consolidated Fund for both Recurrent and Development Services during the year 2010/2011 amounted to Kshs.830,960,838,365.80 against total receipts of Kshs.828,355,598,036.35, resulting in a deficit of Kshs.2,605,240,329.45 as at 30 June 2011. However, when added to the Exchequer balance of Kshs.2,673,967,668.20 brought forward from 2009/2010 and a bank balance of Kshs.37,221,694,349.56, the result is a net overall Government cash position of Kshs.37,290,421,688.31 as at 30 June 2011. This position represents an increase of Kshs.11,369,882,029.50 or approximately 44% of the previous year's balance of Kshs.25,920,539,658.81.

OUT-TURN OF EXPENDITURE FOR 2010/2011

3. The year 2010/2011 ended with a net under-expenditure of Kshs.26,204,392,707.16 compared to a net under-expenditure of Kshs.54,584,282,574.90 recorded in 2009/2010. The under-expenditure of Kshs.26,204,392,707.16 was arrived at as follows:-

RECURRENT

	Gross Kshs.	AIA Kshs.	Net Kshs.	Under(Over) Kshs.
Estimated	508,072,195,541.00	70,675,014,345.00	437,397,181,196.00	
Actual	<u>469,016,289,064.79</u>	<u>44,426,281,978.20</u>	<u>424,590,007,086.59</u>	
Under(Over)	<u>39,055,906,476.21</u>	<u>26,248,732,366.80</u>	<u>12,807,174,109.41</u>	12,807,174,109.41

DEVELOPMENT

Estimated	303,793,128,150.00	95,169,650,956.00	208,623,477,194.00	
Actual	<u>214,754,272,850.75</u>	<u>49,640,876,542.80</u>	<u>165,113,396,307.95</u>	
Under (Over)	<u>89,038,855,299.25</u>	<u>45,528,774,413.20</u>	<u>43,510,080,886.05</u>	43,510,080,886.05

CONSOLIDATED FUND SERVICES

Estimated	187,412,333,834.00	-	187,412,333,834.00	
Actual	<u>217,525,196,122.30</u>	-	<u>217,525,196,122.30</u>	
Under(Over)	<u>(30,112,862,288.30)</u>	-	<u>(30,112,862,288.30)</u>	<u>(30,112,862,288.30)</u>
Net Overall Position				<u>26,204,392,707.16</u>

4. The under-expenditure of Kshs.26,204,392,707.16 was mainly attributed to slow implementation of projects during the year, inadequate exchequer issues, delayed disbursement of donor funds and non-submission of expenditure returns by various development partners. Detailed reasons for the under-expenditure are provided in the respective Appropriation Accounts.

EXPENDITURE CONTROL

5. The Excess Vote incurred during 2010/2011 without approval of Parliament amounted to Kshs.362,357,466.30 compared to Kshs.44,479,490.95 recorded in 2009/2010. The Excess Vote was incurred under three (3) Ministries as shown below:-

Vote	Ministry	Recurrent Kshs	Development Kshs	Total Kshs
R13	Roads	299,942,075.65	-	299,942,075.65
D22	Co-operative Dev. Mkt	-	2,181,080.65	2,181,080.65
D57	Nairobi Metropolitan Dev.	-	60,234,310.00	60,234,310.00
	Total	<u>299,942,075.65</u>	<u>62,415,390.65</u>	<u>362,357,466.30</u>

6. The Excess Vote of Kshs.362,357,466.30 does not however include bills totalling Kshs.357,038,287.15 in respect of the three (3) Ministries, which though relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012, as indicated in the ensuing paragraph.

PENDING BILLS

7. During the year under review, a number of Ministries and Departments did not settle bills amounting to Kshs.8,105,844,001.16 comprising Kshs.4,951,550,712.61 and Kshs.3,154,293,288.55 relating to Recurrent and Development Votes respectively, but instead carried forward such bills to 2011/2012 as follows:-

Vote	Ministry/Department	Recurrent Kshs.	Development Kshs.	Total Kshs.
1	Provincial Administration and Internal Security	96,789,322.10	274,254,383.90	371,043,706.00
3	Public Service	30,143,164.85	-	30,143,164.85
4	Foreign Affairs	176,839,501.85	-	176,839,501.85
5	Home Affairs	93,080,977.59	63,000,700.66	156,081,678.25
6	Planning, National Development and Vision 2030	2,524,108.70	16,278,111.00	18,802,219.70
10	Agriculture	91,383,863.94	10,700,480.15	102,084,344.09
11	Medical Services	5,259,993.10	-	5,259,993.10
12	Local Government	2,028,232,443.50	334,613,845.85	2,362,846,289.35
13	Roads	10,652,463.95	14,601,606.85	25,254,070.80
15	Labour and Human Resource Development	13,985,355.60	8,690,672.30	22,676,027.90
16	Trade	-	13,259,166.00	13,259,166.00

17	Justice, National Cohesion and Constitutional Affairs	1,673,408.00	-	1,673,408.00
18	Gender, Children and Social Development	45,178,508.50	538,879.00	45,717,387.50
19	Livestock Development	14,425,637.55	30,890,342.30	45,315,979.85
20	Water and Irrigation	36,340,827.00	100,302,000.00	136,642,827.00
22	Co-operative Development and Marketing	8,677,051.75	1,967,900.00	10,644,951.75
23	Cabinet office	6,564,228.40	-	6,564,228.40
24	East African Community	12,481,217.60	-	12,481,217.60
25	State Law office	2,859,232.15	-	2,859,232.15
26	Judicial Department	18,323,030.00	-	18,323,030.00
29	National Assembly	66,654,847.30	-	66,654,847.30
30	Energy	4,982,657.20	705,960.00	5,688,617.20
31	Education	301,265,393.15	232,764,932.50	534,030,325.65
32	Information and Communications	31,253,106.10	51,392,800.00	82,645,906.10
35	Special Programmes	1,591,106,717.00	-	1,591,106,717.00
36	Lands	12,979,929.75	21,300,506.77	34,280,436.52
40	Immigration and Registration of Persons	12,073,289.55	-	12,073,289.55
42	Youth Affairs and Sports	85,622,188.85	60,132,475.37	145,754,664.22
43	Higher Education, Science and Technology	56,555,889.30	404,385,074.20	460,940,963.50
44	Housing	1,296,136.50	13,403,991.00	14,700,127.50
46	Tourism	723,806.00	-	723,806.00
48	Office of The Prime Minister	48,608,770.18	15,871,444.50	64,480,214.68
49	Public Health and Sanitation	522,522.00	1,146,904.00	1,669,426.00
57	Nairobi Metropolitan Development	12,416,890.90	344,417,923.20	356,834,814.10
58	Development of Northern Kenya and Other Arid Lands	13,498,745.45	-	13,498,745.45
59	Public Works	15,605,533.25	1,080,369,559.00	1,095,975,092.25
60	Industrialization	969,954.00	59,303,630.00	60,273,584.00
	Total	<u>4,951,550,712.61</u>	<u>3,154,293,288.55</u>	<u>8,105,844,001.16</u>

8. Had the bills totalling Kshs.8,105,844,001.16 been settled during the period and the expenditure charged to the accounts for 2010/2011, eight (8) additional Ministries and Departments would have recorded Excess Votes under Recurrent and/or Development Votes as indicated:-

Recurrent Vote

Vote	Ministry/Department	Net Surplus Kshs.	Pending Bills Kshs.	Excess Vote Kshs.
04	Foreign Affairs	135,987,294.70	176,839,501.85	(40,852,207.15)
12	Local Government	60,907,018.35	2,028,232,443.50	(1,967,325,425.15)
26	Judicial Department	6,370,950.00	18,323,030.00	(11,952,080.00)
32	Information and Communication	4,019,306.15	31,253,106.10	(27,233,799.95)
35	Special Programmes	139,085,165.40	1,591,106,717.00	(1,452,021,551.60)
57	Nairobi Metropolitan Devt.	<u>10,033,557.85</u>	<u>12,416,890.90</u>	<u>(2,383,333.05)</u>
	Sub-total	<u>356,403,292.45</u>	<u>3,858,171,689.35</u>	<u>(3,501,768,396.90)</u>

Development Vote

Vote	Ministry/Department	Net Surplus Kshs.	Pending Bills Kshs.	Excess Vote Kshs.
48	Office of the Prime Minister	3,405,469.50	15,871,444.50	(12,465,975.00)
59	Public Works	<u>298,940,095.00</u>	<u>1,080,369,559.00</u>	<u>(781,429,464.00)</u>
	Sub-total	<u>302,345,564.50</u>	<u>1,096,241,003.50</u>	<u>(793,895,439.00)</u>
	Total			<u>(4,295,663,835.90)</u>

OUT-TURN OF REVENUE

9. During 2010/2011, revenue recorded as received as at 30 June 2011 totalled Kshs.632,541,666,015.15, comprising amounts of Kshs.608,758,624,492.15 and Kshs.23,783,041,523.00 under Recurrent and Development Revenue respectively, against estimated total receipts of Kshs.662,042,725,794.00. There was therefore an under-collection of Kshs.29,501,059,778.85, representing approximately 4% of the estimated receipts. The reasons for the under-collection are contained in the footnotes to the respective Statements of Revenue.

COLLECTION OF APPROPRIATIONS-IN-AID

10. The total Appropriations-In-Aid realized during the year under review amounted to Kshs.94,067,158,521.00 against estimated receipts of Kshs.165,844,665,301.00, resulting in a deficiency of Kshs.71,777,506,780.00. The deficiency represented about 43% of the estimated collections, and was mainly recorded under the Development Votes where collections totalling Kshs.49,640,876,542.80 were realized against estimated receipts of Kshs.95,169,650,956.00.

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

APPROPRIATION ACCOUNTS

11. During the year under review, various Ministries and Departments submitted for audit inaccurate Recurrent and Development Appropriation Accounts. As in 2009/2010, many such Appropriations Accounts had errors and reflected balances which did not reconcile with those shown in the respective ledgers. Further, and in other instances, expenditure incurred under various items in the Accounts were not supported with the relevant documents and as a result, the propriety of such expenditure could not be ascertained.

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

These matters have been dealt with in detail later in this Introductory and General, and also in the paragraphs under the respective Ministries and Departments.

STATEMENTS OF ASSETS AND LIABILITIES

13. As in the previous year, the Statements of Assets and Liabilities for 2010/2011 submitted by various Ministries and Departments continued to reflect substantial balances against a number of items, which had not been analysed or cleared from the books of accounts as at 30 June 2011. Such items included, General Account of Vote, Exchequer, Advances, Agency and Clearance Accounts, amongst others.

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

BANK RECONCILIATION STATEMENTS

15. The Bank Reconciliation Statements for Recurrent, Development and Deposits Cashbooks as at 30 June 2011 for a number of Ministries and Departments continued to reflect significant receipts and payments in the Cashbooks not recorded in the Bank Statements, and also receipts and payments in the Bank Statements not recorded in the Cashbooks. According to records related thereto, some of the receipts and payments have been

outstanding in the Reconciliation Statements for a considerably long period of time.

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

UNSUPPORTED EXPENDITURE

16. During 2010/2011, a number of Ministries and Departments failed to provide records and documentation in support of various expenditure totalling Kshs.8,618,296,783.75 appearing in the respective Appropriation Accounts, as summarized below:-

Vote	Ministry/Department	Amount Kshs.
02	State House	3,156,240.00
04	Foreign Affairs	153,894,050.70
07	Finance	141,696,724.55
09	Regional Development Authorities	23,074,803.00
10	Agriculture	3,617,394.00
11	Medical Services	5,009,039,187.00
15	Labour and Human Resource Development	453,127,251.55
16	Trade	145,773,350.65
17	Justice, National Cohesion and Constitutional Affairs	571,530,001.10
18	Gender ,Children and Social Development	169,129,812.00
20	Water and Irrigation	131,654,800.00
21	Environment and Mineral Resources	150,714,584.35
26	Judicial Department	10,791,867.90
30	Energy	123,263,138.00
36	Lands	5,254,734.00
40	Immigration and Registration of Persons	6,954,919.00
42	Youth Affairs and Sports	167,386,386.90
44	Housing	912,019,098.90
48	Office of the Prime Minister	59,400,000.00
49	Public Health and Sanitation	342,424,953.60
58	Development of Northern Kenya and Other Arid Lands	<u>34,393,486.55</u>
	Total	<u>8,618,296,783.75</u>

In absence of the records and documentation, the propriety of the expenditure of Kshs.8,618,296,783.75 could not be ascertained.

EXCLUDED EXPENDITURE

17. Expenditure amounting to Kshs.3,092,815,735.65 incurred during the year under review against various Votes as shown below, was excluded from the Appropriation Accounts for the year ended 30 June 2011.

Vote	Ministry/Department	Amount Kshs.
01	Provincial Admin. and Internal security	30,491,600.00
04	Foreign Affairs	18,372,139.93
06	Planning, National Development and Vision 2030	209,243,262.00
07	Finance	226,075,598.95
19	Livestock Development	71,383,269.60
21	Environment and Mineral Resources	45,293,359.60
23	Cabinet Office	5,648,997.00
30	Energy	2,106,400,450.75
40	Immigration and Registration of Persons	32,416,617.85
58	Development of Northern Kenya and Other Arid Lands	110,079,217.25
59	Public Works	236,428,670.00
60	Industrialization	<u>982,552.72</u>
	Total	<u>3,092,815,735.65</u>

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

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

CONTROL OVER IMPRESTS

19. During 2010/2011, a number of Ministries and Departments exercised weak or inadequate controls in the management of imprests, consequent upon which substantial balances of such imprests, as indicated, were recorded as outstanding as at 30 June 2011:-

Vote	Ministry/Department	Amount Kshs.
01	Provincial Administration and Internal Security	11,481,172.10
02	State House	2,568,804.50
04	Foreign Affairs	30,021,732.05
05	Home Affairs	43,209,929.05
06	Planning, National Development and Vision 2030	82,000.00
07	Finance	41,032,330.75
08	Defence	42,448,779.00
10	Agriculture	3,272,273.00
11	Medical Services	1,615,115.00
12	Local Government	19,296,575.80
14	Transport	923,701.00
15	Labour and Human Resource Development	5,774,087.45
16	Trade	179,283.30
17	Justice, National Cohesion and Constitutional Affairs	1,478,589.70
18	Gender, Children and Social Development	5,053,750.50
20	Water and Irrigation	1,102,564.50
21	Environment and Mineral Resources	173,501,970.77
24	East African Community	224,533.45
25	State Law Office	1,823,242.10
26	Judicial Department	198,507.00
29	National Assembly	990,056.20
31	Education	35,240,940.90
35	Special Programmes	2,727,324.40
36	Lands	4,980,414.00
40	Immigration and Registration of Persons	616,844.50
41	National Heritage and Culture	136,900.00
42	Youth Affairs and Sports	1,336,459.05
43	Higher Education, Science and Technology	563,777.60
44	Housing	4,736,245.00
57	Nairobi Metropolitan Development	2,346,122.00
58	Development of Northern Kenya and Other Arid Lands	1,256,980.00
59	Public Works	1,138,477.40
60	Industrialization	247,000.00
	Total	<u>441,606,482.70</u>

Besides failure to have the outstanding imprests surrendered or otherwise accounted for on, or before 30 June 2011, it was also noted that some Ministries and Departments had issued additional imprests to various officers who had not accounted for balances previously issued.

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

MAINTENANCE OF ACCOUNTING RECORDS

21. As in the previous year, weak and inadequate maintenance of accounting records was observed during the year in various Ministries and Departments. For instance, various ledgers and trial balances against which the financial statements had been drawn were found to be incomplete, not upto date as at 30 June 2011, or totally missing. In other instances, routine below-the-line accounts were not analysed to indicate what they represented. Further, material book-keeping errors were also detected in various records, and as a result, some of the expenditure for the year was excluded from the financial statements. In the circumstances, and in absence of revised accounts, a number of financial statements have been excluded from the Certificate of the Auditor-General for 2010/2011.

MINISTRY OF FINANCE

APPROPRIATION ACCOUNT FOR VOTE R.07

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

22. The Appropriation Account for Vote R.07 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.2,734,548,748.65 or approximately 11% of the approved estimates of Kshs.24,615,250,080.00. The reasons provided for the under- expenditure include delay in recruitment of staff during the year, over provision, reduced domestic and foreign travels, slow procurement processes amongst others. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.78,818,847.95 or about 89% of the estimated receipts of Kshs.88,290,080.00. No reasons have however been provided for the under-collection.

Accuracy of the Appropriation Account

Discrepancies between the Appropriation Account and the Ledger

23. The Appropriation Account reflects various balances under Heads 070301, 070305, 070310 and 070312 totalling Kshs.1,294,020,629.00, which do not agree with the corresponding total amounts of Kshs.1,401,928,925.00 appearing in the Ledger for the month of June 2011. No reconciliation or explanation has been provided for the discrepancies of Kshs.107,908,296.00 between the two sets of records.

Discrepancies between the Appropriation Account and Salaries Records

24. The Appropriation Account reflects various balances under all the expenditure Heads totalling Kshs.1,447,149,080.00 which do not agree with the figures totalling Kshs.1,567,446,260.45 appearing in the salaries records for the year. The difference of Kshs.120,297,180.65, representing expenditure excluded from the Appropriation Account has not been reconciled or explained.

Excluded Expenditure

25. The Appropriation Account reflects an expenditure of Kshs.244,562,964.00 under Head 070101, Item 2211300 relating to Other Operating Expenses, which includes an amount of Kshs.126,720,832.95 for Sub-Item 2211308 – Legal Dues, Arbitration and Compensation payments. However, an amount of Kshs.226,075,598.95 paid on 17 September 2010 to a local computer company as compensation for breach of contract entered into in March 1989 by the Government for computerization of the Customs and Excise

Department, was excluded from the Account. No reason has been provided for exclusion of the expenditure from the Accounts.

26. In addition, details of Compensation and Ex-Gratia payments appended to the Appropriation Account reflects a total expenditure of Kshs.89,417,905.70 instead of the entire amount of Kshs.352,796,431.90 incurred under Sub-Item 2211308. No explanation has been provided for the discrepancy between the two sets of records.

Grants to Government Agencies and Other Levels of Government

27. The Appropriation Account further shows expenditure totalling Kshs.11,025,563,773.00 under Head 070101, Item 2630100 – Current Grant to Government Agencies and Other Levels of Government, which includes an amount of Kshs.9,948,331,407.00 disbursed to the Kenya Revenue Authority during the year. However, the audited financial statements of the Authority for 2010/2011 reflect a figure of Kshs.9,035,724,901.00 in respect of the grants, occasioning a difference of Kshs.912,606,506.00 which has not been reconciled or explained.

28. Similarly, the Appropriation Account reflects an expenditure of Kshs.355,000,000.00 under Head 070308, Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, representing amounts disbursed to the Public Procurement Oversight Authority during the year. The audited financial statements of the Authority for 2010/2011 however, reflect a figure of Kshs.303,000,000.00 in respect of the grants, resulting in a difference of Kshs.52,000,000.00 which has not been reconciled or explained.

Failure to provide Footnotes to the Account

29. Although Government 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 the actual expenditures or actual collection of Appropriations-In-Aid, the Appropriation Account reflects variances in excess of Kshs.1,000,000.00 under various expenditure items for which no footnotes were provided. No reason has been provided for the omission.

APPROPRIATION ACCOUNT FOR VOTE D. 07

Accuracy of the Appropriation Account

Discrepancies between the Appropriation Account and the Ledger

30. The Appropriation Account for Vote D. 07 for the year ended 30 June 2011 reflects various balances under Heads 070101, 070201, 070202, 070203

and 070311 totalling Kshs.3,260,580,250.00, which do not agree with the corresponding total amounts appearing in the Ledger of Kshs.1,684,263,772.00 for the month of June 2011. No reconciliation or explanation has been provided for the discrepancies of Kshs.1,576,316,477.00 between the two sets of records.

Discrepancies between the Appropriation Account and Payment Vouchers

31. The Appropriation Account also reflects various balances under several Heads, which differ with the supporting payment vouchers by Kshs.1,240,097,755.00. As in the previous instance, no clarification has been made for these discrepancies.

Omission of a Head in the Appropriation Account

32. The Appropriation Account does not include Head 070308 – Directorate of Public Procurement under Sub-Vote 0703 – Centralized Services, although the Head is reflected in the Approved Estimates for 2010/2011.

Although no expenditure or Appropriations-In-Aid were recorded under the Head during the year under review, its omission from the Accounts is contrary to the Government Financial Regulations and Procedures.

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

33. The Appropriation Account further reflects gross under – expenditure of Ksh.5,967,953,411.70, representing approximately 31% of the approved estimates of Kshs.18,766,134,566.00. The Account also reflects under collection of Appropriations-In-Aid of Kshs.2,010,476,567.25 or about 33% of the estimated receipts of Kshs.6,009,311,751.00. No reasons have been provided in form of footnotes for the under- expenditure and under -collection of Appropriations-In-Aid. The Ministry has also not indicated the measures it has put in place to address the underlying causes of under-expenditure and under-collection of Appropriations-In-Aid.

Unvouched Expenditure

34. Payment vouchers and other related records for expenditure totalling Kshs.141,696,724.55 charged against various items were not availed for audit. In the absence of payment vouchers and other related records, propriety of the expenditure could not be ascertained.

Omission of Footnotes

35. All Items with material variations between Approved and Actual expenditure and Appropriations-In-Aid have not been matched with

corresponding footnotes to the Accounts, contrary to Government Financial Regulations and Procedures. No reason has been provided for the omission.

STATEMENT OF PUBLIC DEBT

36. In the previous year's Report, reference was made to an increase of the outstanding Public Debt from Kshs.983,448,486,239.00 as at 30 June 2009 to Kshs.1,168,999,481,324.00 as at 30 June 2010. A review of the position in 2010/2011 indicates that the outstanding Public Debt increased by a further amount of Kshs.213,382,713,551.00 (or approximately 18% of the previous year's debt) from Kshs.1,168,999,481,324.00 to Kshs.1,382,382,194,875.00 as at 30 June 2011.

37. As in the previous year, the net increase of Kshs.213,382,713,551.00 during 2010/2011 has been mainly attributed to disbursements of new loans to the Government by various development partners and additional borrowings from the domestic market through Treasury Bonds.

38. The Statement also reflects a balance of Kshs.30,783,000,000.00 under the Kenya Currency Loans due to the Central Bank of Kenya. According to information available, the debt which initially amounted to Kshs.35.6 billion arose as a result of advances extended to the Government by the Bank prior to July 1997, and later converted into a long term loan.

39. As reported in 2009/2010 however, and although the Government continues to make repayments against the loan, a detailed analysis of the advance has not been provided rendering it difficult to ascertain the authenticity of the loan balance of Kshs.30,783,000,000.00 as at 30 June 2011.

SUSPENSION OF REPAYMENTS OF LOANS ON SECURITY RELATED PROJECTS

40. The Statement of Public Debt as at 30 June 2011 reflects a balance of Kshs.1,382,382,194,875.00 representing total outstanding debt as at that date. This balance however, includes loans totalling Kshs.25,040,883,403.00 in respect of ten (10) security related projects whose repayments were discontinued in 2004/2005 after the respective projects were suspended due to various issues touching on the procurement processes.

41. Further, five (5) other projects with loans amounting to Kshs.18,385,087,280.00 were cancelled during the same period and a refund of Kshs.1,050,702,075.25 received from the creditors, on account of four (4) of the loans.

42. The five cancelled projects have been excluded from Public Debt figure of Kshs.1,382,382,194,875.00 as at June 2011. However, no documentary evidence has been produced to confirm the lenders' consent on the cancelled Credit Agreements. It has also not been possible to establish contingent liabilities and financial loss, if any, and the impact on government revenue in the event of litigation claims which may be made by the lenders for breach of contractual obligations on the suspended and cancelled projects.

43. Additional information available indicates that a sum of Kshs.292,691,710.50 had as at 30 June 2011 been paid from Vote R. 07 to three (3) law firms and the London Court of Arbitration in respect of legal and arbitration fees for representing the Government in some cases instituted by the lenders. Similarly, an additional amount of Kshs.183,022,011.30 had also been paid from Vote R. 07 to a local firm of Accountants, for provision of advisory services on resolution of the security related contracts. Besides the fact that the basis of payment of the legal and consultancy fees to the firms has not been clarified, no progress reports on the services rendered have been made available for audit review.

KEN-REN CHEMICAL AND FERTILIZERS COMPANY LIMITED

44. The Public Debt balance totalling Kshs.1,382,382,194,875.00 as at 30 June 2011 includes balances of Kshs.974,728,657.00 and Kshs.2,019,577,803.00 due to an Austrian bank BAWAG and a Belgium entity of DUCROIRE respectively, on account of the KEN-REN Chemical and Fertilizers Company Limited.

45. As reported in 2009/2010, the above debts arose as a result of a joint venture entered into in the mid 1970s between the Government and an American firm known as N-Ren Ltd, to form a company registered as Ken-Ren Chemical and Fertilizers Company Limited. According to available information, the Company was to manufacture fertilizer for domestic consumption and export markets. Further, and as other records show, Ken-Ren on advice of N-Ren entered into several financing and equipment procurement contracts with various Austrian and Belgium banks and suppliers, with the Government of Kenya being the guarantor. Additional information available indicates that the total loan guaranteed by the Government stood at US\$42,796,000.00 at an interest rate of 8.5% p.a and any other charges. Other records show that, the suppliers of equipment and machinery were M/s Coppee-Rust of Belgium and M/s Voest Alpine of Austria.

46. Further information also indicates that the project failed to take off and Ken-Ren was subsequently placed under receivership in September 1978, with the Registrar – General being appointed the official receiver and provisional liquidator. However, and although no work appears to have been done on the

proposed plant, pieces of some equipment worth Kshs.237 million were said to have been delivered at the port of Mombasa by the Austrian firm, Voest Alpine, while others valued at Kshs.100 million had been ordered and paid for but not shipped. No evidence was however seen to confirm details of the equipment or indicate when such equipment was delivered, warehoused and eventually disposed of. Separate records indicate that the foregoing notwithstanding, the Government as the guarantor of the loans extended by the foreign banks to Ken-Ren, was obliged and required to pay for such loans.

47. According to other information available, the above contracts were dishonoured and as a result, the financiers instituted court cases and arbitral proceedings against the Government as indicated in the ensuing paragraphs:-

48. In a case filed in May 1988 by DuCroire of Belgium against the Government, the Tribunal sitting in November 2002 awarded the Belgian bank Euro. 21,181,992 (approximately Kshs.1,720,000,000.00) and a further sum of US\$87,500 (Kshs.6,790,875.00) in respect of legal costs. However, and after further negotiations, the debt due was agreed at Euro. 32,520,319.00 (Kshs.3,274,934,000.00), payable between July 2004 and June 2015.

49. The Government had as at 30 June 2011 paid a sum of Kshs.2,427,184,467.15, made up of principal and interest of Kshs.1,800,449,202.95 and Kshs.626,735,264.20, respectively.

50. In a case filed by BAWAG of Austria on 29 June 1992 before a Tribunal, an award of Euro 16,635,156.16 (Kshs.1,330,812,400.00) was made in favour of the Austrian bank. However, and according to information available, the Government appears to have delayed in honouring of the award, and following several negotiations between it and the bank, a restructuring agreement was reached and signed on 14 November 2004. According to the agreement, the Government was required to pay a sum of Euro.16,635,156.16 (Kshs.1,330,812,400.00) twice a year, on every 31 March and 30 September.

51. As at 30 June 2011, the Government had paid a sum of Kshs.1,172,901,484.90, made up of principal and interest of Kshs.959,864,103.35 and Kshs.213,037,381.55, respectively.

52. However, and as observed in the preceding paragraphs, no fertilizer factory had been constructed by Ken-Ren, thus making the entire expenditure of Kshs.3,600,085,952.05 incurred on the project as at 30 June 2011 nugatory.

CONSOLIDATED FUND SERVICES - PUBLIC DEBT - STATEMENT OF EXPENDITURE

53. The Statement of Expenditure for Public Debt for the year ended 30 June 2011 reflects actual expenditure of Kshs.190,334,479,452.15, representing an increase of Kshs.42,833,089,441.95 or approximately 29% over and above the previous year's figure of Kshs.147,501,390,010.20. The increase was mainly recorded against Internal Debt Interest and Internal Debt Redemptions with significant increases of Kshs.10,828,462,661.90 and Kshs.24,554,000,255.00, respectively.

54. Further, actual expenditure of Kshs.190,334,479,452.15 exceeded estimated amount of Kshs.157,196,321,211.00 by Kshs.33,138,158,241.15 or approximately 21% of the estimated expenditure. No explanation has been provided for the over expenditure.

55. As similarly observed in the previous year, the expenditure of Kshs.8,283,812,232.85 and Kshs.23,521,742,269.00 incurred on External Debt Interest and External Debt Redemptions respectively, include amounts of Kshs.51,487,156.10 and Kshs.607,006,053.45 incurred on Interest and Principal Loan repayments respectively, towards settlement of Government Guaranteed debts incurred in 1970 on account of KEN-REN Chemical and Fertilizer Company.

56. Although the Government continues to service these debts, it is a matter of concern that a total amount of Kshs.658,493,209.55 was incurred during the year on a project which did not take off and against which no value for money was achieved.

STATEMENT OF OUTSTANDING LOANS

57. The Consolidated Statement of Outstanding Loans as at 30 June 2011 reflects total loans lent balance of Kshs.70,844,506,833.38, out of which an amount of Kshs.4,845,142,351.13 had been repaid, leaving a balance of Kshs.65,999,364,482.25 outstanding as at that date. The balance of Kshs.70,844,506,833.38 was recorded against various organizations through eleven (11) Ministries including Finance, Trade and Industry, Environment and Natural Resources, Energy, Agriculture and Rural Development, Tourism and Information, Water and Irrigation, Lands and Settlement (SFT), Local Government, Transport and Communication and Education.

58. The amount outstanding as at 30 June 2011 of Kshs.65,999,364,482.25 excludes loans amounting to Kshs.424,000,000.00 lent to Co-operative Bank of Kenya (Kshs.151,000,000.00), Equity Bank (Kshs.122,000,000.00) and K-Rep

Bank (Kshs.151,000,000.00) under the Ministry of Finance - Micro Finance Support Credit Project. No explanation has been provided for the omission.

59. The total outstanding loans balance of Kshs.65,999,364,482.25 as at 30 June 2011 represents an increase of Ksh.23,119,857,027.25 or approximately 54% of the total amount of Kshs.42,879,507,455.00 reported as at 30 June 2010. The ensuing additional observations were made in respect of movements of some of the balances discussed above.

Ministry of Energy

60. Loans outstanding under the Ministry of Energy increased by Kshs.18,807,249,427.69 during the year under review, from Kshs.12,268,291,402.00 as at 30 June 2010 to Kshs.31,075,540,829.69 as at 30 June 2011. The net increase of Kshs.18,807,249,427.69 is attributed to additional loans granted to Kenya Power and Lighting Company Limited and Kenya Electricity Generating Company Limited amounting to Kshs.8,986,390,000.00 and Kshs.10,783,668,000.00, respectively and repayments of Kshs.962,808,572.31 during the year.

Ministry of Environment and National Resources

61. Loans outstanding under the Ministry of Environment and Natural Resources increased by Kshs.1,893,634,897.13 during the year from Kshs.593,013,580.00 as at 30 June 2010 to Kshs.2,846,648,477.13 as at 30 June 2011. The increase is attributed to two new loans of Ksh.915,189,867.20 and Kshs.978,445,029.93 granted to National Water Conservation Corporation during the year.

Ministry of Water and Irrigation

62. Loans outstanding under the Ministry of Water and Irrigation increased by Kshs.1,567,212,737.89 from a balance of Kshs.9,070,852,862.00 as at 30 June 2010 to Kshs.10,638,065,599.89 as at 30 June 2011. The net increase of Kshs.1,567,212,737.89 is attributed to a new loan of Kshs.1,617,629,813.89 granted to Lake Victoria South Water Services Board and loan repayment of Kshs.50,417,076.00 during the year.

Ministry of Transport and Communication

63. Loans outstanding under the Ministry of Transport and Communication increased by Kshs.1,068,760,995.00 from a balance of Kshs.5,636,445,374.00 as at 30 June 2010 to Kshs.6,705,206,369.00 as at 30 June 2011. The increase of Kshs.1,068,760,995.00 is attributed to a new loan of Kshs.1,000,000,000.00 extended to Telkom Kenya Limited and capitalized interest of Kshs.68,760,995.00 during the year.

64. As reported in 2009/2010, the Statement shows under - the Ministry of Transport and Communication - loan outstanding balance of Kshs.6,705,206,369.00 as at 30 June 2011, which includes an amount of Kshs.2,065,555,780.00 lent to the Kenya Railways Corporation, but which had not been repaid as at 30 June 2011. The Corporation has since been put under concession and indications are that the responsibility for repaying the loan, interest and arrears thereon now rests with the Corporation. The foregoing notwithstanding, no information has been seen indicating when the repayment of the loan will commence.

STATEMENT OF DEVELOPMENT REVENUE – HEAD DR.I

65. The Statement of Development Revenue Head DR.I for the year ended 30 June 2011 reflects Estimated Receipts of Kshs.40,644,131,110.00 while the Approved Estimates for Development Expenditure reflects Kshs.52,403,387,857.00. The difference of Kshs.11,759,256,747.00 between the two sets of records has not been explained.

66. The Statement further reflects total actual receipts of Kshs.23,783,041,523.00 against estimated collections of Kshs.40,644,131,110.00, resulting in an under-collection of Kshs.16,861,089,587.00 or approximately 41% of the estimated amount. However, no receipts were realised during the year in respect of eighty five (85) projects/programmes against which collections totalling Kshs.7,677,776,809.00 were expected. As observed in the previous year, it has not been indicated how the Ministry is addressing the persistent underlying weaknesses in budgeting for Development Revenue.

67. Further, the reasons for material deviations between the estimated and actual receipts of Kshs.40,664,131,110.00 and Kshs.23,783,041,523.00 respectively, have not been provided in the Statement, contrary to Government Financial Regulations and Procedures.

68. The Statement shows an amount of Kshs.23,783,041,523.00 as having been paid to the Exchequer during 2010/2011, while records maintained at the Exchequer Section in Treasury reflect an amount of Kshs.24,484,660,354.05 against the item. The difference of Kshs.701,618,831.05 between the two sets of records has not been reconciled or explained.

69. The actual receipts of Kshs.23,783,041,523.00 have not been supported with a Ledger or Trial Balance as at 30 June 2011, consequently the accuracy of the receipts could not be ascertained.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE KENYA GOVERNMENT

70. The Statement of Outstanding Obligations Guaranteed by the Kenya Government as at 30 June 2011 reflects nil contingent liability outstanding compared to Kshs.164,286,742.60 outstanding as at 30 June 2010. However, relevant records showing how outstanding obligations of Kshs.152,317,825.00, Kshs.153,997.60 and Kshs.11,814,920.00 under the Cereals and Sugar Finance Corporation, Kenya Post Office Savings Bank and Kenya Railways Corporation respectively, totalling Kshs.164,286,742.60, were cleared have not been availed for audit review. Consequently, and in the absence of relevant supporting records, the accuracy of the Statement as at 30 June 2011 could not be ascertained.

71. Further, and as reported in 2009/2010, obligations totalling Kshs.877,701,927.02 settled by the Government on behalf of Telkom (K) Ltd were not supported with the relevant records, and as a result, the validity of the transactions could not be ascertained. A review of the situation in 2010/2011 showed that the position had not changed, and the records in question had not been availed for audit review as at 30 June 2011. Further, and as previously stated, it has not been clarified the basis on which the Government honoured obligations of Telkom (K) Ltd, considering that it is a minority shareholder in the company.

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

Unpaid Dividends

72. In the Report for 2009/2010, reference was made to an outstanding amount of Kshs.2,641,296,955.00 due and payable to the Government as dividends by the Central Bank of Kenya. It was reported that the Central Bank of Kenya had declared dividends for the year 2008/2009 amounting to Kshs.7,200,000,000.00. However, only Kshs.4,558,703,045.00 was paid to the Exchequer during 2009/2010, leaving a balance of Kshs.2,641,296,955.00 outstanding.

73. A review of the position in 2010/2011 indicated that an additional amount of Kshs.980,000,000.00 was paid to the Exchequer in September 2011, increasing the total payments to the Exchequer to Kshs.5,538,703,045.00. There was thus a balance of Kshs.1,661,296,955.00 due and outstanding as at that date.

Advances to Institutions Under Liquidation

74. In the Report for 2009/2010, reference was made to a balance of Kshs.3,767,000,000.00 advanced to Trade Bank Ltd, Post Bank Credit Ltd, Euro Bank Ltd and the Continental Bank of Kenya, all of which have since been placed under liquidation.

75. A review of the position in 2010/2011 indicated that an amount of Kshs.60,000,000.00 was recovered from Post Bank Credit Ltd while an additional impairment allowance of Kshs.1,000,000.00 was made during the year, leaving a balance of Kshs.3,706,000,000.00 outstanding from the above Banks. The balance of Kshs.3,706,000,000.00 continue to be reflected in the financial statements of the Central Bank of Kenya as irrecoverable amount from banks under liquidation.

STATEMENT OF INVESTMENTS BY THE PERMANENT SECRETARY/TREASURY IN LOCAL COMPANIES

76. As similarly observed in 2009/2010, the Government continues to hold significant investments in various local companies which did not pay any dividends during 2010/2011. The Statement of Investments by the Permanent Secretary in Local Companies as at 30 June 2011 reflects total Government shareholding of Kshs.16,922,789,855.00 which includes investments in seventeen (17) companies in which the Government holds 1,704,705,375 shares with a nominal value of Kshs.6,101,684,603.00. These companies did not remit any dividends to the Government during the year although it was clear that some were not in financial difficulties.

77. The Statement also includes three (3) other companies in which the Government holds 21,373,600 shares with a nominal value of Kshs.427,472,000.00. These companies are under receivership and as a result, the value of the investments in these companies is doubtful and may not therefore be recoverable. Six (6) other dormant companies in which the Government holds 8,646,707 shares with a nominal value of Kshs.172,934,080.00 are excluded from the Statement.

78. Further, and as similarly stated in the previous year, the Statement reflects Government shareholding of 250,000 shares with a nominal value of Kshs.5,000,000.00 in East Africa Sugar Industries. The existence and value of these shares could not however be confirmed due to lack of the relevant share certificates.

79. Other records indicate that Kenya Chemical and Food Corporation in which the Government held 4,335,000 shares with a nominal value of Kshs.86,700,000.00 was placed under receivership and later sold in June 1999.

However, and as reported in the previous year, no documentary evidence has been seen to confirm the sale, as well as the consideration paid for the company.

80. The Statement also shows a Government shareholding of 14,022,572,580 shares with a nominal value of Kshs.701,126,629.00 in Safaricom Ltd. However, the existence and valuation of 14,000,000,000 shares with a nominal value of Kshs.700,000,000.00 as at 30 June 2011 could not be confirmed due to non-availability of the relevant share certificates.

81. The Statement further shows a Government shareholding of 360,000,000 shares of Kshs.2.50 par value in Kenya Reinsurance Corporation Limited. The Ministry however holds share certificates for 150,000,000.00 shares of Kshs.10.00 par value. No reason has been provided as to why the Ministry has not obtained new share certificates to reflect the correct shareholding in the Corporation. Further, share certificates in respect to six (6) shares in the Corporation were issued in the names of private individuals.

82. Records available show that dividends totalling Kshs.2,730,270,105.00 were received during the year by the Government from eight (8) organizations. A further amount of Kshs.2,467,789.00 in respect of director's fees from six (6) other companies was similarly received during the period. However, all the fourteen (14) companies referred to above were excluded from the Statement and no reason has been given for the omission.

83. As similarly noted in 2009/2010, the Ministry did not during the year open an Investments Register for the Investments made by the Permanent Secretary/Treasury in Local Companies. Consequently, it has not been possible to confirm that the twenty eight (28) companies listed in the Statement represent the total Government shareholding as at 30 June 2011.

STATEMENT OF SUBSCRIPTIONS BY THE KENYA GOVERNMENT TO INTERNATIONAL ORGANIZATIONS

84. The Statement of Subscriptions by the Kenya Government to International Organizations as at 30 June 2011 reflects subscriptions totalling Kshs.115,310,255,949.20 payable by the Government to various International Organizations. However, the entire subscriptions amount of Kshs.115,310,255,949.20 had not been confirmed by the Organizations as at 30 June 2011. Consequently, and in the absence of the confirmations, the accuracy of the subscriptions totalling Kshs.115,310,255,949.20 as at that date could not be ascertained.

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

85. The Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services – Statement of Expenditure for the year ended 30 June 2011 reflects under Sub-Vote 522 Item 980 – Payments Under Loan Guarantee Act – Interest and Item 982 – Payments Under Loan Guarantee Act – Redemption, expenditure of Kshs.229,356,081.70 and Kshs.1,181,037,890.00 respectively, relating to loans the Government had guaranteed on behalf of Kenya Broadcasting Corporation, Tana and Athi River Development Authority and Nairobi City Council.

86. As similarly reported in 2009/2010, 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 organizations/institutions were required to reimburse the Government the loans and interest it had paid on their behalf. It has also not been possible to ascertain whether or not the repayments of the loans and interest had complied with the terms and conditions of the take-over.

87. The Statement further reflects under Sub-Vote 521, Item 979 – Former President’s Retirements Benefits, an expenditure of Kshs.55,666,666.60 incurred during the year. However, payment vouchers and other supporting documents held by the Ministry shows an expenditure of Kshs.56,866,666.60 as having been incurred against the Item during the year. The difference of Kshs.1,200,000.00 representing expenditure excluded from the Statement has not been explained.

CONSOLIDATED FUND SERVICES – PENSIONS AND GRATUITIES-STATEMENT OF EXPENDITURE

88. As reported in 2009/2010, the Department of Pensions lost a sum of Kshs.15,442,681.70 through fraudulent encashment of cheques which had been cancelled or through other irregularities during 2007/2008 and 2008/2009. A review of the position indicated that the amount lost had not been recovered as at 30 June 2011, and no reason has been provided in this regard.

PENSIONS PAYROLL – PENSIONS DEPARTMENT

Irregular Payments of Lump Sum Pensions

89. Audit of payroll data processed at the Pensions Department revealed that between February 2009 and February 2010, the Department paid lump sum pension totalling Kshs.4,219,319,738.65 to pensioners operating accounts in

various banks. Out of this amount, pensions totalling Kshs.1,914,419,101.75 or 45.4%, were overpayments apparently caused by multiple payments to the pensioners.

90. Similarly, during the same period, three pensioners operating accounts in a Savings and Credit Co-operative Society appear to have been overpaid lump sum pensions totalling Kshs.4,332,311.40. However, physical files of the pensioners were not made available for audit review while the electronic files in the system appear to have been tampered with. Accordingly, propriety of the expenditure of Kshs.4,332,311.40 could not be ascertained.

91. No indication has been seen of action the Ministry has taken on the officers who caused loss of public funds totalling Kshs.1,918,751,113.15.

Pensioners' Personal Files

92. Audit of pension records during 2010/2011 revealed that twenty (20) personal files for various pensioners, which were required for further verification, were not made available as they were apparently missing. Some of the files have been missing since 2008/2009. Although the Ministry has indicated that they are addressing the problem, measures being undertaken seem to be insufficient.

PENSION PAYMENTS AND INVESTMENT OF PENSION FUNDS MANAGED BY THE CROWN AGENTS BANK IN THE UNITED KINGDOM

93. An audit of pension records carried out at the Crown Agents Bank offices in the United Kingdom between 28 November 2011 and 8 December 2011 revealed the following unsatisfactory matters;

IRREGULAR PAYMENTS

Payments to Pensioners' Widows

94. Records available indicate that between 1 July 1985 and 30 June 2011, Sterling UK Pounds.1,031,317.56 (Kshs.145,415,775.96), was paid to European and Asian Officers' widows from the Consolidated Fund, contrary to the provisions of Article 4 C (i) of the agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Kenya which states that such pensions be paid from the respective Pension Schemes. No explanation has been provided as to why pensioners' widows have continued to be paid from the Consolidated Fund instead of the specific pensions schemes.

Payment of Administrative Charges to Crown Agents Bank

95. Records available indicate that a commission of STG Pound 5.50 per transaction made per month is payable to Crown Agents Bank of the U.K for processing pension payments on behalf of the Government of Kenya. It was however observed that Crown Agents Bank processes pension payments to pensioners residing in the United Kingdom and charge quarterly administrative charges of GBP STG pounds 4,292.00 or STG pounds 17,168.00 per annum, equivalent to Kshs.605,172.00 and Kshs.2,420,688.00, respectively. Consequently, GBP STG pounds 536,500.00 equivalent to Kshs.75,646,500.00 was irregularly paid to the Bank as administrative charges for the period 1 July 1980 to 30 September 2011 covering a period of 31 years and 3 months. No explanation has been provided for the overpayment.

PENSION PAYMENTS AT THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)

96. Records available indicate that in 1980/1981, there were 6,212 pensioners of Asian origin paid at Crown Agents Bank of the United Kingdom. Out of this number, 2,710 were classified as 'vulnerable' and were taken over by the Department for International Development (DFID) for purposes of payment of their pensions from the Kenya Government. DFID pays the pensioners and is thereafter reimbursed by the Government of Kenya through Crown Agents Bank. The number of these pensioners has reduced through death and stood at 927 as at 30 September 2011. Between 1 July 2008 and 30 June 2011 the Government paid DFID amounts totalling GBP STG Pounds 420,577.87 equivalent to Kshs.59,301,483.65 at an exchange rate of Kshs.141.00 per GBP STG Pound. A further sum of GBP STG Pounds of 49,313.71 (Kshs.6,953,233.11) was paid between July and November 2011 bringing the total amount paid to GBP STG Pounds 469,891.58, (Kshs.66,254,716.78).

97. However, the Ministry did not have any records of these pensioners and appears to be unaware of their existence together with pensions being paid to them. Further, the pensioners' life certificates were said to be in Glasgow, Scotland and it was therefore not possible to confirm authenticity of the pensions paid.

Non-Recovery of Pay As You Earn (PAYE) Tax

98. The amount of Kshs.66,254,716.78 paid through the Department for International Development (DFID) from 1 July 2008 to 4 November 2011 was not taxed, contrary to the provisions of Article 4(2) of the Agreement of 1977 between the two Governments which states that 'the pensions paid shall be reduced by a sum accepted by the two Governments as representing the tax

which the Government of Kenya would have received in respect of the Kenya element of the pensions'. No explanation has been provided for this omission.

Payments of Administrative Charges to the Department for International Development (DFID)

99. The Ministry paid DFID quarterly administrative charges of GBP STG Pounds 6,100.00 for processing pension payments from 1 July 1980 to 30 June 2008 and STG Pounds 4,525.00 from 1 July 2008 to 30 September 2011 totalling GBP STG Pounds 746,750.00 equivalent to Kshs.105,291,750.00 at an exchange rate of Kshs.141.00 per GBP STG Pound.

However, no evidence was made available to show how the above administrative charges were arrived at and no agreement between the two Governments or between the Ministry and the Crown Agents Bank and the Department for International Development (DFID) was seen.

CONFIRMATION OF BONA FIDE PENSIONERS PAID THROUGH CROWN AGENTS BANK

100. Records available indicate that as at 30 September 2011, there were four hundred and five (405) pensioners being paid through the Crown Agents Bank, in the United Kingdom. Out of this number, only one pensioner was available for an interview during the inspection.

101. Further, thirty eight (38) out of the four hundred and five (405) pensioners failed to complete their life certificates in full, because they had not been stamped or identified by an attachment such as Headed Paper, Business Card or Complement Slip as required in the Standard Form. The omission of these important details casts doubt on the existence of these pensioners

INVESTMENT OF KENYA EUROPEAN WIDOWS AND ORPHANS PENSION FUND – 414 B – A/C NO. 33160095/GBP

102. The Kenya European Widows and Orphans Pension Fund is a non-discretionary investment which is held in Cash Deposits at the Bank of Scotland in the United Kingdom. On 1 April 1999, the Fund had a balance of GBP STG Pounds 284,343.23 and as at 30 June 2010, the Account had grown to GBP STG Pounds 383,003.64 equivalent to Kshs.54,003,513.24 at an exchange rate of Kshs.141.00 per GBP STG Pound.

103. Records availed further indicate that the balance started reducing due to the increase in costs that were not matched with the interest income earned; and as at 30 November 2011, the balance in this Account had reduced to GBP STG Pounds 379,539.36 or Kshs.53,515,047.76.

104. The deposits attract annual fixed charge of GBP STG 5,000.00 which is sometimes lower than the average interest income of GBP STG pounds 3,128.88 per annum and therefore a net loss of STG Pounds 1,871.12 or about Kshs.263,827.92 annually.

No explanation has been provided as to why Investment of this Fund has remained non- discretionary over the years.

UNDELIVERED MOTOR VEHICLES

105. In the Reports for 2008/2009 and 2009/2010, reference was made to a payment of Kshs.460,161,822.00 (US\$ 6,218,403) made to an international Export-Import Bank on 23 September 2008 in respect of a debt which had been owing from the Government for a considerably long period of time.

106. It was stated in the Reports that the Government through the Office of the President and Ministry of Internal Security and Provincial Administration in November 1997 entered into a contract agreement with a Motor Vehicle Company based in South Korea, for supply of five hundred and twenty (520) vehicles at a cost of US\$.11,571,114.00, for use by the Police and the Provincial Administration. Pursuant to the Agreement, the Government was to settle bills for the vehicles under a supplier's credit arrangement, whereby the local agent of the Corporation would receive the payments. Further information seen indicated that payments were made through three (3) Kenya Government Promissory Notes of equal amounts of US\$3,857,038 comprising of principal plus interest, and maturing on 15 May 1999, 15 May 2000 and 15 May 2001. As similarly observed in the Reports, delivery of the vehicles was to be made within six (6) months from the date of the order, i.e, 11 December 1997.

107. In February 1998, the company assigned the 1st Promissory Note to a local Bank and effectively transferred the debt from the Company to the Bank. In May 2000, the Company again assigned the remaining two Promissory Notes to the International Export-Import Bank. However and as is also indicated in the Reports, the Office of the President and Ministry of Internal Security and Provincial Administration declined to honour these particular Promissory Notes, on account of non-delivery of one hundred and fifty nine (159) vehicles.

108. Additional information indicated that in July 2000, and due to an unsatisfactory performance by the Company, the Attorney General advised the Office of the President and Ministry of Internal Security and Provincial

Administration to terminate the contract and then claim damages for the units which had not been delivered in accordance with the Contract Agreement. However, and although the contract was eventually terminated on 16 December 2002 as advised by the Attorney General, the Government was still obliged to honour the two promissory Notes held by the Export-Import Bank.

109. In September 2008, and following a series of meetings between the Office of the President and Ministry of Internal Security and Provincial Administration, the Office of the Prime Minister, the Office of the Deputy Prime Minister and Ministry of Finance and the Office of the Attorney General, Treasury undertook and paid on 23 September 2008, the negotiated debt of Kshs.460,161,822.00 (US\$.6,218,403) to the Bank. However, and as far as I was able to establish from the records available, the one hundred and fifty nine (159) units had not been supplied and delivered to the Police or the Provincial Administration although the full bill for the units had been settled.

110. A review of the position in 2010/2011 indicated that no meaningful progress had been made as at 30 June 2011 towards delivery of the undelivered vehicles, or legal action taken against the Motor Vehicle Company based in South Korea for recovery of the sum equivalent to the value of the undelivered units. Further, no action appears to have been taken against the officers who occasioned the loss. In addition, details on how thirty six (36) vehicles were distributed to user departments had not been provided as at the same date.

DISPOSAL OF SURRENDERED MOTOR VEHICLES

111. In the Budget Statement for fiscal year 2009/2010 tabled in Parliament in June 2009, the Government directed that all Ministers, Permanent Secretaries, Provincial Commissioners and other Senior Public Officials who are entitled to official vehicles shall be allowed only one vehicle whose engine capacity should not exceed 1800 cc. Government vehicles not complying with this particular specification were to be withdrawn and surrendered to the Chief Mechanical and Transport Engineer who was to arrange for their disposal by end of September 2009. The surrendered vehicles were in return to be replaced with those compliant with the new policy.

112. Information available indicates that on 26 October 2009, Treasury directed all Permanent Secretaries/Accounting Officers to ensure that vehicles whose engine capacity exceeded 1800 cc, together with their log books and tools, were surrendered to the Chief Mechanical and Transport Engineer at the Industrial Area yard by 28 October 2009. Consequently, a total of one hundred and seventeen (117) vehicles were surrendered to the Chief Mechanical and Transport Engineer by 16 November 2009. The Chief Mechanical and Transport Engineer was required to arrange for the collection of the returned vehicles, and

ensure their security while in storage under his custody, until the vehicles were sold through a transparent disposal system.

113. Information available further indicates that, out of the one hundred and Seventeen (117) vehicles surrendered, eighteen (18) were to be retained in a pool under the custody of the Chief Mechanical and Transport Engineer for re-distribution to Ministries/Departments on a need basis. However, the distribution list of these vehicles was not availed for audit review. In addition, retention of these vehicles appears to contradict the reasons for which they were surrendered.

114. Additional information indicates that the balance of ninety nine (99) vehicles were identified for sale through public auction and a Nairobi based company identified to conduct the public auction on behalf of the Ministry of Finance. Further information indicates that, during the 1st public auction held on 9 June 2010, a total of thirteen (13) vehicles were sold for a total of Kshs.13,827,000.00. An additional eleven (11) vehicles were sold for a total of Kshs.35,191,000.00 during the 2nd auction held on 22 and 23 September 2010, bringing the total number of vehicles sold through public auction to twenty four (24) with proceeds totalling Kshs.49,018,000.00. This reduced the number of vehicles earmarked for disposal but not sold to seventy five (75).

115. Further information indicates that on 2 February 2011, the remaining seventy five (75) vehicles were advertised for sale through an open tender. Subsequently, seven (7) vehicles were sold for a total of Kshs.11,237,800.00 and therefore further reducing the number of vehicles not sold to sixty eight (68).

116. It is however a matter of concern that sixty eight (68) of the boarded surrendered motor vehicles have not been sold and are still lying at the Chief Mechanical and Transport Engineer Industrial Area yard, over one and half (1½) years since they were surrendered. As a result, the vehicles continue to depreciate technologically, physically and in value while the Government continues to incur security, storage and maintenance costs which could otherwise have been avoided. Further, failure to dispose the boarded motor vehicles as intended denies the Government the much needed revenue. In addition, no explanation has been provided for not surrendering to the Exchequer the amount of Kshs.11,237,800.00 realized from the sale of the seven (7) motor vehicles in February 2011.

117. It is also not clear what alternative disposal methods the Ministry intends to apply to hasten the sale process of the remaining sixty eight (68) motor vehicles since both public auction and open tender methods have failed to yield the desired results.

OUTSTANDING TEMPORARY IMPRESTS

118. Examination of Imprests records maintained at the Ministry's Headquarters indicated that temporary imprests totalling Kshs.32,731,558.95, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date.

119. Out of the total, imprests amounting to Kshs.8,373,394.25 were owed by officers on Job Group 'M' and above, Kshs.17,637,840.65 by officers on Job Group 'L' and below, Kshs.2,281,310.10 by Politicians, Kshs.2,164,477.10 by individuals who are no longer working in the Ministry and whose contacts are yet to be established, Kshs.338,851.00 by deceased officers, Kshs.1,676,807.35 by officers who had been transferred to other Ministries/Departments, while the balance of Kshs.258,878.50 was indicated as being under investigations.

120. A review of the position as at 30 September 2011 showed that imprests amounting to Kshs.12,012,503.60 had been accounted for, leaving a balance of Kshs.20,719,055.35 outstanding.

OUTSTANDING STANDING IMPRESTS

121. Examination of imprests records maintained at Ministry's Headquarters indicated that Standing imprests totalling Kshs.1,209,693.15, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of this total, imprests amounting to Kshs.395,028.55 were owed by various officers in the Ministry and Kshs.814,589.60 by deceased officers.

122. A review of the position as at 30 September 2011 showed that the imprest was still outstanding. No reason has been provided for failure to adhere to the Government financial regulations and procedures governing issue and surrender of imprests.

OUTSTANDING IMPRESTS – TANA RIVER DISTRICT

123. Examination of Imprests records maintained at the Tana River District Treasury disclosed that imprests totalling Kshs.2,979,981.45, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. The Imprests were owed by various officers in nineteen (19) Ministries/Departments. It was further observed that some officers were issued with additional Imprests before having surrendered previously issued balances.

OUTSTANDING TEMPORARY IMPRESTS – MOMBASA DISTRICT TREASURY

124. In the Report for the year 2009/2010, reference was made to outstanding temporary imprests amounting to Kshs.1,659,975.20 at the Mombasa District Treasury. Out of this amount, only Kshs.348,208.00 was recovered in 2010/2011 leaving a balance of Kshs.1,311,577.20, which ought to have been surrendered or otherwise accounted for on or before 30 June 2011. The imprests were owed against various officers in eleven Ministries/Departments including Trade, Agriculture, Labour & Human Resources, Roads & Public Works, Environment & Natural Resources, Office of the President, Tourism, Livestock Development, Judiciary, Medical Services and Home Affairs. No meaningful efforts appear to have been made to recover the long outstanding Imprests some of which date as far back as 1997.

OUTSTANDING IMPRESTS – TANA NORTH DISTRICT TREASURY

125. Examination of Imprests records maintained at the Tana North District Treasury disclosed that imprests totalling Kshs.2,799,520.00 which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. The Imprests were owed by Officers from the Bura Constituency Development Fund. No reason has been provided for failure to have the Imprests accounted for, or recovered from the Officer's salaries, as required by the Government Financial Regulations and Procedures.

GARISSA DISTRICT TREASURY

Outstanding Temporary Imprests

126. Examination of imprest records revealed that imprests totalling Kshs.5,466,452.05 which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. The imprests were owing against various Officers in thirteen Ministries including Education, Office of the President, Water, Home Affairs, Gender, Sports and Social Services, Planning, Youth and Sports, Lands, Finance, Livestock, Co-operative, Industrialization and Trade.

127. It was further observed that some officers were issued with additional imprests before having surrendered balances previously issued. No reason has been provided for failure to have the imprests accounted for as at 30 June 2011.

Unpresented Stale Cheques

128. Examination of Bank Reconciliation Statements for both Recurrent and Development Votes for twenty six (26) ministries disclosed that stale cheques

totalling Kshs.4,727,418.60 were reflected as payments in the Cashbook not in Bank in the reconciliation statements as at 30 June 2011.

129. The cheques were drawn in favour of merchants, Ministries, Commissioner of Value Added Tax (VAT) and Permanent Secretaries. It is not clear why the payees especially merchants, would fail to present the cheques to the banks to the extent of them becoming stale if indeed they were for genuine services provided. Further, no explanation has been given by the District Accountant for failure to lapse or replace the cheques as required by the regulations.

Receipts in Cashbook not in Bank Statement

130. Examination of Bank Reconciliation Statements for eleven (11) Ministries/Departments revealed receipts in Cashbook and not in Bank totalling Kshs.3,956,242.45, some dating back to 2003. These receipts were Paymaster General (PMG) reimbursements and Authority to Incur Expenditure (AIE) funds. It is not understood why cash has remained unbanked for such a long time unless they were Cashbook balancing figures meant to conceal loss of cash at the District Treasury. No explanation has so far been provided for the unsatisfactory state of affairs.

Unaccounted for Cash Withdrawals

131. Examination of the Bank Reconciliation Statements also disclosed that Kshs.720,803.25 withdrawn from two (2) Ministries Bank Accounts between year 2004 and 2006 were not recorded in the Cashbook. No explanation has been given as to the nature of the expenditure for which Kshs.720,803.25 was withdrawn.

Unremitted Value Added Tax (VAT)

132. A cash survey conducted at the Treasury on 4 October 2011, disclosed that VAT cheques amounting to Kshs.928,884.35 were being held as part of cash. The cheques were drawn in respect of 16% VAT deductions from various merchants as at 30 June 2011. No reason was given as to why the cheques were not remitted to the Commissioner of VAT.

Loss of Cash

133. Examination of the Office of the President – Garissa District, Cashbook and a cash survey report of 4 October 2011 disclosed a loss of Kshs.278,493.85. The loss was attributed to a deceased cashier who passed away in year 2005. It has not been explained why a loss report has not been written to the Accounting Officer to authorize for write-off as required by the Government Financial Regulation and Procedures.

OUTSTANDING TEMPORARY IMPRESTS - WAJIR EAST DISTRICT TREASURY

134. Examination of imprests records maintained at the Wajir East District Treasury indicated that imprests totalling Kshs.1,678,150.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, Kshs.1,072,300.00 was owed by CDF officials, Kshs.105,400.00 by District Hospital employees, Kshs.74,150.00 by Medical Officer of Health, Kshs.27,800.00 by Ministry of Agriculture officials and the balance of Kshs.22,000.00 by Ministry of Livestock officials. No reason has however been provided for failure to have the imprests accounted for, or recovered from the officer's salaries as required by the Government Financial Regulations and Procedures.

OUTSTANDING IMPRESTS - TAITA DISTRICT TREASURY

135. Examination of imprests records maintained at the Taita District Treasury indicated that imprests totalling Kshs.1,528,074.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. The Imprests were owed against various officers in six (6) Ministries based in Taita District.

136. It was further observed that some Officers were issued with additional imprests before having surrendered or accounted for amounts previously issued, contrary to the regulations governing issuance of imprests. No meaningful efforts appear to have been made to recover the long outstanding imprests some of which date as far back as 2001.

KISII CENTRAL DISTRICT TREASURY

Suppliers paid without deduction of Value Added Tax (VAT)

137. Examination of the procurement records for the years 2007/2008, 2008/2009, 2009/2010 and 2010/2011 maintained at the Kisii Central District Treasury disclosed that an amount of Kshs.58,357,598.75 was paid to various suppliers of the Constituency Development Fund (CDF) with no charge of the required 16% VAT amounting to Kshs.5,475,519.36. The Government may have lost revenue amounting to Kshs.5,475,519.36.

Over deduction of VAT

138. Further, examination of the Kisii District Treasury financial records revealed that VAT in Nyaribari Masaba CDF, Nyaribari Chache CDF and Kitutu Chache CDF was calculated at the rate of 32% instead of 16% stipulated by VAT

Act. This resulted in total VAT of Kshs.1,028,767.00 being deducted instead of the correct amount of Kshs.653,776.33, leading to an over deduction by Kshs.374,990.67.

MISSING CONTAINERS AT M/S INTERPEL CONTAINER FREIGHT STATION LTD - (CFS) - MOMBASA

139. Examination of Cargo Management Information System (CaMIS) report in the Simba System at Customs Services Department revealed that twenty six (26) containers were indicated as being in transit to Interpel Container Freight Station (CFS) on 4 March 2009. However, verification of records showed that no containers were received or accounted for at the CFS. This is contrary to the East African Community Customs Management Act, 2004 which states that the owner of an internal container depot shall keep a record of all goods in the depot and shall keep such records at all times available for examination by the proper officer.

140. Further information revealed that the twenty six containers were holding goods with an estimated customs value of Ksh.108,487,160.00 and attracting import duty (ID) and Value Added Tax (VAT) amounting to Ksh.30,117,508.00 and Ksh.15,706,000.00 respectively. Consequently, and in absence of proper import documentation, it was not possible to confirm whether or not the goods were cleared and taxes amounting to Kshs.45,823,508.00 paid.

UNCOLLECTED CUSTOMS WAREHOUSE RENT – MOMBASA

141. Examination of records maintained at Customs Services Department - Mombasa indicated that on 22 January 2010, 1600 metric tons of Pakistan rice with customs value of Kshs.33,335,880.00 were imported by two companies. However, the goods were not entered (cleared) within the statutory period of twenty one (21) days, contrary to provisions of the East African Community Customs Management Act, 2004.

142. According to the Act, any goods deposited in a customs warehouse are subject to such rent and other charges as may be prescribed. By the time the rice was removed from the warehouse, it had attracted warehouse rent of Kshs.8,980,000.00. Available information indicates that the importers paid rent amounting to Kshs.1,640,000.00, leaving an outstanding balance of Kshs.7,340,000.00. No evidence has so far been produced to confirm that the outstanding customs warehouse rent was paid. Therefore, the Kenya Revenue Authority may have lost revenue amounting to Kshs.7,340,000.00.

DIVERSION OF TRANSIT GOODS

143. Examination of records maintained at the Customs Services Department - Mombasa indicated that on diverse dates between 5 January 2010 and 22 February 2011, various motor vehicles with a bond in force of Kshs.41,769,745.00 imported for regional markets, were delivered and received into the Mitchell Cotts Container Freight Station, in Mombasa. However, there was no documentary evidence confirming that the goods were released at the port of exportation or exited the Country as required by the East African Community Customs Management Regulations, 2006.

144. In the absence of documentary evidence, it has not been possible to confirm that the goods were not diverted to the local market without payment of taxes. Further, the bond in force of Kshs.41,769,745.00 had not been cancelled as at 30 November 2011. The Government, therefore, may have lost revenue by way of uncollected duties totalling Kshs.41,769,745.00.

FAILURE TO COLLECT REVENUE – CONSULBASE 1 CONTAINER FREIGHT STATION - KRA BONDED WAREHOUSE – MOMBASA

145. Examination of import entries and information in the Simba System revealed that during 2008/2009 and 2009/2010, various companies imported white refined sugar with a customs value of Kshs.220,866,074.53 through the Consulbase 1 Container Freight Station (KRA Bonded Warehouse). The importers however, while determining Value Added Tax payable as required by the provisions of the VAT Act, (revised 2009) excluded import duty remitted and as a result, extra Value Added Tax (VAT) amounting to Kshs.31,804,714.85 was not collected on the imported sugar.

146. Available information also indicate that the companies imported white refined sugar through the same Container Freight Station and failed to pay Import Duty of Kshs.5,409,656.52 as evidenced by Inspection Verification Reports by Customs Services Department available in the Simba System.

147. Further, the companies failed to pay Sugar Development Levy of Kshs.9,369,308.87 as required by Legal Notice No.392 dated 30 November 2007 which became effective on 15 November 2007. The levy was to be collected by Kenya Revenue Authority (KRA) on agency basis. The Government risks losing revenue amounting to Kshs.46,583,680.24, as a result of the above omissions.

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

148. The Statement of Revenue for Head 1110000 – Taxes on Income, Profits and Capital Gains for the year ended 30 June 2011 reflects actual receipts of Kshs.258,091,241,466.85 made up of Kshs.136,495,124,854.90 in respect of Income Tax from Individuals (PAYE) and Kshs.121,596,116,611.95 under Income Tax from Corporations (Other Income Tax). Records maintained by the Kenya Revenue Authority however show total receipts of Kshs.258,831,840,859.70 comprising Kshs.136,596,017,110.55 and Kshs.122,235,823,749.15 relating to PAYE and Other Income Tax respectively. The resultant difference of Kshs.740,599,392.85 between the two sets of records has not been reconciled or explained. The actual receipts of Kshs.258,091,241,466.85 also differ from the amount of Kshs.217,523,764,798.85 appearing in the Ledger for the month of June 2011, by Kshs.40,567,476,668.00. Again, the difference has not been reconciled or explained.

149. The Statement also reflects Income Share of Local Authority Transfer Fund (LATF) actual receipts of Kshs.13,219,980,738.70, while records maintained by the Kenya Revenue Authority show receipts of Kshs.13,622,728,466.30. The difference of Kshs.402,747,727.60 has not been reconciled or explained. The actual receipts of Kshs.13,219,980,738.70 also differ from the amount of Kshs.12,342,484,806.25 appearing in the Ledger for the month of June 2011 by Kshs.877,495,932.45. As in the previous instance, the difference has not been reconciled or explained.

150. The Statement also reflects payments to the Exchequer totalling Kshs.258,091,241,466.85 as at 30 June 2011, while records maintained at the Exchequer Section in Treasury show receipts of Kshs.258,650,675,551.00. The difference of Kshs.559,434,084.15 between the two sets of records has not been reconciled or explained.

151. The Statement further reflects payments totalling Kshs.12,471,859,868.00 made to various Local Authorities in respect of LATF during the year. However, records maintained by Ministries of Finance and Local Government and other information available at the Central Bank of Kenya (CBK) on the other hand, indicate that these payments totalled Kshs.13,956,847,204.00, Kshs.13,659,522,629.00 and Kshs.9,801,451,593.00 respectively, during the period. As in the previous instances, the differences have not been reconciled or explained. Similarly, the Statement shows payments amounting to Kshs.30,800,000.00 as LATF administrative costs, while records maintained by the Ministry of Local Government indicate that such payments totalled Kshs.42,000,317.00 during the period. Again, the difference of Kshs.11,200,317.00 has not been reconciled or explained.

152. The Statement reflects a balance of Kshs.3,824,737,723.64 in respect of Income Share of LATF brought forward from 2009/2010, which differ from the carried forward amount of Kshs.3,748,365,290.09 shown against the same item in the Audited Statement for 2009/2010. The difference of Kshs.76,372,433.55 has not been reconciled or explained.

153. The Statement also reflects a carried forward balance of Kshs.22,826,891.15 in respect of PAYE and Other Income Tax, while the Statement of Assets and Liabilities for Deposits 07 as at June 2011 reflects a balance of Kshs.52,219,976,324.94. The difference of Kshs.52,197,149,433.79 between the two sets of records has not been reconciled or explained.

154. The Statement in addition, shows a carried forward balance of Kshs.4,542,058,594.34 in respect of Income Share of LATF, while the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011 reflects a figure of Kshs.16,974,848,797.60 against the item. The difference of Kshs.12,432,790,203.26 has, as in the previous instance, not been reconciled or explained. The amount of Kshs.4,542,058,894.34 further differs by Kshs.738,644,031.23 with the reconciled LATF Cashbook balance of Kshs.5,280,702,625.57 as at 30 June 2011.

155. The Statement of Arrears of Revenue due as at 30 April and uncollected as at 30 June 2011 reflects a balance of Kshs.75,296,833,728.00, made up of arrears of PAYE and Other Income Tax of Kshs.2,686,754,004.00 and Kshs.72,610,079,724.00 respectively. Besides failure to collect the arrears, these two particular balances have not been analyzed or supported with the relevant records and as a result, their completeness and accuracy could not be ascertained.

STATEMENT OF REVENUE HEAD 1140000 - TAXES ON GOODS AND SERVICES

156. The Statement of Revenue for Head 1140000 - Taxes on Goods and Services for the year ended 30 June 2011 reflects total actual receipts of Kshs.252,474,244,462.20, made up of amounts of Kshs.90,370,195,258.80, Kshs.81,510,551,514.75 and Kshs.80,593,497,688.65 under VAT - Local, VAT - Imports and Excise Taxes respectively. Records maintained at the Kenya Revenue Authority however show total receipts of Kshs.251,523,828,224.00 during the period. The resultant difference of Kshs.950,416,238.20 between the two sets of records has not been reconciled or explained. The actual receipts of Kshs.252,474,244,462.20 also differ from the amount of Kshs.188,244,232,357.30 appearing in the Ledger for the month of June 2011 by Kshs.64,230,012,104.90, which has also not been explained or reconciled.

157. The Statement also reflects amount transferred to the Exchequer of Kshs.252,474,244,462.20 as at 30 June 2011, while records maintained at the Exchequer Section in Treasury show receipts of Kshs.252,447,291,069.70. The difference of Kshs.26,953,392.50 between the two sets of records has not been reconciled or explained.

158. The Statement further reflects a balance of Kshs.1,256,052,388.15 brought forward from 2009/2010 which differs from the figure of Kshs.2,231,386,644.30 shown in the audited Statement for that year by Kshs.975,334,256.15. The difference has not been reconciled or explained. The Statement in addition reflects a Revenue On Hand balance of Kshs.1,256,052,388.15 as at 30 June 2011, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.12,897,512,742.95 against the item. As in the previous instance, the difference of Kshs.11,641,460,354.80 between the two sets of records has not been reconciled or explained.

159. The Statement of Arrears of Revenue reflects a balance of Kshs.7,818,203,004.00 in respect of Arrears of Revenue due as at 30 April 2011 and uncollected as at 30 June 2011, comprising VAT and Excise Tax arrears of Kshs.7,691,989,017.00 and Kshs.126,213,987.00 respectively. No reason has been provided for failure to collect the arrears. Further, and as similarly noted in 2009/2010, the Statement does not also separately show arrears in respect of 2009/2010 and earlier years, contrary to Government Financial Regulations and Procedures.

REVENUE HEAD 1150000 - TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS

160. The Statement of Revenue Head 1150000 - Taxes on International Trade and Transactions - for the year ended 30 June 2011 reflects receipts totalling Kshs.66,643,492,809.70, which include Custom Duties and Other Taxes on International Trade and Transactions balances of Kshs.46,044,854,878.45 and Kshs.20,598,637,931.25 respectively. However, records maintained in respect of the Revenue Head by the Kenya Revenue Authority show receipts of Kshs.66,249,771,501.00, resulting in a difference of Kshs.393,721,308.70 which has not been reconciled or explained.

161. The Statement also reflects payments to the Exchequer amounting to Kshs.66,643,492,809.70 as at 30 June 2011, while records maintained at the Treasury show a figure of Kshs.66,670,446,362.05 against the item. The difference of Kshs.26,953,552.35 between the two sets of records has not been reconciled or explained.

162. Further, the figure of Kshs.66,643,492,809.70 also differs from the amount of Kshs.49,824,735,390.25 reflected in the Ministry's Ledger for the month of June 2011, by Kshs.16,818,757,419.45. Again, the difference has not been reconciled or explained.

163. The Statement further reflects a Revenue on Hand balance of Kshs.129,630,984.75, which however differs by a figure of Kshs.3,019,333,312.70 from the debit balance of Kshs.2,889,702,327.95 reflected in the Statement of Assets and Liabilities for Deposits 07, as at 30 June 2011. Again, the difference has not been reconciled or explained. In addition, and as in the previous years, it has not been clarified why the significant balance of Kshs.129,630,984.75 had not been paid to the Exchequer as at 30 June 2011.

164. The Statement also does not show details of Arrears of Revenue uncollected as at 30 June 2011, contrary to Government Financial Regulations and Procedures.

REVENUE HEAD 1160000 - OTHER TAXES (NOT ELSEWHERE CLASSIFIED)

165. The Statement of Revenue Head 1160000 – Other Taxes (Not Elsewhere Classified) - for the year ended 30 June 2011 reflects actual receipts totalling Kshs.6,800,041,724.45 realized during the year, while records maintained at the Kenya Revenue Authority show receipts of Kshs.6,805,446,588.00 against the Head. The resultant difference of Kshs.5,404,863.55 between the two sets of records has not been reconciled or explained.

166. The actual receipts of Kshs.6,800,041,724.45 reflected in the Statement also differ from the amount of Kshs.4,231,654,140.85 appearing in the Ledger for the month of June 2011, by Kshs.2,568,387,583.60. No reconciliation or explanation has been provided for the discrepancy.

167. The Statement further shows Revenue on Hand balance of Kshs.75.70 as at 30 June 2011, while the Statement of Assets and Liabilities for Deposits 07 as at the same date reflects a figure of Kshs.1,183,892,652.90 against the item. As in the previous instances, the difference of Kshs.1,183,892,557.20 has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1410000-SUB-HEAD 1410100 - LOAN INTEREST RECEIPTS

168. The Statement of Revenue Head 1410000, Sub-Head 1410100-Loan Interest Receipts for the year ended 30 June 2011 reflects actual receipts of Kshs.794,437,146.70 against estimated receipts of Kshs.627,603,154.00,

resulting in an over collection of Kshs.166,833,992.70 or approximately 26.6% of the estimated amount. However, the figure of Kshs.794,437,146.70 differs from the amount of Kshs.74,716,312.55 reflected in the Ministry's ledger for the month of June 2011, by Kshs.719,720,834.15. The difference has not been reconciled or explained.

169. The Statement also reflects payments to the Exchequer totalling Kshs.794,437,145.00 for the year ended 30 June 2011, while Exchequer records maintained at the Treasury show a figure of Kshs.758,779,736.20 against the item. The difference of Kshs.35,657,408.80 between the two sets of records has not been reconciled or explained.

170. The Statement does not reflect any balance on hand as at 30 June 2011, while the Statement of Assets and Liabilities for Deposits 07 as at same date shows an amount of Kshs.661,415,767.30 against the item. No explanation has been provided for the discrepancy.

171. The Statement of Arrears of Revenue indicates that during the year, arrears of revenue increased by an amount of Kshs.5,590,250,808.81 from Kshs.33,415,579,997.59 as at 30 June 2010 to Kshs.39,005,830,806.04 as at 30 June 2011. The increase was mainly attributed to substantial arrears not having been received from the National Water Conservation/Mombasa Pipeline, Halal Meat Products, Lake Victoria North Water Services Board, Athi Water Services Board and Coast Water Services Board.

172. Further, significant arrears of revenue amounting to Kshs.10,160,506,075.60, Kshs.12,989,332,887.10, Kshs.3,196,553,616.00 and Kshs.2,657,431,232.84 brought forward from 2009/2010 and earlier years against Nairobi City Council, Kenya Railways Corporation, Agro-Chemical and Food Co. Ltd and Horticultural Crop Development Authority(HCDA), respectively amongst others were not recovered during the year. It has not however been indicated how the Ministry is addressing the above challenges.

STATEMENT OF REVENUE HEAD 1410000 -SUBHEAD 1410200 - PROPERTY INCOME

173. The Statement of Revenue Head 1410000, Sub Head 1410200 – Property Income - for the year ended 30 June 2011 reflects actual receipts of Kshs.11,064,856,455.75, while the Ledger as at the same date shows a figure of Kshs.2,542,030,413.55. The difference of Kshs.8,522,826,042.20 between the two sets of records has not been reconciled or explained.

174. The Statement also reflects payments to the Exchequer totalling Kshs.11,064,856,455.75 as at 30 June 2011, while records maintained at the Exchequer Section of the Treasury, show an amount of Kshs.11,085,817,264.25

against the item. As in the previous instance, the difference of Kshs.20,960,808.50 has not been reconciled or explained.

175. The Statement further reflects a carried forward balance of Kshs.107,036.05, which however differs by Kshs.4,789,280,295.77 from the figure of Kshs.4,789,387,331.82 shown against Investment Revenue in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011. Again, the difference has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1410000 - PROPERTY INCOME - RENT OF LAND

176. The Statement of Revenue Head 1410000 – Sub Head 1410401- Rent of Land for the year ended 30 June 2011 reflects actual receipts of Kshs.900,724,604.65 realized during the year, while records maintained at the Kenya Revenue Authority show collections of Kshs.912,635,619.00 against the Revenue item. The resultant difference of Kshs.11,911,014.35 between the two sets of records has not been reconciled or explained.

177. The Statement also reflects payments to the Exchequer totalling Kshs.900,724,604.65 as at 30 June 2011, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.1,103,480,082.90 against the item. The difference of Kshs.202,755,478.25 has not been reconciled or explained. Further, the Statement's actual receipts figure of Kshs.900,724,604.65 also differ by Kshs.118,456,683.75 from the amount of Kshs.782,267,920.90 reflected in the Ministry's Ledger for the month of June 2011. Again, the difference has not been reconciled or explained.

178. The Statement in addition reflects a balance carried forward of Kshs.41.20, which however differs from the figure of Kshs.162,413,799.25 shown against Land Rent in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011. As in the previous instances, the difference of Kshs.162,413,758.05 between the two sets of records has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1420000 - SALE OF GOODS AND SERVICES

179. The Statement of Revenue for Head 1420000 - Sale of Goods and Services for the year ended 30 June 2011 reflects actual receipts totalling Kshs.2,557,845,900.60, which include Fees Under Traffic Act and Motor Drivers Licenses of Kshs.2,503,369,007.40 and Kshs.54,476,893.20 respectively. Records maintained by the Kenya Revenue Authority however show total receipts of Kshs.2,214,014,653.00 during the period. The resultant difference of

Kshs.343,831,247.60 between the two sets of records has not been reconciled or explained.

180. The Statement also reflects payments to the Exchequer totalling Kshs.2,557,845,900.60 as at 30 June 2011, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.2,463,997,575.20 against the item. The resultant difference of Kshs.93,848,325.40 has not been reconciled or explained. Further, the actual receipts figure of Kshs.2,557,845,900.60 differs from the amount of Kshs.1,169,337,140.00 reflected in the Ministry's Ledger for the month of June 2011, by Kshs.1,388,508,760.60. Again, the difference has not been reconciled or explained.

181. The Statement further reflects balance brought forward of Kshs.192,239.40, while the audited Statement for 2009/2010 shows a figure of Kshs.1,964,644,179.80 as balance carried forward. The discrepancy has not been reconciled or explained.

182. The Statement in addition shows an amount of Kshs.192,239.40 as balance carried forward as at 30 June 2011, which differs by Kshs.2,247,311,956.25 from the balance of Kshs.2,247,504,195.65 reflected under Traffic Revenue in the Statement of Assets and Liabilities for Deposits 07 as at the same date. As in the previous instances, the difference between the two sets of records has not been reconciled or explained.

REVENUE HEAD 1450000 – OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

183. The Statement of Revenue Head 1450000 – Other Receipts Not Classified Elsewhere - for year ended 30 June 2011 reflects actual receipts of Kshs.7,823,308,696.05, while the ledger as at the same date shows a figure of Kshs.1,083,001,460.05. The difference of Kshs.6,740,307,236.00 between the two sets of records has not been reconciled or explained.

184. The Statement in addition shows an amount of Kshs.221,410,195.70 against balance carried forward as at 30 June 2011, which differs by a figure of Kshs.6,530,870,034.00 from the balance of Kshs.6,752,280,229.70 reflected under Miscellaneous Revenue, in the Statement of Assets and Liabilities for Deposits 07 as at the same date. The difference has not been reconciled or explained. Further, and as in previous years, no reason has been provided for failure to remit to the Exchequer the significant balance of Kshs.221,410,195.70 as at 30 June 2011.

STATEMENT OF REVENUE HEAD 4510000 – REDEMPTION RECEIPTS FROM DOMESTIC LENDING AND ON-LENDING

185. The Statement of Revenue Head 4510000 – Redemption Receipts from Domestic Lending and On-lending - for the year ended 30 June 2011 reflects actual receipts of Kshs.1,159,877,408.00 against estimated collections of Kshs.1,343,000,000.00, resulting in an under-collection of Kshs.183,122,592.00 representing approximately 13% of the estimated receipts. No reason has however been provided for the material under-collection. Further, the actual receipts figure of Kshs.1,159,877,408.00 differs from the amount of Kshs.42,554,305.40 reflected in the Ministry's ledger for the month of June 2011, by Kshs.1,117,323,102.60. The difference has not been reconciled or explained.

186. The Statement also reflects payments to the Exchequer totalling Kshs.1,159,877,408.00 for the year ended 30 June 2011, while records maintained at the Exchequer Section in Treasury show receipts of Kshs.1,159,754,530.25. The difference of Kshs.122,877.75 between the two sets of records has not been reconciled or explained.

187. The Statement reflects nil cash balance as at 30 June 2011, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.1,160,909,374.95 against the Head. No reconciliation or explanation has been provided for the discrepancy.

188. The Statement of Arrears of Revenue due and uncollected as at 30 June 2011 indicates that arrears of revenue increased by an amount of Kshs.1,428,838,940.13 from Kshs.14,522,141,683.10 as at 30 June 2010 to Kshs.15,950,980,623.23 as at 30 June 2011. The increase is mainly attributed to arrears due from six (6) organizations/institutions including National Water Conservation/Mombasa Pipeline, Agricultural Settlement Fund and Central Land Board, Coffee Board of Kenya, Horticultural Crop Development Authority (HCDA), Pyrethrum Board of Kenya and Lake Victoria South Water Services Board, some of which were indicated as experiencing financial problems during the year.

189. Further, the total Arrears of Revenue of Kshs.15,950,980,623.23 includes substantial balances amounting to Kshs.12,562,266,065.02 owed by six (6) organizations/institutions including Nairobi City Council, Agricultural Finance Corporation, Kenya Railways Corporation, Agro-Chemical and Food Co. Ltd., National Water Conservation/Mombasa Pipeline and Horticultural Crop Development Authority.

Although indications are that efforts are being made to ensure that the organizations/institutions repay the loans as and when they fall due, no meaningful progress appears to have been recorded in this regard during the year.

FAILURE TO SUBMIT ACCOUNTS FOR THE DISTRICT CASH FUND FOR AUDIT

190. Section 6(l) and (4) of the Public Audit Act, 2003 and Section 26(5) of the Government Financial Management Act, 2004 require a person charged with the responsibility of administering a public fund to prepare fund accounts and to submit such accounts for audit within three months after the end of the financial year. However, the Office of the Deputy Prime Minister and Ministry of Finance has not submitted for audit accounts for the District Cash Fund for the year 2010/2011. No reason has been provided for the non submission of the accounts.

PETROLEUM DEVELOPMENT LEVY FUND

191. The Income and Expenditure Account reflects receipts of Kshs.1,425,026,720.35 from oil marketeers during the year which differs from the amount of Kshs.1,538,416,725.30 shown in the Kenya Revenue Authority records, by Kshs.113,390,004.95. The difference has not been reconciled or explained.

192. The Fund Balance Sheet as at 30 June 2011 reflects a Paymaster General (PMG) Account balance of Kshs.1,301,444,079.65, while the Cashbook as at the same date shows an amount of Kshs.308,455,974.50. The Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011 on the other hand reflects a figure of Kshs.2,959,256,344.65 against the Fund. The differences among the three sets of records have not been reconciled or explained.

GOVERNMENT CLEARING AGENCY FUND

193. The Statement of Assets and Liabilities as at 30 June 2011 for the Government Clearing Agency Fund reflects balances of Kshs.663,928,405.70 in respect to both Sundry Debtors and Sundry Creditors. These balances have not been supported with relevant analyses and as a result, their completeness and accuracy could not be ascertained.

194. The Statement also reflects a Paymaster General (PMG) overdraft balance of Kshs.584,807,016.85 compared to Kshs.545,810,387.15 reported as at 30 June 2010. The balance of Kshs.584,807,016.85 has not however been supported with verifiable documents including a bank balance confirmation certificate, with the result that its accuracy could not be confirmed. Further, the balance of Kshs.584,807,016.85 differs by Kshs.1,055,022,871.00 from the figure of Kshs.1,639,829,887.85 shown in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011. The difference has not been reconciled or explained.

195. The debtors balance of Kshs.663,928,405.70 as at 30 June 2011 increased by Kshs.38,996,629.70 from a balance of Kshs.624,931,776.00 as at 30 June 2010. The increase of Kshs.38,996,629.70 has not however been supported with any verifiable documents.

TREASURY MAIN CLEARANCE FUND

196. The Treasury Main Clearance Fund Balance Sheet as at 30 June 2011 reflects a Sundry Debtors balance of Kshs.2,940,995,845.45 brought forward from 2009/2010 and earlier years. The balance has not been analysed thus its completeness and accuracy could not be ascertained. Further, no reason has been provided for the inordinate delay in the recovery of the debts.

197. The Balance Sheet also reflects a Sundry Creditors balance of Kshs.2,933,596,645.45, which includes amounts of Kshs.523,686.45 under PMG Special Account, Kshs.2,932,979,504.45 under Advance Deposits and Kshs.93,454.55 under JCF Interest, all brought forward from 2009/2010. However, these amounts have not been analysed or supported with the relevant documents. Consequently, the completeness and accuracy of the Sundry Creditors balance of Kshs.2,933,596,645.45 as at 30 June 2011 could not be ascertained.

198. The Balance Sheet further reflects an Excess Income Over Expenditure figure of Kshs.6,600,800.00, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows a figure of Kshs.21,790,736.90 under the Treasury Main Clearance Fund. The resultant difference has not been reconciled or explained.

199. In addition, the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011 reflects a figure of Kshs.28,391,436.90 in respect of transactions for 2010/2011 financial year under the Fund. The Fund Balance Sheet as at the same date however, does not show any transactions during the year under review. The accuracy of Treasury Main Clearance Fund Account for 2010/2011 is therefore doubtful.

RURAL ENTERPRISE FUND

200. In the Report for 2009/2010, it was stated that the manner in which the Rural Enterprise Fund was being managed and in particular the operational arrangements with respect to its management, including documentation of loan applications, administration, accounting and loan recoveries was inadequate. A review of the Fund Accounts for 2010/2011 revealed that no meaningful improvement in this regard had been recorded as at 30 June 2011, as summarized in the ensuing paragraphs:

201. The Statement of Assets and Liabilities as at 30 June 2011 reflects a loan balance of Kshs.394,559,879.30, which includes an amount of Kshs.220,013,036.70 that has not been analysed to show the names of borrowers, amounts borrowed and amounts outstanding as at 30 June 2011.

Consequently, and in absence of the analysis, the completeness and correctness of the balance of Kshs.394,559,879.30 as at 30 June 2011 could not be ascertained. Further, no interest on the loans outstanding as at 30 June 2011 was accrued in the Accounts and no reason has been provided for the anomaly.

202. The Statement also reflects unbanked cash balances totalling Kshs.3,348,895.00, brought forward from 2009/2010 and earlier years. According to information available, the total amount comprises Kshs.1,951,920.60 representing cash with DC (Loans Repaid); Kshs.108,839.70 Cash with DC (Interest on Loans); and Kshs.1,288,134.70 relating to Cash in DC'S Miscellaneous Deposit Account. Further, and besides failure to clarify why the balances had not been banked as at 30 June 2011, there was no evidence to confirm actual existence of the amount of Kshs.3,348,895.00 at the DC's Offices.

203. In addition, the figure of Kshs.1,951,920.60 under DC (Loans Repaid) includes advances amounting to Kshs. 207,344.25 in form of IOUs issued in 1997/1998 from the Fund, to five officers working at the DC's Office, Kisumu. The IOUs had not however been cleared as at 30 June 2011.

204. The Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011 reflects a debit balance of Kshs. 1,828,387.65 in respect of the Fund, while the Fund Accounts under review show a figure of Kshs. 397,908,774.30 against the item. The significant difference of Kshs.396,080,386.65 between the two sets of records has not been reconciled or explained.

KENYA LOCAL LOANS SUPPORT FUND

205. The schedule for Redeemed and Unredeemed Stocks of Kshs.10,430,700.00 shows that all the stocks are past redemption dates with the last redemption date for a sum of Kshs.17,400.00 being indicated as 6 February 2010. As reported in the previous years, no reasons have been provided for failure to redeem the stocks on maturity as expected.

206. In the report for 2009/2010, concern was expressed over an initial investment of Kshs.4,000,000.00, which had been placed with the Cereals and Sugar Finance Corporation (under winding-up process) in July 1992 but was omitted in the Fund's Balance Sheet as at 30 June 2010. This investment has yet again been omitted in the Balance Sheet as at 30 June 2011 though interest income of Kshs.660,000.00 for 2010/2011 has been disclosed in form of a footnote in the financial statements for the year. Further, and as similarly

observed in 2009/2010, no reason has been provided for the inconsistency of omitting in the Balance Sheet the investment of Kshs.4,000,000.00 and interest accrued thereof on one hand, while continuing to recognize in the income statement, interest from the same investment on the other.

207. Additional information indicates that although approval for winding up of the Corporation was granted by the Government in September 2007, the process does not appear to have been concluded by 30 June 2011.

PROVIDENT FUND ACCOUNT

208. The Income and Expenditure Account for the Provident Fund for the year ended 30 June 2011 reflects dividend income of Kshs.3,576.40 received from the Kenya Power and Lighting Company Limited against nil expenditure. The revenue was however, received at the Treasury and transferred to the Exchequer Account instead of receipting the same under the Fund.

209. No explanation has been provided as to why dividends received from the Kenya Power and Lighting Company Limited dropped from Ksh.12,356,319.40 recorded in 2009/2010, to Kshs.3,576.40, a significant drop of Ksh.12,352,743.00 or about 99.97%.

210. Further, no dividends were received from M/S East African Breweries Limited during the year under review as compared with dividends totalling Kshs.41,847,377.00 received from the Company during 2009/2010.

211. In addition, dividends totalling Kshs.99,541,079.50 for the period 2006/2007 to 2009/2010 credited to the Exchequer Account had not been paid into the Fund as at 30 June 2011. No explanation has been provided on these unsatisfactory matters.

212. The Fund Balance Sheet as at 30 June 2011 reflects Sundry Debtors (Interest Receivable) balance of Kshs.99,544,655.50 expected from the Permanent Secretary Treasury and relating to the period 2006/2007 to 2010/2011. However, the Ministry has not given any indication as to when this amount will be paid into the Fund.

213. The Balance Sheet also reflects various balances brought forward from 2009/2010 and earlier years against Capital Account, Provision on Investment, Surplus Cash Remitted by Departments and Interest due from GOK. These balances have not been analysed and as a result it has not been possible to establish what they represent. For the same reason, their completeness and accuracy could not be ascertained.

214. The Balance Sheet further reflects a brought forward investment portfolio balance of Kshs.18,303,849.50 made up of Investment at Cost, Cash on Deposits (JCF) and Cash on Deposit (C & SFC).

215. Although, as similarly reported in the previous year, the Balance Sheet shows an investment at cost balance of Kshs.13,509,967.45 as at 30 June 2011, the share certificates reflect investment at cost with Kenya Power and Lighting Company Limited and East African Breweries Limited of Kshs.15,250,300.00 and Kshs.6,281,310.00 respectively, both totalling to Kshs.21,531,610.00 as at the same date. Further, and although the understatement of Kshs.8,021,642.55 has been indicated in various records as representing bonus shares earned over the years, the related share certificates were not made available for audit review.

216. In addition, and as similarly observed in the previous year, two balances totalling Kshs.4,793,882.05 made up of Cash in Deposits with Joint Consolidated Fund(JCF) and Cash in Deposits with Cereals and Sugar Finance Corporation (C & SFC) of Kshs.997,655.80 and Kshs.3,796,226.25 respectively, have not been supported with deposit certificates and other related records. Consequently, it has not been possible to ascertain existence, ownership and valuation of the investments stated at Kshs.4,793,882.05 as at 30 June 2011.

217. The Balance Sheet further reflects a balance of Kshs.224,942,481.90 against the Paymaster General Account. This balance excludes the sum of Kshs.99,544,655.50 receivable from the Permanent Secretary, Treasury. Had this income been included, the PMG Account would have reflected a balance of Kshs.324,487,137.40 as at 30 June 2011.

218. An amount of Kshs.6,666,900.00 relating to Sundry Debtors and the corresponding Accumulated Interest of Kshs.6,060,900.00 receivable from Cereals and Sugar Finance Corporation as at 30 June 2011 were both omitted in the Fund Accounts although the balances have been disclosed in the notes to the Accounts, no plausible reason has been provided for the anomaly.

ASIATIC WIDOWS AND ORPHANS PENSION FUND ACCOUNT

219. The Ministry has, as in the previous years, failed to prepare and submit for audit financial statements for the Asiatic Widows and Orphans Pension Fund for the period between 1973/1974 to 1995/1996. Consequently, the accounts for the subsequent periods, including the ones for the year 2010/2011, were prepared on the basis of unaudited brought forward balances, which could not be confirmed. These balances include amounts of Kshs.1,616,270.20, Kshs.200.00, Kshs.8,113.00 and Kshs.1,608,357.20 reflected in the statement of financial position as at 30 June 2011; under Government Contribution, Personal Contribution, Over Contribution to Fund and Accumulated Excess Expenditure over Income respectively. Included also, is a figure of

Kshs.578,917.25 reflected as income in the Fund records after a journal entry of a similar amount was made transferring funds from Asian Officers Pension Fund to offset the PMG overdraft. Although the Fund is in the process of being wound up, no evidence was made available to the effect that all outstanding issues have been addressed.

ASIAN OFFICERS FAMILY PENSION FUND ACCOUNTS

220. The Income and Expenditure Account for Asian Officers' Family Pension Fund for the year ended 30 June 2011 reflects an income of Kshs.2,998.80 receivable from the Permanent Secretary, Treasury against an expenditure of Kshs.3,628,804.85, resulting in an excess expenditure over income of Kshs.3,625,806.05. No explanation has been provided as to why there was such a sharp drop in income received from investments.

221. The Fund Balance Sheet as at 30 June 2011 reflects various credit and debit balances brought forward from 2009/2010 and earlier years, totalling Kshs.135,774,463.90 and Kshs.1,982,243.50 respectively, under Capital Account, Personal Contributions- Government Departments, Personal Contributions- E.A. Community, Personal Contributions- E.A. Customs, Government Contributions, Fines, Profits on Realization of Investments and Provision on Investments .

As similarly reported in 2009/2010, these balances have not been supported with relevant analyses or schedules, with the result that it has not been possible to ascertain their completeness and accuracy.

222. The Balance Sheet also reflects an investment portfolio balance of Kshs.276,198,271.45 comprising Investment at Cost, and Cash on Deposit (JCF) and Cash on Deposit (C&SF Corp). As again reported in 2009/2010, the Investment at Cost figure of Kshs.12,976,580.00 representing shares held in Kenya Power and Lighting Company Limited is understated by an amount of Kshs.369,400.00. Although it has been explained that the difference of Kshs.369,400.00 represents bonus shares earned over the years, the bonus share certificates were however not availed for audit review and as a result, it has not been possible to confirm the validity of the figure of Kshs.369,400.00.

223. Further, and as similarly observed in the previous years, the balance of Kshs.248,021,691.45 against the Cash on Deposit (JCF) Account has not been supported with investment certificates or other verifiable documents. Furthermore, the Institutions/Organizations in which the investment was placed have not also been identified. Consequently, the existence and accuracy of the balance of Kshs.248,021,691.45 could not be ascertained.

224. The Cereals and Sugar Finance Corporation (C&SFC) in which Cash on Deposit of Kshs.15,200,000.00 is held is technically insolvent and separate

information available indicates that the Corporation is in the process of being wound up. The recoverability of the deposits is therefore doubtful.

225. In the Reports from previous years, reference was made to proceeds amounting to Kshs.76,962,400.00 in respect of Kenya Stocks of Kshs.22,000,000.00, Kshs.33,840,000.00 and Kshs.21,122,400.00, redeemed in 2001, 2004 and 2006/2007 respectively, and which had not been invested but had instead been lying unutilized in the Pensions Department, Deposit Account No.01-010-E040 held at the Central Bank of Kenya. A review of the situation in 2010/2011 disclosed that the proceeds had not been reinvested as at 30 June 2011 and no reason has been given for the omission.

226. In its recommendations on the 2003/2004 Audit Report, the Public Accounts Committee (PAC) recommended that the Asian Officers Family pension Fund be wound up. The process had however not been concluded by 30 June 2011. No explanation has been provided as to why the PAC recommendation has not been implemented.

EUROPEAN WIDOWS AND ORPHANS PENSION SCHEME FUND

227. As reported in 2009/2010, the Fund's Statement of financial position as at 30 June 2011 reflects an Investment at Cost of Kshs.8,152,112.75 which represents investment with Kenya Power and Lighting Company Ltd. However, this amount differs with the investment figure of Kshs.19,207,620.00 derived from a Stock of 960,381 ordinary shares of Kshs.20.00 each held in the Company as at 30 June 2011. Although the difference of Kshs.11,055,507.25 has been indicated as representing bonus shares earned on the investment over the years, no share certificates in respect thereof were availed for audit review. In consequence, it has not been possible to confirm the accuracy of the Investment at Cost balance of Kshs.8,152,112.75 as at 30 June 2011.

228. As similarly reported in 2009/2010, the investment of Kshs.16,900,000.00 reflected in the Statement of financial position is held in the Cereals and Sugar Finance Corporation, which is technically insolvent. According to information available, the Government approved the winding - up of the Corporation in September 2007, with a further requirement that the Office of the Deputy Prime Minister and Ministry of Finance takes over its Assets and Liabilities including loans on - lent to other organizations. However, no meaningful progress in this regard has been made and therefore the investment of Kshs.16,900,000.00 is still outstanding.

229. Similar to the previous year, the Statement of financial position excludes an amount of Kshs.13,440,825.50 in respect of Sundry Debtors and an Accumulated Interest receivable of Kshs.18,328,397.40 due from the Cereals and Sugar Finance Corporation. Although the amounts have been disclosed in

the footnotes, no reason has been given for not incorporating the figures in the Statement of financial position.

230. In the Report for 2009/2010, reference was made to proceeds of Kshs.9,000,000.00 realised in July 2001 upon redemption of 11% Kenya Stock 2000, which was held in the Ministry's Deposit Account No. 4-867-102-0021, without being re-invested. A review of the position as at 30 June 2011 disclosed that the amount was still being held in the Deposit Account, more than ten (10) years after the stock was redeemed. No reason has been provided for this unsatisfactory state of affairs.

231. The Statement of financial position reflects a balance of Kshs.82,364,092.35 in respect of the Paymaster General Account which excludes dividends received from Kenya Power and Lighting Company Limited totalling Ksh.16,422,515.10 and accounted for at the Treasury. Had this income been included in the Fund Accounts, the Paymaster General Account would have reflected a balance of Kshs.98,786,607.45 as at 30 June 2011.

BANK RECONCILIATION STATEMENT FOR CONSOLIDATED FUND SERVICES ACCOUNT NO.01-010-D050

232. The Bank Reconciliation Statement for Consolidated Fund Services Account No.01-010-R050 Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in Bank Statement totalling Kshs.18,983,310,393.10, out of which an amount of Kshs.5,158,005,129.80 relates to 2009/2010 and earlier years. No reason has been provided for failure to have the long outstanding amount recorded in the Bank Statement.

233. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook amounting to Kshs.1,721,243,719.30, which includes an amount of Kshs.186,040,865.25 relating to 2009/2010 and earlier years. As in the previous instance, it has not been explained why the amount of Kshs.186,040.865.25 had not been recorded in Cashbook as at 30 June 2011.

234. The Statement further reflects payments in the Bank Statement not yet recorded in the Cashbook of Kshs.14,393,259,127.55, out of which an amount of Kshs.6,285,317,214.40 relates to 2009/2010 and earlier years. Failure to record these amounts in the Cashbook has similarly not been explained.

235. The Statement in addition reflects receipts in Cashbook not in Bank Statement totalling Kshs.7,156,473,000.50. No reason has been provided for failure to bank these receipts.

BANK RECONCILIATION STATEMENT FOR CFS CASHBOOK - ACCOUNT NUMBER NO.01-010-R051 - PENSIONS DEPARTMENT

236. The Bank Reconciliation Statement for the Consolidated Fund Services (CFS) Cashbook as at 30 June 2011 reflects payments totalling Kshs.671,587,916.15 in the Cashbook not recorded in the Bank Statement, which include Stale Cheques relating to the period July 2006 to December 2010 amounting to Kshs.374,859,609.60. The figure of Kshs.671,857,916.15 also includes cheques amounting to Kshs.39,689,770.80 payable to the Chief Accountant - Pensions Department, with some cheques dating as far back as November 2006. No reason has been provided for failure to replace the Stale Cheques or clear the long outstanding items from the books of Account.

237. The Statement also reflects Receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.158,089,902.10 which include some entries dating as far back as November 2009. No explanation has been provided as to why these receipts have not been posted into Cashbook.

238. The Statement further reflects payments amounting to Kshs.15,105,516.95 in the Bank Statement not recorded in the Cashbook, which include some eight (8) cheques totalling Kshs.14,891,204.65 which had been indicated as cancelled and replaced, but later fraudulently presented and paid by some banks in 2008/2009. The amount of Kshs.14,891,204.65 had not been recovered as at 30 June 2011.

239. The Statement in addition reflects receipts of Kshs.728,032,878.15 in the Cashbook not recorded in the Bank Statement, out of which an amount of Kshs.584,361,462.10 relates to 2009/2010 and earlier years. In addition, the figure of Kshs.728,032,878.15 includes an amount of Kshs.543,325,872.65 dated 28 June 2010 and described as CBK Reversal Entry. No reason has been provided for failure to have the long outstanding receipts banked as at 30 June 2011. Further, it has also not been clarified what the CBK Reversal Entry represents.

BANK RECONCILIATION STATEMENT FOR DEVELOPMENT ACCOUNT 01-010-D007

240. The Bank Reconciliation Statement for Development Account 01-010-D007 as at 30 June 2011 reflects payments totalling Kshs.2,751,918,628.40 in the Cashbook not recorded in the Bank Statement. No reason has been provided for the inordinate delay in clearing the payments by the banks.

241. The Statement also reflects payments of Kshs.1,676,657,976.20 in the Bank Statement not recorded in the Cashbook, which include entries amounting to Kshs.38,950,266.55 and Kshs.1,637,707,709.65 described as "PA difference"

and “FS – Treasury”, respectively, both of which have not been explained. No explanation has been provided for failure to record the payments in the Cashbook.

242. The Statement also reflects receipts totalling Kshs.64,414,873.00 in the Bank Statement not recorded in the Cashbook, out of which an amount of Kshs.29,108,486.60 relates to 2009/2010 and earlier years. No reason has been provided for failure to update the Cashbook with the long outstanding receipts described as CBK Direct Credits.

243. The Statement in addition reflects receipts of Kshs.1,306,113,223.50 in the Cashbook not recorded in the Bank Statement, which, and as in the previous instance, includes an amount of Kshs.6,113,222.95 relating to 2009/2010 and earlier years. No efforts however appear to have been made during the year to establish what these long outstanding receipts represent or why they had not been banked as at 30 June 2011.

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

244. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments totalling Kshs.949,145.75 in the Cashbook not recorded in the Bank Statement, which include Stale Cheques amounting to Kshs.564,043.95. No evidence was however availed as at 30 June 2011 to confirm replacement or reversal of the Cheques in the Cashbook.

245. The Statement also reflects receipts totalling Kshs.138,286,403.50 in Bank Statement not recorded in the Cashbook. Included in Kshs.138,286,403.50 however, are receipts totalling Kshs.6,391,510.05 that could not be traced in the Bank Statement for June 2011.

246. Further, some receipts in the reconciliation were wrongly extracted from the Bank Statement while others were duplicated, resulting into a net difference of Kshs.197,200.90. Consequently, completeness and accuracy of the bank reconciliation statement as a whole could not be ascertained.

247. The Statement reflects payments totalling Kshs.10,204,182.15 in the Bank Statement not recorded in the Cashbook, which include cheques amounting to Kshs.10,197,282.15 relating to 2009/2010 and earlier years. No reason has been given for failure to record the payments described as RD cheques in the Cashbook.

248. The Statement reflects receipts totalling Kshs.234,934,212.80 in the Cashbook not recorded in the Bank Statement, which includes a figure of Kshs.179,878,667.40 described as “Opening Bank Balance” relating to

2004/2005 and earlier years. It has not however been clarified why the receipts had not been banked as at 30 June 2011. Further, documents in support of the balance of Kshs.179,878,667.40 have not been made available for audit review, with the result that the completeness and accuracy of the balance could not be ascertained.

BANK RECONCILIATION STATEMENT FOR THE LOCAL AUTHORITIES TRANSFER FUND (LATF) DEPOSITS ACCOUNT NO. 01-010-E341

249. The Bank Reconciliation Statement for the Local Authorities Transfer Fund (LATF) Deposits Account No. 01-010-E341 Cashbook as at 30 June 2011 reflects receipts in the Bank Statement not recorded in the Cashbook amounting to Kshs.425,462,658.32, which include an amount of Kshs.238,390,002.55 relating to 2009/2010 and earlier years. It has not been explained why the amount of Kshs.425,462,658.32 had not been recorded in the Cashbook as at 30 June 2011.

250. The Statement also reflects payments in the Bank Statement not yet recorded in the Cashbook of Kshs.244,676,360.00, out of which an amount of Kshs.213,876,360.00 relates to 2009/2010 and earlier years. Failure to record these amounts in the Cashbook has similarly not been explained.

251. The Statement further reflects receipts in Cashbook not in Bank Statement totalling Kshs.287,854,922.25, out of which an amount of Kshs.228,373,901.90 relates to 2009/2010 and earlier years. No reason has been provided for failure to have the receipts banked.

BANK RECONCILIATION STATEMENTS FOR TREASURY BILLS AND TREASURY BONDS ACCOUNTS

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

252. The Treasury Bills Bank Reconciliation Statement for Deposits Account No.01-010-E306 as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.44,657,330,436.55, out of which an amount of Kshs.25,805,680,436.55 relates to 2009/2010 and earlier years. The total amount of Kshs.44,657,330,436.55 also includes balances of Kshs.12,747,752,784.00 and Kshs.31,909,545,916.50 described as “Treasury Bills Redemption” and “CBK Direct Debits” respectively. These particular balances have not however been supported by relevant schedules and as a result, it has not been possible to establish what they represent or ascertain their accuracy.

253. The Statement also reflects receipts totalling Kshs.198,223,605,283.90 in the Bank Statement not recorded in the Cashbook, out of which an amount of Kshs.64,785,008,464.50 relates to 2009/2010 and earlier years. Further examination of supporting records revealed that the figure of Kshs.198,223,605,283.90 is understated by Kshs.5,228,597,625.65 and no reason has been provided for the anomaly. In addition, other balances of Kshs.5,096,848,045.45, Kshs.169,731,790,243.65 and Kshs.23,390,648,900.70 described as “Balance Not Brought Forward”, “CBK Direct Credits” and “CBK Overdraft A/C” respectively, included in the figure of Kshs.198,223,605,283.90 have not been analysed or explained. In consequence, accuracy of the balance of Kshs.198,223,605,283.90 could not be ascertained.

254. The Statement further reflects payments totalling Kshs.165,519,069,743.40 in the Bank Statement not recorded in the Cashbook, out of which an amount of Kshs.50,987,687,244.50 relates to 2009/2010 and earlier years. No reason has been provided for failure to record the payments in the Cashbook as at 30 June 2011.

255. The Statement shows receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.59,861,352,902.85, representing Treasury Bills receipts, commission and other items referred to as “Direct Credits”. The total includes balances of Kshs.19,645,651,524.65, Kshs.1,196,275,363.25, Kshs.504,908,109.25 and Kshs.7,720,826,812.10 relating to 2001/2002, 2002/2003, 2003/2004 and 2004/2005 financial years, respectively. It has not however been explained why these long outstanding receipts had not been banked as at 30 June 2011.

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

256. The Treasury Bonds Bank Reconciliation Statement for Deposits Account No.01-010-E307 as at 30 June 2011 reflects receipts amounting to Kshs.70,295,389,398.70 in Cashbook not recorded in Bank Statement, out of which an amount of Kshs.17,079,800,112.85 relates to 2001/2002 and earlier years. Although the receipts are described as “Direct Credits”, it has not been explained how the Credits could have been recorded in the Cashbook as at 30 June 2011, while there were no corresponding entries in the Bank Statement as at the same date.

257. The Statement also reflects receipts in Bank Statement not recorded in Cashbook totalling Kshs.113,022,470,311.10, which includes a figure of Kshs.50,740,276,468.55 relating to 2009/2010 and earlier years. No clarification has been made as to why bank receipts of Kshs.50,740,276,468.55 had not been entered in the Cashbook as at 30 June 2011.

BANK RECONCILIATION STATEMENTS - LAGDERA DISTRICT

258. Examination of Bank Reconciliation Statements for both Recurrent and Development Votes of nine (9) ministries in Lagdera District disclosed that stale cheques totalling Kshs.1,457,022.25 with some dating back to the year 2008 were reflected in the Bank Reconciliation Statement as payments in the Cashbook not in the Bank Statement as at 30 June 2011. No explanation has been given by the District Accountant for failure to reverse or replace the stale cheques as required by the Government Financial Regulations and Procedures.

259. The Statements also show receipts in Cashbook not yet recorded in the Bank Statements totalling Kshs.2,319,541.15. No explanation for failure to bank the receipts.

260. The Statements reflect payments in the Bank Statements not yet recorded in Cashbooks totalling Kshs.884,250.00. Out of this amount Kshs.750,000.00 was cash withdrawal made on 22 October 2010 from the Ministry of Water and Irrigation Account whose details were not availed for audit review.

BANK RECONCILIATION STATEMENTS - WAJIR EAST DISTRICT TREASURY

261. Examination of Bank Reconciliation Statements for Recurrent and Development Accounts of twenty four (24) Ministries in Wajir East District disclosed that stale cheques totalling Kshs.5,132,630.65, with some dating as far back as 2001/2002 were reflected in the reconciliation statements as payments in Cashbook not in Bank as at 31 March 2011.

262. The Reconciliation Statements show receipts in Bank Statements not yet recorded in Cashbooks totalling Kshs.7,232,349.75. No explanation has been given as to why the items have not been reconciled and recorded in the Cashbooks.

263. The Reconciliation Statements show receipts in Cashbooks not yet recorded in Bank Statements totalling Kshs.691,277.00. No explanation has been given as to why the receipts, some of which date as far back as 2010 have not been banked.

264. The Statements show payments in the Bank Statements not yet recorded in the cashbooks totalling Kshs.62,858.09. It has not been explained why the items have not been entered in the Cashbooks some of which date back to April 2010.

BANK RECONCILIATION STATEMENTS - FAFI DISTRICT

265. Examination of Bank Reconciliation Statements as at 30 June 2011 for both Recurrent and Development Votes of eight (8) Ministries/Departments at Fafi District Treasury disclosed that stale cheques totalling Kshs.2,313,036.00, some dating back to the year 2008, were reflected in the Bank Reconciliation Statements as payments in the Cashbook not in Bank Statement.

266. The cheques were drawn in favour of Permanent Secretaries, State Corporations, Merchants and Value Added Tax (VAT). It is not clear why the payees failed to present the cheques to the banks for payment if indeed they were for genuine services provided. No explanation has been given by the District Accountant for failure to reverse or replace the stale cheques as required by the Government Financial Regulations and Procedures.

267. The Bank Reconciliation Statements reflect receipts in Cashbooks not yet recorded in Bank Statements totalling Kshs.691,277.00. No explanation has been given as to why the receipts some of which date back as far as June 2010 have not been banked in the respective Ministry's bank accounts.

268. The Bank Reconciliation Statements reflect receipts in Bank Statements not yet recorded in Cashbooks totalling Kshs.691,277.00. No explanation has been given as to why the receipts have not been recorded in the respective Ministry's Cashbooks.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.07

269. The Statement of Assets and Liabilities for Vote R.07 as at 30 June 2011 reflects a Paymaster General (PMG) Account credit balance of Kshs.116,315,607,405.79, while the Cashbook and the Ledger for the month of June show amounts of Kshs.1,314,468,305.70 and Kshs.55,188,860,313.15 respectively. The difference among the three sets of records has not been reconciled. Further, there is no evidence that the PMG overdraft balance of Kshs.116,315,607,405.79 had been authorized by the Treasury. In the circumstances, the accuracy of this particular balance could not be confirmed.

270. The Statement reflects an Exchequer Account balance of Kshs.6,701,974,917.45, which includes Exchequer Under Issues totalling Kshs.1,366,042,484.30, relating to the current year. Records maintained at the Exchequer Section in Treasury show an under – issue of Kshs.686,660,000.00 against the Account. The difference of Kshs.679,382,484.30 between the two sets of records has not been reconciled or explained.

271. The Statement further reflects movements of various Accounts balances during 2010/2011 under Standing Imprests, Temporary Imprests, Advance of

Salary, Net Salary Advance, Training - DPM, Items Awaiting Clearance, Provincial /District Suspense, PMG balances and RD/ Stale Cheques Accounts. These movements were however not supported with the relevant documents, and as a result, the validity and accuracy of such movements could not be confirmed.

272. The Statement in addition reflects Temporary, Standing and Special Imprest Account balances of Kshs.74,228,616.45, Kshs.6,035,374.15 and Kshs.1,145,000.00 respectively, relating to 2009/2010 and earlier years. No reasons have however been provided for failure to have the imprests surrendered or accounted for as at 30 June 2011.

273. The Statement shows a debit balance of Kshs.12,512,222,281.80 under Items Awaiting Clearance Account, which includes an amount of Kshs.1,116,623,872.30 relating to 2009/2010 and earlier years. As in the previous instance, no reason has been provided for failure to clear the long outstanding items. In addition, the balance of Kshs.12,512,222,281.80 has not been analysed. Consequently, the completeness and accuracy of the balance of Kshs.12,512,222,281.80 as at 30 June 2011 could not be ascertained.

274. The Statement also shows a balance of Kshs.2,587,481,338.95 in respect of the Training –DPM Account. However, documents in support of the balance were not made available for audit review and in consequence, the accuracy of the amount could not be confirmed.

275. The Statement further shows a debit balance of Kshs.106,687,168,343.63 against Provincial/District Suspense Account which includes a figure of Kshs.63,480,495.83 relating to 2009/2010 and earlier years. Besides lack of an analysis for the entire balance, no reason has been provided for non-clearance of the long outstanding balance of Kshs.63,480,495.83 from the books of account.

276. The Statement further shows an Excess Appropriations-In-Aid balance of Kshs.38,717,321.25, brought forward from the previous years. Failure to remit this long outstanding balance to the Exchequer has not been clarified.

277. The Statement further reflects a balance of Kshs.29,269,608.35 in respect of RD/Stale cheques. No reason has been provided for failure to have these cheques replaced. Also, Returned Salary credit balance of Kshs.3,363,203.75 relating to 2009/2010 and earlier years has not been cleared as at 30 June 2011.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.07

278. The Statement of Assets and Liabilities for Vote D.07 as at 30 June 2011 reflects a balance of Kshs.17,392,314,775.80 against the Paymaster General Account (PMG), which differs with the Cashbook balance as at 30 June 2011 of

Kshs.205,435,713.00. The resultant difference of Kshs.17,186,879,062.80 has not been reconciled or explained.

279. The Statement reflects long outstanding debit and credit balances against various account items amounting to Kshs.32,737,149,978.70 and Kshs.28,955,751,524.15 under Exchequer Account, Temporary Imprests, Items Awaiting Clearance, Provincial/District Suspense, GAV, RD/Stale Cheques, Non Existing Account, Standing Imprests and Training DPM Accounts. No reasons have been provided for failure to have the long outstanding balances cleared from the books of account.

280. The Statement reflects various balances under, Temporary Imprest, Training-PM, Items Awaiting Clearance, Provincial District Suspense, Standing Imprest, Stale Cheques and Non-Existing Accounts which have not been analysed. In the absence of analyses, the completeness and accuracy of the balances could not be ascertained.

281. The Statement also shows General Account of Vote balance of Kshs.3,958,983,842.25 for 2010/2011, while the Appropriation Account for Vote D.07 for the year ended 30 June 2011 reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.3,957,476,844.45. The difference of Kshs.1,506,997.80 between the two sets of records has not been reconciled or explained.

282. Various account balances reflected in the Statement under Temporary Imprest, Standing Imprest, Training – DPM, Items Awaiting Clearance, Provincial/District Suspense and RD/Stale Cheques Accounts differ from those reflected in the Ministry's Trial Balance as at 30 June 2011. As a result, the basis of preparation of the Statement under review is not clear.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 07

283. The Statement of Assets and Liabilities for Deposits 07 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.16,311,786,135.97, while the Cashbook as at 30 June 2011 shows an amount of Kshs.3,203,914,135.05. The difference of Kshs.13,107,872,000.92 between the two sets of records has not been reconciled or explained.

284. The Statement also reflects cash balance totalling Kshs.61,538,939,778.29 in respect of Income Tax, Traffic Revenue, Development Revenue, Other Taxes, Land Rent and Miscellaneous Revenue which had not been surrendered to the Exchequer as at 30 June 2011. No reason has been provided for failure to remit to the Exchequer the substantial balance of Kshs.61,538,939,778.29 as required.

285. The Statement further reflects overpayments to the Exchequer totalling Kshs.46,650,765,811.92 under Stamp Duty & Insurance Premiums, Customs and Excise, Loan Interest Receipts, Loan Redemption Receipts, Pre-Shipment, Value Added Tax and Investment Revenue Accounts. These balances have not however been supported with relevant documents. Consequently, it has not been possible to ascertain their origin or accuracy.

286. The Statement in addition reflects various movements of balances during 2010/2011 against the Government Coast Agency, Items Awaiting Clearance, Treasury Main Clearance Fund, VAT-Local and Import, Investment Revenue, Stamp Duty & Insurance Premiums, Civil Servants Acc. Claim (GPA), Contr. & Build Ret. Money, Petroleum Dev. Levy Fund, RD/Stale Cheques A/C, Customs and Excise, Income Tax-PAYE/OIT, Loan Interest Receipts, Loan Redemption Receipts, Traffic Revenue, Misc. Revenue, Pre-Shipment, LATF, Land Rent and Paymaster General Accounts. Besides lack of analyses to support the movements, it has also not been possible to confirm the completeness and accuracy of the amounts.

287. As reported in 2009/2010, the brought forward balance of Kshs.70,042,400.25 under the Provincial/District Suspense Account includes various erroneous amounts relating to Narok, Samburu, Uasin Gishu, Mombasa, Embu and Isiolo Districts Treasuries brought forward from 2004/2005. In the circumstances, it has not been possible to ascertain the completeness and accuracy of the Provincial/District Suspense Account balance of Kshs.70,042,400.25 as at 30 June 2011.

288. The Statement shows various balances under Non-Existing Other Funds and Non-Existing Annual Revenue Accounts and other unidentified items all of which have not been analysed. In absence of the analyses, it has not been possible to establish what the Accounts represent or confirm the completeness and accuracy of the respective balances.

289. Further, balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011 or Ledger for the period then ended, with the result that accuracy and completeness of the Statement as a whole could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR CONSOLIDATED FUND SERVICES

290. As similarly reported in 2009/2010, the Statement of Assets and Liabilities for Consolidated Fund Services as at 30 June 2011 reflects various credit balances of Kshs.578,552,307.80, Kshs.2,093,437.50, Kshs.855,105,286.60, Kshs.68,846,544.50 and Kshs.4,798,266,577.05 under Agency Suspense – Vote 052, Sinking Fund, Agency Suspense – Vote 050, Recredited Cheques

and Items Awaiting Clearance respectively, brought forward from 2009/2010 and earlier financial years. No reason has been provided for failure to clear these long outstanding balances from the books of account.

291. The Statement also reflects under Agency Suspense – Vote R052 and Sinking Fund balances of Kshs.578,552,307.80 and Kshs.2,093,437.50 respectively, which have not been supported with analyses or other related documents. It has therefore not been possible to confirm completeness and accuracy of these balances.

292. The Statement further reflects a Paymaster General (PMG) Account credit balance of Kshs.89,380,861,373.65 as at 30 June 2011, which has not been supported with verifiable documents. In consequence, its accuracy could not be ascertained. Further, it has also not been clarified as to what the credit balance represents.

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

293. The Statement of Assets and Liabilities for Pensions and Gratuities – Funds and Deposits as at 30 June 2011 reflects a balance of Kshs.963,210,297.16 under the Paymaster General Account (PMG), while the Cashbook as at the same date shows a figure of Kshs.880,592,830.29 against the item. The difference of Kshs.82,617,466.87 between the two sets of records has not been properly reconciled or explained.

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

294. The Statement of Assets and Liabilities for C.F.S - Pensions and Gratuities as at 30 June 2011 reflects a balance of Kshs.181,178,544.77 against Paymaster General (PMG) Account, while Cashbook balance as at the same date is Kshs.117,220,243.25. The resultant difference of Kshs.63,958,301.52 has not been reconciled or explained. Consequently, the completeness and accuracy of the PMG balance of Kshs.181,178,544.77 as at 30 June 2011 could not be confirmed.

295. The Statement also reflects a credit balance of Kshs.381,075,297.75 in respect of Advance Payments to Post Bank, which relates to 2006/2007 and earlier years. However, an audit carried out on cash advances made to Postbank during the period 1 April 2002 to 30 September 2006, revealed that Post Bank paid a total of Kshs.270,291,431.65 to Government of Kenya Pensioners on behalf of the Ministry of Finance, Pensions Department, but the money has not been refunded to the bank to date. The figure of

Kshs.381,075,297.75 shown in the Statement is therefore overstated by Kshs.110,783,866.10.

296. The Statement further reflects a balance of Kshs.1,412,564,516.19 against Re-credited Cheques Account, compared to the figure of Kshs.1,276,660,690.61 recorded in 2009/2010. According to information available, the balance of Kshs.1,412,564,516.19 relates to Pension Cheques dispatched to various beneficiaries but not paid due to various reasons including incorrect bank codes and closed pensioners' bank accounts, amongst others. As similarly observed in the previous year, it has not been indicated how the Pensions Department is addressing the underlying causes of Re-credited Cheques, which have been increasing every year.

297. As reported in 2008/2009, a sum of Kshs.270,000,000.00 was paid to the Financial Secretary-Ministry of Finance from a Suspense Account in the CFS Cashbook in 2007/2008, which payment reduced the Re-credited Cheques Account balance to Kshs.180,772,032.70 as at 30 June 2008. The amount has not been refunded to the Re-credited Cheques Account, and as a result, the figure of Kshs.1,412,564,516.19 appearing against the Account as at 30 June 2011, has been understated by Kshs.270,000,000.00. Further, verification of returned cheques records in the CFS Register revealed that cheques totalling Kshs.75,945,924.54 had not been reversed in the Cashbook as at 30 June 2011. No reason has been given for the anomaly. The Re-credited Cheques figure of Kshs.1,412,564,516.19 has further been understated by Kshs.1,421,028.35 omitted from August 2010 ledger. No explanation has been provided for the omission.

298. As in the previous year, the Statement shows a balance brought forward of Kshs.151,501,064.15 under Contract Gratuity relating to gratuity paid back by various female employees some years ago. The balance ought to have been cleared from the books of account on or before 30 June 2011. Further, the balance of Kshs.151,501,064.15 includes an amount of Kshs.506,654.50 which has not been analyzed, with result that the accuracy and completeness of the figure of Kshs.151,501,064.15 could not be ascertained.

299. The Statement further shows a Stale Cheques Account debit balance of Kshs.2,360,628.20 brought forward from 2009/2010 and earlier years which has not been analyzed to date. As a result, the completeness and accuracy of the balance could not be ascertained. In addition, no reason has been provided for failure to have the cheques replaced.

MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY

APPROPRIATION ACCOUNT FOR VOTE R. 01

Discrepancies between the Appropriation Account and Trial Balance

300. The Appropriation Account for Vote R.01 for the year ended 30 June 2011 reflects expenditure figures under Sub-Votes 010, 011, 012, 017 and 019 which do not agree with the corresponding amounts in the Trial Balance as at 30 June 2011. No explanation has been provided for the discrepancies between the two sets of records.

Over- Expenditure on Personal Emoluments

301. In the Report for 2009/2010, reference was made to over-expenditure on Basic Salaries in the Ministry. A review of the position in 2010/2011 indicated that no meaningful progress has been made to observe budgetary control. Available information show that Basic Salaries and Personal Allowances were overspent by a total of Kshs.107,348,262.00. No plausible reason has been provided for this scenario bearing in mind that the number of staff within the Ministry's establishment and respective salaries are pre - determined and known, and therefore estimates under items 2110100 and 2110300 would be expected to be reasonably accurate.

Excluded Appropriations-In-Aid

302. The Appropriation Account reflects under Sub-Vote 012-Administration Police Head 012 – Security of Government Buildings Unit, Item 3520300 – Receipts from sale of inventories and commodities, an amount of Kshs.310,000.00 while available records show that Appropriations-In-Aid totalling Kshs.30,801,600.00 were collected during the year. The resultant difference of Kshs.30,491,600.00 has apparently been excluded from the Appropriation Account.

Inaccurate Appropriation Account Summary

303. The main summary of the Appropriation Account for Vote R.01 presented for audit shows the applied Appropriations-In-Aid as Kshs.655,811,915.00 instead of Kshs.639,528,471.00 reflected in the Approved Estimates. As a result, the Net Total Expenditure of Kshs.44,821,055,101.00 and the Net Surplus to be surrendered to the Exchequer of Kshs.3,687,832,349.00 reflected in the Summary have each been understated and overstated, by an amount of Kshs.16,283,444.00 respectively.

APPROPRIATION ACCOUNT FOR VOTE D.01

Discrepancies Between the Appropriation Account and the Trial Balance

304. The Appropriation Account for Vote D.01 for the year ended 30 June 2011 reflects expenditure figures under various items which do not agree with corresponding amounts appearing in the Trial Balance as at 30 June 2011. No explanation has been provided for the discrepancies between the two sets of records.

Under - Expenditure

305. The Appropriation Account further reflects gross under – expenditure of Kshs.823,956,536.30 representing approximately 26% of the approved estimates of Kshs.3,109,474,000.00. According to the footnotes to the Account, the under - expenditure occurred mainly due to non-completion of projects by contractors and non – completion of preparation of contract documents by the end of the financial year. The Ministry has not, however, indicated how it is addressing the underlying causes of the under-expenditure.

Unsupported Authorities to Incur Expenditure (AIEs)

306. The gross expenditure of Kshs.2,285,517,464.00 reflected in the Appropriation Account includes Authorities to Incur Expenditure (AIEs) totalling Kshs.285,400,769.00 which were not supported by relevant expenditure returns. According to information available, Authorities to Incur Expenditure of the equivalent amount had been issued during the year to District Commissioners, Provincial Police Officers, District Administration Police Commanders and Provincial Commissioners and Ministry of Lands across the country for various activities. Consequently, the propriety of the expenditure of Kshs.285,400,769.00 charged to Vote D.01 could not be ascertained.

Failure to Provide Footnotes to the Account

307. According to Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures, footnotes must be provided to explain a variation of over Kshs.1,000,000.00 above or below the approved estimates and actual expenditure or actual collection of Appropriations-In-Aid. The Appropriation Account, however, reflects variations in excess of Kshs.1,000,000.00 against twenty six (26) expenditure items for which no footnotes were provided.

Unsupported UNDP Grants

308. The Appropriation Account reflects under Sub-Vote 010, Head 001-OOP Headquarters, Item 1320200 Appropriations-In-Aid of Kshs.71,268,293.00 being grants from the United Nations Development Programme (UNDP) . However, apart from a journal voucher, no documents and records were provided in support of both the receipts and related expenditure.

PENDING BILLS

309. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.96,789,322.10 and Kshs.274,254,383.90 chargeable to Recurrent and Development Votes respectively, were not settled during the year 2010/2011, but were instead carried forward to 2011/2012.

310. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account for Vote R.01 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.3,574,759,582.90 instead of Kshs.3,671,548,905.00 now shown, while the Development Appropriation Account for Vote D.01 for the same period would have reflected a reduced Net Surplus of Kshs.549,702,152.40 instead of Kshs.823,956,536.30 now recorded.

OUTSTANDING IMPRESTS

311. Audit of imprest records maintained at the Ministry's Headquarters indicate that imprests totalling Kshs.11,481,172.10 which ought to have been surrendered or otherwise accounted for on or before 30 June 2011, were still outstanding as at that date. Out of the total, imprests amounting to Kshs.2,803,413.40 were owed by officers on Job Groups 'M' and above while the balance of Kshs.8,677,758.70 was due from officers in Job Groups "L" and below.

312. Further, the records also show that various officers were issued with additional imprests before having surrendered or accounted for balances previously issued.

313. A review of the position as at 30 September 2011 disclosed that imprests amounting to Kshs.10,641,772.10 had been surrendered or accounted for, leaving a balance of Kshs.839,400.00 outstanding as at that date.

ANTI STOCK THEFT UNIT GILGIL – NAIVASHA

Failure to follow procurement procedures

314. During the year under review, Anti Stock Theft Unit based in Gilgil – Naivasha ordered through various Local Purchase Orders (LPO's) goods worth Kshs.3,622,282.00 from three different firms. However, a scrutiny of the invoices and delivery notes from the three firms which supplied the goods indicated that they shared the same telephone numbers and post office address which is an indication that they were just one firm with different names.

315. Further, although Local Purchase Orders (LPO's) were raised, it was not possible to confirm whether the goods were competitively sourced as tender documents and pre-qualified suppliers list were not made available for audit review.

316. In the absence of documentary evidence to show that competitive bids were invited, it has not been possible to confirm that value for money was obtained for the expenditure of Kshs.3,622,282.00.

LEGAL DUES, ARBITRATION AND COMPENSATION PAYMENTS

Avoidable Expenditure

317. During the year under review, expenditure totalling Kshs.126,364,399.45 was incurred under Account No. 0-001-0000-2211308 in respect of a number of awards relating to various court cases involving the Government through the Attorney General and other parties. However, the above payments included an amount of Kshs.20,465,454.93 representing interest charges on delayed payments. No reasons have been provided for the delay in settling the awards.

Accuracy of the Statement

318. The Statement of Legal Dues, Arbitration and Compensation Payments for the year ended 30 June 2011 submitted by the Ministry reflects total expenditure of Kshs.126,364,399.45 while the Trial Balance as at 30 June 2011 shows an amount of Kshs.124,999,509.95. The resultant difference of Kshs.1,364,889.50 between the two sets of records has not been reconciled or explained. The total expenditure shown in the Statement also differs with the payment vouchers total figure of Kshs.126,795,679.45 by Kshs.431,280.00 which similarly has also not been explained.

Unsupported Expenditure

319. Payment vouchers and relevant supporting documents relating to fourteen cases for claims amounting to Kshs.6,580,824.00 were not provided for audit review. Consequently, the propriety of the expenditure could not be confirmed.

CONSTRUCTION OF DISTRICT HEADQUARTERS AT KABİYET TOWNSHIP

320. Records maintained at Nandi North District Headquarters revealed that the District Commissioner (DC) was issued with an Authority to Incur Expenditure (AIE) on 27 June 2011 amounting to Kshs.3 million for the construction of District Headquarters at Kabiyet Township.

321. However, the entire amount was paid to a Company based in Eldoret for the supply of building materials ordered through Local Purchase Order (L.P.O.) number 0755092 dated 15 June 2011. The procurement of materials was done before structural designs and bills of quantities were determined and even before a contractor to carry out the works was identified.

322. A visit to the site on 19 September 2011 revealed that some building materials comprising of sand, hardcore, ballast, steel bars, murrum and building stones with an estimated value of Kshs.300,000.00 were on site. The balance of the materials had not been delivered despite full payment having been made to the supplier. Consequently, the propriety of the Kshs.3 million expenditure could not be confirmed.

CONSTRUCTION OF TWO BLOCKS OF TYPE 'E' HOUSES COMPRISING OF 24 FLATS AT MWINGI POLICE STATION

323. In an advertisement placed in two daily newspapers of 18 August, 2008 the Police Department invited tenders from registered contractors in Category 'D' for the erection and completion of 2 blocks of 24 flats 'Type E' houses at Mwingi Police Station. Fifteen firms responded out of which, four firms were found to be technically qualified by the Technical Evaluation Committee.

Award of Tender

324. Contract No.W.P.ITEM DO1 EN/MWI JOB701 8264A was on 29 October, 2008 awarded to a Building Contractor based in Embu, being the lowest evaluated bidder by the District Tender Committee at a contract sum of Kshs.76,849,550.00.

Scope of Works

325. The scope of works involved erection and completion of two Blocks of Type 'E' Houses comprising of 24 Flats and Civil works. The commencement and completion dates were not, however, specified in the contract agreement dated 18 November 2008. According to the site handing over minutes, the duration of the contract was sixty weeks commencing on 13 January, 2009 and ending on 2 March, 2010.

Slow Progress of Work

326. A site visit on 13 October 2011 revealed that the project was far from being complete twenty months after the expiry of the completion date of 2 March 2010. It was further observed that work worth Kshs.40,848,737.00 or 53% of the contract price had been completed as per the certificates and Bills of Quantities issued as opposed to the actual payment of Kshs.64,543,422.00 or 84% of the contract price. No reason was given as to why the Regional Works Officer, Embu, certified and overpaid for works not yet done.

Retention Money

327. It was also observed that out of the Kshs.64,543,422.00 paid to the contractor, retention money amounting to Kshs.3,185,711.00 only or 4.9% had been deducted instead of Kshs.6,454,342.00 or 10% as required by Section 14.8 of the Government Financial Regulation and Procedures.

328. Although as indicated above the works were behind schedule, no remedy appears to have been sought by the Ministry over the dismal and delay of performance by the contractor.

UNCOLLECTED REVENUE – HIRE OF POLICE SERVICES - GARISSA

329. Audit of records maintained by the Officer Commanding Police Division (OCPD), Garissa disclosed that the Division has been deploying Police Officers to provide security services to a local bank since the year 2004.

330. According to a Gazette Notice No.8823 dated November 2004, the OCPD was required to charge Kshs.225.00 per Officer of the rank of a constable per day (8 hour shift). The rates were later amended to Kshs.100.00 per Officer per hour through Office of the President Circular No. OP/PA.3/69A dated 31 May 2006.

331. However, correspondences available indicate that the bank has not been paying for the services despite several demands made by the OCPD Garissa. The outstanding amount had accumulated to Kshs.3,214,150.00 as at 30 June

2011. It is not clear why the OCPD continued to deploy Police Officers to the bank even after the prolonged default in payment.

DISTRICT CASH FUND ACCOUNT

332. The District Cash Fund Account as at 30 June 2011 includes cash balances totalling Kshs.173,500,169.05 which had not been surrendered by the District Treasuries to the Office of the President for onward transmission to the Treasury. As in the previous year, no reason has been provided for failure to surrender the balances.

333. The Fund Account also reflects a balance carried forward of Kshs.162,302,451.80 as at 30 June 2011 and held in a Deposit Account. As indicated in the previous reports, this amount ought to have been remitted to the Exchequer. In addition, the balance was not reduced during the year by an amount of Kshs.11,629,662.90 which had been remitted by the Ministry to the Treasury in 2009/2010.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

334. The Ministry failed to prepare and submit for audit Bank Reconciliation Statements for the Recurrent Vote R. 01 Cashbook for four consecutive months from February to June 2011 contrary to the requirements of Chapter 5 Paragraph 5.9.2 of the Government Financial Regulations and Procedures. No explanation has been provided for this omission.

Development Cashbook

335. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Cash book not recorded in the Bank Statement totalling Kshs.562,303,168.05 which include stale cheques amounting to Kshs.202,491,210.20. No explanation has been given for the failure to reverse the cheques in the Cashbook.

336. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.9,519,499.55 relating to December 2010. No reason has been given for failure to record these long outstanding receipts in the Cashbook.

337. The Statement further reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.394,607,125.20 out of which an amount of Kshs.305,220,217.60 relate to the period between 29 November 2009 and 29

December 2010. No reason has been given for failure to record these long outstanding payments in the Cashbook.

338. The Statement in addition reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.179,515,769.25, which include entries described as “overstatement and understatement” totalling Kshs.2,447,553.35. The factors contributing to these persistent errors have not, however, been explained.

Deposits Cashbook

339. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments in the Cashbook not in the Bank Statement totalling Kshs.53,264,200.05 out of which an amount of Kshs.2,283,990.55, relate to stale cheques. No reason has been provided for failure to replace or reverse the cheques in the Cashbook.

340. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.41,376,454.60 which include entries described as “bankings” totalling Kshs.37,167,009.30. No efforts appear to have been made to identify the sources of these transactions and have them recorded in the Cashbook.

341. The Statement also reflects payments in the Bank Statement but not recorded in the Cashbook totalling Kshs.61,626,925.15 out of which an amount of Kshs.56,430,946.00, relate to December 2010 and earlier period. No reason has been provided for failure to record these long outstanding payments in the Cashbook.

342. The Statement further reflects receipts in the Cashbook not reflected in the Bank Statement totalling Kshs.22,267,228.25 out of which an amount of Kshs.5,745,060.85 relate to two entries dated 29 September 2009 and 24 April 2010. No reason has been given for failure to bank these long outstanding receipts.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.01

343. The Statement of Assets and Liabilities for Vote R.01 as at 30 June 2011 reflects various account balances against Agency, District Suspense, Salary Advance, Paymaster General and Clearance Accounts which differ from the corresponding balances in the trial balance of the same date. As a result, the completeness and accuracy of these balances could not be ascertained.

344. The Statement shows that various balances brought forward from 2009/2010 under Imprests, Agency, Exchequer for 2009/2010 and earlier years, Clearance, GAV for 2009/2010 and earlier years and Excess AIA Accounts were cleared during the year under review. However, no records were provided in support of these clearances. Consequently, the validity of these clearances could not be confirmed.

345. The Statement reflects an Imprest Account credit balance of Kshs.241,900.00 while the Imprest Register shows a debit balance of Kshs.41,951,947.90. No reconciliation or explanation has also been provided for the difference of Kshs.42,193,847.90 between the two sets of records.

346. The Statement also reflects two debit and two credit account balances totalling Kshs.493,307.35 and Kshs.37,268,468.65, respectively under Salary Advance, Clearance, Agency and District Suspense Accounts which have not been analysed. Consequently, the validity and accuracy of the balances could not be ascertained.

347. The Statement shows a Paymaster General (PMG) Account debit balance of Kshs.8,499,378,913.10 while both the Cashbook and Board of Survey Report reflect an amount of Kshs.22,055,833.45 as at 30 June 2011. The resultant difference of Kshs.8,477,323,079.65 has not been reconciled or explained.

348. The Statement reflects a General Account of Vote balance for 2010/2011 of Kshs.6,992,018,197.00 while the Appropriation Account for Vote R. 01 for the year ended 30 June 2011 recorded a Net Surplus to be surrendered to the Exchequer of Kshs.3,687,832,349.00. No reconciliation or explanation has been provided for the difference of Kshs.3,304,185,848.00 between the two sets of records.

349. The Statement reflects a nil balance against Excess Appropriations–In–Aid Account instead of excess amount of Kshs.16,283,440.00 for the year ended 30 June 2011. No explanation has been given for the omission of Kshs.16,283,440.00 from the Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 01

350. The Statement of Assets and Liabilities for Vote D. 01 as at 30 June 2011 reflects balances under General Suspense, District Suspense, Temporary Imprests, Arid Lands Imprests, 2010/2011 Exchequer, Under Issues, PMG, GAV for 2009/2010 and GAV for 2010/2011 Accounts which differ with the corresponding figures in the General Ledger as at the same date. The differences have not been reconciled or explained.

351. The Statement shows that various Account balances under General Suspense, District Suspense, Agency Suspense, Exchequer Account, Arid Lands Imprest and GAV for 2009/2010 and earlier years brought forward from 2009/2010 were cleared during the year under review. However, no records have been availed to support the clearances. Consequently, the validity of the clearances could not be confirmed.

352. The Statement further reflects a Paymaster General (PMG) Account debit balance of Kshs.1,291,353,830.20 while the Cashbook as at 30 June 2011 shows a balance of Kshs.25,115,964.35 as at the same date. No explanation or reconciliation has been provided for the difference of Kshs.1,266,237,865.85 between the two sets of records.

353. The Statement reflects a General Account of Vote balance of Kshs.1,505,909,101.50 relating to 2009/2010 and earlier years. No explanation has been given for the failure to clear this long outstanding balance.

354. The Statement in addition shows a General Account of Vote balance of Kshs.795,918,728.70 for the year ended 30 June 2011 while the Appropriation Account for Vote D.01 for the same period reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.823,956,536.30. No explanation has been provided for the difference of Kshs.28,037,807.60 between the two sets of records.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 01

355. The Statement of Assets and Liabilities for Deposits 01 as at 30 June 2011 shows that various account balances under Police Deposits, District Suspense, AP Provident Fund, Police Provident Fund, Agency, Government Press Fund and Headquarters and District Accounts brought forward from 2009/2010 were cleared during the year under review. However, no records were provided in support of these clearances. As a result, the validity of the clearance could not be ascertained.

356. The Statement reflects credit balances of Kshs.20,218,150.00 and Kshs.736,798.05 relating to General Deposits and Contractors' Retention Money respectively, which have not been analysed. Consequently, the validity and accuracy of these balances could not be ascertained.

357. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.183,257,399.85 while the Cashbook shows a figure of Kshs.245,925,898.60 as at 30 June 2011. No reconciliation or explanation has been provided for the difference of Kshs.62,668,498.75 between the two sets of records.

358. The Statement reflects a nil Government Press Fund balance while the Government Press Fund Balance Sheet as at 30 June 2011 shows a Paymaster General (PMG) Account figure of Kshs.145,125,096.90. The resultant difference of Kshs.145,125,096.90 between the two sets of records has not been reconciled or explained.

359. The Statement reflects a District Cash Fund balance of Kshs.162,302,451.80 which has not been remitted to Treasury although it relates to 2009/2010 and earlier years. No reason has been given for failure to surrender the amount to the Treasury.

360. Receipt vouchers and miscellaneous receipts totalling Kshs.250,097,975.00, were recorded in the Deposits Cashbook in the year 2010/2011 but they were not availed for audit review. Similarly, payment vouchers and related supporting documents for expenditure totalling Kshs.132,153,944.95, charged to Deposits and recorded in the Cashbook were not made available for audit review. As a result, the validity of the receipts and the propriety of the expenditure could not be ascertained.

STATE HOUSE

APPROPRIATION ACCOUNT FOR VOTE R.02

361. The Appropriation Account for Vote R.02 for the year ended 30 June 2011 reflects expenditure totalling Kshs.23,019,191.00 incurred under Item 2220200-Routine Maintenance – Other Assets, under all the Heads and an amount of Kshs.9,111,134.00 incurred under various Sub-Votes and Heads, Item 2211000-Specialised Materials and Supplies. Out of these expenditures, amounts of Kshs.19,865,717.65 and Kshs.2,263,257.95 were reallocated and charged to different accounts. No Treasury Authority was sought for the reallocation.

APPROPRIATION ACCOUNT FOR VOTE D.02

Misallocation of Expenditure

362. The Appropriation Account for Vote D.02 for the year ended 30 June 2011, reflects total expenditure of Kshs.34,544,000.00 under Head 020101-State House Nairobi. The expenditure was incurred under Item 3110300 - Refurbishment of Buildings and Item 3110500 - Construction and Civil Works, amounting to Kshs.19,990,480.00 and Kshs.14,553,520.00 respectively. Audit of payment vouchers and other related documents indicate that actual expenditure incurred under both items totalled Kshs.55,069,648.47. Expenditure of Kshs.20,525,648.47 not reflected against the items was reallocated to other Heads within the Vote. However, details of the Heads and Items to which the expenditure was charged could not be established as the payment and journal vouchers were not revised or availed to show the accounts charged.

363. In addition, the Appropriation Account shows total expenditure of Kshs.29,282,407.00 under Head 020102 - State House Mombasa. However, audit of payment vouchers indicate that only an amount of Kshs.18,048,868.45 was charged to this Head, while an amount of Kshs.11,233,538.55 related to expenditure chargeable under other Heads. However, details of the other Heads against which the expenditures ought to have been charged were not disclosed.

364. Further, the Appropriation Account shows an expenditure of Kshs.196,456,265.00 under Head 020104 - State Lodges, while payment vouchers examined indicate expenditure of Kshs.189,569,759.60. The difference of Kshs.6,543,171.75 between the Appropriation Account and the payment vouchers relate to reallocated expenditure. The Department did not avail approved reallocation warrants from the Treasury as evidence of authority to reallocate the expenditure.

Unsupported Expenditure

365. The Appropriation Account also reflects an expenditure of Kshs.3,583,240.00 under Head 020104, Item 3111400 – Research, Feasibility Studies, Project Preparation and Project Design, Project Supervision. Audit of expenditure records maintained by the Department revealed that only Kshs.427,000.00 was supported by a payment voucher. The balance of Kshs.3,156,240.00 reflected under the Item was not supported with relevant documents. Consequently, propriety of the expenditure could not be ascertained.

OUTSTANDING IMPRESTS

366. Audit of imprests records maintained at State House, Nairobi indicate that temporary imprests totalling Kshs.2,568,804.50, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date.

367. Out of the total, an amount of Kshs.473,000.00 was owed by an officer on Job Group 'M', Kshs.890,860.00 by officers on Job Group 'L' and below, Kshs.882,363.80 by deceased persons, Kshs.241,721.40 by retired officers and the balance of Kshs.80,859.30 by transferred officers.

368. A review of the position as at 30 September 2011 showed that imprests amounting to Kshs.813,100.00 had been accounted for, leaving a balance of Kshs.1,755,704.50 still outstanding.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 02

369. The Statement of Assets and Liabilities for Vote R.02 as at 30 June 2011 reflects various debit and credit balances against Exchequer, Advances, General Account of Vote, Clearance and Excess A.I.A Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of account.

370. The Statement also reflects debit balances relating to Imprest and Suspense Accounts amounting to Kshs.1,570,104.35 and Kshs.2,235,749.15 respectively, that were cleared during the year. However, no documentary evidence to support clearance of the balances was availed for audit confirmation.

371. The Statement further reflects debit and credit balances of Kshs.5,214,137.25 and Kshs.4,380,369.50 under Advances and Clearance Accounts respectively, that have not been supported with analyses schedules.

372. The Statement in addition reflects balances under Imprest, Advance, Paymaster General and Suspense Accounts of (Kshs.1,570,104.35), Kshs.204,399.65, Kshs.2,117,342.95 and (Kshs.2,235,749.15) respectively not reflected in the Trial Balance as at 30 June 2011. Consequently, the accuracy and completeness of balances reflected in the Statement could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.02

373. The Statement of Assets and Liabilities for Vote D.02 as at 30 June 2011 reflects various debit and credit balances amounting to Kshs.252,023,631.95 and Kshs.378,852,643.70 respectively, against Exchequer, Advance, General Account of Vote and Suspense Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear these long outstanding balances from the books of account.

374. The Statement also reflects a credit balance of Kshs.6,516,850.50 under Suspense Account which includes Kshs.3,494,607.20 for 2010/2011. However, no analysis was provided for confirmation of what the Suspense Account balance represents.

375. The Statement in addition reflects amounts of Kshs.9,956.45, Kshs.129,304,555.95 and Kshs.6,516,850.50 under Advance Account, Bank Balance and Suspense Account, respectively. The Trial Balance as at 30 June 2011 on the other hand reflects nil balances against these Accounts. Consequently, completeness and accuracy of the balances could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 02

376. The Statement of Assets and Liabilities for Deposits 02 as at 30 June 2011 reflects Cash and Bank balance of Kshs.41,635,144.60 which had not been reflected in the Department's Trial Balance as at 30 June 2011. Consequently, completeness and accuracy of the Cash and Bank balance could not be ascertained.

377. The Statement further reflects a Suspense Account debit balance of Kshs.228,349.75 that has not been analysed. Consequently, it has not been possible to establish what the Suspense Account balance represents.

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

APPROPRIATION ACCOUNT FOR VOTE R.03

Discrepancies between the Appropriation Account and the Trial Balance

378. The Appropriation Account for Vote R.03 for the year ended 30 June 2011 reflects gross expenditure totalling Kshs.1,288,653,447.80, which include expenditure of Kshs.724,471,278.00 recorded against Headquarters Administrative Services, Baringo DDI, GTI Embu, GTI Mombasa and Matuga DDI. The Trial Balance as at 30 June 2011 however shows a figure of Kshs.758,560,282.05 against the Heads. The resultant difference of Kshs.34,089,004.05 has not been reconciled or explained.

Misallocation of Expenditure

379. The Appropriation Account reflects gross expenditure of Kshs.1,288,653,447.80 which include Kshs.181,270,968.15 misallocated between various Heads. No explanation has been provided for posting of expenditure to incorrect account Items.

APPROPRIATION ACCOUNT FOR VOTE D.03

Unauthorised Reallocation of Funds

380. The Appropriation Account for Vote D.03 for the year ended 30 June 2011 reflects gross expenditure of Kshs.329,296,322.00 which include expenditure totalling Kshs.217,757,622.00 under DDI Baringo , GTI Embu, GTI Mombasa and DDI Matuga. Verification of expenditure records at the Government Training Institutes revealed that expenditure amounting to Kshs.5,586,733.00 was posted to incorrect account items. No Treasury Authority was availed to support the reallocation of expenditures.

Payment for Goods not Delivered

381. Audit of payment and procurement records at Government Training Institute – Embu revealed that an amount of Kshs.1,565,545.00 was paid to a supplier on 30 June 2011 on account of procurement of Curtain, Lining and Sheer Materials, Pelmets, Tie Beds and Tie Bed holders. However, audit verification carried out at the Institution in September 2011, revealed that the items had not been delivered to the Institute as at the time of audit. In the

circumstance, it has not been possible to confirm propriety of the expenditure of Kshs.1,565,545.00.

PENDING BILLS

382. Audit of records maintained at the Ministry's Headquarters indicated that bills totalling Kshs.30,143,164.85 chargeable to the Recurrent Vote were not settled during the year 2010/2011, but were instead carried forward to 2011/2012. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.03 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.27,570,487.35 instead of Kshs.57,713,652.20 now shown.

BANK RECONCILIATION STATEMENT FOR THE RECURRENT CASHBOOK

383. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.82,620,660.50 in the Cashbook not recorded in the Bank Statement which include payments totalling Kshs.6,236,470.80 which have been outstanding for over thirty (30) days although the payments were made through Electronic Funds Transfer System. No explanation has been given as to why the entries have not been captured in the Bank Statement.

384. The Statement also reflects receipts totalling Kshs.32,980,829.35 in Bank Statement not recorded in the Cashbook which include Kshs.6,624,973.75 relating to 2009/2010 and earlier years. No explanation has been provided for failure to record the receipts in the Cashbook.

385. The Statement further reflects payments in the Bank Statement not in the Cashbook amounting to Kshs.2,185,696.30. No explanation has been provided as to why these payments have not been recorded in the Cashbook.

386. The Statement in addition reflects receipts in Cashbook not in the Bank Statement amounting to Kshs.40,414,614.90. No explanation has been provided for the delay in banking the receipts.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.03

387. The Statement of Assets and Liabilities for Vote R.03 as at 30 June 2011 reflects debit and credit balances relating to 2009/2010 and earlier years amounting to Kshs.52,140,366.90 and Kshs.105,651,421.65, respectively, in respect of Exchequer Under Issue 2008/2009, General Suspense Account,

District Suspense Accounts 2008/2009, Salary Advance, G.A.V. 2009/2010, G.A.V. 2008/2009, District Suspense Account, Excess A.I.A 2008/2009 and Excess A.I.A. 2009/2010 Accounts. No explanation has been given for failure to clear these long outstanding account balances from the Ministry's records.

388. The Statement further reflects various debit and credit balances under Salary Advance, General Suspense Account, District Suspense Accounts 2008/2009 and District Suspense Accounts which have not been supported with relevant analyses. No explanation has been given for failure to analyze these balances.

389. The Statement also reflects Agency with other Ministries balance of Kshs.980,000.00 cleared during 2010/2011. No documentary evidence was availed to confirm how this balance was cleared.

390. The Statement also reflects total assets of Kshs.240,422,941.90 and total liabilities of an equal amount. However, the balances were not supported with a Trial Balance as at 30 June 2011 or the Ledger for the period then ended with the result that accuracy of the Statement could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.03

391. The Statement of Assets and Liabilities for Vote D.03 as at 30 June 2011 reflects various debit and credit balances under Exchequer Under Issue 2009/2010, District Suspense Account, General Suspense Account, Non Receipt of IDF/AADLC Grant, Inter Ministerial Agency Account (KDLC), G.A.V 2009/2010, G.A.V 2008/2009 and Excess Appropriations-In-Aid 2008/2009 Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear these long outstanding balances from the books of account.

392. The Statement also reflects various balances against District Suspense Account, General Suspense Account, Non Receipt of IDF/AADLC Grant and Inter Ministerial Agency Account (KDLC) Accounts which have not been analyzed. Consequently, accuracy and completeness of these balances could not be ascertained.

393. The Statement also reflects a Paymaster General (PMG) Account balance as at 30 June 2011 of Kshs.14,740,378.15 which has not been reconciled with the Cashbook balance of Kshs.784,142.00 as at the same date.

394. The Statement reflects a balance brought forward from 2009/2010 of Kshs.4,186,753.40 in respect to Inter Ministerial Agency Account which was cleared during the year. However, no documents were availed for audit confirmation of the transaction.

395. All balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011 or Ledger for the month of June 2011. The basis of preparation of the Statement under review could therefore not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 03

396. The Statement of Assets and Liabilities for Deposits 03 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.1,399,328.75 and an equivalent credit figure in respect of the General Deposit Account. However, the accuracy of the two balances could not be ascertained in the absence of a Ledger and a Trial Balance as at 30 June 2011. Further, the Deposits Account balance of Kshs.1,399,328.75 has not been analyzed, consequently, the accuracy of the amount could not be ascertained.

MINISTRY OF FOREIGN AFFAIRS

APPROPRIATION ACCOUNT VOTE R.04

Differences between the Appropriation Account and Printed Estimates

397. The Appropriation Account for Vote R.04 for the year ended 30 June 2011 reflects various expenditure estimates under Head 040101 – Headquarters Administrative Services, amounting to Kshs.261,030,000.00 while the approved estimates show corresponding figures totalling Kshs.243,800,000.00. No reasons have been given for these discrepancies.

Expenditure Differences between the Appropriation Account and Trial Balance

398. The actual expenditure reflected in the Appropriation Account under Head 040252 – Muscat against Items 2110100 – Basic Salaries, 2211100 – Office and General Supplies & Services, 3110700 – Purchase of Vehicles and Other Transport Equipment and 3110900 – Purchase of Household Furniture and Institutional Equipment differs with the corresponding figures in the Trial Balance. No explanation has been provided for these differences.

Excluded Expenditure

399. The Appropriation Account reflects total actual expenditure of Kshs.3,484,711.00 and Kshs.15,655,929.00 under Heads 040216 – Brussels and 040247 Doha, respectively, while payment vouchers and related documentation show expenditure of Kshs.6,080,047.20 and Kshs.21,219,510.23 respectively. The resultant total expenditure difference of Kshs.8,158,917.43 between the two records has apparently been excluded from the Appropriation Account.

Misallocation of Expenditure

400. Expenditure relating to Vote R.04 amounting to Kshs.15,198,115.71 incurred under Heads 040201 – New York, 040232 – Vienna, 040248 – Brazilia, 040209 – Paris, 040215 – Brussels, 040247 – Doha, 040203 – London and 040101 – Headquarters, was charged to the incorrect items of the account. No reason has been provided for the misallocation of the expenditure.

Unsupported Expenditure

401. Expenditure totalling Kshs.49,801,449.88 incurred by the Missions in New York, Vienna, Rome, Brazilia, Paris, Brussels, Doha and London was not accompanied by adequate supporting documents. In addition, the Appropriation Account reflects under Head 040101- Headquarters Administrative Services,

Item 2211300 – Other Operating Expenses, an expenditure of Kshs.61,544,885.00 out of which an amount of Kshs.49,000,000.00 was not supported by any payment vouchers and related documentation. Consequently, the propriety of the expenditure could not be ascertained.

APPROPRIATION ACCOUNT VOTE D.04

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

402. The Appropriation Account for Vote D.04 for the year ended 30 June 2011 reflects gross under- expenditure of Kshs.136,987,779.55, representing approximately 29% of the estimated provision of Kshs.467,400,000.00 and under-collection of Appropriations-In-Aid of Kshs.10,000,000.00 or 100% of the estimated receipts. No plausible explanation has been provided for the under-collection of Appropriations-In-Aid. The under expenditure has been mainly attributed to; non approval of procurement plan; non completion of the tendering process; not obtaining a competent bidder to carry out ICT networking programme; budgetary over provision and late approval of the projects by the Ministerial Tender Committee amongst other reasons. However, the Ministry has not indicated how it is addressing the underlying causes of the under-expenditure.

Unvouched Expenditure

403. Expenditure totalling Kshs.104,894,050.70 incurred on refurbishment and construction at the Ministry Headquarters and the Missions abroad was not supported by payment vouchers and other related documents. Consequently, the propriety of the expenditure could not be ascertained.

Inadequately Supported Expenditure

404. Further, expenditure relating to the Missions in Dar-es-Salaam, Brussels, Beijing, Rome and Islamabad amounting to Kshs.46,557,522.65 was not accompanied by adequate supporting documents such as the Ministerial Tender Committee minutes, contract documents and certificates of completion. In the circumstances, the propriety of Kshs.46,557,522.65 could not be confirmed.

Excluded Expenditure

405. Expenditure totalling Kshs.10,213,222.50 relating to refurbishment of building at Kenya High Commission in Islamabad was not captured and accounted for in the Appropriation Account. No explanation has been provided for the exclusion of the expenditure.

PENDING BILLS

406. Records maintained at the Ministry's Headquarters and at the Missions indicate that bills totalling Kshs.176,839,501.85 relating to 2010/2011 and chargeable to the Recurrent Vote were not settled during the year, but were instead carried forward to 2011/2012.

407. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account Vote R.04 for the year ended 30 June 2011 would have reflected an excess vote of Kshs.40,852,207.30 instead of Net Surplus to be Surrendered to the Exchequer of Kshs.135,987,294.50 now shown.

OUTSTANDING IMPRESTS

408. Imprest records maintained at the Ministry of Foreign Affairs Headquarters indicate that Temporary and Standing Imprests totalling Kshs.29,995,481.05 and Kshs.26,251.00 respectively which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total Temporary Imprests, an amount of Kshs.1,869,782.25 was owed by officers on Job Group 'L' and below, Kshs.774,047.10 by officers on Job Group 'M' and above, Kshs.436,504.50 by two Ministers, Kshs.9,970,510.65 by officers in other Ministries and Departments, Kshs.13,462,356.20 by retired officers while the balance of Kshs.3,482,280.35 was due from deceased officers.

409. The records also show that multiple imprests were issued to various officers before surrendering or accounting for the balances previously issued contrary to the provisions of the Government Financial Regulations and Procedures.

410. A review of the position as at 30 September 2011 showed that Standing and Temporary Imprests totalling Kshs.2,151,753.10 had been surrendered leaving a balance of Kshs.27,869,978.95 still outstanding.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

411. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.67,155,426.40 in the Cashbook not recorded in the Bank Statement. No reason has been provided for failure to clear the long outstanding balance.

412. The Statement also reflects payments totalling Kshs.4,822,174.45 in the Bank Statement not recorded in the Cashbook. However, no explanation has been provided for failure to enter the remaining balance in the Cashbook.

413. The Statement shows receipts amounting to Kshs.2,136,767.30 in the Cashbook not recorded in the Bank Statement which include a balance of Ksh.1,604,570.40 relating to 2009/2010 and earlier years. Failure to bank the receipts of Kshs.1,604,570.40 has not been explained.

Deposits Cashbook

414. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments totalling Kshs.12,067,606.65 in the Cashbook not recorded in the Bank Statement. No reason has been given for failure to capture the remaining balance in the Bank Statement.

415. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.34,996,289.60 described as VROC. The Ministry has not indicated what these receipts represent or why they had not been recorded in the Cashbook as at 30 June 2011.

416. The Statement further reflects payments of Kshs.30,168,972.20 in the Bank Statement not recorded in the Cashbook. However, it has not been clarified why these substantive payments remained unrecorded in the Cashbook as at 30 June 2011.

417. The Statement also reflects receipts of Kshs.78,510,021.50 in the Cashbook not recorded in the Bank Statement. The failure to capture the receipts in the Bank Statement has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.04

418. The Statement of Assets and Liabilities for Vote R.04 as at 30 June 2011 reflects various balances under Exchequer, General Account of Vote, General Deposits, Salaries Clearance and Excess Appropriations-In-Aid Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of account.

419. The Statement also reflects Exchequer Account balance of Kshs.53,182,010.00 for 2010/2011 while records maintained at the Treasury shows a figure of Kshs.236,470,000.00. The resultant difference of Kshs.183,287,990.00 between the two sets of records has not been reconciled or explained.

420. The Statement further shows a debit balance of Kshs.446,830,991.55 against the General Account of Vote for 2010/2011, while the Appropriation Account for Vote R. 04 for the year ended 30 June 2011 reflects a net surplus of Kshs.135,987,294.50 to be surrendered to the Exchequer. No explanation has been provided for the difference between the two sets of records

421. The Statement also shows that General Deposits debit balance of Kshs.318,850,516.15 and Suspense Account credit balance of Kshs.2,639,385,053.65 brought forward from 2009/2010 were cleared during the year under review. However, no records were provided in support of these clearances. Consequently, the validity of these clearances could not be confirmed.

422. The Statement further reflects Cash and Bank (PMG) Account debit balance of Kshs.180,257,567.30, while the Cashbook as at 30 June 2011 shows a balance of Kshs.16,716,795.15 against the item. The resultant difference of Kshs.163,540,772.15 between the two sets of records has not been reconciled or explained.

423. The Statement also reflects various balances under Advances, Exchequer (under expenditure), Temporary Imprests, Standing Imprests, Imprest Clearance, General Deposits and Cash book balance (PMG) Accounts which differ with the figures shown in the Trial Balance as at 30 June 2011. No reconciliation or explanation has been provided for these differences.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.04

424. The Statement of Assets and Liabilities for Vote D.04 as at 30 June 2011 reflects a General Account of Vote debit balance of Kshs.57,618,127.60 in respect of excess votes for 1990/1991, 2000/2001, 2001/2002 and 2003/2004. Failure to regularise these excess votes for a long period of time has not been explained.

425. The Statement further reflects an Imprest Clearance Account debit balance of Kshs.266,392,101.60 out of which an amount of Kshs.158,650,406.30 relates to 2009/2010 and earlier years. The non clearance of this balance has not been explained.

426. The Statement reflects a Paymaster General Account debit balance of Kshs.95,221,900.75 while the Ministry's Cashbook and Board of Survey Report as at 30 June 2011 show a balance of Kshs.2,489,054.10. The resultant difference of Kshs.92,732,846.65 has not been reconciled or explained.

427. The Statement also reflects an excess Appropriations-In-Aid balance of Kshs.5,239,500.00 relating to 2006/2007. No explanation has been provided for failure to surrender the amount to Treasury.

428. The Statement reflects a General Account of Vote debit balance of Kshs.360,108,362.85 in respect of 2010/2011 while the Development Appropriation Account for Vote D. 04 for the same period recorded a net surplus of Kshs.126,987,779.55. No reconciliation or explanation has been provided for the difference between the two sets of records.

429. The Statement further reflects various balances Under Exchequer, GAV (Excess Vote), Imprest Clearance, Cash and Bank, GAV (under expenditure), Appropriations-In-Aid and General Suspense Accounts which differ with the corresponding figures contained in the Trial Balance as at 30 June 2011. No explanation has been provided for these variances.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 04

430. The Statement of Assets and Liabilities for Deposits 04 as at 30 June 2011 reflects two debit and one credit balances totalling Kshs.257,297,912.10 and Kshs.391,991,873.15 respectively under Suspense, Miscellaneous Deposit and Agency Accounts relating to 2009/2010 and earlier years. No reason has been given for failure to clear the long outstanding balances.

431. Further, the Ministry did not provide the analyses for the Suspense and Agency account balances. It has not been possible, therefore, to ascertain the completeness and accuracy of these balances.

432. The account balances reflected in the Statement under Suspense Miscellaneous Deposit, Deposits Clearance, Cash & Bank (P.M.G) and Agency Accounts differs with the corresponding amounts in the Trial Balance as at 30 June 2011. As a result, it has not been possible to ascertain the source, completeness and accuracy of these balances.

433. The Statement reflects a Cash and Bank (P.M.G) balance of Kshs.134,266,801.75 while the Cashbook shows a balance of Kshs.62,739,665.55 as at 30 June 2011. The resultant difference of Kshs.71,527,136.20 between the two sets of records has not been reconciled or explained.

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF HOME AFFAIRS

APPROPRIATION ACCOUNT FOR VOTE R.05

Irregular Payment of Meal Allowances

434. The Appropriation Account for Vote R.05 for the year ended 30 June 2011 reflects expenditure totalling Kshs.180,401,137.80 under Sub-Votes 050, 053, 055 and 057 under Item 2210300 - Domestic Travels, Subsistence and Other Transportation Costs. Included under this item is an amount of Kshs.121,725,553.85 paid to various officers as meal allowances.

435. Besides the fact that the officers were carrying out normal duties for which they are paid, no approval for the payment appears to have been obtained from the Accounting Officer. In addition, no explanation has been provided for charging expenditure on meal allowances to Domestic Travel, Subsistence and Other Transportation Costs.

Personnel Expenses

436. The Appropriation Account also reflects expenditure totalling Kshs.7,817,051,679.20 incurred on personnel emoluments during the year, while Integrated Payroll and Personnel Data (IPPD) records reflect an amount of Kshs.7,507,179,254.25. The difference of Kshs.309,872,424.95 between the two sets of records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.05

Misallocated Expenditure

437. The Appropriation Account for Vote D.05 for the year ended 30 June 2011 reflects expenditure totalling Kshs.960,500.00 under Sub-Vote 050, Head 127, and item 3111400 - Research, Feasibility Studies, Project Preparation and Design, Project Supervision. However, a review of records available indicate that Kshs.625,500.00 was incurred on tuition fee for an employee of the Ministry at Egerton University while the balance of Kshs.335,000.00 was spent on workshops. Consequently, the expenditure is misallocated and was done without Treasury authority. No reason was given for the unauthorised reallocation.

PENDING BILLS

438. Records maintained at the Office of the Vice President and Ministry of Home Affairs Headquarters indicate that bills totalling Kshs.158,835,314.60 relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012.

439. Out of the above total, bills amounting to Kshs.93,080,977.59 related to the Recurrent Vote while the balances of Kshs.63,000,700.66 and Kshs.2,753,636.35 were in respect of the Development Vote and Deposits Account respectively.

440. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.05 for the year would have reflected a reduced Net Surplus to be Surrendered to Exchequer of Kshs.163,974,414.48 instead of Kshs.257,055,392.07 now shown. Similarly, the Appropriation Account for Vote D.05 for the period would have reflected a reduced Net Surplus of Kshs.45,771,722.00 instead of Kshs.108,772,422.65 now recorded.

OUTSTANDING IMPRESTS

441. Audit of Imprests records maintained at the Ministry's Headquarters revealed that imprests totalling Kshs.43,209,929.05 which ought to have been surrendered on or before 30 June 2011 were still outstanding as at that date.

442. Out of the total, an amount of Kshs.19,470,615.86 was owed by officers on Job Group 'M' and above, Kshs. 20,245,257.59 by officers on Job Group 'L' and below, Kshs.1,336,325.10 by officers whose designations have not been disclosed, while the balance of Kshs.2,157,730.50 was due from politicians.

443. Further, it was observed that a number of officers were issued with additional imprests totalling Kshs.32,494,349.90 before having surrendered amounts previously issued.

444. A review of the position as at 30 August 2011 disclosed that out of the total outstanding imprests of Kshs.43,209,929.05 as at 30 June 2011, an amount of Kshs.8,348,535.90 had been surrendered or accounted for leaving a balance of Kshs.34,861,393.15 still outstanding.

CONSTRUCTION AND COMPLETION OF PROPOSED PRISONS STAFF HOUSING AT SHIKUSA, BUNGOMA AND BUSIA GK PRISONS

445. The Appropriation Account for Vote D.05 for the year ended 30 June, 2011 reflects under Sub-Vote 053 - Prison Services, Item 3110201 - Construction of Buildings an expenditure of Kshs.154,013,478.01 incurred on construction of staff houses at Shikusa, Bungoma and Busia GK Prisons. Verification of supporting documents revealed the following:-

Contract Background

446. The tender for the construction of a double storey flat and two unit single storey blocks in Shikusa, Bungoma and Busia GK Prisons was advertised on 29 April and 2 May 2006 and tender documents opened on 12 May 2006 at the Ministry of Roads and Public Works Headquarters. Five (5) tenders were responsive in the preliminary evaluation.

447. The contract for the construction of double storey flat and two unit single storey blocks in each of the three prisons was awarded on 12 May 2006 at a contract sum of Kshs.92,813,855.00. The contract period was to run for 52 weeks commencing on 13 September 2006 and ending on 12 September 2007.

Contract Period Extension

448. Although contract duration was 52 weeks, available information indicates that the contract duration was extended to 216 weeks to a new completion date of 30 November 2010. However, Ministerial Tender Committee Minutes were not availed in support of the extension. It was also noted that as at 28 February 2012, the project has surpassed its extended completion date by about 64 weeks.

Contract Sum Variation

449. The original contract sum of Kshs.92,813,855.00 was varied by Kshs.78,068,512.90 to Kshs.170,882,367.00 or about 84%. However, details of contract variation and approval were not availed for audit verification.

450. Further, the contract variation was not executed within the contract period, contrary to Public Procurement and Disposal Regulations, 2006 which provides that variation should not exceed 15% of the original contract sum for works and such contract variation be executed within the period of the contract.

Contract Payments

451. Available information indicate that payments had been made up to certificate No. 27 dated 28 March 2011, totalling Kshs.153,046,606.21 out of the

revised contract sum of Kshs.170,882,367.90, representing about 89% of the total contract sum.

Site Inspection Reports

452. According to the latest minutes of the site inspection meetings held on 11, 12, 13 and 14 January 2011 made available for audit review, the overall completion percentage of Bungoma, Shikusa and Busia GK Prisons were 98%, 55% and 65% respectively, while about 89% of the contract price had been paid.

453. No explanation has been provided for the delays in execution of the contract works within the contract period, and for making payments over and above works so far completed.

BUNGOMA PRISON

Unsupported Expenditure

454. Audit of expenditure returns in respect of recurrent expenditure for the year ended 30 June 2011 for the Prison revealed that expenditure totalling Kshs.6,767,640.00 was not supported by payment vouchers and other supporting documents. The propriety of the expenditure could not therefore be ascertained.

Pending Bills

455. Further audit of records revealed that bills totalling Kshs.13,276,295.00 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. The pending bills were in respect of food and rations and supply of wood fuel to the Prison. The pending bills returns were also not submitted to the Director, Budgetary Supply Department for authentication and issue of an exchequer. The issue of pending bills has been recurring every year. Failure to settle bills contravenes Treasury Circular which prohibit incurring of new pending bills.

KAPSABET MAIN PRISON

Pending Bills

456. During the year under review, bills totalling Kshs.2,885,575.00 relating to Recurrent Vote were not settled during the year but were instead carried forward to 2011/2012. Further, the completeness and correctness of the pending bills could also not be confirmed due to the poor state of pending bills records maintained at the Prison.

Uncollected Value Added Tax (VAT)

457. Audit of the expenditure returns and other records during the year revealed that the Prison purchased building materials worth Kshs.3,926,000.00 with Value Added Tax (VAT) applicable at 16% of Kshs.628,160.00. However there was no evidence of deduction and remittance of VAT to Kenya Revenue Authority (KRA), contrary to Government Financial Regulations.

SHIKUSA PRISON - KAKAMEGA

458. Audit of financial records maintained at the Shikusa Prison in Kakamega County indicate that bills totalling Kshs.3,523,830.00 relating to year 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the above total, bills amounting to Kshs.2,503,750.00 related to food and ration, while the balance of Kshs.1,020,080.00 was in respect of purchase of firewood and charcoal.

459. Although the items were ordered from prequalified suppliers, it was observed that quotations were not invited, contrary to the Public Procurement and Disposal Act, 2005 which requires at least three quotations to be floated to ensure competitive bidding. The reason given was that there was a common understanding between the Prison and the suppliers.

GK PRISON - NYAMIRA

Construction of Nyamira GK Prison on a Wetland

460. Audit of records maintained by the Officer-In-Charge of Nyamira GK Prison revealed that on 20 February 2007, the Nyamira District Executive Committee authorized the construction of the Prison's main wards and works to enable the Prison start operations. Available correspondences further indicate that on 18 February 2010, the Nyamira County Council allocated land which was previously reserved for community grazing, for this purpose.

461. Meanwhile, the Officer-In-Charge of the Prison had in the year 2006/2007 started direct procurement of building materials for use by the prisoners in the construction. The estimated cost of these materials was Kshs.51,160,672.00 as reflected in the Bills of Quantities availed by Ministry of Works in June 2008, and which included Kshs.31,611,672.00 for putting up the building and Kshs.19,548,900.00 for plumbing and sewerage works.

462. A site visit on 15 December 2010 revealed that the main ward had been constructed and roofed at cost of Kshs.14,375,000.00 and was only awaiting fitting of fixtures.

463. However, the project was in November 2010 condemned by both the Ministry of Public Health and Sanitation and the National Environment and Management Authority (NEMA) on the grounds that, the Prison was constructed on a wetland which needed to be conserved and preserved and not ideal for a prison facility, and the construction works involved reclamation of wetland without undertaking Environmental Impact Assessment as required by the law. Under the circumstances, the Kshs.14,375,000.00 expenditure amounts to wastage of public funds.

Unsupported Expenditure

464. Payment vouchers and other related records for expenditure totalling Kshs.2,893,490.00 incurred in the year 2009/2010 by the Officer In Charge of Nyamira Prison were not made available for audit review. Out of the total, an amount of Kshs.2,456,080.00 related to the infrastructure and civil works on the development of residential buildings at the Prison. In the absence of expenditure documents, the propriety of expenditure totalling Kshs.2,893,490.00 could not be confirmed.

Payment for Undelivered Building Materials

465. During the year under review, the Officer In Charge of Nyamira Prison paid for building materials worth Kshs.1,615,500.00 for the construction of the Prison. However, the respective payment vouchers were only supported by Counter Receipt Vouchers (S 13) signed by the storeman indicating receipt of the materials. The materials had not been delivered by the suppliers by 4 April 2011. Consequently, the propriety of expenditure totalling Kshs.1,615,500.00 could not be confirmed.

KAKAMEGA MAIN PRISON

466. Audit of records maintained at the Kakamega Main Prison disclosed that the Officer in Charge was issued with Authority to Incur Expenditure (AIEs) totalling Kshs.9,848,684.55 to cater for food and ration and charcoal fuel. However, bills totalling Kshs.14,729,591.10 were incurred in excess of the AIEs issued and which were not settled during the financial year 2010/2011 but were instead accumulated and carried forward to 2011/2012. Out of the above total, bills amounting to Kshs.13,068,591.10 related to food and ration, Kshs.1,456,000.00 were in respect of purchase of firewood while the balance of Kshs.205,000.00 was in respect of domestic travel.

467. This is contrary to Treasury Circular which prohibit incurring of new pending bills and that any pending bills be submitted to the Director-Budgetary Supply Department for authentication and issue of an exchequer. It is also

contrary to the rules and regulations governing the issuance of Authority to Incur Expenditure.

468. Further, although these consumable items were ordered from prequalified suppliers, it was observed that quotations were not invited contrary to the Public Procurement and Disposal Act, 2005 which requires that at least three quotations be floated to ensure competitive bidding. The reason given was that there was a common understanding between the Prison and the suppliers.

ELDORET MAIN PRISON

Procurement of Building Materials

469. During the year under review, the Officer-In-Charge of the Eldoret Main Prison procured various building materials at a cost of Kshs.2,904,530.00 on cash basis. The building materials do not however appear to have been competitively sourced as no quotations were floated or goods procured from pre-qualified suppliers. In the circumstances, it has not been possible to establish that the government obtained value for money from the transactions.

470. In addition, 16% Value Added Tax (VAT) totalling Kshs.400,624.80 was not deducted from the amounts paid to the supplier of the building materials as required by the VAT Act. No reason has been given for failure to deduct and remit the VAT to the Kenya Revenue Authority as required.

PRISONS FARMS REVOLVING FUND ACCOUNT

471. The Trading, Profit and Loss Account for the year ended 30 June 2011 reflects sales revenue amounting to Kshs.84,208,763.00 against total expenditure of Kshs.25,900,383.05. As similarly reported in the previous year, these balances are not reflected in the Ministry's Ledger for the Month of June 2011 and have been derived from various manual records kept at the Prison's Department. Consequently, the accuracy of the Profit and Loss Account could not be ascertained.

Paymaster General (PMG) Account

472. The Balance Sheet as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.53,464,500.41 while the Ministry's Statement of Assets and Liabilities for Funds and Deposits as at 30 June 2011 shows a credit balance of Kshs.20,111,256.57 against the item. The difference of Kshs.73,575,756.98 between the two sets of records has not been reconciled or explained.

473. The Balance Sheet also reflects a balance of Kshs.67,547,424.81 under the Debtors Account, representing an increase of Kshs.13,176,313.18 or approximately 24.2% from previous year's figure of Kshs.54,371,111.63. As stated in the report for 2009/2010, the continued increase in debtors is indicative of the Ministry's inability to collect debts as and when they fall due.

474. The Balance Sheet further reflects a Scrap Machinery balance of Kshs.1,570,986.00 which has not been depreciated over the years. Consequently and as in the previous year, it has not been possible to confirm the extent of impairment of the value of the machinery as at 30 June 2011.

475. The Balance Sheet shows a Suspense Account balance of Kshs.38,346,155.25 against a corresponding figure of Kshs.36,018,123.46 for 2009/2010. Besides failure to provide an analysis for the figure of Kshs.38,346,155.25, no records in support of the increase of Kshs.2,328,031.69 have been provided.

476. The Balance Sheet also shows an amount of Kshs.2,097,683.80 under Creditors Account, which has been outstanding for a long period of time. No reason has been given for delay in settling the payables.

PRISONS INDUSTRIES REVOLVING FUND ACCOUNTS

477. As reported in the previous year, the Prisons Industries Revolving Fund Accounts for the year ended 30 June 2011 consist of Revenue and Expenditure returns which have been prepared from manual schedules and other records, instead of the Trial Balance and Ledger. In consequence, the completeness and accuracy of sales, expenses and the loss balances for the year then ended could not be confirmed.

478. The Fund Statement of Financial Position as at 30 June 2011 reflects a Paymaster General (PMG) Account balance of Kshs.212,198,362.16 which differs with the balance of Kshs.231,172,031.85 reflected against the Fund in the Ministry's Statement of Assets and Liabilities for Deposits and Funds as at the same date. The resultant difference of Kshs 18,973,669.69 between the two sets of records has not been reconciled or explained.

479. The Statement of Financial Position also reflects a Suspense Account balance of Kshs.73,171,427.59 which includes Kshs.72,231,645.85 brought forward from 2009/2010. However, in the absence of an analysis or any other supporting documentation, it has not been possible to confirm accuracy of the Suspense Account balance or what it represents.

480. The Statement of Financial Position in addition reflects a brought forward balance of Kshs.2,926,440.00 in respect of Scrap Machinery. The Machinery has however not been depreciated or revalued during the year under review and as a result, accuracy of the value of the Scrap Machinery reflected in the statement of financial position could not be confirmed.

481. The Statement of Financial Position also reflects debtors balance of Kshs.5,931,344.25, which includes Kshs.5,784,924.25 relating to 2009/2010 and earlier years. No efforts appear to have been made to collect the long outstanding balances.

482. In the report for 2009/2010, it was stated that the balance of Accumulated Revenue Reserve for 2007/2008 had been understated by an amount of Kshs.1,759,541.20, which had not been explained. A review of the position as at 30 June 2011 revealed that no change had been recorded and the figure of Kshs.1,759,541.20 had still not been reconciled. In the circumstances, the Accumulated Revenue balance of Kshs.313,325,266.81 as at 30 June 2011 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.05

483. The Statement of Assets and Liabilities for Vote R.05 as at 30 June 2011 reflects various debit and credit balances totalling Kshs.1,240,289,182.85 and Kshs.898,642,981.90 respectively under Exchequer, Advances, Imprests, District Suspense, District General Suspense, Excess A-I-A, and Agency Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear these balances as at 30 June 2011 from the books of account.

484. The Statement also reflects an Exchequer Account balance of Kshs.13,649,242.42 in respect of under issues as at 30 June 2011. The figure includes Kshs.12,935,510.00 for the year 2010/2011 which differs with Exchequer Under Issue of Kshs.3,935,510.00 shown in exchequer records maintained at Treasury. The difference of Kshs.9,000,000.00 between the two sets of records has not been reconciled or explained.

485. The Statement further reflects an Imprest Account balance of Kshs.79,874,537.15 which differs from the ledger and the analysed balances of Kshs.85,825,607.50 and Kshs.42,259,907.35 respectively. The differences between the three sets of records have not been reconciled or explained.

486. The Statement in addition reflects a District Suspense Account balance of Kshs.1,205,164,455.48 which differs from the ledger and the analysed balances of Kshs.3,138,407,806.26 and Kshs.2,985,756,236.94 by Kshs.1,933,243,350.78 and Kshs.1,780,591,781.46 respectively. The differences between the three sets of records have not been reconciled or explained.

487. The Statement also shows a Paymaster General (PMG) Account credit balance of Kshs.882,042,838.33 which differs with the Cashbook balance of Kshs.122,114,809.95 by Kshs.759,928,028.38. The difference between the two sets of records, which should reflect the same balance has not been reconciled or explained.

488. The Statement also reflects Excess Appropriations-In-Aid for 2010/2011 of Kshs.9,184,454.60 which differs with amount of Kshs.10,641,827.00 reflected in the Appropriation Account for the Vote by Kshs.1,457,372.40.

489. The Statement further reflects a Clearance Account debit balance of Kshs.717,633,570.75 which should normally reflect a credit or nil balance.

490. The Statement in addition, reflects a General Suspense Account debit balance of Kshs.67,793,506.30 for the year 2010/2011, which has not been analysed. The resultant cumulative balance as at 30 June 2011 for General Suspense Account of Kshs.29,575,110.05 could not therefore be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.05

491. The Statement of Assets and Liabilities for Vote D.05 as at 30 June 2011 reflects debit balance of Kshs.111,901,302.35 against Exchequer Account, which includes Kshs.18,414,238.35 relating to 2009/2010 and earlier years. The Statement also reflects a credit balance of Kshs.778,361,178.25 against General Account of Vote (GAV) out of which Kshs.669,588,755.60 relates to 2009/2010 and earlier years. In addition, a balance of Kshs.28,468,445.40 reflected against General Suspense Account includes Kshs.8,188,543.20 for 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of account.

492. The Statement further reflects a balance of Kshs.324,235,963.36 under District Suspense, which although agrees with the ledger balance, differs with the analysed figure of Kshs.1,547,616,618.88 by Kshs.1,223,380,655.52, with the result that its accuracy could not be ascertained.

493. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.370,417,757.94, which differs by Kshs.365,875,032.94 with the Cashbook balance of Kshs.4,542,725.00 as at 30 June 2011. The difference between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 05

494. The Statement of Assets and Liabilities for Deposits 05 as at 30 June 2011 reflects various debit and credit balances against District Suspense, Imprest, Prison Industries, Agency/HE Deposits and Suspense Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of Account.

495. The Statement also reflects a balance of Kshs.323,625,769.81 under the Paymaster General (PMG) Account while the Cashbook as at the same date shows a figure of Kshs.112,557,094.18. The difference of Kshs.211,068,675.63 between the two sets of records has not been reconciled or explained.

496. The Statement further reflects a balance of Kshs.231,172,031.85 under the Prisons Industries Fund Account which differs with the corresponding figure of Kshs.212,198,362.16 reflected in Prisons Industries Revolving Fund Balance Sheet by Kshs.18,973,669.69.

497. The Statement in addition reflects a balance of Kshs.20,111,256.57 under the Prisons Farms Fund Account while the Prisons Farms Revolving Fund Account reflects a PMG balance of Kshs.53,464,500.41 as at 30 June 2011, resulting to un-explained difference of Kshs.33,353,243.84.

MINISTRY OF STATE FOR PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

RECURRENT APPROPRIATION ACCOUNT FOR VOTE R. 06

Accuracy of the Appropriation Account

498. The Appropriation Account for Vote R.06 for the year ended 30 June 2011 reflects gross expenditure of Kshs.1,949,096,811.00 while the Trial Balance as at 30 June 2011 shows a figure of Kshs.1,948,620,823.06. The resultant difference of Kshs.475,987.35 between the two sets of records has not been reconciled or explained.

Expenditure Excluded from the Account

499. Available information indicates that expenditure totalling Kshs.209,243,262.00 has been excluded from the Appropriation Account for the year ended 30 June 2011. Consequently, the balance of Kshs.438,105,109.00 in respect of the Net Surplus to be Surrendered to the Exchequer has been overstated by an equivalent amount. Although it has been explained that the omission was due to failure by Integrated Financial Management Information System (IFMIS) to capture the expenditure data, it is not clear how the problem has been addressed.

Grants to Government Agencies

500. The Appropriation Account reflects Current Grants to Government Agencies and other Levels of Government totalling Kshs.370,658,000.00 disbursed to four (4) Agencies during the year. The financial statements for 2010/2011 of the four (4) agencies however show receipts amounting to Kshs.468,141,401.00 as at 30 June 2011. The resultant net difference of Kshs.97,483,401.00 has not been reconciled or explained.

Expenditure on Salaries and Allowances

501. The Appropriation Account further shows expenditure on Salaries and Allowances totalling Kshs.402,077,128.00 while the Ministry's monthly payroll records reflect payments amounting to Kshs.426,366,984.80 during 2010/2011. No reconciliation or explanation has been provided for the difference of Kshs.24,289,856.80 between the two sets of records.

APPROPRIATION ACCOUNT FOR VOTE D.06

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

502. The Appropriation Account for Vote D.06 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.12,481,439,707.00 representing approximately 69% of the approved estimates of Kshs.18,200,031,325.00. The Account also reflects under-collection of Appropriations–In–Aid of Kshs.854,020,708.15 or about 53% of the estimated receipts of Kshs 1,611,561,125.00.

503. According to the footnotes to the Account, the under expenditure and under-collection of Appropriations–In–Aid was mainly caused by failure by the Integrated Financial Management Information System (IFMIS) to capture some expenditure, delay in project activities and non-receipt of documents from donors to capture expenditure and collections. It is not clear how the problems have been addressed.

Variations between Appropriation Account and Trial Balance

504. The Appropriation Account reflects Net expenditure of Kshs.4,961,051,201.10 while the Trial Balance as at 30 June 2011 reflects a figure of Kshs.13,056,747,035.70. The resultant difference of Kshs.8,095,695,834.60 between the two sets of records has not been reconciled or explained.

Capital Grants to Government Agencies

505. The Appropriation Account reflects an amount of Kshs.3,825,882,009.00 under Head 060101, Item 2630200 - Capital Grants to Government Agencies - which includes disbursements to Constituency Development Fund (CDF) of Kshs.3,720,000,000.00. However, CDF financial statements indicate receipts of Kshs.14,283,000,000.00. The resultant difference of Kshs.10,563,000,000.00 has not been reconciled or explained.

Current Grants to Government Agencies and other Levels of Government

506. The Appropriation Account further reflects Current Grants to Government Agencies and other Levels of Government totalling Kshs.553,360,764.00 disbursed to four (4) agencies during the year. The financial statements for 2010/2011 for the four (4) agencies however show receipts amounting to Kshs.304,396,551.00 as at 30 June 2011. The resultant difference of Kshs.248,964,213.00 has not been reconciled or explained.

PENDING BILLS

507. Examination of records maintained at the Ministry's Headquarters indicated that bills totalling Kshs.18,802,219.70 relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, an amount of Kshs.2,524,108.70 was chargeable to Recurrent Vote while the balance of Kshs.16,278,111.00 related to the Development Vote.

508. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.06 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.435,581,000.30 instead of Kshs.438,105,109.00 now shown. Similarly, the Appropriation Account for Vote D.06 for the period would have reflected a reduced Net Surplus of Kshs.11,611,140,887.90 instead of Kshs.11,627,418,998.90 now recorded.

OUTSTANDING TEMPORARY IMPRESTS

509. Audit of Temporary Imprests records maintained at the Ministry of State for Planning, National Development and Vision 2030 headquarters indicated that temporary imprests amounting to Kshs.82,000.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date. A review of the position as at 30 September 2011 indicated that imprests amounting to Kshs.49,000.00 had been accounted for, leaving a balance of Kshs.33,000.00 which was owed by a deceased officer. No explanation has been provided for the delay to obtain authority to write-off the debt from the Ministry's records.

OUTSTANDING LOANS – POVERTY ERADICATION PROGRAMME - LAMU DISTRICT

510. Audit of the Poverty Eradication Programme Loans records maintained by the Lamu District Development Officer (DDO), revealed that an amount of Kshs.2,000,000.00 was allocated to the District by the Poverty Eradication Commission (DPEC) in the year 2002. This allocation was meant to improve the livelihood of the residents by giving loans to groups engaged in community based projects.

511. Out of the Kshs.2,000,000.00 received, Kshs.1,445,000.00 was disbursed to fourteen (14) groups and the balance of Kshs.555,000.00 was held in a special account to cater for administrative activities.

512. According to the Commission guidelines, the funds were to be channeled through a Financial Intermediary (FI) appointed by the District Poverty Eradication Committee (DPEC) and disbursed to different groups for projects vetted by the District Poverty Eradication Committee (DPEC). Although pursuant to the guidelines, a memorandum of understanding was to be signed between the Financial Intermediary and the DPEC, no such memorandum was made available for audit review.

513. A review of the loan repayment position carried out in September 2011 disclosed that out of the total loans disbursed of Kshs.1,445,000.00, only loans amounting to Kshs.165,000.00 had been paid, leaving an outstanding balance of Kshs.1,280,000.00 as at 30 June 2011. No efforts appear to have been made to recover the long outstanding loans from the other beneficiaries.

BANK RECONCILIATION STATEMENT FOR DEVELOPMENT CASHBOOK

514. The Bank Reconciliation Statement for Development Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.3,619,472,884.30. The figure includes payments amounting to Kshs.6,561,308.20 which have been outstanding for more than thirty (30) days yet the payments were effected through Electronic Funds Transfer (EFT) system. No explanation has been given as to why the entries remained outstanding for that long.

515. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook amounting to Kshs.1,205,012.00. The items have been described as direct credits into the Ministry's bank account. No explanation has been given for failure to record the receipts in the Cashbook as at 30 June 2011.

516. The Statement further reflects payments in the Bank Statement not recorded in the Cashbook amounting to Kshs.10,877,650.75 which include payments totalling Kshs.1,087,000.00 for 2009/2010 financial year. The figure of Kshs.10,877,650.75 also includes a payment of Kshs.500,000.00 made to Nyeri South District Development Officer on 29 June 2011 as Authority to Incur Expenditure. Information available indicates that the amount was later reversed in the Cashbook but without any supporting documents.

517. The Statement also reflects receipts in Cashbook not captured in the Bank Statements totalling Kshs.1,824,326.85 which includes entries amounting to Kshs.1,001,330.20 attributed to book-keeping errors. The numerous erroneous entries made in the Cashbook suggests poor maintenance of Cashbook.

BANK RECONCILIATION STATEMENT FOR DEPOSITS CASHBOOK

518. The Bank Reconciliation Statement for Deposits Cashbook as at 30 June 2011 reflects payments amounting to Kshs.1,257,899.60 in the Bank Statement not recorded in the Cashbook which is made up of two entries of Kshs.74,099.60 and Kshs.1,183,800.00 relating to January 2004 and June 2004 respectively. No reason has been provided for failure to update the Cashbook with the long outstanding payments.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.06

519. The Statement of Assets and Liabilities for Vote R.06 as at 30 June 2011 reflects a General Account Vote (GAV) credit balance of Kshs.884,085,739.08 which includes an amount of Kshs.660,034,857.08 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance from the books of account. The GAV balance for 2010/2011 of Kshs.224,050,882.00 differs by Kshs.214,054,227.00 with Kshs.438,105,109.00 Net Surplus to be Surrendered to the Exchequer reflected in the Appropriation Account for the year. The difference has not been reconciled or explained.

520. The Statement also reflects an Excess Appropriations-In-Aid balance of Kshs.3,094,518.00 while the Appropriation Account for Vote R.06 for 2010/2011 reflects a balance of Kshs.151,344,518.00. The difference of Kshs.148,250,000.00 has not been reconciled.

521. The Statement further shows a balance of Kshs.2,505,600.55 in respect of Items Awaiting Clearance Account which has not been analysed, with the result that accuracy of the balance could not be ascertained. The amount has also been outstanding for a considerably long period of time.

522. The Statement in addition, shows a Temporary Imprest Account balance of Kshs.849,000.00 which includes Kshs.818,000.00 relating to 2009/2010 and earlier years. No reason has been provided for failure to have the long outstanding imprests surrendered or accounted for on or before 30 June 2011.

523. The Statement also reflects a debit balance of Kshs.100,000,000.00 brought forward from 2009/2010 due from the Recurrent Vote. However, the amount was not disclosed in the Statement under review.

524. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011 or Ledger for the month of June 2011. Consequently, the source, accuracy and completeness of the Statement balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.06

525. The Statement of Assets and Liabilities for Vote D.06 as at 30 June 2011 reflects balances of Kshs.2,813,080,616.47 (Cr), Kshs.1,723,280,579.60 (Dr) and Kshs.332,294,051.70 (Dr) against the General Account of Vote, Exchequer Account and the Ministry of Finance Transfers respectively, relating to 2009/2010 and earlier years. No reason has been provided for non-clearance of the long outstanding balances.

526. The Statement further reflects a General Account of Vote balance of Kshs.887,418,999.00 for 2010/2011, while the Appropriation Account for Vote D.06 for the year ended 30 June 2011 shows a net surplus to be surrendered to the Exchequer of Kshs.11,627,418,998.90. No reason has been given for this anomaly.

527. The Statement also reflects a debit balance of Kshs.100,000,000.00 described as Vote Transfers. According to information available, this amount represents an advance of an equivalent amount received from the Kenya National Bureau of Statistics in September 2009. Although according to available information, the amount was refunded to the Bureau on 30 June 2010, it is not clear why the balance brought forward from 2009/2010 has not been cleared from the Ministry's records.

528. The Statement also reflects total assets of Kshs.3,700,499,615.47 and total liabilities of equal amount. However, the balances were not supported with a Trial Balance as at 30 June 2011 or Ledger for the period then ended, with the result that accuracy of the Statement as a whole could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 06

529. The Statement of Assets and Liabilities for Deposits 06 as at 30 June 2011 reflects General Deposit Account debit balance of Kshs.2,467,162.40 which has not been analyzed with the result that it is not possible to ascertain the source, validity, completeness and accuracy of the amount.

530. The Statement further reflects balances which have not been supported with a Ledger or Trial Balance as at 30 June 2011. Consequently, accuracy of the figures reflected in the Statement could not be ascertained.

CONSTITUENCY DEVELOPMENT FUND

KIBWEZI CONSTITUENCY DEVELOPMENT FUND (CDF)

Purchase of Land

531. Audit of financial records maintained by Kibwezi CDF disclosed that disbursements totalling to Kshs.3,850,000.00 were made to five Project Management Committees (PMCs) by the Kibwezi CDF Committee for the purchase of various parcels of land for Mtito Andei High School, Nzwii Kambu Dispensary, Matulani Secondary School, Molemuni Secondary School and Machinery DO's Office.

532. However, and although the parcels of land purchased were physically inspected, the official search details, ownership documents, valuation reports and sale agreements were not availed for audit review. Under the circumstances, it was not possible to confirm the ownership, valuation and the respective sizes of the parcels of land and whether there were encumbrances on any of the parcels.

Construction of Kivumbu Earth Dam

533. The construction of Kivumbu Earth Dam was started in the 2009/2010 financial year and had by 2010/2011 received a total of Kshs.2,700,150.00 from the Kibwezi CDF Committee. The funds were released to the Kibwezi Dams and Pans and Water Extension Project Management Committee.

534. On 16 December 2009 tenders for construction services were floated and four bidders responded. In the meeting held on 30 December 2009, a Nairobi based company was awarded the contract to build the dam after emerging the lowest evaluated bidder at a contract sum of Kshs.3,668,536.00.

535. The scope of works involved, clearing the site of all trees, shrubs, bushes, roots and excavation of core trench 4m wide 60m long at an average depth of 1m and then back filling and wet compacting in layers of 150mm thickness.

536. However, the commencement and completion dates were not indicated in the letter communicating the contract award to the contractor. Further, no contract agreement was signed between the contractor and the Project Management Committee.

537. Although the contractor had been paid Kshs.2,850,000.00 as at 30 June 2011 and the Management Committee report indicated that the dam was 80% complete, a site visit on 24 August 2011 disclosed that the dam was not complete while the contractor appeared to have left the site, the walls had been

washed away by rains and the dam appeared to be filled up with sand. Further, the spillway had no protection and the repairs recommended by the District Water Officer on the damaged walls and expansion of the spillways were not done. Under the circumstances, the project may not serve the purpose for which it is being intended.

Purchase of (Boda Boda) Motor Cycles

538. In a Kibwezi Constituency Development Fund Committee (CDFC) meeting held on 27 November 2008 an amount of Kshs.2,000,000.00 was approved for disbursement to a Youth Group by the name 'Oasis Youth Group Project Committee' for the purchase of Boda Boda – Motor Cycles. The funds were subsequently paid to the Project Management Committee on 29 December 2008.

539. However, this project does not appear to comply with Section 21 (1) of the Constituencies Development Fund Act as amended in 2007 which requires projects funded under the Act to be community based in order to ensure that the prospective benefits are available to a wide spread cross-section of the inhabitants of a particular area.

540. Further, it was observed that the Kibwezi CDFC had invited bids for purchase of 30 Motor Cycles of 125 cc, a clear indication that the purchase of the motor cycles was not the idea of the Project Management Committee.

541. According to information available, the contract for the supply of the motor cycles was awarded to a Mombasa based company at a contract sum of Kshs.1,650,000.00 after emerging the lowest responsive bidder out of three bidders.

542. However, additional information indicate that, the quotations were opened on 18 November 2008 by the CDFC and the lowest responsive bidder was awarded the contract, despite the fact that the bid was dated 31 December 2008. The 30 Motor Cycles were delivered on 8 December 2008 through unnumbered delivery note. Further, although the motor cycles were said to have been distributed to members of the youth group, no records were maintained to show the beneficiaries or the terms and conditions under which they were distributed.

543. Out of Kshs.2,000,000.00 allocated to the Project Management Committee, Kshs.1,650,000.00 was spent on the purchase of 30 motor cycles leaving a balance of Kshs.350,000.00 unaccounted for. In addition, only twenty seven (27) log books out of thirty 30 motor cycles were availed for audit verification and which incidentally were all in the name of the proprietor of the Mombasa based company. The log books for three (3) motor cycles worth Kshs.156,000.00 were also not made available for audit verification.

Further the sustainability of the project could not be confirmed in the absence of repayments into a revolving fund.

Drilling of Boreholes on Privately Owned Land

544. Records available at the Kibwezi CDF Office indicate that an amount of Kshs.1,368,100.00 was on 16 May allocated to Utu Self Help Group for the drilling and casting of one (1) 150 metres deep borehole and for installation of a pump. Accordingly, a Nairobi based company being the lowest responsive bidder was awarded the drilling contract at a contract sum of Kshs.989,500.00.

545. Physical verification carried out on 24 August 2011 revealed that two boreholes that were approximately 500 metres apart were drilled on private parcels of land. However, one had yielded water and the other had not. No explanation has been provided for sinking boreholes that were 500 metres apart and on private land.

YATTA CONSTITUENCY DEVELOPMENT FUND (CDF)

Construction of Borehole at St. Philips Matangini Secondary School

546. Audit of financial records maintained at the Yatta Constituency Development Fund Office (CDF) disclosed that a Nairobi based company being the lowest bidder was awarded two contracts by the Project Management Committee (PMC) on 13 May 2009 and 13 September 2009 for drilling and equipping a school borehole for Kshs.1,221,500.00 and Kshs.1,396,330.00 respectively, both totalling Kshs.2,617,830.00.

547. The scope of work involved drilling of a 200 metres deep, 203 mm diameter borehole and the supply and installation of an "EUROPEAN make" (2.2hp) stainless steel submersible pump with capacity to deliver 2m CV per hour with a head of 140 metres. However, it was observed that in both contracts, the commencement and completion dates were not indicated.

548. Records maintained at the Yatta CDF Office indicate that payments to the contractor were made in three installments totalling Kshs.2,428,230.00 vide payment vouchers Nos.0166, 0170 and 0208 dated 18 August, 19 August and 19 October 2010 for Kshs.1,221,500.00, Kshs.194,020.00 and Kshs.1,012,710.00 respectively.

549. Although the contractor had by 19 October 2010 been paid a total of Kshs.2,428,230.00 or 93% of the contracts sum, a site visit and physical verification carried out on 30 August 2011 revealed that the borehole did not yield water despite the District Water Officer (DWO) having issued a Completion Certificate which indicated that the borehole had been drilled, cased, gravel

packed and test pumped for 24hrs. It is not clear the basis applied by DWO to certify work worth Kshs.2,428,230.00 which was not justified for payment.

Stalled Project

550. A contract to drill and equip a borehole at Naivasa Location in Yatta Constituency was awarded by Constituency Development Fund Committee (CDFC), Yatta to two contractors based in Thika and Nairobi.

Phase I – Drilling of the Borehole

551. Quotations for the first phase which involved drilling of a 200m deep borehole, casing, gravel packing, test pumping and also chemical analysis of the water were on 8 January 2009 floated and five (5) bidders responded.

552. It was however observed that the award was made to the Thika based company, the fourth lowest bidder at a cost of Kshs.1,436,016.30. No reason was given for bypassing three other lower bids or for disqualifying the lowest responsive bidder at Kshs.1,185,500.00.

553. It was further observed that commencement and completion dates were not specified. The contractor was on 28 July 2010 paid a total of Kshs.1,257,722.00 based on a Completion Certificate issued by the District Water Officer Yatta, which indicated the work was done satisfactorily except that 162m were drilled instead of 200m due to fresh basement rocks encountered. However, the borehole did not yield water and should not have proceeded to Phase II which involved the equipping of the borehole.

Phase II – Equipping of the Borehole

554. Quotations for the second phase of the project which involved the equipping of the borehole were on 9 July 2010 floated by the CDFC and four (4) bidders responded.

555. The contract was awarded to the Nairobi based company being the lowest responsive bidder at a cost of Kshs.1,362,450.00 and a contract agreement signed on 26 July 2010. However, as in the previous contract, the commencement and completion dates were not specified.

556. Although the contractor had by 19 October 2011 received part payment amounting to Kshs.499,950.00 through Payment Voucher No. 131 of the same date, physical verification carried out on 30 August 2011 disclosed that the site had been abandoned and the project stalled despite the expenditure of Kshs.1,757,672.00 having been incurred out of the total contract sum of Kshs.2,726,450.00 for the two contracts.

557. Besides the fact that proper feasibility studies appear not to have been done, it is not clear why the second contract was entered into even when it was clear that rocks had been encountered at 162m level and the borehole had not yielded water. It is also not clear why a Completion Certificate was irregularly issued indicating satisfactory completion of the drilling and testing of the borehole.

IKOLOMANI CONSTITUENCY DEVELOPMENT FUND (CDF)

Misappropriation of Public Funds

558. Audit of the records maintained at Ikolomani Constituency Development Fund Office revealed that a total of Kshs.815,480.00 was in the year 2005/2006 paid to Kenya Power and Lighting Company for the supply of electricity to the Iguhu District Hospital.

559. Available information indicate that the funds were not utilised since the hospital received funds for the same purpose from the Ministry of Medical Services. Consequently, the Constituency Development Fund Committee (CDFC) which had allocated the funds, resolved on 26 July 2008 to reallocate the funds to two (2) other electricity projects at Shihalia and Imalaba locations respectively.

560. However, by this time and without the knowledge and authority of CDF Committee, the money had been withdrawn from Kenya Power and Lighting Company (KPLC) Project Account by two officials of the hospital, the Medical Superintendent and Youth Representative totalling to Kshs.745,000.00 and Kshs.38,000.00 respectively. According to the CDF Committee minutes of 3 November 2008, it was decided that the two officers refund only Kshs.400,000.00 by 7 November 2008. No reason was given for non recovery of full amount and disciplinary action appear not to have been taken against the two officers. An audit review done on 16 July 2011 revealed no evidence of refund of the misappropriated amounts.

SIRISIA CONSTITUENCY DEVELOPMENT FUND (CDF)

Reconstruction of a Multipurpose Hall

561. The construction of a Multipurpose Hall at Sirisia CDF Offices was started in 2005 and completed by the end of 2009/2010 at a cost of Kshs.10,700,000.00. However, the construction which was implemented by the Project Management Committee through a labour based contract was unsatisfactory as the walls of Multipurpose Hall had big visible cracks and the roof had started caving in.

Award of the Reconstruction Contract

562. During a Constituency Development Fund Committee (CDFC) meeting held on 7 January 2009 it was resolved that a qualified contractor be engaged to re-roof and repair the unsatisfactory works. Tenders were invited and five bids were received.

563. The reconstruction contract was on 8 March 2010 awarded to a Bungoma based company which was the lowest evaluated bidder, by the Constituency Tender Committee at a contract sum of Kshs.5,386,587.60.

Scope of Work

564. The scope of work involved re-constructing the unsatisfactory works earlier done through labour contracts and re-roofing of the CDF Hall using steel roof and steel columns of steel pillars while the old walls were to remain. Work was to commence immediately on award of the contract but the expected completion date was not specified.

Payments to the Contractor

565. The contractor had as at 30 June 2011 been paid a total of Kshs.5,383,281.60. Although work was to be supervised by the CDFC, the Provincial and the District Public Works Officers who were to ensure and certify that work was done as required at all stages in accordance with the Bills of Quantities (BQs), there was no evidence that this was done.

Physical verification

566. A site visit carried out on the 23 September 2011 revealed that the contractor had constructed a new steel roof but the existing walls still had visible wide cracks which the contractor had tried to cover. The newly constructed steel roof also appeared too heavy to be supported by the weak walls and therefore risky to the users.

Conclusion

567. The above defects are attributed to lack of supervision by the CDFC and the Ministry of Public Works Officers. This led to poor workmanship and cost overruns amounting to Kshs.5,386,587.60. This particular expenditure could have been avoided if proper procurement procedures were followed by engaging a qualified contractor at the initial stage instead of labour contracts.

Irregularities in Disbursement of Bursary Funds

568. Audit of bursary records maintained by the CDF revealed that a total of Kshs.6,184,500.00 was disbursed between December 2009 and November 2010 to benefit students in universities. A list of the beneficiaries was presented by the Bursary Committee to the Constituency Development Fund Committee for approval and release of the funds. However, the Bursary Committee banked the funds in a CDF account maintained at the Cooperative Bank Bungoma Branch with a list of beneficiaries attached.

569. It was observed that the bank transferred the funds from the CDF Account and made direct payments to students who presented themselves to the bank and signed the schedules provided by the Bursary Committee contrary to the Ministry of Education Circular which required the Bursary Committees to post cheques directly to the beneficiary institutions.

570. Further, evidence available indicate that between December 2009 and January 2011 an amount of Kshs.234,000.00 was paid from the bursary allocation to the Secretary of the Bursary Committee. The purpose of this payment has not been explained and in consequence, the propriety could not be confirmed.

CONSTITUENCY DEVELOPMENT FUND (CDF) – BOMET

Stalled Project - Longisa Community Water Project

571. Longisa Community Water Project was started in 2006 and was formally registered in January 2011. The project was designed by the Lake Victoria South Water Services Board and was estimated to cost Kshs.78,663,000.00 to complete. The main objective of the project was to distribute water pumped from Amalo River to major trading centres in Longisa, Mulot and also to Longisa District Hospital and the surrounding schools.

572. Between 16 March 2006 and 3 April 2010 a total of Kshs.12,045,631.95 had been incurred on the project through labour based contracts. The major works done included construction of intake and booster station, construction of two (2) water tanks of 50 cubic meters each, construction of two water pump houses, purchase and laying of 150/160mm Gi pipes and installation of electricity and one water pump set.

573. Physical verification conducted on 21 September 2011 revealed that although the project has been in progress for a period of five years and Kshs.12,045,631.95 incurred as at 3 April 2010, only about 20% of the work had been carried out. The project appeared to have stalled and no water had been pumped and distributed as intended.

It is not clear why the CDF - Bomet failed to fund the project during 2010/2011 and as a result, the total expenditure of Kshs.12,045,631.95 might go to waste.

CONSTITUENCY DEVELOPMENT FUND (CDF) – SHINYALU

Proposed Construction of a Dormitory at Lirhandu Girls High School

574. The construction of a dormitory at Lirhandu Girls High School was during 2008/2009 funded with a total of Kshs.350,000.00 and a further Kshs.4,600,000.00 in 2009/2010 all totalling to Kshs.4,950,000.00. The contract for the construction of the dormitory was awarded to a company based in Eldoret through direct procurement at a contract sum of Kshs.4,750,000.00. However, no reasons were given for the choice of this procurement method as required by Section 29 of the Public Procurement and Disposal Act, 2005.

575. According to the scope of works, the contractor was required to construct and complete a three storey dormitory. However, the contract agreement was not provided for audit review. The commencement and completion dates were also not specified. It was also observed that the Bills of Quantities (BQs) and building plans were prepared by a private consultant without the approval of Ministry of Public Works officials. The outsourcing of these services for undisclosed amounts was contrary to Section 28 (a) of the CDF Act 2007 which requires the services to be provided by the relevant Government Department. Supervision of the works was also done by a private contractor and the Ministry of Public Works officers were only invited after it emerged that the substructures put up could not support additional floors and materials testing had not been carried out.

576. The contractor had by 30 June 2011 been paid a total of Kshs.4,597,410.00 or about 97% of the contract price for a one storey building which was almost the entire amount meant for the proposed three storey building.

577. A site visit carried out on 24 June 2011 revealed that only a one storey building had been constructed instead of the proposed three storey building. The work done by the contractor were shoddy, a fact which was confirmed by the Provincial Works Officer who after inspecting the building wrote to the CDF Manager on 8 January 2010 indicating that the architectural drawings and BQs privately sourced did not meet the Ministry of Works Standards and the structures put up were weak and wrong quality materials had been used. The one storey dormitory put up at a total cost of Kshs.4,597.410.00 was therefore a danger to the students already occupying it. No explanation has been given for the irregularities.

Construction of a Constituency Hall

578. The Construction of Shinyalu Constituency Hall was funded by the Constituency Development Fund Committee (CDFC) with a total of Kshs.3,000,000.00 and Kshs.2,500,000.00 in 2007/2008 and 2008/2009 respectively, both totalling to Kshs.5,500,000.00.

579. The contract in 2007/2008 had been awarded to a company based in Shinyalu through direct procurement at a contract sum of Kshs.5,495,570.00. However, no reason was given for the choice of this procurement method Contrary to Section 29 of the Public Procurement and Disposal Act, 2005. The scope of work involved the construction and completion of the CDF hall.

580. A review of the procurement process disclosed that no formal contract was signed between the contractor and the CDFC. The commencement and completion dates were also not specified.

581. A site visit carried out on the 24 June 2011 revealed that the Hall was complete and had since been converted into a hospital ward. However, the Hall had not been handed over to the CDFC due to a dispute over an outstanding claim by the contractor amounting to Kshs.2,842,782.00 which had been recommended for payment by the County Works Officer based in Kakamega County. The certificate of practical completion referred to in a letter to the project management committee chairman recommending payment, was not made available for audit review.

582. The payment of this claim would amount to a variation of the original contract by 57.9% contrary to Section 31 (c) of the Public Procurement and Disposal Regulations, 2006 which provides that the quantity of variation works should not exceed 15% of the original contract quantity.

CONSTITUENCY DEVELOPMENT FUND (CDF) - VIHIGA

Unaccounted for Project Funds

583. During the year under review, payments totalling Kshs.9,410,000.00 were advanced through imprests to the CDF Treasurer for implementing thirty six (36) projects which included establishment of tree nurseries and purchase of tree seedlings, payment for trophies and sports allowances, maintenance of various access roads, construction/renovation of classrooms and bridges etc. Further imprest totalling Kshs.1,800,000.00 was issued at diverse dates to the CDF Fund Manager and the Treasurer. The amount was irregularly spent on recurrent costs contrary to the Constituencies Development Fund Act, 2003.

584. The projects were however implemented single handedly by the CDF Treasurer instead of project management committees in consultation with the relevant Government Department as required by Section 30 of the CDF Act, 2003. The procurement of goods and services were through direct cash purchases by the CDF Treasurer although the amounts were above the threshold of Kshs.10,000.00 applicable for this method of procurement.

585. A physical verification revealed that the projects allegedly undertaken, were either nonexistent or there was no verifiable evidence of the specific work carried out. A thorough scrutiny of the supporting payment schedules revealed that the names of the participants were repeatedly used in different schedules and the names of casuals hired in various construction works also appeared in the list of leaders' meetings and education stakeholders' forums. Signatures of same individuals with same identity card numbers also differed from one schedule to the other.

In the absence of any other evidence to the contrary, the propriety of Kshs.11,210,000.00 could not be ascertained.

Funding of a Faith Based Organization

586. The CDF Act stipulates that "Funds provided under the Act shall not be used for the purpose of supporting political bodies or political activities or for supporting religious bodies or religious activities". CDF funds therefore, are meant for supporting projects that ensures widespread benefit to a cross-section of the inhabitants of a particular area in the community and not a particular faith.

587. However, a total of Kshs.800,000.00 was on the 8 March 2011 and 28 April 2011 disbursed by the Fund to the Vihiga Friends Resource Centre for the construction of the Centre.

588. A visit to the site revealed that the facility was being constructed within the precincts of Vihiga Friends Church contrary to the provisions of the Act.

CHANGAMWE CONSTITUENCY DEVELOPMENT FUND

Non-Commencement of Funded Projects

589. Audit of financial records maintained by the Changamwe Constituency Development Fund Committee (CDFC), disclosed that nine projects funded between 13 June 2010 and 22 February 2011 with a total of Kshs.15,011,500.00 had not been commenced by August 2011 despite receipt of the cheques by the respective Project Management Committees (PMCs).

590. Further, the bank account statements of the respective PMCs were not made available for audit to confirm whether the funds were still intact in the respective bank accounts.

591. No reason has been given for failure to implement the projects which could have benefited the residents in projects such as street lighting, construction of classrooms, social hall, storm water drainage and preparation of a strategic plan.

BURA CONSTITUENCY DEVELOPMENT FUND (CDF)

Doubtful Payment for Water Trucking Services

592. Review of the records maintained at Bura CDF revealed that an amount of Kshs.7,800,000.00 was paid to two local firms by the Bura Constituency Development Fund Committee (CDFC). The payments were in respect of water trucking services provided by the two firms to various drought stricken parts of the constituency.

593. However, the minutes of the Tender Committee of the CDFC meeting that adjudicated the tenders were not provided for audit review. Further, the quotations availed for audit review did not bear the dates when they were opened or the names of the CDFC Tender Committee members present. It was further noted that Local Service Orders were not raised and no invoices were presented by the two firms. In the circumstances, it has not been possible to confirm that the two firms were competitively sourced and the basis of payment.

594. It was also noted that the individuals who signed on behalf of the community which received the water did not indicate their identification card numbers. In cases where water was claimed to have been delivered to police stations and schools, the schedules did not bear rubber stamps of the institutions or signatures of the officials receiving the water. In addition, some schedules for delivery of water did not indicate the registration numbers of the motor vehicles.

In the circumstances, therefore, the propriety of the expenditure of Kshs.7,800,000.00 could not be confirmed.

Unsupported Bursary Payments

595. The Bura CDFC Bursary Committee paid Kshs.1,593,000.00 as bursaries for needy students in various secondary schools and colleges. However, it was observed that the list of beneficiaries attached to the payment vouchers did not include the admission numbers of the students and acknowledgement receipts issued by the schools were not maintained at the CDFC Office. It was therefore not

possible to ascertain whether the beneficiaries were bonafide students of secondary schools and colleges listed.

Loss of Cash

596. Audit of Bank Reconciliation Statement for Bura Constituency Development Fund as at 30 June 2011, disclosed that on 29 June 2006 a Cheque No. 000188 of Kshs.750,000.00 drawn by the CDFC to Bangale Water Project was erroneously debited twice in the CDFC Bank Account maintained at the Kenya Commercial Bank, Garissa. Although the CDFC Fund Manager notified the Bank of the erroneous transaction on 21 May 2010, the bank instead of reversing the entry wrote to Bangale Water Project on 25 November 2010 demanding a refund of Kshs.750,000.00, which apparently had already been withdrawn. However, no action appears to have been taken to recover the money.

NORTH HOKUR CONSTITUENCY DEVELOPMENT FUND (CDF)

Unsupported Expenditure

597. The Constituency Development Fund Committee (CDFC) spent Kshs.5,063,258.30, in the procurement of goods and services. The expenditure was allegedly incurred on transportation of relief food and security operations within the constituency. However, no documents such as fuel registers, work tickets and store records were availed for audit to indicate how the goods were ordered, delivered, received and eventually accounted for. In the absence of the supporting documents, the propriety of the expenditure totalling Kshs.5,063,258.30 could not be confirmed.

Unsupported Monitoring and Evaluation Expenditure

598. The CDFC incurred an expenditure of Kshs.3,289,328.00 during the year ended 30 June 2011 on the payment of monitoring and evaluation allowances to its members and other related expenses. However, no records were maintained to support the expenditure. In the absence of documentary evidence to support the payments, the propriety of the expenditure of Kshs.3,289,328.00 could not be confirmed.

Irregular Purchase of Land

599. In 2007/2008, the CDFC granted Kshs.1,000,000.00 for the purchase of fifty (50) acres of land for the purpose of settling one hundred and one (101) families displaced (IDPs) after the tribal clashes between the Gabra and the Borana Communities. The amount approved was paid to a Project Management Committee (PMC) formed to settle the IDPs.

600. In 2010/2011, the CDFC again authorised an additional Kshs.2,000,000.00 to the PMC for the same purpose which was released on 2 November 2010. However, the process used to identify the IDPs and the number was not documented and no evidence was produced to indicate whether any vetting was done to establish the genuine displaced persons.

601. Although the land said to have been purchased was shown to the audit team during the audit inspection, it was noted that the land was in the process of being demarcated by the land adjudication officers based in Marsabit District. However, no evidence was provided to indicate who owned the land under demarcation before it was purchased, who was paid the money, the acreage and how the price per acre was determined in the absence of a valuation report by a Government valuer. Sale agreements entered into were also not produced for audit review. Under the circumstances, the propriety of the expenditure of Kshs.3,000,000.00 could not be confirmed.

Doubtful Purchase of Seedlings

602. A contract for the supply and transportation of 2,500 tree seedlings to ten (10) Primary Schools within the constituency was on 28 September 2010 awarded by the CDFC to a company based in Marsabit at a contract sum of Kshs.970,000.00. Although the contractor was paid the full contract amount of Kshs.970,000.00, verification carried out at four out of the ten schools on 27 May 2011 revealed that the seedlings had not been delivered to these particular schools. Under the circumstances, the propriety of the expenditure totalling Kshs.970,000.00 could not be confirmed.

CONSTITUENCY DEVELOPMENT FUND (CDF) - WAJIR EAST

Unaccounted for fuel

603. The Constituency Development Fund procured 58,505.20 litres of diesel worth Kshs.5,585,580.00 between May and June 2011 from dealers of petroleum products. Information available indicates that the fuel was used by motor vehicles hired for water tracking and for operating water pumps in various boreholes within the constituency.

604. However, it was observed that the diesel was not recorded in the store records and in the fuel register. Detailed usage orders and other related records such as work tickets for the vehicles used in water tracking were also not being maintained as required by the Government Financial Regulations and Procedures, which require that all receipt of goods be entered in store records preferably at the point of receipt. In the circumstances, it has not been possible

to confirm that the 58,505.20 litres of diesel worth Kshs.5,585,580.00 was actually procured, used for the intended purposes, and properly accounted for.

Unaccounted for Administrative, Monitoring and Evaluation Expenditure

605. Expenditure totalling Kshs.802,650.00 was incurred between April and June 2011 by the Constituency Development Fund Committee (CDFC) on administrative, monitoring and evaluation of project activities within the constituency. However, the schedules supporting payment of allowances were not signed by the recipients, the registration numbers of motor vehicles hired for the exercise were not indicated and temporary work tickets were not maintained.

606. Further, the list of the projects visited and reports made were not availed for audit review, while Store records in respect of stationeries purchased were also not maintained. In view of the above, it was not possible to ascertain whether the monitoring and evaluation of projects indeed took place.

Supply of Motor Cycles to Six Primary Schools

607. The CDFC Tender Committee floated quotations for the supply of Six (6) Motor Cycles meant for six primary schools and bids were received from three firms. The contract was awarded to the lowest responsive bidder at a contract sum of Kshs.1,020,000.00.

608. Although the motor cycles were confirmed to have been delivered to the Six Primary Schools, the payment was however on 24 June 2011 made to the Wajir East CDF Project Management Committee instead of the contracted supplier. Further, Local Purchase Orders (LPOs), invoices and delivery notes were not availed for audit review. The motor cycles were also not entered in the store records as required before being issued out to the six (6) Primary Schools namely, Laudid Primary School, Katote Primary School, Bananicha Primary School, Buranayo Primary School, Hassan Yarroke Primary School and Arbaqeyranso Primary School. It was further observed that the Motor Cycle Logbooks were in the name of a Nairobi based company instead of the CDF. The anomalies in payment and non registration of the motor cycles have not been explained.

CONSTITUENCY DEVELOPMENT FUND (CDF) – GATUNDU NORTH KIAMWANGI – MITERO ROAD PROJECT

Unaccounted for Withdrawals from the Project's Bank Account

609. Audit of financial records maintained at the Gatundu North Constituency Development Fund (CDF) Office revealed that an amount of Kshs.3,500,000.00 was on 22 May 2010 allocated by the Constituency Development Fund

Committee (CDFC) to the Project Management Committee (PMC) of Kamwangi - Mitero Road Project.

610. The scope of work involved maintenance, bush clearing, heavy grading, murraming and gravelling of the road. The Kshs.3,500,000.00 allocated was subsequently deposited and credited into the project's bank account maintained at Family Bank – Thika Branch on 10 February 2011.

611. The PMC invited tenders and four (4) firms responded. The tenders were evaluated by the Tender Evaluation Committee and a Nairobi based company, was recommended for the award being the third (3) lowest bidder at a contract sum of Kshs.3,283,720.00 after technical disqualification of the 1st and 2nd lowest bidders.

612. Although according to the project's bank statement dated 15 February 2011, partial payment of the contract amounting to Kshs.2,350,610.00 was transferred through "Real Time Gross Settlement", audit inspection of the road project conducted on 19 April 2011 revealed that no work appeared to have been done on the road.

613. Further, no documentary evidence was produced to support the transfer including the name of beneficiary and purpose of the withdrawal. It was also noted that the amount was withdrawn on 15 February 2011 even before the tender was awarded on 5 April 2011. The Contract Agreement was also not made available for audit review. In the circumstances, the propriety of the expenditure of Kshs.2,350,610.00 could not be confirmed.

CONSTITUENCY DEVELOPMENT FUND (CDF) - KIHARU

Loss of Project Funds

614. An amount of Kshs.500,000.00 was on 26 March disbursed to the Njogu-ini Water Project in the Constituency to enable the community buy pipes to distribute water from a borehole that had been drilled by the Government in 2007.

615. A review of Cheques Dispatch Register maintained at the CDF Office revealed that, for unexplained reasons the Identification Card Number, signature of the person who collected the cheque and the date were not reflected against the cheque entry. In addition details of the Bank Account and the correct signatories of the Njogu-ini Water Project Management Committee (PMC) were not made available for audit review.

616. Further, examination of the Kiharu CDF Bank Statements indicate that the cheque for Kshs.500,000.00 was paid on 9 May 2011 to Njogu-ini Water Project PMC.

617. However, in a letter to the CDF Board dated 22 August 2011, the CDF Fund Account Manager reported that the cheque was allegedly collected by the wrong project management committee. The Fund Manager further reported that the matter had been pursued with the bank but the cheque was deposited and encashed in a bank account operated by a similar Njogu-ini Water Project.

618. Physical verification of the project carried out in September 2011, revealed that there were no pipes at the site and no work had been done. Besides the fact that the transaction was fraudulent, the cash withdrawn had not been refunded to the Fund and no action appears to have been taken against the officers who perpetuated the transaction.

CONSTITUENCY DEVELOPMENT FUND (CDF) - MARAGUA

Conversion of a Toyota Land Cruiser Pickup Vehicle into a Standard Tourist Van

619. In March 2011, the Maragua CDF bought a new Toyota Land Cruiser Pick Up from Toyota East Africa Ltd at a cost of Kshs.3,554,000.00. During the same month, quotations were invited to convert the Pick Up vehicle to a 9-Seat Standard Tourist Van. Four firms responded and a Nairobi based firm being the lowest evaluated bidder was awarded the tender at a contract sum of Kshs.1,220,000.00. However, the four firms had quoted for different specifications of the vehicle body building ranging from 4-17 items.

620. As a result, the amounts quoted in the four quotations are not comparable contrary to the provisions of the Public Procurement and Disposal Act, 2005 that requires the procuring entity to give correct and complete description/specification to allow for fair and open competition.

621. It has not been clarified why Toyota East Africa Ltd. were not requested to supply a complete tour van in the first instance. In addition, it is probable they could have done a better job considering that they are the suppliers and their quotation for conversion at Kshs.1,450,000.00 included seventeen (17) items compared to four (4) submitted by the lowest evaluated bidder at Kshs.1,220,000.00.

Construction of a Mortuary and a Social Hall

622. During the year under review the CDF disbursed a total of Kshs.2,600,000.00 for the construction of a mortuary at the Maragua District Hospital and for the construction of a Social Hall at Makuyu for Kshs.2,000,000.00 and Kshs.600,000.00 respectively.

623. However, expenditure returns, Bill of Quantities (BQs), Project File and other documents relevant to the projects were not availed for audit review. Further, there was no evidence to show that the works were being supervised by the Ministry of Public Works as required by the CDF Act.

624. Physical verification conducted on 15 August 2011 on the projects revealed that the Mortuary walling was at the 9th course and the Makuyu Social Hall was at the roofing stage and the contractors were still on site. However, in the absence of BQs and other relevant project documents, it has not been possible to determine whether the construction of the two projects was in accordance with specifications and whether proper procurement procedures were followed.

GATANGA CONSTITUENCY DEVELOPMENT FUND (CDF)

Questionable Withdrawals from the CDF Account

625. In a letter dated 10 May 2010, the District Education Officer Gatanga, requested the Constituency Development Fund Committee (CDFC), for funding of the District Education Day at a cost of Kshs.500,000.00 and purchase of a Mock Exam Printing Machine at a cost of Kshs.1,500,000.00 all totalling Kshs.2,000,000.00. Cheque No.1574 for Kshs.2,000,000.00 dated 19 May 2010 was drawn in favour of the Gatanga Education Committee which was subsequently on 24 May 2010 deposited into a Bank Account in Thika. However, the names of the signatories to the account were not availed for audit review.

626. A scrutiny of the Project Account Bank Statement revealed that Kshs.1,869,400.00 was withdrawn on various dates between 25 May 2010 and 21 January 2011. Included in the list of withdrawals was Kshs.470,000.00 on 25 May 2011 paid to the Gatanga Constituency CDF Secretary and Kshs.1,000,000.00 directly transferred on 24 January 2011 to an Account belonging to another person as indicated in the bank statement. Documentary evidence to show whether the funds were applied for the intended purpose was not made available for audit verification. Consequently, the propriety of the expenditure of Kshs.1,869,400.00 CDF funds could not be ascertained.

Drilling of Kiawahiga and Gakurari Boreholes

627. Tenders for drilling two boreholes at Kiawahiga and Gakurari Sub-Divisions were floated by the CDF on 24 August 2010 and bids were received from five firms. The contract for drilling the two boreholes was awarded to a Thika based company at a cost of Kshs.3,080,200.00 being the lowest bidder.

628. Although a physical verification on 4 April 2011 revealed that the boreholes were satisfactorily drilled, it was however noted that the contract sum was increased by Kshs.482,200.00 or about 16% of the contract price contrary to Public Procurement and Disposals Act, 2005. According to reports by the Geologist and the District Water Officer on 2 September 2010 the variation was due to drilling difficulties experienced by the contractor. However, the contractor did not indicate any drilling difficulties in the report to the Water Resources Management Authority. In consequence, the propriety of the contract variation by Kshs.482,200.00 could not be confirmed.

Construction of Ithanga Administration Police Lines

629. An amount of Kshs.1,700,000.00 was allocated by the Gatanga CDF Committee for construction of Ithanga Administration Police Lines. According to the Bills of Quantities (BQs) the scope of works involved the construction of 12 single rooms, two pit latrines and two bathrooms.

630. The contract was awarded at a contract sum of Kshs.1,700,000.00 without competitive bidding. No explanation has been given for single sourcing the contract contrary to Public Procurement and Disposals Act, 2005.

631. Further, physical verification of the project carried out on 4 April 2011 revealed that the contractor had constructed ten rooms, two toilets and two bathrooms and was undertaking the finishing works. However, the contractor had as at that time been paid a total of Kshs.1,530,000.00 which however, was not supported by certificates from the Ministry of Public Works as required by the CDF Act. It is also not clear why 2 rooms included in the BQs had not been constructed as specified.

Unutilized Funds

632. Two projects namely Kirwara Sub-district Hospital and Kirwara Police Station were funded with a total of Kshs.3,400,000.00 and two cheques of Kshs.1,900,000.00 and Kshs.1,500,000.00 disbursed to the two Project Management Committees (PMCs) on 25 May 2010 and 23 July 2010 respectively.

633. An audit review of the two projects on 4 April 2011 revealed that the funds totalling Kshs.3,400,000.00 had not been spent by the two committees and

construction had not been started. No explanation was given for the long delay in the implementation of the two (2) projects. Further, updated bank statements were not provided to confirm that the funds were still intact in the Projects Bank Accounts.

Equipping of 7 Dispensaries

634. In the CDF meeting of 10 July 2010, it was resolved that medical equipments be purchased for Mukarara, Gathanji, Mbugiti, Kiarutara, Giatutu, Ithangariri and Wanyaga dispensaries. Tenders were floated and bids were received from six (6) firms.

635. The CDF Tender Committee recommended a Nairobi based company to be awarded the tender at a contract sum of Kshs.1,799,656.00 being the lowest bidder and on the basis of past experience.

636. The contractor supplied the equipments and was paid Kshs.2,193,252.00 which was Kshs.393,596.00 above the contract price of Kshs.1,799,656.00. The variation was not supported with any verifiable documents.

637. Further, audit inspection carried out in April 2011 at two (2) of the sampled dispensaries i.e. Mukarara and Wanyaga revealed that no asset inventory registers were maintained which made it difficult to carry out physical verification to confirm the existence of the equipments.

CONSTITUENCY DEVELOPMENT FUND (CDF) – GALOLE

Irregular Procurement

638. The Galole Constituency Development Fund Committee (CDFC) in a meeting held on 8 April 2010 resolved to procure three (3) Messey Ferguson tractors together with ploughing implements at a cost of Kshs.10,585,000.00. However, no competitive bids were invited and instead the tractors were single sourced from a Mombasa based company through Local Purchase Order (LPO) dated 14 June 2010 and paid on 30 July 2010 Kshs.7,409,500.00 and 30 June 2011 Kshs.3,175,500.00.

639. Although the three (3) tractors were delivered on 14 September 2010 it has not been explained why competitive bidding was not done as required by the Public Procurement and Disposal Act, 2005.

640. Physical verification carried out on 8 September 2011 revealed that the three (3) Messey Ferguson 375E – F Tractors registration numbers GK A 616V, GK A617V and GK A618V were received by the CDFC and issued to Galole

Farmers Co-operative Society in order to promote Agricultural activities within the constituency. However, on inspection, one tractor chassis No.K.75511/03/10 was found to be different from chassis No.75853-8-10 as per records in the log book issued by Kenya Revenue Authority.

It has not been explained why the tractors were single sourced or why one had a chassis number different from the KRA records.

Stalled Project

641. On 5 January 2010 the Galole CDFC invited tenders for the construction and completion of an Office Block. Four (4) firms submitted their bids. The tenders were opened on 20 January 2010 by the CDFC Tender Committee but no recommendations were made. However, the District Works Officer, Tana River through a letter dated 30 March 2010 recommended the second lowest bidder for the award of the contract which was subsequently awarded on 23 March 2010 at a contract sum of Kshs.4,782,180.00. It was not however explained why the contract was not awarded to the lowest evaluated bidder, who had tendered at Kshs.3,960,511.00. Further, the minutes of the tender committee that awarded the contract were not availed for audit review.

642. Although the Construction was to be undertaken within a period of sixteen (16) weeks commencing 10 May 2010, physical verification carried out on 8 September 2011 revealed that only an estimated 60% of works had been completed while the contractor had been paid Kshs.3,116,343.00 or 65% of the contract sum. The contractor also appeared to have abandoned the site. The CDF has not explained the steps it has taken to ensure that the project is completed with no cost overruns.

DUJIS CONSTITUENCY DEVELOPMENT FUND (CDF)

Failure to commence Funded Projects

643. During the year under review, the Dujis CDFC allocated Kshs.13,200,000.00 to 13 Project Management Committees (PMCs) for construction of a DC's Office at Balambala, 12 classrooms, 1 toilet, 1 staff house, 2 dispensaries at Balich and Kasha locations, desilting and fencing of Ohio dam and bush clearing of Sankuri-Nunow Junction.

644. Although the contracts were competitively awarded by the respective PMCs, it was observed that no contract agreements were signed between the respective PMCs and the contractors contrary to the Public Procurement and Disposal Act, 2005 which requires written contracts to be signed by the parties involved in a contract.

645. Physical verification of the projects carried out on 21 and 22 July 2011 disclosed that only two PMCs-Tumaini Primary School and Boys Town Secondary School, respectively had commenced the construction of 2 classrooms while the other 11 PMCs had not started any project. No explanation was provided by the CDFC for the non commencement of the projects despite the PMCs having received the funds.

Payment for undelivered Goods

646. During a CDFC committee meeting held on 15 January 2011, Kshs.3,500,000.00 was allocated to Maathahtag Self Help Group for the procurement of 1000 desks for thirty one (31) schools within the constituency. The Self Help Group invited quotations for the supply of the desks through quotation dated 15 April 2011 and three firms responded. The tender was on 20 April 2011 awarded to the lowest evaluated bidder.

647. Although and according to the quotations, the desks were to be delivered within 30 days with effect from 15 April 2011, physical verification carried out on 21 and 22 July 2011 disclosed that only 80 desks worth Kshs.280,000.00 had been delivered to Yathrib Primary School and the remaining balance of 920 desks worth Kshs.3,220,000.00 had not been delivered.

648. Audit of the PMC bank statement confirmed that on 4 May 2011 a deposit of Kshs.3,500,000.00 was made to the account. However, as at 19 May 2011 all the money had been withdrawn and therefore the group may not be in a position to pay for the remaining 920 desks worth Kshs.3,200,000.00. No explanation has been provided for diverting the Project funds.

Unsupported Monitoring and Evaluation Expenditure

649. During the year under review, the Dujis CDFC spent Kshs.905,000.00 on the payment of allowances and hiring of motor vehicles for use in the monitoring and evaluation of projects within the Constituency. However, examination of expenditure records maintained at the CDFC Office disclosed that the schedules supporting the expenditure did not indicate the specific location of the projects visited. Further, no reports were prepared to support the monitoring and evaluation exercises undertaken. It has, therefore, not been possible to confirm that any monitoring and evaluation of projects actually took place.

MOYALE CONSTITUENCY DEVELOPMENT FUND

Construction of Walda – Sololo Water Project.

650. Records maintained at the Moyale Constituency Development Fund Office indicate that a contractor was on 7 May 2009 awarded a contract for the

construction of Walda - Sololo Water Project at a contract sum of Kshs.47,378,593.30 by the Constituency Development Fund Committee (CDFC).

651. However, tender documents were not made available to indicate how the contractor was identified or how the contract sum of Kshs.47,378,593.30 was arrived at. Further, the contract agreement detailing the terms of the contract was also not provided for audit review.

652. Records available however indicate that as at 28 February 2011 the contractor had been paid an amount of Kshs.38,720,386.40 or 82% of the contract sum against certificates issued by the District Water Engineer. Physical inspection of the project status could not however be carried out due to insecurity in the region at the time of the audit. In absence of tender documents, it has not been possible to confirm that value for money was realized in the procurement of the construction services. No explanation has been given for failure to maintain procurement documents of the project as required by the Public Procurement and Disposal Act, 2005.

Irregular Payments on Drilling of Boreholes at Ellbor, Badan, Reto and Anona areas in Moyale

653. The Constituency Development Fund Committee (CDFC) on 6 May 2009 floated Quotation for drilling of three two hundred and fifty (250) metres deep boreholes at EllBor, Badan Reto and Anona areas within the constituency.

654. Out of the five (5) bidders who responded, a Nairobi based company being the lowest evaluated bidder was awarded the contract on 14 May 2009 at a cost of Kshs.11,474,370.00. However, information available indicates that the Company was registered under the Companies Act on 14 May 2009 and certificate No. CPR/2009/3396 issued. The same company was on 18 September 2009, registered by the Ministry of Water and Irrigation as a water contractor under category D. The firm did not therefore qualify for the award of contract as it had not been registered as a company at the time the bids were invited.

655. Further, it was noted that on 15 May 2009, a day after the contract was awarded three Local Service Orders (LSOs) were raised for drilling of the three boreholes. On the same day i.e. 15 May 2009, the contractor submitted three invoices numbers 73, 74 and 75 demanding payment for drilling the boreholes at Anona, Badan and Ell Bor at a cost of Kshs.3,824,790.00 per borehole. Three Payment Vouchers were processed and payment made to the contractor on the same day totalling Kshs.11,474,370.00.

656. Besides the fact that the amount of Kshs.11,474,370.00 was hurriedly paid a day after the contract was awarded to an equally hurriedly registered company, no records relating to the three projects were maintained by the CDFC

and it was therefore not possible to confirm the existence and drilling status of the three boreholes.

TINDERET CONSTITUENCY DEVELOPMENT FUND (CDF)

Construction of Nandi East District Headquarters

657. The Nandi East District Treasury received a total of Kshs.21,266,696.00 from various stakeholders between 2008/2009 and 2009/2010 for the Construction of District Headquarters. The CDF contributed a total of Kshs.17,347,380.00, the Ministry of State for Provincial Administration and Internal Security (District Commissioner, Nandi Hills) contributed Kshs.3,000,000.00, the Eastern Produce of Kenya (EPK) Kshs.653,400.00 while the Kenya Tea Growers Association (KTGA) contributed Kshs.265,916.00.

658. Tenders were invited and four firms responded. The scope of works involved construction of walls, building of vibrated reinforced concrete beams, erecting 150 mm thick suspended floor slab, erecting columns, erecting stair case, fixing doors and windows, painting and applying finishes of the floor, skirting, and ceiling.

659. However, out of the four (4) bidders who responded two (2) did not indicate their postal addresses while the third did not indicate both the name and address. It is not clear why bids were accepted from bidders with no addresses.

660. The contract was awarded to an Eldoret based company at a contract sum of Kshs.43,065,100.00 being the same company that had undertaken the construction of the first phase at a cost of Kshs.4,945,020.00. However, the commencement and completion dates were not indicated in the contract. The contract awarded at Kshs.43,065,100.00 exceeded the amount of funds available of Kshs.21,266,696.00 by Kshs.21,798,404.00.

661. A site visit on the 30 September 2011 revealed that although the second floor had been completed, finishing works such as doors, windows, floors and ceiling both on the ground floor and first floor had not been done while the contractor had already been paid a total of Kshs.21,119,610.00 thereby exhausting the entire amount available. It has however not been explained how the project will be financed to completion.

Construction Works at Sochoi AIC Girls Secondary School

662. Sochoi AIC Girls Secondary School was from 2005/2006 to 30 June 2010 funded with an amount of Kshs.5,500,000.00 from the CDF towards the construction of a one storey administration block. The scope of work involved construction of the superstructure, erecting beams, columns and pillars, building

walls, fixing doors and windows and applying the final finishes. However, project documents such as the project file, approved structural design, contract agreement, bill of quantities and payment vouchers that were used to pay the contractor were not made available for audit review.

663. A site visit on the 19 September 2011 revealed that although the foundation to slab level had been done, columns casting to support the first suspended floor, slab framed structure, ground and first floor walling and roofing, doors and windows, painting and finishing had not been done while construction had stalled and the contractor was not on site. The project was estimated to be 65% complete.

664. In the absence of project documentation and completion certificates from the Ministry of Public Works, it has not been possible to confirm the propriety of the Kshs.5,500,000.00 expenditure on the project or how the contract was procured or when the project would be completed.

Construction of Administration Block at Father Martin Boyle Academy Secondary School

665. Father Martin Boyle Academy Secondary School was funded with an amount of Kshs.7,000,000.00 by Tinderet Constituency Development Fund as at 30 June 2011 for the construction of an administrative block and completion of four classes.

666. Although a site visit on the 16 September 2011 revealed that the construction of the administration block and four (4) classes were at the roofing stage, contract documents, project drawings, Bills of Quantities (BQs) and completion certificates from the Ministry of Public Works were not made available for audit review.

667. In the absence of the Project documents, it has not been possible to confirm whether proper procurement procedures were followed or how the quality of work was assessed and supervised or the basis of paying for completed works.

Refurbishment of District Commissioner's Office – Tinderet

668. In the month of April 2011, the Tinderet Constituency Development Fund Committee disbursed an amount of Kshs.1,080,000.00 for the refurbishment of Tinderet District Commissioner's Office. However, a total of Kshs.880,000.00 was utilized in settling of unclear pending bills incurred by the District Commissioner (DC). The balance of Kshs.200,000.00 was purported by the DC to be for wiring and connection of electricity to the DC's Office. A site visit in the month of September 2011 revealed that electricity had not been connected to the

DC's Office and the debts settled were not supported by invoices or returns to confirm their authenticity.

MINISTRY OF STATE FOR DEFENCE

APPROPRIATION ACCOUNT FOR VOTE R.08

Under expenditure

669. The Appropriation Account for Vote R.08 for the year ended 30 June 2011 reflects under Head 554, Sub-head 004, Item 2630101 – Current Grants to Government Agencies - an under expenditure of Kshs. 51,631,929.05. However, no explanation has been provided for the under expenditure in the footnotes contrary to the requirements of the Government Financial Regulations and Procedures.

OUTSTANDING IMPRESTS

670. Audit of imprest records maintained at the Ministry's Headquarters revealed that temporary imprests totalling Kshs.42,448,779.00 which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date.

671. A review of the position as at 30 September 2011, indicated that imprests totalling Kshs.37,707,309.00 had been accounted for, leaving a balance of Kshs.4,741,470.00 owing from three military officers, two of whom have since deserted the Armed Forces.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 08

672. The Statement of Assets and Liabilities for Vote R.08 as at 30 June 2011 reflects various account balances under General Account of Vote, Exchequer, Advances, Temporary Imprest, Agency and Clearance Accounts relating to 2009/2010 and earlier years which have not been cleared from the books of account. Besides not being cleared, these balances have also not been analysed and as a result, their validity is doubtful.

673. The Statement further shows a GAV balance of Kshs. 66,067,898.00 for 2010/2011 while the Recurrent Appropriation Account for the year ended 30 June 2011 reflects a Net Surplus to be Surrendered to the Exchequer of Kshs. 66,183,098.25. The resultant difference of Kshs.115,200.25 has not been reconciled or explained.

674. In addition, the Statement reflects an Exchequer Account credit balance of Kshs.650,878,886.70 for the year 2010/2011 while Treasury records reflect a

debit balance of Kshs.2,586,615.00. The discrepancy between the two sets of records has not been explained.

675. The Statement also reflects a Family Allotment Account debit balance of Kshs.11,331,390.55 which ordinarily should reflect a credit or zero balance. No explanation has been provided for this anomaly.

676. The Statement further reflects a Suspense Account credit balance of Kshs.636,496,319.40. No clarification has been provided regarding the cause of the huge suspense balance.

677. The Statement reflects a Special and Standing Imprests Account credit balance of Kshs.303,683,143.95 against an account which should ordinarily reflect a nil or debit balance. Besides lack of explanation for the anomaly, no reason has been provided for non-surrender of the imprests by the holders on or before 30 June 2011.

678. The Statement similarly shows that an Excess Appropriations-In-Aid of Kshs.366,085,752.65 brought forward from the previous years was cleared during 2010/2011. However, no documentary evidence was provided to support surrender of the amount to the Exchequer.

679. The Statement further reflects a Paymaster General (PMG) Account balance of Kshs.1,812,175,028.00 while the Cashbook and Board of Survey Report as at 30 June 2011 show an amount of Kshs.72,507,759.25. The resultant difference of Kshs.1,739,667,268.75 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 08

680. The Statement of Assets and Liabilities for Deposits 08 as at 30 June 2011 reflects two credit balances of Kshs.4,662,647.80 and Kshs.18,720,221.60 against Drilling of Oil in Mombasa and Drilling of Boreholes at Ruiru (UNHCR) Accounts, respectively relating to 2007/2008 and earlier years which have not been cleared from the books of account. No reason has been provided for the continued retention of these balances in the records.

681. The Statement also reflects two credit balances of Kshs.752,796.90 and Kshs.2,636,549.70 against Construction and Rehabilitation of Schools and Stale and Cancelled Cheques Accounts, respectively which were not analysed. It has not been possible, therefore, to ascertain the validity and accuracy of these balances.

682. The Statement in addition reflects General Deposit/Tender Deposit and Contractors Deposit balances of Kshs.334,174,872.80 and Kshs.22,108,669.65,

respectively while the records available including the analyses provided shows that the balances actually relate to the accounts in the reverse order. No reason has been provided for interchanging the account balances.

683. The Statement further reflects a Paymaster General Account balance of Kshs.383,066,843.10 while the Cashbook shows a balance of Kshs.410,539,409.40 as at 30 June 2011. The resultant difference of Kshs.27,472,566.30 between the two sets of records has not been reconciled or explained .

MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES

APPROPRIATION ACCOUNT FOR VOTE R.09

Grants to Regional Development Authorities

684. The Appropriation Account for Vote R.09 for the year ended 30 June 2011 reflects capital grants under Heads 455, 707, 989, 992, 993 and 994, Item 2630100- Current Grants to Government Agencies and Other Levels of Government totalling Kshs.543,398,192.00 disbursed to six (6) Regional Development Authorities during the year, while the audited financial statements of the Authorities for the same year show receipts amounting to Kshs.551,093,631.00. The difference of Kshs.7,695,439.00 has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR D.09

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

685. The Appropriation Account for Vote D.09 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.1,418,937,741.70, representing approximately 19% of the approved estimates of Kshs.7,526,045,631.00. The Account further reflects under-collection of Appropriations-In-Aid of Kshs.1,176,022,864.00 or about 54% of the estimated receipts of Kshs.2,173,864,868.00.

686. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; inadequate exchequer issues during the year, non-remittance of funds by donors, poor production due to unfavourable weather conditions, non-submission of the interim payment certificate for the Project, failure to undertake some Projects and double budgeting in some items. No action appears to have been taken by the Ministry to address under-expenditure and under-collection of Appropriations-In-Aid.

Grants to Regional Development Authorities

687. The Appropriation Account also reflects capital grants totalling Kshs.3,316,169,538.00 disbursed to Regional Development Authorities during the year. However, the audited financial statements of the Authorities for 2010/2011 show receipts amounting to Kshs.3,093,232,411.00. The difference

of Kshs.222,937,127.00 between the two sets of records has not been reconciled or explained.

Un-vouched Expenditure

688. The Appropriation Account further reflects expenditure totalling Kshs.1,236,881,543.00 and Kshs.23,239,724.00 under Heads 636 - General Administration Services, and 573 - Rural Development Services Coordination respectively, Item 3111400-Research and Feasibility Studies, which include amounts of Kshs.3,522,500.00 paid to a firm on 04 February 2011 and Kshs.10,724,698.50 incurred for Kimira Oluch Project. The payment vouchers and other supporting documents were not availed for audit verification. Consequently, the propriety of the expenditure could not be confirmed.

Unsupported Expenditure

689. The Appropriation Account in addition reflects an expenditure totalling Kshs.1,236,881,543.00, under Head 636, Item 3111400 - Research and Feasibility Studies. The figure includes an amount of Kshs.8,827,605.00 incurred on procurement of Air tickets on various dates during the year. The relevant supporting records and documentation for the expenditure were not made available for audit review, as a result, the propriety of the expenditure could not be ascertained.

Expenditure charged to wrong Accounts

690. The Appropriation Account similarly reflects expenditures of Kshs.11,783,230.50 and Kshs.14,290,449.00 charged under Head 636 – General Administration Services Item 3111400 - Research and Feasibility Studies, and various items under Head 573 – Kimira Oluch Project respectively. However, the expenditure was incurred on activities not related to the items charged.

Unconfirmed Beneficiaries of Funds

691. The Appropriation Account further reflects an expenditure of Kshs.40,198,508.00 under Head 573 - Rural Development Services Coordination, Item 2211300 - Other Operating Expenses. The expenditure includes an amount of Kshs.22,541,042.30 incurred on compensation to the farmers whose land was acquired for the irrigation infrastructure. The title documents for the acquired land were not made available for audit review. It was therefore not possible to confirm whether payments were made to the rightful owners and for parcels of land in existence.

PENDING BILLS

692. Records maintained at Ministry's Headquarters indicate that bills totalling Kshs.96,285,740.78 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012 financial year. Out of the amount, Kshs.94,164,861.78 relates to the Development Vote while the balance of Kshs.2,120,879.00 relates to the Recurrent Vote.

693. Had these bills been settled and the expenditure charged to the financial statements for 2010/2011, the Development Appropriation Account for the year would have reflected a reduced Net Surplus of Kshs.148,750,015.92 instead of Kshs.242,914,877.70 now shown. Similarly, Recurrent Appropriation Account for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.7,882,429.55 instead of Kshs.10,003,308.55 now recorded.

OUTSTANDING IMPRESTS

694. Audit of imprests records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.2,278,576.00 which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date.

695. Out of the total, imprests amounting to Kshs.875,528.00 were due from officers on Job Group 'M' and above, Kshs.1,383,048.00 from officers on Job Group 'L' and below, while the balance of Kshs. 20,000.00 was owing from politicians.

696. In addition, the Imprests Register and imprest warrants maintained at the Ministry's Headquarters showed inadequate details in that surrender dates for the imprests issued were not recorded. Consequently, it was not possible to determine the imprests which were due for surrender.

697. A review of the position as at 30 September 2011 showed that imprests totalling Kshs.1,021,273.00 had been surrendered or accounted for leaving a balance of Kshs.1,257,303.00 outstanding.

BANK RECONCILIATION STATEMENT FOR DEPOSIT CASHBOOK

698. The Bank Reconciliation Statement for Deposit Cashbook as at 30 June 2011 shows receipts totalling Kshs.190,285.00 reflected in the Bank Statement but not recorded in the Cashbook. The balance includes an amount of Kshs.157,500.00 credited in the Ministry's Deposit Bank Account on 2 March 2009, and an amount of Kshs.32,250.00 described as Cashbook adjustment.

However, it has not been explained why the receipts have not been recorded in the Cashbook to date.

699. The Statement also reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.1,043,731.80. The balance includes two receipts of Kshs.100,000.00 each described as General Suspense and dated 6 October 2009 and 12 February 2010, respectively. It is not clear why the receipts totalling Kshs.200,000.00 have not been banked more than one year since they were recorded in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE R.09

700. The Statement of Assets and Liabilities for Vote R.09 as at 30 June 2011 reflects two debit balances of Kshs.726,675.00 and Kshs.38,688,796.65 under Temporary Imprests Account and Exchequer Under Issues Account, respectively and a credit balance of Kshs.173,821,336.05 under General Account of Vote, all of which relate to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of account.

701. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.9,853,474.75 for the current year which differs with the Cashbook and the Board of Survey Report balance of Kshs.8,542,322.30 as at 30 June 2011, by Kshs.1,311,152.45. The difference has not been reconciled or explained.

702. The Statement further reflects a balance of Kshs.2,170,672.00 under the Temporary Imprest Account, while the Imprests Register shows an amount of Kshs.1,378,548.00 as at 30 June 2011. The difference of Kshs.792,124.00 between the two sets of records has not been reconciled or explained.

703. The balances reflected in the Statement are not supported with a Trial Balance as at 30 June 2011 or the Ledger for that period. Consequently, the completeness and accuracy of the balances reflected in the Statement could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.09

704. The Statement of Assets and Liabilities for Vote D.09 as at 30 June 2011 reflects various debit and credit balances totalling Kshs.285,094,610.65 and Kshs.308,513,456.10 respectively, relating to 2009/2010 and earlier years in respect of Over Expenditure 2004/2005, District Suspense Account, Exchequer under Issue Account, Exchequer over Issue 2004/2005 and General Account of Vote. No reason has been provided for failure to clear the long outstanding balances from the books of account.

705. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.23,557,910.15, while the Cashbook reflects a balance of Kshs.6,355,362.20 as at 30 June 2011. The difference of Kshs.17,202,547.95 between the two sets of records has not been reconciled or explained.

706. The Statement further reflects a balance of Kshs.208,342,207.15 under District Suspense Account which relates to unspent funds disbursed to Kimira Oluch and Kibuon Tende Projects as at 30 June 2011. However, financial statements for the two Projects reflect a total unspent balance of Kshs.208,460,487.95 as at the same date. The difference of Kshs.118,280.80 has not been reconciled or explained.

707. The Statement in addition reflects an Exchequer Account under-issue for 2010/2011 of Kshs.91,814,637.00, which differs with a figure of Kshs.90,814,637.00 shown in the records maintained by the Treasury for the same period. The difference of Kshs.1,000,000.00 between the two sets of records has not been reconciled or explained.

708. Further, a debit balance of Kshs.120,785,279.50 described as an Over-Expenditure in 2004/05 and a credit balance of Kshs.120,785,284.00 described as Exchequer Over Issue in 2004/2005 indicated as opening balances had not been reflected in the audited Statement for 2009/2010. The completeness and accuracy of these particular balances could not be ascertained. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011. The source of the figures remains uncertain.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 09

709. The Statement of Assets and Liabilities for Deposits 09 as at 30 June 2011 reflects an amount of Kshs.2,025,237.90 under Paymaster General Account and a similar amount under Retention Money. However, source, accuracy and completeness of this balance could not be confirmed in the absence of a Ministry's Trial Balance as at 30 June 2011.

MINISTRY OF AGRICULTURE

APPROPRIATION ACCOUNT FOR VOTE R. 10

Under-Collection of Appropriations-In-Aid

710. The Appropriation Account for Vote R.10 for the year ended 30 June 2011 reflects under-collection of Appropriations-In-Aid of Kshs.38,245,456.00 representing about 22% of the estimated receipts of Kshs.175,293,410.00. No reasons have been provided for the under collection of Appropriations-In-Aid.

Format and Presentation

711. The Appropriation Account for Vote R.10 for the year ended 30 June 2011 submitted for audit did not fully conform with the Government Financial Regulations and Procedures on the layout of Appropriation Account. The Account did not disclose separately the original and supplementary estimates of expenditure. Further, the Account's Sub-Votes and Heads were coded differently from the ones in the Approved Estimates. No reason has been given for failure to follow the regulations.

Accuracy of the Appropriation Account

712. The Appropriation Account reflects total actual net expenditure of Kshs.8,284,064,888.05 while the Trial Balance as at 30 June 2011 shows a figure of Kshs.8,421,122,842.05. The resultant difference of Kshs.137,057,954.00 has not been explained.

Unvouched Expenditure

713. Expenditure totalling Kshs.3,617,394.00 incurred under Head 100101 – Headquarters Administrative and Technical Services, Items 3110800 – Overhaul of Vehicles and Other Transport Equipments, was not supported by payment vouchers and other related records. Consequently, the propriety of expenditure of Kshs.3,617,394.00 could not be ascertained.

Misallocation of Expenditure

714. During the year, the Ministry incurred expenditure totalling Kshs.26,331,473.30 on various goods and services under Sub Votes 1001, 1004 and 1005 which, however, was charged to incorrect accounts under Vote R.10. No explanation has been provided for this irregularity.

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

715. The Appropriation Account for Vote D. 10 for the year ended 30 June 2011 reflects gross under expenditure of Kshs.5,490,553,278.00 or approximately 37% of the approved estimates of Kshs.14,660,112,562.00. The Account also reflects under collection of Appropriations-In-Aid of Kshs.3,266,761,244.15 representing about 91% of the estimated receipts of Kshs.3,599,946,722.00. The reasons given in the footnotes to the Account for Under-expenditure and Under-collection of Appropriations-in-Aid mainly include; expenditure not captured in time, non-submission of Appropriation in Aid documents to enable data capture, failure to capture statement of expenditure in good time, failure of projects and programmes to take off, and non-capture of district expenditure among others. However, no evidence was provided indicating the action being taken by the Ministry to mitigate against these factors.

PENDING BILLS

716. Records maintained at the Ministry's Headquarters indicated that bills totalling Kshs.102,084,344.09 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, an amount of Kshs.91,383,863.94 was chargeable to the Recurrent Vote while the balance of Kshs.10,700,480.15 related to the Development Vote.

717. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.10 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.19,944,648.01 instead of the Kshs.111,328,511.95 now shown. Similarly, the Appropriation Account for Vote D.10 for the period would have reflected a reduced Net Surplus of Kshs.2,213,091,553.70 instead of the Kshs.2,223,792,033.85 now recorded.

OUTSTANDING IMPRESTS

718. Imprest records maintained at the Ministry's Headquarters indicated that Imprests totalling Ksh.3,272,273.00 which ought to have been surrendered or accounted for on or before 30 June 2011 were still outstanding as at that date. Out of the total, imprests amounting Kshs.1,921,098.00 were owed by officers on Job Group "L" and below, while the balance of Kshs.1,351,175.00 were due from officers on Job Group "M" and above.

719. Further, it was observed that a number of officers were issued with multiple imprests before having surrendered or accounted for the balances previously issued.

720. A review of the position as at 31 August 2011 disclosed that imprests amounting to Kshs.1,060,554.00 had been accounted for leaving a balance of Kshs.2,211,719.00.

STATEMENT OF OUTSTANDING LOANS

721. According to Section 4(4) of the Public Audit Act, 2003, the accounts including a statement of amounts outstanding at the end of the year in respect of loans issued by the government must be submitted within three months after the end of the financial year to the Auditor-General. However, contrary to this provision, the Ministry submitted for audit the Statement of Outstanding Loans on 30 November, 2011, two months after the due date. In addition, the Ministry did not prepare and present for audit the Statement of Outstanding Loans for 2009/2010 and earlier years. No reason has been provided for the failure to adhere to the law.

722. The Statement of Outstanding Loans as at 30 June 2011 reflects outstanding loans totalling Kshs.5,708,247,829.20 in respect of loans issued to various organizations, groups and individual farmers through the Ministry. However, the Ministry did not maintain proper records of the loans during the year 2010/2011 but instead relied on the information provided by the Ministry of Finance. No justification was provided for this omission.

STATEMENT OF INVESTMENT BY KENYA GOVERNMENT IN LOCAL COMPANIES

723. As similarly reported in 2009/2010, the Statement of Investment by Kenya Government in Local Companies through the Ministry of Agriculture as at 30 June 2011 continues to reflect 25,261 shares valued at Kshs.496,725.00, out of which share certificates in respect of 495 shares valued at Kshs.9,610.00 were not provided for audit verification. In the absence of the share certificates, it was not possible to confirm the ownership of Government investments in the companies.

724. The Statement also continues to reflect investments valued at Kshs.248,890.00 in four companies which have either been liquidated or wound-up. Failure to have the investments written off was not explained.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

725. The Statement of Outstanding Obligations Guaranteed by the Government as at 30 June 2011 reflects an outstanding contingent liability of Kshs.2,950,408,260.00, in respect of a loan lent by the Government of Japan to Tana and Athi River Development Authority for Tana Delta Irrigation Project. However, and as reported in 2009/2010, the Ministry has still failed to maintain records for the loans. No explanation has been provided for this omission.

STATEMENT OF ARREARS OF APPROPRIATIONS-IN-AID

726. The Statement of Arrears of Appropriations-In-Aid as at 30 June 2011 reflects arrears totalling Kshs.43,214,187.40 relating to debts owing and due from various institutions and individuals. Although the Ministry had taken action and published names of parties and individuals owing the AIA in the local media, no meaningful progress appears to have been recorded as at 30 June 2011 in the collection of the debts.

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

727. The Statement of Participation by the Government of Kenya in Quasi-Government and Other Statutory Organisations as at 30 June 2011 reflects investment amounting to Kshs.310,235,000.00 made in nine entities through the Agricultural Development Corporation (ADC), while the share certificates show an amount of Kshs.424,268,920.00. No reconciliation or explanation has been provided for the difference of Kshs.114,033,920.00 between the two sets of records.

728. The Ministry did not maintain proper records and other related documentation in respect of participation by the Government in Quasi-Government and Other Statutory Organisations during the year under review but relied on the information provided by the respective entities. No justification has been provided for this gross omission.

DEMONSTRATION FARMS FUND

729. In the Report for 2009/2010, reference was made to Capital and Accumulated Cash balances of Kshs.33,486,748.00 and Kshs.34,107,115.00, respectively which had been omitted from the financial statements for the period 2004/2005 to 2007/2008. A review of the position revealed that the amounts were again not included in the Demonstration Farms Fund Accounts for the year

ended 30 June 2011. As in the previous year, no reason has been provided for the omission.

730. The Fund Income and Expenditure Account for the year ended 30 June 2011 reflects total expenditure of Kshs.65,477,933.00 while the returns from various Farmers Training Centres (FTC) show a sum of Kshs.74,503,423.00. Similarly, the Account shows total income of Kshs.96,819,418.15 while related returns from FTC show an amount of Kshs.99,053,152.05. The ledger and the trial balance on the other hand reflects total income and total expenditure of Kshs.99,053,152,056.00 and Kshs.73,913,423.00, respectively. No explanation has been given for the discrepancies between the three sets of records.

731. The Fund's Balance Sheet as at 30 June 2011 reflects a Cash at Bank of Kshs.151,637,192.05 while the Cashbook as at the same date shows a figure of Kshs.141,319,546.80. No reconciliation or explanation has been provided for the difference of Kshs.10,317,645.25 between the two sets of records.

732. The Fund's Balance Sheet does not reflect non-current assets and liabilities although information available indicate that the Fund had plants, machinery, motor vehicles, equipment and biological assets including animals and crops of unknown value as at 30 June 2011. Consequently, the Balance Sheet does not give a true and fair view of the financial position of the Demonstration Farms Fund as at 30 June 2011.

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND

733. In the reports for the previous years, it was reported that the Ministry had not prepared and submitted for audit the Agricultural Information Resource Centre Revolving Fund Accounts for 1993/94 financial year. A review of the position disclosed that the Accounts for 1993/94 had not been submitted for audit as at 30 June 2011. Consequently, it has not been possible to ascertain the accuracy of the carried forward balances for the subsequent periods, including those for the year 2010/2011.

734. It was noted that the balances reflected in the Fund's Income and Expenditure Account for the year ended 30 June 2011 and the Balance Sheet as at the same date were not derived from the Ministry's records and ledgers. The balances were instead derived from various other records maintained separately. No reason has been provided for failure to incorporate the Fund's operations in the Ministry's financial records.

735. The Income and Expenditure Account for the year ended 30 June 2011 reflects expenditure totalling Kshs.6,370,614.40 which includes an amount of Kshs.463,892.20 that was recorded twice. As a result, the total expenditure and deficit have each been overstated by Kshs.463,892.20.

736. The Balance Sheet reflects a Debtors balance of Kshs.12,265,930.80 out of which an amount of Kshs.5,935,860.80 relates to the period from 1993 to 2010. No reasons have been provided for failure to collect the long outstanding debts, most of which are owed by Government Ministries and Parastatals.

737. The Fund's Balance Sheet does not reflect any non-current assets despite the Fund owning various plant, machinery, motor vehicles and other pieces of equipment with indeterminate value as at 30 June 2011. Consequently, the total assets balance of Kshs.26,906,828.20 reflected in the Balance Sheet is not fairly stated.

DISTRICT AGRICULTURAL OFFICE - CHANGAMWE

Construction of a Water Pan at Gotani in Jomvu Division - Payment for work not done

738. Examination of records maintained by the District Agricultural Officer (DAO) Changamwe revealed that the Ministry undertook to construct a water pan at Gotani in Jomvu Division at a cost of Kshs.1,100,000.00 from funds allocated through Authority to Incur Expenditures (AIE's) numbers A544268 and A511855 for Kshs.550,000.00 each, under the Water Harvesting for Food Security Project (WHFSP).

739. M/S Agricultural Mechanization Services (AMS) - Mariakani was issued with a Local Service Order (LSO) number 0351655 dated 23 June 2011 to carry out excavation of the water pan at a cost of Kshs.301,760.00 while another firm based in Mombasa, was issued with LSO number 0351656 dated 17 June 2011 to transport a crawler from AMS Mariakani to the site at a cost of Kshs.160,000.00.

740. An audit inspection carried out on 24 November 2011, revealed that none of these firms had provided the required services although invoices for Kshs.1,071,000.00 had been presented and paid by 30 June 2011. Out of this amount, Kshs.301,760.00 was paid to AMS Mariakani for hire of the crawler, Kshs.160,000.00 was paid to the latter firm for transportation of the crawler from Mariakani to Jomvu, Kshs.243,580.00 was paid to a Service Station in Mombasa for the supply of 2015.30 litres of diesel through payment voucher numbers 73 and 75 both of 28 June 2011. The balance of Kshs.365,660.00 was spent on various other activities supposedly related to the Water Pan Project such as purchase of irrigation kits, water pump, water tank, barbed wires and on payment of allowances to plant operators.

741. It was also noted that the items procured for the project had not been used and were kept in the DAO's store. It was, therefore, not clear why payments of allowances to plant operators amounting to Kshs.99,000.00 were made yet the

work on the project had not commenced. Further, scrutiny of the fuel register maintained at DAO's office did not indicate receipt of any fuel.

742. Under the circumstances, the propriety of the total expenditure totalling Kshs.1,071,000.00 could not be confirmed.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

743. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments in the Cashbook not in the Bank Statement totalling Kshs.31,059,824.95 out of which an amount of Kshs.2,067,333.65 relates to payments that had not been cleared for over six months after the transaction dates.

744. The Statement also reflects receipts totalling Kshs.29,490,055.45 in the Bank Statement not in the Cashbook out of which an amount of Kshs.8,146,138.55 relates to the period between 14 September and 15 December 2010. No explanation has been provided for failure to record these long outstanding receipts in the Cashbook.

745. The Statement in addition reflects payments of Kshs.38,729,645.20 in the Bank Statement not recorded in the Cashbook out of which an amount of Kshs.5,101,830.55 had been outstanding for more than six months. No reason has been provided for failure to record the long outstanding payments in the Cashbook.

Development Cashbook

746. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments totalling Kshs.1,169,877,714.70 in the Cashbook not recorded in the Bank Statement out of which an amount of Kshs.23,533,288.95 relates to payments that had not been cleared for over six months after the transaction dates.

747. The Statement also reflects receipts totalling Kshs.24,706,105.80 in the Bank Statement not in the Cashbook out of which an amount of Kshs.8,500,480.80 had been outstanding for more than six months. No reason has been provided for failure to update the Cashbook with the long outstanding receipts.

748. The Statement further reflects payments of Kshs.26,504,061.30 in the Bank Statement not in the Cashbook which included an amount of Kshs.10,907,622.60 that had been outstanding for more than six months. No

explanation has been provided for failure to record these long outstanding payments in the Cashbook.

Deposits Cashbook

749. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects receipts totalling Kshs.2,050,275.00 in the Bank Statement not recorded in the Cashbook which had been outstanding for over six months. No reason has been given for failure to record these receipts in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.10

750. The Statement of Assets and Liabilities for Vote R.10 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.1,296,277,101.05, which includes an amount of Kshs.1,295,883,701.05 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding Exchequer under issues of Kshs.1,295,883,701.05 from the books of account.

751. The Statement in addition reflects Advances, Agency and Suspense Accounts debit balances of Kshs.1,337,707.20, Kshs.85,957,838.75 and Kshs.125,692,995.89, respectively which have not been analysed. As a result, the validity and accuracy of these balances could not be ascertained.

752. The Statement also reflects debit and credit balances totalling Kshs.1,591,042,263.58 and Kshs.8,263,029.70, respectively relating to 2009/2010 and earlier years under Advance, Standing Imprests, Temporary Imprests, Agency Account, Suspense Account, Provincial/District, Suspense, A.I.A (Co-op 1998/99), Excess A.I.A 2005/2006 and Excess A.I.A 2006/2007 Accounts which have not been cleared from the books of account. No reasons have been provided for failure to clear these long outstanding balances.

753. The Statement further reflects a Temporary Imprests Account balance of Kshs.523,641,047.20 which ought to have been surrendered or otherwise accounted for on or before 30 June 2011.

754. The balances reflected in the Statement in respect of Clearance and Provincial/District Suspense debit accounts differ with the figures shown in the Trial Balance. The resultant differences have not been reconciled or explained.

755. The Statement reflects a Paymaster General (PMG) Account credit balance of Kshs.1,629,057,936.70 while the Cashbook shows a debit balance of Kshs.8,495,166.90 as at 30 June 2011. No reconciliation or explanation has been provided for the difference of Kshs.1,637,553,103.60 between the two sets of records.

756. The Statement also reflects a General Account of Vote balance of Kshs.2,965,077,497.38 which includes an amount of Kshs.2,853,748,985.43 relating to 2009/2010 and earlier years. No reason has been given for failure to clear the long outstanding amount of Kshs.2,853,748,985.43 from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 10

757. The Statement of Assets and Liabilities for the Vote D.10 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.12,372,727,127.35 which includes an amount of Kshs.10,336,991,499.35 relating to 2009/2010 and earlier years. No explanation has been given for failure to clear the long outstanding amount of Kshs.10,336,991,499.35 from the books of account.

758. The Statement in addition reflects Imprests and Advances Account debit balance of Kshs.249,442,769.25 which besides not being analysed differs with the amount of Kshs.554,173.00 reflected in the Ministry's Registers. No reason has been provided for failure to recover these imprests and advances which also include a long outstanding amount of Kshs.231,289,721.35 relating to 2009/2010 and earlier years.

759. The Statement also reflects Agency, Provincial/District Suspense and General Suspense/Clearance Accounts debit balances of Kshs.36,523,499.20, Kshs.2,437,647,549.67 and Kshs.357,783,077.28, respectively which have not been analysed or cleared. As a result, the validity and accuracy of these balances could not be ascertained.

760. The Statement in addition reflects a Paymaster General (PMG) Account credit balance of Kshs.1,909,609,841.90 while the Cash book shows a debit balance of Kshs.3,532,013.90 as at 30 June 2011. No reconciliation or explanation has been provided for the resultant difference of Kshs.1,913,141,855.80 between the two sets of records.

761. The Statement reflects a General Account of Vote credit balance of Kshs.13,544,514,180.85 which includes an amount of Kshs.11,320,722,147.00 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding amount of Kshs.11,320,722,147.00.

762. The account balances reflected in the Statement were not supported by figures in the trial balance as at 30 June 2011. As a result, the completeness and accuracy of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 10

763. The Statement of Assets and Liabilities for Deposits 10 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.97,374,980.99 while the Cashbook shows a balance of Kshs.74,521,687.30 as at the same date. No reconciliation or explanation has been provided for the resultant difference of Kshs.22,853,293.69.

764. The Statement also reflects a Sundry Deposits credit balance of Kshs.97,374,980.99 which has not been analysed. Consequently, its validity and accuracy could not be confirmed.

765. The Statement does not reflect the Demonstration Farms Fund and Agricultural Information Resource Centre Fund balances of Kshs.151,637,192.05 and Kshs.14,640,897.40, respectively as at 30 June 2011. No explanation was given for excluding the balances from the Statement.

MINISTRY OF MEDICAL SERVICES

APPROPRIATION ACCOUNT FOR VOTE R.11

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

766. The Appropriation Account for Vote R.11 for the year ended 30 June 2011 reflects under-expenditure of Kshs.4,028,996,039.45 or approximately 15% of the approved estimates of Kshs.27,089,898,723.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.3,819,076,350.70 representing over 99% of the estimated receipts of Kshs.3,823,880,713.00.

767. The under-expenditure occurred mainly under Sub-Vote 1105-Kenya Medical Training College, Sub-Vote 1107-Kenyatta National Hospital and Sub-Vote 1108 -Moi Referral and Teaching Hospital. The under-collection of Appropriations-In-Aid occurred across the Vote.

768. According to the footnotes to the Account, the under-expenditure has been attributed to the inclusion of the expected Appropriation-In-Aid from the Grants to the Institutions. No satisfactory explanation has however been provided on the action being taken by the Ministry to address the underlying causes of under-expenditure and under-collection of Appropriations-In-Aid.

Un-vouched Expenditures

769. The Appropriation Account further reflects an expenditure totalling Kshs.2,960,767,741.00 charged under various Heads on expenditure Item 2211000- Purchase of Specialized Materials and Supplies. However, no documentary evidence was provided to support the expenditure. Consequently, the propriety of the expenditure of Kshs.2,960,767,741.00 could not be ascertained.

Differences between the Appropriation Account and Payroll Records

770. The Appropriation Account also reflects expenditure amounting to Kshs.12,316,930,070.00 incurred under various Sub-Votes and Heads and Item 2210100 Basic Salaries, Item 2110300-Personal Allowances – Paid as Part of Salary and Item 2110400 Personal Allowances paid as Reimbursements. However, examination of the Integrated Payroll and Personnel Data records (IPPD) and other payroll records for the same period indicated that expenditures on these items amounted to Ksh.9,882,280,129.95, resulting in a difference of Kshs.2,434,649,940.05. No explanation or reconciliation has been provided for the difference between the two sets of records.

APPROPRIATION ACCOUNT FOR VOTE D.11

Failure to Provide Supporting Documents

771. The Appropriation Account for Vote D.11 for the year ended 30 June 2011 reflects total gross expenditure of Kshs.2,048,271,446.00. However, supporting documents for the expenditure were not availed for audit verification, as a result the propriety of the expenditure could not be ascertained.

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

772. The Appropriation Account also reflects gross under-expenditure of Kshs.2,426,059,304.00, or approximately 54% of the gross estimates of Kshs.4,474,330.750.00. The under-expenditure occurred mainly under Sub-Votes 1101 and 1102 relating to General Administration and Planning and Curative Health, respectively. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.2,033,807,000.00, which was 100% of the estimated receipts. The reasons provided in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; non-release of funds by various development partners during the year, non-receipt of expenditure returns from the partners and inadequate exchequer issues. However, and as similarly observed in previous years, the Ministry has not indicated the action it has taken to address the underlying causes of perpetual under-expenditure and under-collection of Appropriations-In-Aid.

PENDING BILLS

773. Examination of records maintained at the Ministry of Medical Services Headquarters revealed that bills totalling Kshs.5,259,993.10 relating to 2010/2011 and chargeable to the Recurrent Vote were not settled during the year, but were instead carried forward to 2011/2012.

774. Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.11 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.204,659,695.65 instead of Kshs.209,919,688.75 now shown.

OUTSTANDING IMPRESTS

775. Examination of imprest's records at the Ministry's Headquarters revealed that imprests totalling Kshs.1,615,115.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date.

776. Out of the total, imprest amounting to Kshs.712,900.00 was due from officers in Job Group 'M' and above, Kshs.522,715.00 was due from officers in Job Group 'L' and below, while the balance of Kshs.379,500.00 represents standing imprests. No reason has been given for failure to have the imprests surrendered or accounted for as required by Government Financial Regulations and Procedures.

777. A review of the position as at 30 September 2011 revealed that imprests amounting to Kshs.851,870.00 had been surrendered, leaving a balance of Kshs.763,245.00 still outstanding.

NON SUBMISSION OF STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSIT 11 FOR AUDIT

778. Section 6 of the Public Audit Act, 2003 requires each person administering a public fund to prepare and submit for audit accounts in respect of the fund within three months after the end of the financial period. The Ministry of Medical Services has not submitted Statement of Assets and Liabilities for Deposits 11 as at 30 June 2011 for audit, contrary to statutory requirements.

IRREGULAR PAYMENT OF MEAL ALLOWANCES

779. Examination of payment vouchers and other related records at the Ministry of Medical Services Headquarters revealed that meal allowances totalling Kshs.24,358,750.00 were paid to various officers during 2010/2011.

780. The records examined further revealed that the tasks purported to have been performed by the officers were actually within their job descriptions and were therefore normal duties. Further, in cases where officers were paid for working late and beyond the normal working hours, no evidence was made available in support of this assertion. Consequently, the meal allowances were paid contrary to the stipulations of Ministry of State for Public Service Circular Ref. No. MSPS 18/2A/ (8a) dated 12 November 2009, which states that meal allowance will only be paid to officers travelling on duty within the country but who are not required to spend a night away from the permanent duty station.

781. Further verifications carried out revealed that out of the total amount of Kshs.24,358,750.00 paid, an amount of Kshs.581,500.00 was irregularly charged to Current Grants to Semi-Autonomous Government Agencies account number 0-314-282-2630100, while Kshs.1,048,000.00 was charged to Transport Allowances account number 0-316-000-2110314. No explanation has been provided for the irregular expenditure on meal allowances.

UNACCOUNTED FOR COST SHARING REVENUE AT THE KITUI GENERAL HOSPITAL

782. Examination of cost sharing revenue records maintained at the Kitui General Hospital disclosed that out of the revenue totalling Kshs.37,062,758.45 collected during the year ended 30 June 2011, Kshs.31,450,908.00 was accounted for, leaving a balance of Kshs.5,751,940.00 unaccounted for. Indications are that the unsurrendered revenue amounting to Kshs.5,751,940.00 may have been misappropriated.

PORT RIETZ DISTRICT HOSPITAL – MOMBASA

Pending Bills

783. Examination of records maintained at Port Rietz District Hospital, Mombasa, revealed that bills totalling Kshs.11,552,509.00 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. The pending bills were in respect of food and ration items supplied to the Hospital by various merchants. However, the genuineness of the pending bills could not be confirmed due to lack of delivery notes, receipt vouchers and issue notes.

784. Although the hospital administration attributed the situation to inadequate funding in comparison to the extent of services that the Hospital offered, there was no evidence to indicate that the Accounting Officer was notified of the lack of funds in order to authorize the purchases on credit. Further, incurring of new pending bills was contrary to Treasury Circular No.22/04.

MALINDI DISTRICT HOSPITAL

Pending Bills

785. Examination of records maintained at the Malindi District Hospital disclosed that bills totalling Kshs.12,205,937.75 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total amount, bills totalling Kshs.7,498,113.70 related to food items while the balance of Kshs.4,707,824.05 were in respect of unpaid water supplied to the Hospital.

786. The issue of pending bills appears to be recurring year after year in contravention of Treasury Circular No.22/04 which prohibited incurring of new pending bills and also required any pending bills to be submitted to the Director, Budgetary Supply Department for authentication and issue of an exchequer.

NGONG DISTRICT HOSPITAL

Failure to maintain Stores Records

787. Examination of stores records maintained at the Ngong District Hospital revealed that during the year under review, the Medical Officer in Charge of the Hospital purchased various bulk items including non-pharmaceutical items, drugs, building materials, fuel and stationery worth Kshs.3,578,733.00.

788. Although the respective payment vouchers were supported by local purchase orders (LPO's), cash sale receipts, counter receipt vouchers (S13), invoices and requests for quotations, no stores records such as store ledger cards, fuel registers, users requisition vouchers and store issue vouchers were maintained. This is contrary to the Government Financial Regulations and Procedures on Stores Accounting, which requires that the items purchased be entered in the stock ledgers showing quantities received, issued and the current balances indicated. No explanation has been given for the failure to maintain the required stores records.

789. In absence of properly maintained stores records, it has not been possible to confirm that the items purchased were received as ordered and issued for the intended purposes.

KAPSABET DISTRICT HOSPITAL

Purchase and Installation of an Integrated Hospital Management Software Network

790. In October 2010, the Kapsabet District Hospital management issued a Local Purchase Order (LPO) to a Mombasa based company for the supply and installation of Integrated Hospital Management Software at a cost of Kshs.1,990,000.00.

791. The LPO was issued on the strength of a letter from the head of Hospital Management Services Fund Secretariat recommending the ICT company without inviting open tenders as provided for in the Public Procurement and Disposal Act, 2005 which requires that open tenders be invited for any procurement above Kshs.1,000,000.00 for Class 'C' entities. Further, no evidence was produced for audit review to prove that the company had installed similar software in other hospitals.

792. The contract agreement with the ICT Company has also not been provided to confirm the contract period, contract sum, and whether there was a defect liability period in case of system failure. The 10% retention money was also not deducted as required.

793. During the site visit on 15 September 2011, it was noted that the contractor was not on site and installation had not been completed while the company had been paid a total of Kshs.1,390,000.00 without a certificate from the technical Ministry as required.

Pending Bills

794. Records held at the Kapsabet District Hospital revealed that bills totalling Kshs.3,276,064.00 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. The bills related to the supply of pharmaceuticals and food and rations. Although the failure to settle the bills was attributed to inadequate budgetary allocations for the year, the genuineness of the pending bills could not be confirmed due to poor record keeping at the hospital.

LODWAR DISTRICT HOSPITAL

Misuse of Facility Improvement Funds

795. Examination of revenue records maintained at the Lodwar District Hospital revealed that during 2010/2011 financial year, the Hospital collected a total of Kshs.11,253,465.00 in respect of Facility Improvement Fund. Out of this total, Kshs.6,466,951.00 was banked while the balance of Kshs.4,786,514.00 was directly utilised in purchases of food rations, fuel, transport and maintenance among others.

796. Spending of Facility Improvement Funds before banking is contrary to paragraph 7.6 of the Improvements Fund's Guidelines, which require that all moneys collected in respect of the fund be banked intact. Purchase of items in cash is also contrary to the Public Procurement and Disposal Act, 2005 which requires procurement to be done through a competitive process to ensure accountability, transparency and that value for money is enhanced.

Pending Bills

797. Examination of records maintained at Lodwar District Hospital revealed that the Hospital had accumulated pending bills totalling Kshs.2,069,310.00 relating to 2010/2011 which were not settled during the year but were instead carried forward to 2011/2012. The pending bills were in respect of food rations supplied to the Hospital by various merchants. However, the propriety of the pending bills could not be confirmed due to lack of delivery notes, receipt vouchers and issue notes.

798. Although the Hospital administration attributed the situation to inadequate funding in comparison to the extent of services that the Hospital offered, incurring

of new pending bills was contrary to Treasury Circular No.22/04. Further, failure to settle bills during the year under which they relate adversely affects the provision for the subsequent year to which the bills will have to be charged.

RACHUONYO DISTRICT HOSPITAL

Misuse of Facility Improvement Fund

799. Examination of revenue records maintained at Rachuonyo District Hospital during the year 2010/2011 revealed that Facility Improvement Funds amounting to Kshs.2,278,240.00 were collected and directly utilized for the purchase of various items including pharmaceuticals, office items, electrical and motor vehicle parts .

800. Besides the fact that spending of Facility Improvement Funds before banking is contrary to paragraph 7.6 of the Improvements Fund's Guidelines, which require that all moneys collected in respect of the fund be banked intact, the purchase of items in cash is also contrary to the Public Procurement and Disposal Act, 2005 which requires procurement to be done through a competitive process to ensure best prices, accountability, transparency and value for money is enhanced. No reason was provided for not floating quotations to prequalified suppliers as required. Further, due to inherent risks of cash purchases, it was not possible to confirm whether value for money was obtained for the total expenditure of Kshs.2,278,240.00.

Outstanding Imprests

801. Examination of imprests records maintained at the Rachuonyo District Treasury revealed that imprests totalling Kshs.700,006.50 in respect of the Recurrent Vote and Cost Sharing Revenue which were due for surrender on or before 30 June 2011 were still outstanding as at that date.

802. Out of the total, imprests amounting to Kshs.189,906.50 related to the Recurrent Vote while the balance of Kshs.510,100.00 was in respect of Cost Sharing Revenue. It was also noted that some of the imprests dated as far back as 2003. No reason has been provided for the failure to have outstanding imprests accounted for or recovered from the officers' salaries as provided for in the Government Financial Regulations and Procedures.

CONSTRUCTION OF A MODEL HEALTH CENTRE AT KITARE IN MBITA DISTRICT

803. Information available indicates that tenders for the construction of a Model Health Centre at Kitare in Mbita District under the Economic Stimulus Programme were floated in October 2009. Six firms responded and the bids were opened on 10 November 2009. A Mombasa based company, being the lowest bidder, was awarded the contract at a contract sum of Kshs.18,577,681.00. However, the tender documents for the other bidders were not provided for audit verification.

804. The contract awarded was however renegotiated and adjusted from Kshs.18,377,681.00 to Kshs.16,200,000.00 by the District Tender Board Committee. The reason given for the reduction of contract price was that the Economic Stimulus Programme had provided for only Kshs.16,200,000.00. However, it is not clear whether the other bidders were notified or invited during the re-negotiations.

805. The scope of work involved the construction of an Outpatient and an Inpatient Unit, a Maternity Wing, a Mother/Child Health Care Unit, a Service Block, a Registry and a Guard House.

806. Although a Local Purchase Order number 0345967 for Kshs.16,200,000.00 was on 01 April 2010 issued to the contractor, the contract agreement signed between the contractor and the Ministry of Health was not made available for audit review. It was therefore not possible to determine the commencement and completion dates, the contract specifications and other terms.

807. According to information available, work commenced on 3 February 2010. A site visit on 15 March 2011 revealed that a double winged building comprising a Maternity Wing, Inpatient Department and Registry had been constructed. The works were estimated at about 90% complete but the contractor was not on site. It was however, observed during the site inspection that the floors and walls of the building constructed had wide cracks while the Maternity Delivery Room had not been put to use due to defective works. It was not clear why the District Works Officer certified the poor quality works.

808. As at 30 June 2010, the contractor had already been paid a total of Kshs.16,174,000.00 or 99.8% of the contract price which included Kshs.2,000,000.00 reflected in the Bills of Quantities as a provisional sum and was however not supported by any completion certification or any other expenditure document. This implies that almost the total contract sum has been paid to the contractor while works estimated at 10% have not been done.

HEALTH CARE SERVICES FUND

Accuracy of the Statement of Income and Expenditure

809. The Fund Accounts for the year ended 30 June 2011 have not been supported with a Trial Balance as at 30 June 2011 and the Ledger for the month of June 2011. The basis of preparation of the Fund Accounts for 2010/2011 is therefore not clear and hence completeness and accuracy is doubtful.

810. Further, the Statement of Income and Expenditure for the year ended 30 June 2011 reflects total income of Kshs.4,291,156,805.11 against total expenditure of Kshs.3,324,713,560.55 in respect of various health facilities in the country. However, as in the previous year, the receipt and expenditure balances have not been supported with the relevant records. Consequently, the completeness and accuracy of the statement could not be ascertained.

811. The Statement further reflects an excess of income over expenditure of Kshs.966,443,244.56, which is a replica of the excess of income over expenditure figures for 2008/2009 and 2009/2010. The accuracy of this particular figure is therefore doubtful.

Station Codes without Facility Names

812. As reported in 2009/2010, analysis of receipts and payments as at 30 June 2011 continued to reflect two hundred and fifty three (253) station codes with no corresponding identities of the health facilities. Further, and against these unidentified stations, receipts and payments totalling Kshs.2,193,104,221.55 and Kshs.2,093,964,661.50 respectively, were recorded. No reason has been provided for the concealment of the identity of the stations.

Cash at Bank

813. The Fund Balance Sheet as at 30 June 2011 reflects Cash at Bank balance of Kshs.966,443,244.50. However, accuracy of the balance and existence of the cash could not be confirmed since no bank reconciliation statement, certificate of bank balance or cashbook were produced for audit confirmation.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.11

814. The Statement of Assets and Liabilities for Vote R.11 as at 30 June 2011 reflects General Account of Vote credit balances totalling Kshs.4,709,246,175.06 relating to the period between 1995/1996 and 2008/2009 and representing Net Surpluses to be surrendered to the Exchequer. No reason has been provided for failure to clear the long outstanding balances from the books of account.

815. The Statement also reflects General Account of Vote debit balances totalling Kshs.1,301,192,140.63 relating to 1981/82, 1982/83, 2000/2001, 2008/2009 and 2009/2010, which have been outstanding for a considerably long period of time. As similarly reported in 2009/2010, no action appears to have been taken to have the Excess Votes balances regularized.

816. The Statement further reflects Exchequer Account debit balances totalling Kshs.2,466,744,527.00, relating to 2009/2010 and earlier years. As in the previous year, no reason has been provided for failure to clear the long outstanding Under-Issues.

817. As reported in the previous year, the Statement excludes an Exchequer Account credit balance of Kshs.25,567,828,346.90 relating to 2006/2007, although it appeared in the audited Statement for 2007/2008. The exclusion of the balance from the Statement under review has not been explained.

818. As similarly reported in the previous year, the Statement in addition reflects an Exchequer Account nil balance for the year 2010/2011, while records maintained at Treasury showed a figure of Kshs.18,000.00 against the Account. The variance has not been explained or reconciled.

819. Further, as reported in 2009/2010, the Statement shows various Accounts opening balances under Temporary Imprests, Advances, PMG, Prov/District Suspense, General A/C of Vote, Suspense and Agency Account which differed with the corresponding closing balances figures in the audited Statement for 2008/2009 which to date has not been resolved. The accuracy of the Statement's balance is therefore doubtful.

820. The Statement also shows balances under Standing Imprest, Temporary Imprests, Advances, Prov./District Suspense, Suspense, Clearance and Agency Accounts, which have not been analyzed.

821. Further, the balances reflected in these accounts for the year ended 30 June 2011 appear a replication of the figures for 2009/2010. Under the circumstances, the completeness and accuracy of the balances cannot be confirmed.

822. The Statement in addition shows a Paymaster General Account debit balance of Kshs.4,085,577,906.84 while the Cashbook and the Board of Survey Report as at 30 June 2011 reflects a figure of Kshs.186,314,073.80. The difference of Kshs.3,899,263,833.04 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.11

823. The Statement of Assets and Liabilities for Vote D.11 as at 30 June 2011 reflects total assets of Kshs.16,311,499,373.50 while liabilities amount to Kshs.13,525,661,267.40. The resultant difference of Kshs.2,785,838,106.10 has not been reconciled or explained. In addition, the Statement's balances for the current year appear to be a replica of the figures for 2009/2010. The accuracy of the Statement is therefore in doubt.

824. The Statement also reflects various debit and credit balances totalling Kshs.13,898,247,007.70 and Kshs.13,023,416,996.30 respectively, under General Account of Vote, Exchequer, Agency, Temporary Imprest, Suspense, Standing Imprest, Provincial/District Suspense, Advances, Exchequer, Excess AIA and Clearance Accounts relating to 2009/2010 and earlier years. No reason has however been provided for failure to clear the long outstanding balances from the books of account.

825. The Statement in addition reflects various debit and credit balances amounting to Kshs.4,844,234,821.00 and Kshs.29,930,558.55 respectively, under Standing Imprests, Temporary Imprests, Provincial/District Suspense, Suspense, Agency, Advances and Clearance Accounts which have not been analysed. In the circumstances, the completeness and accuracy of the balances could not be ascertained.

826. The Statement further reflects a Paymaster General (PMG) Account credit balance of Kshs.455,071,504.50 while the Cashbook and the Board of Survey Report reflects a debit balance of Kshs.9,562,317.55 as at 30 June 2011. The difference of Kshs.464,633,822.05 between the two sets of records has not been reconciled or explained.

827. The Statement further reflects a nil General Account of Vote (GAV) balance, while the Appropriation Account reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.717,803,637.00 for 2010/2011. Consequently, the accuracy of the GAV balance is doubtful.

STATEMENT OF ASSETS AND LIABILITIES - MEDICAL SUPPLIES FUND

828. The Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2011 is a replication of the Statements for the years 2004/2005, 2005/2006, 2006/2007, 2007/2008, 2008/2009 and 2009/2010. The Ministry has still not provided documentary evidence and other analyses in support of the total balance of Kshs.220,021,473.35 reflected in the Statement. As similarly reported in the previous year, it has not been possible to ascertain the validity and accuracy of the Statement as drawn.

829. As in 2009/2010, Paymaster General (PMG) Account overdraft balance of Kshs.2,557,606.35 as at 30 June 2011 has not been supported with the relevant Bank Certificate. In addition, there is no evidence that the overdraft had been authorized by Treasury as required by the Government Financial Regulations and Procedures. Apart from lack of authority for the overdraft, the accuracy of the balance as at 30 June 2011 of Kshs.2,557,606.35 could not also be ascertained.

830. The Board of Kenya Medical Supplies Agency established under Legal Notice No.17 of 11 February 2000 is expected to take over all existing assets and liabilities of the Medical Supplies Fund. However, it would appear that the takeover by the Agency would be delayed due to lack of accurate and reliable accounting records of the Fund.

OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT

APPROPRIATION ACCOUNT FOR VOTE R.12

Under-Expenditure and Over-Expenditure

831. The Appropriation Account for Vote R.12 for the year ended 30 June 2011 reflects an under-expenditure of Kshs.245,324,462.65 under 124 items which had an Estimated Expenditure amount of Kshs.12,783,823,386.00. The Account further reflects over-expenditure of Kshs.30,646,961.30 under 37 items which had an Estimated Expenditure figure of Kshs.199,682,614.00.

832. According to the footnotes provided in the Account, the under-expenditure and over-expenditure were caused by; funds committed not transferred to the actual expenditure in the system, Local Authorities not meeting the disbursements criteria, over-estimation of expenditures, delays in submitting orders in time, among others. However, the Ministry has not indicated the measures it intends to take in order to address the underlying causes of the under-expenditures and over-expenditures.

Under-Collection of Appropriations-In-Aid (A.I.A)

833. The Appropriation Account also reflects under-collection of Appropriations-In-Aid (A.I.A) of Kshs.153,770,483.00 under one (1) item which had an Estimated Collection of Kshs.12,301,000,000.00. According to the footnotes provided in the financial statements, the under-collection was caused by Local Authorities not meeting the disbursement criteria. However, the Ministry has not indicated the measures it intends to take in order to address the underlying cause of under-collection of A.I.A.

Contribution in Lieu of Rates (CILOR)

834. Audit of records maintained at the Ministry's Headquarters revealed that a sum of Kshs.2,028,232,443.50 in respect of CILOR was owed by the Government to various Local Authorities as at 30 June 2011. However, and as in the previous years, no reasons were provided for failure to remit the outstanding CILOR to Local Authorities.

APPROPRIATION ACCOUNT FOR VOTE D.12

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

835. The Appropriation Account for Vote D.12 for the year ended 30 June 2011 reflects an under-expenditure of Kshs.1,087,545,129.00 or approximately 21% of the estimated provision of Kshs.5,173,514,077.00. Further, the Account reflects an under-collection of Appropriations-In-Aid amounting to Kshs.369,741,492.00, representing about 92% of the estimated receipts of Kshs.401,579,077.00.

836. According to the footnotes provided in the financial statements, the under-expenditure and under-collection of Appropriations-In-Aid were caused by: negotiations with donor not finalized, non-availability of land, non-receipt of no objection from donor and late receipt of contract certificates. However, the Ministry has not indicated the measures it has put in place to address the underlying causes of under-expenditure and under-collection of Appropriations-In-Aid.

PENDING BILLS

837. Audit of records maintained at the Ministry's Headquarters revealed that Pending Bills increased by Kshs.223,873,229.09 from Kshs.2,138,973,060.26 as at 30 June 2010 to Kshs.2,363,846,289.35 as at 30 June 2011. The bills totalling Kshs.2,362,846,289.35 relating to 2010/2011 and earlier years were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.2,028,232,443.50 related to Recurrent Vote while the balance of Kshs.334,613,845.85 was in respect of the Development Vote.

838. Schedules availed for audit revealed that all the Kshs.2,028,232,443.50 Recurrent Vote bills were in respect of Contributions in Lieu of Rates (CILOR). No explanation was given for the non-remittance of the outstanding balances. Further, and as reported in the previous years, the Ministry advanced CILOR amounts of Kshs.226,232,824.00 to six (6) Local Authorities which were not in the list of Local Authorities owed CILOR. The advance was still outstanding as at 30 June 2011 and the reasons, terms for the advance payments and failure to recover were not given.

839. Further, Schedules availed for audit revealed that all the Kshs.334,613,845.85 in respect of Development bills related to Kenya Urban Transport Infrastructure Project (KUTIP). These bills increased by an unanalyzed amount of Kshs.36,862,933.65 from Kshs.297,750,912.20 as at 30 June 2010 to Kshs.334,613,845.85 as at 30 June 2011. No reasons have been given as to why the huge interest earning bills have not been settled.

840. In addition, had the bills been paid and the expenditure charged to the accounts for the year, the Appropriation Account for Vote R.12 would have reflected an Excess Vote of Kshs.1,967,325,425.15 instead of the Net Surplus to be Surrendered to the Exchequer of Kshs.60,907,018.35 now shown, while the Appropriation Account for Vote D.12 for the same period would have reflected a reduced surplus of Kshs.898,671,681.05 instead of Kshs.1,233,285,526.90 now recorded.

OUTSTANDING IMPRESTS

841. Audit of Imprest records maintained at the Ministry's Headquarters showed that Temporary Imprests totalling Kshs.19,296,575.80, due for surrender on or before 30 June 2011, were still outstanding as at that date. Out of the total imprest of Kshs.19,296,575.80, imprests amounting to Kshs.8,934,204.00, Kshs.1,930,327.00 and Kshs.411,629.00 related to Recurrent and Development Votes and Deposits respectively. No reason has been provided for failure to have the imprests surrendered or accounted for on the due dates.

842. Further, and included in the total outstanding imprests amount of Kshs.19,296,575.80, a sum of Kshs.4,704,822.00 represented additional imprests granted to officers who held other previously issued and unsurrendered imprest balances, contrary to the applicable Government Circulars and Financial Regulations.

843. In addition, Imprests amounting to Kshs.8,020,415.80 outstanding as at 30 June 2009 were not brought forward to 2009/2010 and 2010/2011. Further, no documents were made available to show that the imprests were surrendered or accounted for between 1 July 2009 and 30 June 2011.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

844. The Bank Reconciliation Statement for Recurrent Cashbook as at 30 June 2011 reflects payments in Cashbook not recorded in the Bank Statement (Unpresented Cheques) totalling Kshs.138,072,142.20, which includes overdue EFT Payments amounting to Kshs.44,278,927.70. It has not however, been clarified why the payments had not been reversed in the Cashbook as at 30 June 2011.

845. The Statement also reflects receipts totalling Kshs.1,763,000.90 in Cashbook not recorded in Bank Statement, which includes an amount of Kshs.732,811.90 relating to 2009/2010 and earlier years. No explanation has been provided for the position.

846. The Statement further reflects payments totalling Kshs.67,111,180.15 in Bank Statement not recorded in the Cashbook, which includes an amount of Kshs.34,980,127.25 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding payments of Kshs.34,980,127.25 as at 30 June 2011 has not been explained.

847. In addition, the Statement reflects receipts totalling Kshs.6,667,506.75 in Bank Statement not recorded in Cashbook, which includes an amount of Kshs.1,128,124.90 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding receipts of Kshs.1,128,124.90 as at 30 June 2011 has not been explained.

Development Cashbook

848. The Bank Reconciliation Statement for Development Cashbook as at 30 June 2011 reflects payments in Cashbook not recorded in the Bank Statement (Unpresented Cheques) totalling Kshs.212,263,185.35, which includes overdue EFT payments amounting to Kshs.110,811,574.00. It has not however, been clarified why the payments had not been reversed in the Cashbook as at 30 June 2011.

849. The Statement also reflects receipts totalling Kshs.3,043,992.20 in Cashbook not recorded in Bank Statement, which includes an amount of Kshs.2,938,992.20 relating to 2009/2010 and earlier years. Failure to bank the long outstanding receipts of Kshs.2,938,992.20 as at 30 June 2011 has not been explained.

850. The Statement further reflects payments totalling Kshs.110,005,477.20 in Bank not recorded in the Cashbook, which includes an amount Kshs.35,354,898.75 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding payments of Kshs.35,354,898.75 as at 30 June 2011 has not been explained.

851. In addition, the Statement reflects receipts totalling Kshs.7,369,269.85 in Bank not recorded in Cashbook, which includes an amount of Kshs.100,443.70 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding receipts of Kshs.100,443.70 as at 30 June 2011 has not been explained.

Deposits Cashbook

852. The Bank Reconciliation Statement for Deposits Cashbook as at 30 June 2011 reflects payments in Cashbook not recorded in the Bank Statement (Unpresented Cheques) totalling Kshs.43,690,343.50, which includes stale cheques amounting to Kshs.41,512,782.10. It has not however, been clarified why the cheques had not been reversed in the Cashbook as at 30 June 2011.

853. The Statement also reflects receipts totalling Kshs.119,081,554.30 in Cashbook not recorded in Bank Statement, which includes an amount of Kshs.22,402,344.25 relating to 2009/2010 and earlier years. Failure to bank the long outstanding receipts of Kshs.22,402,344.25 as at 30 June 2011 has not been explained.

854. The Statement further reflects payments totalling Kshs.33,225,748.45 in Bank Statement not recorded in the Cashbook, which includes an amount Kshs.32,865,748.45 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding payments of Kshs.32,865,748.45 as at 30 June 2011 has not been explained.

855. In addition, the Statement reflects receipts totalling Kshs.66,282,796.50 in Bank Statement not recorded in Cashbook, which includes an amount of Kshs.5,508,704.40 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding receipts of Kshs.5,508,704.40 as at 30 June 2011 has not been explained.

Kenya Roads Board (KRB) Fuel Levy Cashbook

856. The Bank Reconciliation Statement for KRB Fuel Levy Cashbook as at 30 June 2011 reflects payments in Cashbook not recorded in the Bank Statement (Unpresented Cheques) totalling Kshs.15,400,012.05, which includes stale cheques amounting to Kshs.447,857.00. It has not however, been clarified why the cheques had not been reversed in the Cashbook as at 30 June 2011.

857. The Statement also reflects receipts totalling Kshs.32,563,104.80 in Cashbook not recorded in Bank Statement, which includes an amount of Kshs.650,950.00 relating to 2009/2010 and earlier years. Failure to bank the long outstanding receipts of Kshs.650,950.00 as at 30 June 2011 has not been explained.

858. The Statement further reflects payments totalling Kshs.7,940.00 in Bank Statement not recorded in the Cashbook, which includes an amount of Kshs.3,970.00 relating to 2009/2010 and earlier years. Failure to update the Cashbook with the long outstanding payments of Kshs.3,970.00 as at 30 June 2011 has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.12

859. The Statement of Assets and Liabilities for Vote R.12 as at 30 June 2011 reflects an Exchequer Account balance of Kshs.398,180,369.80 as at 30 June 2011 which included an unanalyzed opening balance of Kshs.368,910,369.80 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.368,910,369.80.

860. The Statement further reflects an unanalyzed Standing Imprest balance of Kshs.1,500,942.00 relating to 2009/2010 and earlier years which has remained constant for the two years ending 30 June 2011. No reason was provided for failure to have the imprest surrendered or otherwise accounted for as at 30 June 2011.

861. The Statement reflects Temporary Imprest balance of Kshs.43,098,909.30 as at 30 June 2011 which includes an unanalyzed opening balance of Kshs.34,283,630.30 relating to 2009/2010 and earlier years. As in the previous instances, failure to have the long overdue imprests of Kshs.34,283,630.30 surrendered or otherwise recovered from the officers' salaries has not been explained.

862. The Statement reflects an Advances Account balance of Kshs.1,901,390.15 as at 30 June 2011 which includes an unanalyzed opening balance of Kshs.1,677,717.15 relating to 2009/2010 and earlier years. However, it has not been clarified why the long outstanding advances of Kshs.1,677,717.15 had not been recovered during the year.

863. The Statement also shows a District Suspense Account credit balance of Kshs.649,280.35 which includes an unanalyzed and unexplained credit balance of Kshs.902,229.80 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance.

864. The Statement further shows a General Account of Vote balance of Kshs.605,405,626.30 as at 30 June 2011 which includes an unanalyzed amount of Kshs.544,498,607.95 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.544,498,607.95.

865. In addition, the Statement shows that the General Suspense Account balance reduced by Kshs.22,204,360.55 from Kshs.39,577,510.20 as at 30 June 2010 to Kshs.17,373,149.67 as at 30 June 2011. However, the balance including the movement during the year has not been explained or unanalyzed. Consequently, its completeness and accuracy could not be confirmed, and no reason has been provided for failure to clear the balance.

866. The Statement reflects a Clearance Account balance of Kshs.3,356,419.15 which has similarly not been analyzed with the result that its completeness and accuracy could not be confirmed. Further, the balance has remained constant over the years and no action appears to have been taken to clear it from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.12

867. The Statement of Assets and Liabilities for Vote D.12 as at 30 June 2011 reflects an Exchequer Account balance of Kshs.5,557,811,714.55, which includes an amount of Kshs.5,069,152,708.55 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding figure of Kshs.5,069,152,708.55.

868. The Statement also reflects that the Suspense Account balance increased by Kshs.129,531,572.85 from Kshs.162,026,631.10 as at 30 June 2010 to Kshs.291,558,203.95 as at 30 June 2011. However, the balance including the movement during the year has not been explained or analyzed. Further, no reason has been provided for failure to clear the long outstanding amount from the books of account.

869. The Statement further reflects an unanalyzed Temporary Imprest balance of Kshs.5,081,484.10 as at 30 June 2011, which includes an amount of Kshs.3,151,157.10 relating to 2009/2010 and earlier years. Failure to have the long overdue imprests of Kshs.3,151,157.10 surrendered or otherwise recovered from the officers' salaries has not been explained.

870. The Statement reflects a General Account of Vote balance of Kshs.5,637,322,899.95 as at 30 June 2011, which includes an amount of Kshs.4,919,519,267.95 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.4,919,519,267.95 from the Statement.

871. The Statement also reflects an unanalyzed credit balance of Kshs.217,128,502.65 as at 30 June 2011 in respect of Paymaster General (PMG) Account, which includes Kshs.314,811,228.80 relating to 2009/2010 and earlier years. In absence of analysis of the opening balance, the credit balance of Kshs.217,128,502.65 as at 30 June 2011 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 12

872. The Statement of Assets and Liabilities for Deposits 12 reflects an opening balance of Kshs.195,373,473.20 as at 30 June 2011 in respect to the Paymaster General (PMG) Account, while the audited Account for 2009/2010 reflected a closing balance of Kshs.23,692,571.05 as at 30 June 2010. The resultant difference of Kshs.171,680,902.25 has not been explained or reconciled. In the circumstances, the accuracy of the Paymaster General (PMG) Account closing balance of Kshs.467,498,706.45 as at 30 June 2011 could not be confirmed.

873. The Statement also reflects a PMG Fuel Levy opening balance of Kshs.11,993,622.85 as at 1 July 2010 while the audited Account as at 30 June 2010 reflected a balance of (Kshs.1,771,025.85). The resultant difference of Kshs.13,764,647.90 was not explained. Consequently, the accuracy of the PMG Fuel Levy closing balance of Kshs.23,563,016.40 as at 30 June 2011 could not be confirmed.

874. The Statement further reflects a debit balance of Kshs.13,112,473.70 as at 30 June 2011 in respect of Local Authorities Transfer Fund (LATF) Deposits, which has remained constant for the last five consecutive years. However, and as reported previously, no analysis or register to support the balance was made available for audit verification. Consequently, the accuracy of LATF Deposit balance of Kshs.13,112,473.70 as at 30 June 2011 could not be ascertained.

875. The Statement reflects a Temporary Imprest closing balance of (Kshs.949,471.00) as at 30 June 2011. However, no supporting schedules and register were made available for audit verification. As a result, the accuracy of the temporary imprests balance of (Kshs.949,471.00) as at 30 June 2011 could not be ascertained.

876. The Statement shows a Retention Money credit balance of Kshs.399,093,761.60 as at 30 June 2011. However, no analysis was provided in support of the opening balance of Kshs.213,162,258.20, while the retention money register was not properly maintained and updated during the year. In consequence, the accuracy of the balance of Kshs.399,093,761.60 as at 30 June 2011 could not be confirmed.

877. The Statement also shows Other Deposits balance of Kshs.58,046,931.15 as at 30 June 2011. However, no analysis was provided in support of the opening debit balance of Kshs.206,540,433.50, while the Other Deposits register was not properly maintained and updated during the year. Consequently, the accuracy of the balance of Kshs.58,046,931.15 as at 30 June 2011 could not be confirmed.

878. The Statement shows a General Suspense closing balance of Kshs.22,521,016.40 as at 30 June 2011 which has not been analysed. Further, the audited Accounts for 2009/2010 reflect a closing General Suspense balance of Kshs.1,042,000.00, while the Accounts under review reflect an opening balance of Kshs.172,423,626.10, resulting in an unreconciled and unexplained difference of Kshs.171,381,626.10. As a result, the completeness and accuracy of the General Suspense balance of Kshs.22,521,016.40 as at 30 June 2011 could not be ascertained.

MINISTRY OF ROADS

APPROPRIATION ACCOUNT FOR VOTE R.13

Excess Vote

879. The Appropriation Account for Vote R.13 for the year ended 30 June 2011 prepared and submitted by the Ministry reflects an Excess Vote of Kshs.188,867,396.65. The underlying reasons for the Excess Vote have not been explained.

Discrepancies in Expenditure on Personal Emoluments and other Allowances

880. The Appropriation Account reflects expenditure on personal emoluments and other allowances totalling Kshs.1,058,731,385.05 while the payroll and related vouchers shows an amount of Kshs.1,043,940,183.70. No explanation has been provided for the resultant discrepancies in expenditure totalling Kshs.14,791,201.35 between these sets of records.

Current Grants to Government Agencies

881. The Appropriation Account reflects under Head 130501 – Major Roads, Sub-Head 0089 – Kenya Roads Board Item 2630100 – Current Grants to Government Agencies and other Levels of Government, an expenditure of Kshs.20,147,179,996.00 while the payment vouchers and other related documentation shows an amount of Kshs.20,662,964,394.00. The resultant difference of Kshs.515,784,398.00 has not been reconciled or explained.

Accuracy of Appropriation Account

882. The Appropriation Account also reflects under Head 130305 – Kenya Institute of Highway and Building Technology, Item 1420500 – Receipts from Incidental Sales by Non-Market Establishment, an Appropriations-In-Aid debit balance of Kshs.5,150,000.00 against an account which should ordinarily reflect a credit or nil balance. This anomaly has not been clarified.

883. The Total Net Expenditure Vote of Kshs.2,423,434,176.00 reflected in the main Account differs with an amount of Kshs.2,312,359,496.70 shown in the Appropriation Account Summary. The actual receipts of Appropriations-In-Aid of Kshs.21,293,117,949.30 reflected in the Appropriation Account Summary similarly differs with the total amount of Kshs.21,182,043,270.00 shown in the Details of Appropriations-In-Aid. The resultant difference of Kshs.111,074,679.30 in each case has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.13

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

884. The Appropriation Account for Vote D.13 for the year ended 30 June 2011 reflects gross under expenditure of Kshs.18,628,747,920.65 representing approximately 28% of the approved gross estimates of Kshs.66,527,787,004.00. The Account also reflects a deficiency in Appropriations-In-Aid of Kshs.17,395,462,393.75 or about 59% of the estimated receipts of Kshs.29,563,367,004.00.

885. The reasons provided in the notes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include: delay in awarding tenders and contracts; delay in acquiring no objection letters from the donors; insufficient counterpart funding; slow progress in the construction works; adverse weather conditions; bureaucratic process in land acquisition; insecurity matters and delay in addendum for extension of time. The Ministry has not, however, explained how these challenges are being addressed.

Accuracy of the Appropriation Account

886. The Appropriation Account also reflects total net expenditure of Kshs.35,731,134,473.10, while the Trial Balance as at 30 June 2011 shows a figure of Kshs.35,742,245,714.00. No reconciliation or explanation has been provided for the resultant difference of Kshs.11,111,240.90 between the two sets of records.

Unexplained Expenditure

887. The expenditure totalling Kshs.47,383,499,098.00 reflected in the Appropriation Account against Item 2630200-Capital Grants to Government Agencies and Other levels of Government under Heads 130501 and 130550, Sub-Heads 0251, 0252 and 0253 differs with an amount of Kshs.33,835,957,872.00 indicated on the payment vouchers and supporting documents. The resultant expenditure difference totalling Kshs.13,547,541,226.00 has not been reconciled or explained.

Grants to Government Agencies

888. The Appropriation Account reflects under Head 130550-Sub-Head 0253 Item 2630200-Capital Grants to Government Agencies and other Levels of Government, an expenditure of Kshs.2,655,779,648.00 in respect of grants to the Kenya Urban Roads Authority (KURA). However, the expenditure differs with the amount of Kshs.2,729,073,188.00 recorded by KURA as received from the Ministry during the year. The resultant difference of Kshs.73,293,540.00 has not been reconciled or explained.

PENDING BILLS

889. Examination of records maintained at the Ministry of Roads Headquarters indicated that bills totalling Kshs.25,254,070.80 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.10,652,463.95 were in respect of the Recurrent Vote while the balance of Kshs.14,601,606.85 related to the Development Vote.

890. Had the bills been paid and expenditure charged to the Financial Statement for 2010/2011, the Appropriation Account for Vote R.13 for the year would have reflected a higher Excess Vote of Kshs.199,519,860.60 instead of the Excess Vote of Kshs.188,867,396.65 now shown. Similarly, the Appropriation Account for Vote D.13 for the period would have reflected a reduced Net Surplus of Kshs.1,218,683,920.05 instead of Kshs.1,233,285,526.90 now recorded.

IRREGULAR PAYMENT OF SALARY AND ALLOWANCES

891. Human Resource records maintained by the Ministry Headquarters indicate that a politician was suspended from exercising the functions of an Assistant Minister in the Ministry of Roads with effect from 17 June 2010. According to Section G.32 (3) of the Code of Regulations, when a public officer is under suspension he/she is not entitled to any salary except house and medical allowances. However, the audit review revealed that while still under suspension in 2010/2011 financial year, the politician was irregularly paid salary, domestic servant and ministerial allowances totalling Kshs.4,179,000.00. The reason for contravening the regulations by making these payments has not been explained.

COMPENSATION AND EX-GRATIA PAYMENTS

Nairobi HC Misc Appl. No. 238 of 2010

892. A Plaintiff instituted legal proceedings against the Ministry through the Attorney General on 8 April 2009, claiming general and exemplary damages for the unlawful termination of a consultancy contract valued at Kshs.12,870,000.00. According to information available, the contract agreement was for a duration of sixty months. The Ministry, however, terminated the contract after twenty four months.

893. Further, by consent order recorded in Court on 18 July 2010, the plaintiff and the Attorney General appointed a sole joint arbitrator. The arbitrator awarded the plaintiff on 3 June 2011 a sum of Kshs.12,870,000.00 being the contract sum, payable with accrued simple interest at the rate of 12% per annum from 16 February 2009 until payment in full.

894. The Ministry, subsequently, requested the Treasury on 29 September 2011 for authority to pay a total of Kshs.16,988,400.00 to the plaintiff which included an amount of Kshs.4,118,400.00 relating to interest payment on the contract sum. The interest payment constitutes a nugatory expenditure which was avoidable had the plaintiff's contract not been terminated.

895. Available information further indicates that an amount of Kshs.9,000,000.00 had been paid to the plaintiff as of 1 December 2011, leaving a balance of Kshs.7,988,400.00 outstanding.

Nakuru HC Misc Civil Application No.100 of 2002

896. This case arose after the Ministry of Roads through the Commissioner of Lands acquired land parcels L.R. No.8637 and L.R. No.6617 comprising of 136 and 5 acres, respectively in Uasin Gishu district belonging to a quarry company on 9 February 1988 for quarrying purposes.

897. According to information available, a dispute arose concerning the valuation of the land and the developments thereon. The plaintiff subsequently filed an application in the High Court at Nakuru, which on 2 November 2004 awarded the plaintiff an amount of Kshs.9,500,475.50 comprising the principal sum, interest and cost of the suit of Kshs.7,494,314.00, Kshs.1,900,687.50 and Kshs.105,474.00, respectively.

898. The Ministry, however, had as of 30 June 2011 paid to the plaintiff a total of Kshs.21,815,975.50 made up of the principal sum, interest and cost of suit of Kshs.7,494,314.00, Kshs.14,216,187.00 and Kshs.105,474.00, respectively. The interest payment totalling Kshs.14,216,187.00 constitutes a nugatory expenditure which was avoidable had the decretal sum been paid on time.

UNSUPPORTED AND UNVOUCHED EXPENDITURE

Unsupported Expenditure

899. Nineteen Local Purchase/Service orders (LPO/LSO) for expenditure totalling Kshs.4,461,897.00 were issued by the Ministry's Quality Assurance Department to various merchants between 8 December 2010 and 9 June 2011 in respect of supply of accessories to computers, laptops, photocopy machines, shredders and printers; antivirus software; and repair/service of office equipment. However, no payment vouchers and invoices were produced for audit review. Consequently, the propriety of the expenditure incurred could not be ascertained.

Unvouched Expenditure

900. The Development Cashbook for Vote D.13 further show that an amount of Kshs.22,552,056.00 was paid to various suppliers and consultants through the same Department. However, payment vouchers, contract documents and other related records in respect of these payments were not produced for audit review. As a result, the validity and propriety of these payments could not be ascertained.

MECHANICAL AND TRANSPORT FUND ACCOUNTS

Variations between Account Balances and Payment Vouchers

901. The balances totalling Kshs.396,905,458.35 reflected in the Fund Accounts Statement of Financial Performance in respect of training expenses, routine maintenance of vehicles, bank charges, domestic travel/subsistence allowance and general office supplies differ with an amount of Kshs.382,702,534.65 indicated on the related supporting payments and other documents by Kshs.14,202,923.70

In view of the variation, the completeness and accuracy of the total expenditure of Kshs.509,175,391.85 reflected in the Statement of Financial Performance could not be ascertained.

Variations between Financial Statement Balances and Receipt Vouchers

902. The balances reflected in the Statement of Financial Performance for three items of income also differ with the amount supported by receipt vouchers and related documentation by Kshs.1,714,899.62. As a result, the completeness and accuracy of the total income of Kshs.933,917,765.97 shown in the Statement of Financial Performance could not be ascertained.

Stocks

903. The Statement of Financial Position reflects a debit balance of Kshs.220,535,051.84 against Stock which has not been supported by stock-take reports as at 30 June 2011. Consequently, the existence and accuracy of the Stocks valued at Kshs.220,535,051.84 could not be confirmed.

Receivables

904. The Receivables balance of Kshs.25,675,438.18 shown in the Statement of Financial Position excludes imprests totalling Kshs.1,495,892.25, which were due and outstanding as at 30 June 2011. No reason has been provided for the

omission and failure to account for or surrender the imprests on or before 30 June 2011.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

905. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects an amount of Kshs.4,240,824,780.80 in respect of payments in the Cashbook not recorded in the Bank Statement which include stale cheques amounting to Kshs.3,270,383,495.70. No explanation has been provided for failure to replace or reverse the cheques in the Cashbook.

906. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.2,021,350,319.80, out of which an amount of Kshs.241,524,859.50 relates to 2009/2010 and earlier years. No explanation has been provided for failure to record the receipts in the Cashbook.

907. The Statement further reflects payments totalling Kshs.5,721,893,268.00 in the Bank Statement not recorded in the Cashbook which include an amount of Kshs.4,017,610,346.20 relating to 2009/2010 and earlier years. It has not, however, been stated how the Ministry would issue the cheques listed in the bank statements yet fail to record such cheques in the Cashbook.

908. The Statement in addition reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.1,100,023,597.70. It has not been clarified, however, why these receipts remained unbanked as at 30 June 2011.

Development Cashbook

909. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Cashbook not yet recorded in the Bank Statement amounting to Kshs.9,202,812,044.75. Out of the amount, payments totalling Kshs.5,685,890,312.15 relates to the period prior to 1 January 2011. No explanation has been provided for failure to capture these payments in the Bank Statement for a long period.

910. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.634,295,450.05. No reasons have been provided for failure to record these receipts in the Cashbook.

911. The Statement further reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.5,892,544,157.40 which include an amount of Kshs.5,703,110,006.90 relating to 2009/2010 and earlier years. In addition, the details of payments totalling Kshs.6,346,257.80 were not provided.

912. The Statement also reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.2,737,374,627.95. The receipts include an amount of Kshs.1,018,195,669.95 relating to 2009/2010 and earlier years. No reason has been given for not banking the cash.

Deposits Cashbook

913. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects an amount of Kshs.313,537,263.15 in respect of payments in the Cashbook not recorded in the Bank Statement, which include stale cheques amounting to Kshs.103,107,692.45. No explanation has been provided for failure to replace or debit the cheques in the Cashbook as at 30 June 2011.

914. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.2,545,141,526.75 out of which an amount Kshs.2,470,547,804.65 relates to 2009/2010 and earlier years. No reason has been provided for failure to record the receipts in the Cashbook as at 30 June 2011.

915. The Statement further reflects payments totalling Kshs.1,196,527,345.35 in the Bank Statement not recorded in the Cashbook which include an amount of Kshs.1,158,800,859.80 relating 2009/2010 and earlier years. It has however not been explained how the Ministry would issue the cheques listed in the bank Statements and at the same time fail to record such cheques in the Cashbook.

916. The Statement in addition reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.2,029,326,413.20. No reasons have been provided for failure to bank the cash.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.13

917. The Statement of Assets and Liabilities for the Vote R.13 as at 30 June 2011 reflects Exchequer Account net over-issues totalling Kshs.3,645,065,900.35 relating to 2009/2010 and earlier years.

918. The source of unusual exchequer under-issue and over-issue of Kshs.322,000,000.00 and Kshs.6,317,813,363.88, respectively against the year 2009/2010 as reflected in the Statement has not, however, been clarified considering that the records maintained at the Treasury shows that there was no over issue or under issue during the year.

919. The Statement does not reflect Exchequer Account debit balances totalling Kshs.374,869,552.25 relating to 2008/2009 and earlier years despite the fact that they were shown as closing balances in the year ended 30 June 2010.

No reason has been provided for failure to reflect the above amounts as brought forward balances in the Statement as at 30 June 2011.

920. The Statement also shows a General Account of Vote (GAV) net credit balance of Kshs.7,505,957,849.25 relating to 2009/2010 and earlier years. The source of GAV debit balance of Kshs.5,957,252,372.69 in respect of the year 2008/2009 has not been clarified. In addition, no explanation has been provided for failure to clear the above long outstanding GAV balances.

921. The Statement does not reflect General Account of Vote debit balances of Kshs.15,391,189.10 and Kshs.256,908,654.45 relating to the excess votes incurred in 1997/1998 and 1996/1997 respectively and not cleared as at 30 June 2010. No reason has been provided for failure to bring forward the balances in 2010/2011.

922. The Statement in addition reflects a General Account of Vote debit balance of Kshs.299,942,075.65 relating to the year 2010/2011 while the Recurrent Appropriation Account for Vote R.13 for the year ended 30 June 2011 recorded an excess vote of Kshs.188,867,390.65. The resultant difference of Kshs.111,074,685.00 has not been explained.

923. The Statement shows various debit and credit account balances under Salaries paid in Advance, Salaries Advance, Temporary Imprests, District Suspense, Cash Transfer balance, Prepayments, Refer to Drawer Cheque, Contractors Retention Money, AP Liabilities, VAT Withholding, General without Tax, General Deposits, General Suspense, Standing & Special Imprests, District Balance Surrender-KCB and Direct Accounts which have not been analyzed. In the absence of the analyses for the balances, their validity, completeness and accuracy could not be ascertained.

924. The Statement in addition shows a Paymaster General, a District Recurrent Bank Account and a Recurrent Bank Account debit balances of Kshs.675,752,921.50, Kshs.294,106,052.60 and Kshs.4,574,129,155.90 respectively, all totalling Kshs.5,543,988,130.00, while the Cashbook as at 30 June 2011 reflects a debit balance of Kshs.639,563,947.95. The resultant difference of Kshs.4,904,424,182.05 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 13

925. The Statement of Assets and Liabilities for Vote D.13 as at 30 June 2011 reflects various debit and credit account balances under Exchequer Amount (since 1990/1991), General Account of Vote, Temporary Imprest, Exchequer Amount (since 2000/2001), Civil Contingencies Fund (1997/1998) and General Account of Vote (since 1987/1988) Accounts relating to 2009/2010 and earlier

years which have not been cleared from the books of account. No reason was provided for failure to clear these balances from the books of account.

926. The Statement shows a debit balance of Kshs.211,180.00 against a Temporary Imprests Account relating to 2010/2011. No reason has been provided for failure to surrender or otherwise account for these imprests on or before 30 June 2011.

927. The Statement reflects a debit balance of Kshs.20,000.00 against a Standing Imprests Account which besides not being unanalysed has also not been derived from the trial balance.

928. The Statement also reflects two debit balances of Kshs.24,110,391,416.85 and Kshs.24,678,181.55 against the Ministry Headquarters Development Bank Account and Paymaster General, respectively and a credit balance of Kshs.145,009,997.20 against the District Development Bank Account while the Cashbook shows a debit balance of kshs.24,678,181.55 as at 30 June 2011. The resulting discrepancies between the Statement and the Cashbook have not been explained.

929. The Statement further reflects various debit and credit account balances under District Suspense, R.D. Cheques and General Suspense Accounts which have not been analysed. In the absence of analyses, the validity and accuracy of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS 13

930. The Statement of Assets and Liabilities for Funds, Schemes and Deposits 13 as at 30 June 2011 reflects various debit and credit balances under General Suspense, Provincial Suspense, Fuel Levy, Refer to Drawer (R/D) Cheques, Mechanical Branch (Head 251) and Revenue Accounts relating to 2009/2010 and earlier years which besides being cleared for a long time have not been analysed. In the absence of the analyses, the validity and accuracy of the balances could not therefore be ascertained.

931. The Statement also reflects a debit balance of Kshs.2,000,000,000.00 against an amount owed by the Development Vote. Information available indicates that the Treasury, through a letter Ref. No. DV/ES 5/13/08A/(69) dated 18 March 2009 authorized the Ministry to use the retention money in the Deposits Account to pay pending claims on the understanding that the amount would be included in the revised estimates for 2008/2009 and refunded. However, no reason has been provided for failure to refund the amount to the Deposits Account as of 30 June 2011.

932. The Statement also shows that the Mechanical Branch (Head 251) brought forward credit balance of Kshs.780,363,955.60 was reduced by Kshs.93,022,610.35 during the year under review. However, no documents were provided to support the reduction in liability.

933. The Statement further shows that Temporary Imprests and Provision for Encumbrance Accounts brought forward debit and credit balances of Kshs.2,352,663.15 and Kshs.4,329,385.00 respectively were cleared during the year under review. No documents and records were however provided in support of the clearances. The validity of clearances could not therefore be confirmed.

934. The Statement reflects a credit balance of Kshs.719,064.00 against Stale Cheques Account, which according to the analyses provided relates to the period November 2008 to May 2009. No explanation has been given for failure to reverse these cheques in the books of account.

935. The Statement also reflects two debit balances totalling Kshs.668,938,607.80 which include Kshs.668,687,380.80 and Kshs.251,227.00 relating to the Ministry Headquarters Deposit Bank Account and District Deposit Bank Account respectively, while the Cash book as at 30 June 2011 shows a figure of Kshs.668,687,380.75 against the Paymaster General (PMG) Account. The resultant difference of Kshs.251,227.05 has not been reconciled or explained.

MINISTRY OF TRANSPORT

APPROPRIATION ACCOUNT VOTE R.14

Accuracy of the Appropriation Account

936. The Appropriation Account for Vote R.14 for the year ended 30 June 2011 reflects expenditure totalling Kshs.68,115,524.60 under Heads 440, 572, 574 and 613 while the Trial Balance as at the same date shows a figure of Kshs.75,326,387.05 against the Heads. The resultant difference of Kshs.7,243,932.05 between the two sets of records has not been reconciled or explained.

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

937. The Appropriation Account further reflects a gross under-expenditure of Kshs.145,858,366.40, representing about 11% of the Gross Estimates of Kshs.1,307,368,190.00. The Account in addition reflects an under-collection of Appropriations-In-Aid of Kshs.59,769,000.00 or about 96% of the estimated receipts of Kshs.62,000,000.00. The under-expenditure and under-collection occurred mainly under Sub-Vote 140 - General Administration and Planning.

938. According to footnotes to the Account, the under-expenditure and under-collection of Appropriations-In-Aid was attributed mainly to failure by donors to release funds and cost savings in contractual obligations and procurement of goods and services. However, no indication has been given on how these challenges are being addressed.

APPROPRIATION ACCOUNT FOR VOTE D.14

Accuracy of the Appropriation Account

939. The Appropriation Account for Vote D.14 for the year ended 30 June 2011 reflects actual expenditure of Kshs.51,872,893.40 under Sub-Votes 140, Head 440, Subhead 0000, Item 3111400 – Research, Feasibility Studies, Project Preparation and Design, while the ledger for the month of June 2011 shows an expenditure of Kshs.52,627,515.00. The difference of Kshs.754,621.60 between the two sets of records has not been reconciled or explained. In addition, the Appropriation Account reflects an actual expenditure of Kshs.14,519,500.00 under Sub-Vote 140, Head 574, Item 2211300 – Other Operating Expenses, while the ledger shows an expenditure of Kshs.14,647,500.00. Similarly, the difference of Kshs.128,000.00 has not been reconciled or explained.

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

940. The Appropriation Account reflects actual under-expenditure of Kshs.3,357,595,190.00 representing approximately 49% of the gross estimates of Kshs.6,827,880,000.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.2,480,859,203.00 or approximately 93% of the estimated receipts of Kshs.2,672,700,000.00. The under-expenditure occurred under Sub-Votes 140, Head 440, Sub-Heads 000 - Headquarter services, 0158 - Kenya Civil Aviation Authority, 0159 - Kenya Airports Authority, 0160-Kenya Ports Authority and Sub-Vote 144 and Head 457-Kenya Railways Corporation.

941. According to the footnotes to the Account, the under-expenditure and under- collection of Appropriations- In-Aid has been attributed to wrong categorization of funds, slow implementation of projects, delay in awarding contracts, reduced monitoring and evaluation activities and delayed implementation of activities under Kenya Railways Corporation. However, no indication has been given on how these challenges are being addressed.

Grants to Government Agencies

942. The Appropriation Account in addition reflects Grants to Government Agencies and other levels of Government totalling Kshs.3,380,199,435.00 under Sub-Votes 140 and 144 disbursed to five (5) State Corporations during the year. However, the audited financial statements for 2010/2011 for the five Corporations show receipts of Kshs.1,040,538,401.00. The resultant difference of Kshs.2,339,661,034.00 between the two sets of records has not been reconciled or explained.

Omission of footnotes

943. The Appropriation Account further reflects various material variances between the approved estimates and actual expenditure against Sub-Votes 140 and 144, against which no footnotes were provided. This omission contravenes the Government Financial Regulations and Procedures which require that reasons be provided in the footnotes to the Account for variations of over Kshs.1,000,000.00 above or below the approved estimates.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

944. Section 4 (2) (b) of the Public Audit Act, 2003 and the Government Financial Regulations and Procedures require each Accounting Officer to prepare and submit for audit, a Statement of Outstanding Loans within three months after the end of the financial year.

945. The Ministry has however not submitted such a Statement for audit, although records maintained at the Treasury show that loans amounting to Kshs.2,967,931,485.00 were due and outstanding as at 30 June 2011 against various organizations under the Ministry of Transport. No reasons have been given for not complying with the law.

OUTSTANDING TEMPORARY IMPRESTS

946. Audit of imprest records maintained at the Ministry's Headquarters revealed that Temporary Imprests totalling Kshs.923,701.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date.

947. Out of the total, imprests amounting to Kshs.183,570.00 were due from officers on Job Group 'M' and above, Kshs.683,131.00 from officers on Job Group 'L' and below, while the balance of Kshs.57,000.00 was owing from persons not in the Ministry's payroll. However, the Statement of Assets and Liabilities as at 30 June 2011 for the Recurrent Vote, shows a balance of Kshs.130,187.00 against Temporary Imprests. The difference of Kshs.793,514.00 between the two sets of records has not been reconciled or explained. A review of the position as at 30 September 2011 showed that all the imprests were still outstanding.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

948. The Statement of Outstanding Obligations Guaranteed by the Government of Kenya as at 30 June 2011 reflects a contingent liability of Kshs.1,157,288,660.21 (JPY 1,037,461,820.00) in respect of Loan Ref. KE-P25, granted to Kenya Ports Authority by the Government of Japan, for modernization of Mombasa Port. However, and as in the previous year, the relevant loan's records together with the related documentation were not made available for audit verification. Consequently, accuracy of the contingent liability balance of Kshs.1,157,288,660.21 as at 30 June 2011 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.14

949. The Statement of Assets and Liabilities for Vote R.14 as at 30 June 2011 reflects a Paymaster General (PMG) Account balance of Kshs.36,514,772.10, which has not been reconciled with the Cashbook balance of Kshs.1,658,812.70 at the same date.

950. The Statement also reflects debit and credit balances totalling Kshs.1,870,341.00 and Kshs.127,146,078.00 respectively against Exchequer Account, Advances, General Account of Vote and Excess A.I.A Accounts, which have been outstanding for a considerably long period of time. No reason has been provided for failure to clear the long outstanding balances from the books of account.

951. The Statement also reflects an amount of Kshs.2,578,565.00 under Temporary Imprests Account that was cleared during the year. However, no records were available for confirmation of the cleared amounts. Consequently, the completeness and accuracy of the Temporary Imprest Account balance as at 30 June 2011 of Kshs.394,300.00 could not be ascertained.

952. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011. The completeness and accuracy of the Statement as a whole could not therefore be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.14

953. The Statement of Assets and Liabilities for Vote D.14 as at 30 June 2011 reflects a debit and a credit balance under the Exchequer and General Account of Vote amounting to Kshs.1,173,156,278.00 and Kshs.987,702,233.00 respectively, relating to 2009/2010 and earlier years. No reason has been given for failure to clear the long outstanding balances from the books of account.

954. The Statement further reflects a Paymaster General (PMG) Account credit balance of Kshs.257,951,565.40 while both the Cashbook and the Board of Survey Report as at the same date shows a balance of Kshs.590,566,983.65. The difference of Kshs.848,518,849.05 between the two sets of records has not been reconciled or explained.

955. In the report for 2009/2010 concern was raised over various balances under General Account of Vote (GAV), Clearance, Exchequer, Suspense, Advances, Agency, Temporary Imprest, District Suspense and MOPW Clearance Accounts relating to 2007/2008 and earlier years, which had been cleared, although such clearance was not supported with the relevant documents.

956. A review of the position as at 30 June 2011 disclosed that the documents in support of the clearance were still not available and as a result, the validity of the clearance could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 14

957. The Statement of Assets and Liabilities for Deposits 14 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.66,641,567.15, while the Cashbook shows a balance of Kshs.85,207,012.35 as at the same date. The difference of Kshs.18,565,445.20 between the two sets of records has not been reconciled or explained.

MINISTRY OF LABOUR AND HUMAN RESOURCE DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE R.15

Variances between the Appropriation Account and the Printed Estimates

958. The Appropriation Account for Vote R.15 for the year ended 30 June 2011 reflects estimates of expenditure against various items, which differ by a cumulative figure of Kshs.6,309,572.00 from the Printed Estimates under Heads 150101 Headquarters Administrative Services; 150203 District Labour Offices; 150302 Directorate Field Offices; 150403 District Employment Offices and 150503 District Enterprise Development Offices. The variances have not been explained.

Unvouched Expenditure

959. Payment vouchers and other related records for expenditure totalling Kshs.63,434,391.65 charged against the Vote during the year were not provided for audit review. The expenditure related mainly to Rentals of Produced Assets; Research, Feasibility Studies, Project Preparation and Design; Project Supervision; and Specialized Materials and Supplies. Consequently, the propriety of the expenditure of Kshs.63,434,391.65 could not be ascertained.

Grants to Government Agencies and Other Levels of Government

960. The Appropriation Account also reflects under Head 150301 – Office of the Director, Item 2630100 – Current Grants to Government Agencies and Other Levels of Government - an expenditure of Kshs.3,348,613.00 in respect of disbursements made during the year to the Directorate of Occupational Health and Safety Services. No evidence has been provided that the amount was received and used for the intended purposes.

Understatement of Expenditure

961. The Appropriation Account further reflects under Sub-Vote 1502, Head 150201 – Office of the Labour Commissioner, Item 2211300 – Other Operating Expenses, an expenditure of Kshs.62,753,077.00 while the payment vouchers and related documents show that an amount of Kshs.87,845,900.50 was incurred against the item. The resultant expenditure difference of Kshs.25,092,823.50 has therefore been excluded from the Account. No reason has been given for this omission.

Omission of Footnotes

962. The Appropriation Account in addition reflects a variance of Kshs.3,947,794.00 between approved estimates and actual expenditure against Item 2210600 – Rental of Produced Assets under Head 150101-Headquarters Administrative Services and a variance of Kshs.1,026,920.00 against Item 1420500 – Receipts from Incidental Sales under Head 150601 – Vocational Training Centre, Athi River. However, no footnotes were provided to explain these material variances contrary to Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures.

APPROPRIATION ACCOUNT FOR VOTE D.15

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

963. The Appropriation Account for Vote D.15 for the year ended 30 June 2011 reflects an under-expenditure of Kshs.683,534,718.95, representing approximately 68% of the gross approved estimates of Kshs.1,128,071,000.00, and a deficiency in Appropriations-In-Aid of Kshs.510,789,180.80 or about 61% of the estimated receipts of Kshs.755,560,000.00.

964. According to the footnotes to the Account, the reasons for the under-expenditure include: delay in certification of payment documents by the Ministry of Public Works, non availability of bills of quantities by Public Works and non training of the officers as a result of stoppage of the project, appeal by unsuccessful contractors to the Public Procurement Oversight Authority and delay in research by contractors. The under-collection of Appropriations-In-Aid was attributed to non-expenditure in the relevant above the line items. It has not been indicated, however, how the Ministry is addressing the apparent challenges.

Unvouched Expenditure

965. Expenditure totalling Kshs.389,692,859.90 charged to Vote D.15 during the year 2010/2011 and relating to refurbishment of buildings; other capital grants and transfers; research, feasibility studies, project preparation, design and supervision; purchase and renovation of specialized plant, equipment and machinery; other operating expenses, and rehabilitation of civil works was not supported by payment documents and other related records. As a result, the propriety of expenditure could not be ascertained.

Expenditure Not Captured in the Trial Balance

966. The Appropriation Account includes expenditure amounting to Kshs.267,965,567.30 which was not captured in the Trial Balance as at 30 June 2011. The completeness and accuracy of the expenditure could not therefore be ascertained.

PENDING BILLS

967. Records maintained at the Ministry's Headquarters indicated that bills totalling Kshs.22,676,027.90 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, an amount of Kshs.13,985,355.60 related to the Recurrent Vote R.15, while the balance of Kshs.8,690,672.30 was in respect of the Development Vote D.15.

968. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.15 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.228,614,528.20 instead of Kshs.242,599,883.80 now shown. Similarly, the Appropriation Account for Vote D.15 for the period would have reflected a reduced Net Surplus of Kshs.164,074,865.85 instead of Kshs.172,765,538.15 now recorded.

OUTSTANDING IMPRESTS

969. Audit of Imprest records maintained at the Ministry's Headquarters indicated that temporary imprests totalling Kshs.5,774,087.45 which ought to have been surrendered or otherwise accounted for on or before 30 June 2011, were still outstanding as at that date. Out of the total, imprests amounting to Kshs.838,023.00 were owed by officers on Job Group 'M' and above, Kshs.2,910,516.00 was due from officers on Job Group 'L' and below, Kshs.288,081.00 from politicians while the balance of Kshs.1,737,467.45 was due from former employees of the Ministry.

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

971. A review of the position as at 30 September 2011 showed that imprests amounting to Kshs.591,000.00 had been surrendered, leaving a balance of Kshs.5,183,087.45 still outstanding.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

972. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.87,621,696.10 in the Cashbook not recorded in the Bank Statement. The payments include an amount of Kshs.488,664.00 in respect of an unrepresented Cheque No.104631 dated 11 February, 2009 which has since gone stale.

973. Further, payments totalling Kshs.2,577,692.00 made through the G-Pay System-Electronic Fund Transfers (EFT) between 19 May 2010 and 1 January 2011 had not been cleared through the bank, over six months after the transaction date. No explanation has been provided for failure to replace the stale cheque or why payments made through the EFT would take more than six months before being cleared from the Statement.

974. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.18,938,454.60. The receipts include an amount of Kshs.13,207,321.90 relating to the period between 22 December 2009 and 29 December 2010 which had been outstanding for over six months. Further, a receipt of Kshs.10,291,900.00 dated 27 May 2010 has been described as an "erroneous exchequer". No reason has been provided for failure to have the receipts recorded in the Cashbook or identify the source of the erroneous exchequer.

975. The Statement, in addition, reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.27,829,561.50 out of which an amount of Kshs.19,977,412.20 relates to the period between 12 July 2006 and 17 December 2010. Failure to update the Cashbook with the payments has not been explained.

976. The Statement furthermore, reflects receipts totalling Kshs.17,329,909.40 in the Cashbook not recorded in the Bank Statement, which include an amount of Kshs.7,647,555.00 relating to the period between 18 July 2006 and 20 October 2010. No explanation has been provided for not banking the cash.

Development Cashbook

977. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments totalling Kshs.54,857,229.75 in the Cashbook not recorded in the Bank Statement. The payments include an amount of Kshs.1,264,910.95 relating to the period prior to 31 December 2010. No explanation has been provided for failure to clear these transactions more than six months later.

978. The Statement further reflects payments totalling Kshs.3,103,266.25 in the Bank Statement not recorded in the Cashbook out of which an amount of Kshs.2,134,996.25 relate to the period between 20 September 2009 and 2 July 2010. No reason has been provided for failure to record the long outstanding payments in the Cashbook.

979. The Statement in addition reflects receipts in the Cashbook not recorded in the Bank Statement of Kshs.22,176,573.20 which include receipts of Kshs.271,053.15 relating to the period between 27 June 2007 and 7 October 2009. No clarification has been provided for not banking the cash for such a long period of time.

Deposit Cashbook

980. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments totalling Kshs.2,853,856.00 in the Cashbook not recorded in the Bank Statement out of which an amount of Kshs.139,502.30 relates to the period between 10 April 2008 and 4 December 2010. Failure to post the payments in the Bank Statement has not been explained.

981. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.10,227,483.85 out of which an amount of Kshs.1,059,883.40 relates to the period between 5 February 2004 and 3 July 2010. The reasons for not recording these long outstanding receipts has not been given.

982. The Statement, in addition, reflects payments totalling Kshs.10,276,413.95 in the Bank Statement not recorded in the Cashbook which include an amount of Kshs.10,233,512.45 relating to the period between 10 January 2010 and 17 December 2010. No reason has been provided for failure to record payments of Kshs.10,233,512.45 in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.15

983. The Statement of Assets and Liabilities for Vote R.15 as at 30 June 2011 shows a brought forward Exchequer Account debit balance of Kshs.448,393,914.00 which was cleared during the year under review. However, the clearance was not supported with any relevant documents. It has, therefore, not been possible to confirm the validity and accuracy of the amount cleared.

984. In addition, the Statement reflects a Nil Exchequer Account balance while records maintained at the Treasury reflect exchequer balance of Kshs.41,475,120.00 in respect of Vote R.15 for the year ended 30 June 2011. No reason has been provided for the omission.

985. The Statement in addition contains three accounts with debit balances of Kshs.97,979,263.81, Kshs.75,540,315.74 and Kshs.8,312,094.85 under Agency, Clearance and Advances Accounts respectively which were not analysed. In the absence of the analyses, it has not been possible to ascertain the completeness and accuracy of the balances.

986. The Statement also reflects a General Account of Vote brought forward balance of Kshs.684,819,433.98 out of which an amount of Kshs.442,219,550.18 is indicated as having been cleared during the year under review. The clearance was however not supported with any relevant documents.

987. The Appropriation Account for Vote R.15 for the year ended 30 June 2011 reflects a Net Surplus of Kshs.242,599,883.80 to be Surrendered to the Exchequer. However, the General Account of Vote balance for year then ended has been omitted from the Statement. No reason has been given for the omission.

988. The Statement, besides, shows that various debit and credit account balances in respect of Paymaster General (PMG), Standing Imprests, Temporary Imprests, Agency, Clearance, Provincial/District Reimbursement, Suspense Headquarters and Excess AIA Accounts brought forward from 2009/2010 were cleared during the year 2010/2011. The clearance of these balances was not supported with any relevant documents. The validity and accuracy of the amounts cleared could not therefore be ascertained.

989. A trial balance as at 30 June 2011 and ledgers for the period then ended in support of the balances reflected in the Statement were not provided for audit review. It has not been possible in the circumstances to confirm that proper books of account were kept during the period.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.15

990. The Statement of Assets and Liabilities for Vote D.15 as at 30 June 2011 reflects Exchequer Account brought forward debit balance of Kshs.417,840,302.70 out of which an amount of Kshs.360,871,302.70 is shown as having been cleared during the year under review. However, the clearance of the amount of Kshs.360,871,302.70 was not supported with the relevant documents and as a result, the validity and accuracy of the clearance could not be confirmed.

991. Treasury records further indicate an Exchequer Account balance of Kshs.58,969,000.00 against the Vote for the year ended 30 June 2011, which apparently has not been disclosed in the Statement. No explanation has been provided for the exclusion of the Exchequer Account balance from the Statement for the year 2010/2011.

992. The Statement also shows that Standing and Temporary Imprests Account balances of Kshs.148,990.00 and Kshs.8,682,304.05, respectively relating to 2009/2010 and earlier years were cleared during the year under review. However, imprests records maintained at the Ministry Headquarters indicate that these amounts were still outstanding as at 30 June 2011.

993. The Statement further shows that various brought forward Account balances in respect of Paymaster General (PMG) Account Kshs.25,104,662.80, Suspense Account Headquarters Kshs.121,129,913.64, General Account on Vote Kshs.427,939,684.49, Excess A.I.A Kshs.28,421,636.65, Provincial/District Reimbursement Account Kshs.56,672,127.95 and Clearance Account Kshs.2,309,837.00 were cleared during the year under review. The clearance of these balances from the Statement during the year was, however, not supported with the relevant documents and as a result, the validity and accuracy of such clearance could not be confirmed.

994. The Net Surplus of Kshs.172,765,358.15 to be Surrendered to the Exchequer recorded in the Appropriation Account for Vote D.15 for the year ended 30 June 2011 has been omitted from the Statement for unexplained reasons.

995. The trial balance as at 30 June 2011 and the ledgers for the period then ended in support of the balances reflected in the Statement, were not availed for audit review. Consequently, it has not been possible to confirm the accuracy of the Statement as a whole or that proper books of account were kept during the period under review.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS

996. The Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2011 reflects a brought forward Paymaster General (PMG) Account balance of Kshs.223,411,630.55 which differs with the balance of Kshs.194,788,709.95 shown in the audited Statement as at 30 June 2010. No explanation has been provided for the resultant difference of Kshs.28,622,920.60.

997. The Statement does not reflect debit closing account balances of Kshs.9,631,308.30, Kshs.662,008.00 and Kshs.18,329,604.30 in respect of Provincial/District Reimbursement, Imprest and Suspense Accounts respectively for 2009/2010 which ought to have been brought forward. No reason has been provided for failure to reflect the above balances in the Statement.

998. The Statement also reflects Miscellaneous Deposits Account brought forward credit balance of Kshs.198,943,855.45, an amount of Kshs.12,830,678.85 under the year 2010/2011 and a closing balance of Kshs.186,113,176.60. However, it has not been clarified how the closing balance of Kshs.186,113,176.60 was arrived at. In addition, the closing balance of Kshs.186,113,176.60 differs with the total amount of Kshs.185,512,236.53 indicated in the analyses provided by Kshs.600,940.07. No reconciliation has been provided for the difference.

999. The Statement further reflects District Labour Office, Nyayo House Deposits balance of Kshs.8,564,252.65 which also differs with the total amount of Kshs.8,414,252.65 recorded in the Deposits Register. The resultant difference of Kshs.150,000.00 has not been reconciled or explained.

1000. The Statement also shows a balance of Kshs.645,149.75 in respect of District Labour Office, Industrial Area Deposits which similarly differs with a total amount of Kshs.631,065.40 indicated in the analyses provided to support the balance. The resultant difference of Kshs.14,084.35 between the two sets of records has not been reconciled or explained.

1001. The Statement also reflects Lapsed Deposits balance of Kshs.16,051,082.90 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the amount from the Statement.

1002. The Statement further shows Stale Cheques Account balance of Kshs.86,591.15 relating to 2009/2010 and earlier years. As in the previous instance, no reason has been provided for failure to investigate and clear the stale cheques from the Statement.

1003. The Ministry did not provide the trial balance as at 30 June 2011 and the ledgers for the period then ended. As a result, it has not been possible to confirm that proper books of account have been maintained during the period or the completeness and accuracy of the Statement.

MINISTRY OF TRADE

APPROPRIATION ACCOUNT FOR VOTE R.16

Accuracy of the Appropriation Account

1004. The Appropriation Account for Vote R.16 for the year ended 30 June 2011 reflects gross expenditure of Kshs.1,706,044,899.00, which includes expenditure amounting to Kshs.267,300,195.00 incurred under Sub-Vote 1605, Head 160508 in respect of sixteen foreign mission services. The expenditure of Kshs.267,300,195.00 includes an amount of Kshs.118,040,408.00 incurred in respect of seven (7) missions - Cairo, London, Harare, Lusaka, Kampala, Beijing and Geneva.

1005. However, payment vouchers and other related records in support of the expenditure in respect of the said missions show that an amount of Kshs.148,462,055.95 was actually incurred during the year. The understatement of the expenditure by Kshs.30,421,647.95 has not been explained.

Unvouched Expenditure

1006. The Appropriation Account further reflects expenditure incurred during the year on various items under Sub-Heads 0217, 0218, 0219, 0221, 0223, 0225, 0227, 0229 and 0230 totalling Kshs.149,259,788.00. Although expenditure amounting to Kshs.92,486,437.35 has been supported with payment vouchers and other related documents, the balance of Kshs.56,773,350.65 has not been supported with payment vouchers. The propriety of this expenditure could not therefore be ascertained.

Grants to Government Agencies

1007. The Appropriation Account further reflects under Sub-Vote 1604, Head 160402, Item 2630100 – Current Grants to Government Agencies, an amount of Kshs.335,232,588.00 disbursed to various Government Agencies. The amount includes Kshs.158,277,000.00 released to Export Processing Zone (EPZ). However, financial statements for 2010/2011 for EPZ reflect receipts of Kshs.157,500,000.00. The difference of Kshs.777,000.00 has not been explained.

Failure to Provide Footnotes

1008. The Appropriation Account in addition reflects various items with variances in excess of Kshs.1,000,000.00 and above between the Printed Estimates and actual expenditure under Heads 160101, 160508, 160701 and 160702 for which

no footnotes have been provided. No reason has been provided for failure to provide the footnotes.

APPROPRIATION ACCOUNT FOR D.16

Unsupported Expenditure

1009. The Appropriation Account for Vote D.16 for the year ended 30 June 2011 reflects gross actual expenditure of Kshs.160,131,104.00 under Head 160503-Department of Internal Trade. Included in the expenditure is an amount of Kshs.131,490,000.00 incurred directly by the European Union on behalf of Micro-Small Enterprises Programme. However, a review of records in respect of the Programme disclosed that the Project received grants amounting to Kshs.48,709,800.00 during the year. The resultant difference of Kshs.82,780,200.00 between the two sets of records has not been reconciled or explained.

Unvouched Expenditure

1010. The Appropriation Account also reflects actual expenditure of Kshs.30,000,000.00 and Kshs.59,000,000.00 under Heads 160504 and 160507 respectively, Item – 1310200 – Grants from Foreign Governments - Direct Payments, being grants to District Business Solution Centres (DBSC) and Kenya European Union Post Lome Trade (KEPLOTRADE), respectively. However, the relevant payment vouchers and other supporting documents were not availed for audit review. Consequently, the propriety of the expenditure could not be ascertained.

Wrong Charging of Account

1011. The Appropriation Account further reflects expenditure amounting to Kshs.3,064,141.00 and Kshs.23,725,280.00 under Sub-Heads 0310-Private Sector Development Strategy and 0311-Special Economic Zones respectively, Item 2211300 – Other Operating Expenses. Review of payment vouchers however revealed that the expenditure was not related to the Special Economic Zones but was instead incurred on Headquarter Services. However, Treasury authority for reallocation of the expenditure was not seen.

Failure to Provide Footnotes

1012. The Appropriation Account in addition reflects variances in excess of Kshs.1,000,000.00 under Head 160101 in respect of Items 2211100 and 3130100 for which no footnotes were provided. No reason has been provided for failure to provide the footnotes.

Trial Balance and Ledger

1013. The Trial Balance as at 30 June 2011 and the Ledger for the month of June 2011 were both not availed for audit review. Consequently, the basis of preparation of the Appropriation Account is not clear.

PENDING BILLS

1014. Audit of records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.13,259,166.00 relating to 2010/2011 and chargeable to the Development Vote were not paid during the year, but were instead carried forward to 2011/2012.

1015. However, the pending bills could not be confirmed as valid claims against the Ministry as they were not supported with relevant documents such as payment vouchers, invoices, local purchases/services orders and delivery notes.

Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote D.16 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.4,585,017.70 instead of Kshs.17,844,183.70 now shown.

OUTSTANDING IMPRESTS

1016. Examination of imprest records maintained at the Ministry's Headquarters indicate that imprests totalling Kshs.179,283.30, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date. Out of the above total, imprests amounting to Kshs.40,783.30 were due from officers on Job Group 'M' and above, Kshs.135,500.00 from officers on Job Group 'L' and below, while the balance of Kshs.3,000.00 represented standing imprest.

BANK RECONCILIATION STATEMENT

1017. The Bank Reconciliation Statement for Development Cashbook as at 30 June 2011 reflects payments in the Bank Statement not recorded in the Cashbook amounting to Kshs.523,572.85. The expenditure related to the Recurrent Vote but was erroneously paid from the Development Vote. Further, the amount of Kshs.523,572.85 includes a figure of Kshs.6,510.30 indicated as paid to Commissioner of Value Added Tax on 27 June 2011. However, documents in support of this particular payment have not been availed for audit. No explanation has been provided for the omission.

1018. The Statement also reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.4,401,376.40. Although indications are that Kshs.3,740,517.75 was cleared by the Bank in the month of July 2011, a balance of Kshs.660,858.65 remained un-cleared as at that date. No reason has been provided for failure to record the amounts in the Bank Statement considering that payments should not remain un-cleared for more than seven (7) days with the current G- Pay System.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.16

1019. The Statement of Assets and Liabilities for Vote R.16 as at 30 June 2011 reflects debit and credit balances amounting to Kshs.240,228,742.10 and Kshs.38,010,915.45 respectively, relating to 2009/2010 and earlier years, under Stale Cheques, Exchequer Releases, Salary Advance and Advances – Government Organization Account. No reason has been provided for failure to clear the long outstanding balances from the books of account.

1020. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.1,192,970,682.40, made up of Ministry HQ Recurrent Bank Account and Cash Account balances of Kshs.1,163,545,356.40 and Kshs.29,425,326.00 respectively. However, the Cashbook and Board of Survey Report as at 30 June 2011 show a figure of Kshs.690,917.95. No reconciliation or explanation has been provided for the difference of Kshs.1,192,279,764.45 between the two sets of records. Similarly, the Statement reflects District Recurrent Bank Account credit balance of Kshs.76,296,955.55 which has not been supported with any verifiable documents.

1021. The Statement further reflects a balance of Kshs.1,295,088,503.30 under Exchequer Account for 2010/2011, while records at the Treasury reflect Exchequer Under Issues of Kshs.998,000.00 against the Vote. The difference of Kshs.1,294,090,053.30 between the two sets of records has not been reconciled or explained.

1022. The Statement in addition reflects credit balances of Kshs.50,159.50 and Kshs.448,965.45 against Salary Advance and General Suspense Accounts respectively, which have not been analysed.

1023. The Statement also reflects balances cleared during the year against Salary paid in Advance, Temporary Imprets, District Suspense Account, General Suspense-Retrenchment, Co-operatives, Insurances, Hire Purchases, WCPS, HELB Deductions, Union Dues, Civil Service Housing Fund, P.A.Y.E, N.H.I.F., House Rent, Inter-Ministerial Agency, Mortgage/Bank Loans and Government Liability Accounts. However, no documentary evidence has been availed to support clearance of the above balances. Consequently, authenticity of such clearance could not be confirmed.

1024. The Statement further, reflects a General Account of Vote debit balance of Kshs.1,791,302,400.00 for 2010/2011, while the Appropriation Account for Vote R.16 for the same period shows Net Surplus to be Surrendered to the Exchequer of Kshs.44,708,689.00. The resultant difference of Kshs.1,746,593,711.00 between the two sets of records has not been reconciled or explained.

1025. The Statement does not include an excess Appropriations-In-Aid (AIA) of Kshs.5,878,765.75 reflected in the Appropriation Account for Vote R.16 for the year ended 30 June 2011.

1026. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011. Consequently, accuracy and completeness of the Statement could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.16

1027. The Statement of Assets and Liabilities for Vote D.16 as at 30 June 2011 reflects various debit and credit balances relating to 2009/2010 and earlier years, under Ministry HQs Development Bank Account, Standing Imprests, Temporary Imprests, Exchequer Current, Exchequer Releases and Vote Control Accounts which had not been cleared as at 30 June 2011. No reason has been provided for failure to clear the long outstanding balances from the books of account.

1028. The Statement also reflects a General Suspense Account credit balance of Kshs.9,868.40 for 2009/2010 cleared in 2010/2011. However, no documentary evidence has been availed to indicate or confirm how the balance was cleared.

1029. The Statement also reflects a General Account of Vote (GAV) credit balance of Kshs.11,184,309.40 for 2010/2011, which differs with the Net Surplus to be Surrendered to the Exchequer of Kshs.167,572,114.80 recorded in the Appropriation Account for Vote D.16. The resultant difference of Kshs.156,387,805.40 has not been reconciled or explained.

1030. The Statement in addition reflects a credit balance of Kshs.153,584,916.90 against Ministry HQ Development Bank Account (PMG), while the Cashbook as at 30 June 2011 shows a balance of Kshs.395,035.00. The difference of Kshs.153,189,881.90 between the two sets of records has not been reconciled or explained. Similarly, the Statement reflects a debit balance of Kshs.134,152,000.00 under Ministry HQ Development Bank Account relating to 2009/2010 and earlier years. It has not been explained why the Statement separately reflects debit and credit PMG balances.

1031. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011. As a result, the basis of preparation of the Statement remains doubtful.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 16

1032. The Statement of Assets and Liabilities for Deposits 16 as at 30 June 2011 reflects a Cash Account balance of Kshs.10,651,542.20 which differs with a Cashbook balance of Kshs.11,723,924.60 as at the same date. The resultant difference of Kshs.1,072,382.40 between the two sets of records has not been reconciled or explained.

1033. The Statement also reflects a Cash Clearing Account credit balance of Kshs.10,651,542.20, relating to 2009/2010 and earlier years. As in the previous year, the balance of Kshs.10,651,542.20 has not been analysed or supported with relevant documents.

1034. The Statement further reflects debit and credit balances both amounting to Kshs.1,345,425.60 in respect to items cleared during the year. However, no supporting documents were provided for the cleared amounts. Consequently, the authenticity of the cleared balances could not be confirmed.

1035. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011. The source, completeness and accuracy of these balances could not therefore, be ascertained.

MINISTRY OF JUSTICE, NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS

APPROPRIATION ACCOUNT FOR VOTE R.17

1036. The Appropriation Account for Vote R.17 for the year ended 30 June 2011 reflects Appropriations-In-Aid totalling Kshs.171,369,586.00 under Sub Vote 172 Legal Training, Head 648 Kenya School of Law. The returns of Appropriations-In-Aid submitted by the Kenya School of Law to the Ministry Headquarters, however, show receipts of Kshs.164,035,486.00. No reconciliation or explanation has been provided for the difference of Kshs.7,334,100.00.

1037. Payment vouchers and other records relating to the expenditure charged to Vote R.17 during the year also show that expenditure totalling Kshs.60,371,743.00 was irregularly charged to the incorrect account codes instead of the ones provided for in the approved estimates. This was done in contravention of paragraph 15.12 of the Government Financial Regulations and Procedures which limit the expenditure to the estimates as approved by Parliament.

APPROPRIATION ACCOUNT FOR VOTE D.17

Difference in Direct Expenditure and Trial balance

1038. The Appropriation Account for Vote D.17 for the year ended 30 June 2011 reflects, under Heads 557-Headquarters Administrative Services and 902-Directorate of Legal Affairs, Items, 5120200 Foreign Borrowing and 1310200 Grants from Foreign Governments-direct payments totalling Kshs.270,000,000.00 and Kshs.340,000,000.00 while the Trial Balance as at 30 June 2011 shows amounts of Kshs.108,000,000.00 and Kshs.190,882,622.50, respectively. No explanation has been given for the difference between the two sets of records.

Unsupported Expenditure

1039. The Appropriation Account further includes various expenditure totalling Kshs.571,530,001.10 relating to Research, Feasibility Studies, Project Preparation and Design and Project Supervision; Domestic Travel and Subsistence and Other Transportation Costs; Foreign Travel and Subsistence and Other Transportation Costs; Printing, Advertising and Information Supplies and Services; Training Expenses; Hospitality, Supplies and Services; Office and General Supplies and Services; and Other Operating Expenses. However, no payment vouchers and documentation in support of the expenditure were

provided for audit review. As a result, the propriety of the amount of Kshs.571,530,001.10 could not be ascertained.

NON-SUBMISSION OF APPROPRIATION ACCOUNTS FOR INTERIM INDEPENDENT BOUNDARIES REVIEW COMMISSION (IIBRC) VOTE R.61 FOR THE PERIOD 1 JULY 2010 TO 31 DECEMBER 2010

1040. According to the Printed Estimates, the Interim Independent Boundaries Review Commission (IIBRC), Vote R.61 was allocated Kshs.380,966,000.00 in the year 2010/2011, out of which Kshs.124,000,000.00 was released from Exchequer. In addition, the Surplus for the year 2009/2010 of Kshs.32,688,402.25 was not surrendered to the Exchequer. The IIBRC incurred an expenditure of Kshs.152,567,865.29 from 1 July 2010 to 31 December 2010 as reflected in the expenditure returns handed over on 12 January 2011 to the Ministry of Justice, National Cohesion and Constitutional Affairs together with the Appropriation Account and Statement of Assets and Liabilities.

1041. However, the Appropriation Account and the Statement of Assets and Liabilities for Vote R.61 have not been submitted to the Auditor-General for audit, contrary to Section 4(4) of the Public Audit Act, 2003 which states that the accounts must be submitted within three months after the end of the financial year. No explanation has been provided for the omission.

PENDING BILLS

1042. Records maintained at the Ministry's Headquarters indicates that bills relating to 2010/2011 and chargeable to the Recurrent Vote R.17 totalling Kshs.1,673,408.00 were not settled during the year, but were instead carried forward to 2011/2012.

1043. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.17 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.59,827,913.70 instead of Kshs.61,501,321.70 now shown.

OUTSTANDING IMPRESTS

1044. Imprest records maintained at the Ministry's Headquarters indicate that temporary and standing imprests totalling Kshs.1,246,658.70 and Kshs.231,931.00, respectively which ought to have been surrendered or otherwise accounted for on or before 30 June 2011 were still outstanding as at that date.

1045. Out of the total, temporary imprests amounting to Kshs.184,593.80 were owed by officers on Job Group 'M' and above, Kshs.1,062,064.80 was due from officer on Job Group "L" and below, while Kshs.231,931.00 was held as standing imprests by six officers.

1046. Further, it was observed that six officers were issued with multiple imprests amounting to Kshs.125,054.00 before they had surrendered or accounted for balances previously issued.

1047. A review of the position as at 30 September 2011 disclosed that temporary imprests amounting to Kshs.707,824.50 had been surrendered or accounted for leaving a balance of Kshs.538,834.00 still outstanding as at that date.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 17

1048. The Statement of Assets and Liabilities for Vote R.17 as at 30 June 2011 reflects various long outstanding balances relating to 2009/2010 and earlier years under Exchequer, Advances, GAV, Stale Cheques and Suspense Accounts which have not been cleared. No reason has been given for failure to clear the long outstanding balances from the books of account.

1049. The Statement also reflects Standing and Temporary Imprests Account debit balances of Kshs.1,575,348.50 and Kshs.1,233,658.70, respectively which ought to have been surrendered or otherwise accounted for on or before 30 June 2011.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.17

1050. The Statement of Assets and Liabilities for Vote D.17 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.358,957,758.80, which includes an amount of Kshs.245,777,758.80 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.245,777,758.80.

1051. The Statement further reflects a Temporary Imprests Account debit balance of Kshs.100,000.00 which ought to have been surrendered or accounted for on or before 30 June 2011. No reason has been provided for failure to clear the amount.

1052. The Statement in addition reflects a Paymaster General (PMG) Account balance of Kshs.4,684,166.35 which includes unsupported cashbook adjustments totalling Kshs.1,789,344.30.

1053. The Statement also shows a credit balance of Kshs.334,508,725.45 in respect of General Account of Vote (GAV) which includes an amount of Kshs.250,195,608.00 relating to prior years. No reason has been given for failure to clear the balance.

1054. The Statement continues to reflect a credit balance of Kshs.336,515.00 in respect of Stale Cheques relating to the period between April 2008 and June 2009 which ought to have been replaced or reversed in the cashbook.

MINISTRY OF GENDER, CHILDREN AND SOCIAL DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE R.18

Variances between the Appropriation Account and the Printed Estimates

1055. The Appropriation Account for Vote R.18 for the year ended 30 June 2011 reflects Estimates of Expenditure against various items, which differ by a net total figure of Kshs.3,101,167.00 from the Printed Estimates under Heads 180202 – Provincial Administrative Services, 180205 – Vocational Rehabilitation, 180207 – District Administrative Services, 180601 – Children Headquarters Administrative Services, 180604 – Provincial Children Services and 180605 – District Children Services. The differences have not been explained.

Variances between the Appropriation Account and the Trial Balance

1056. The Appropriation Account also reflects expenditure totalling Kshs.93,211,398.00 under Heads 180101 – Headquarters Administrative Services, 180102 – Gender and Development, 180201 – Social Services, and 180601 – Children Headquarters Administrative Services, while the Trial Balance as at 30 June 2011 shows an amount of Kshs.83,903,338.00. In addition, the Appropriation Account reflects Appropriations-In-Aid of Kshs.8,677,279.00 as having been collected during the year. However, the Appropriations-In-Aid were not recorded in the Trial Balance as at 30 June 2011. The differences between the two sets of records have not been reconciled or explained.

Personal Emoluments

1057. The Appropriation Account further reflects under various Heads, Basic Salaries for Permanent Employees, Personal Allowances Paid as Part of Salary and Personal Allowance Paid as Reimbursement totalling Kshs.729,245,072.00. However, the Integrated Payroll and Personnel Database (IPPD) System and actual salaries payment vouchers for 2010/2011 show expenditure totalling Kshs.699,397,781.35 against the items. The expenditure difference of Kshs.29,847,290.65 has not been explained or reconciled.

Basic Salaries – Temporary Employees

1058. The Appropriation Account in addition reflects under Heads 180601 – Children Headquarters Administrative Services and 180602 – Rehabilitation School, Item 2110100 - Basic Salaries for Temporary Employees totalling Kshs.13,299,000.00. However, the payroll and actual salary payment vouchers

for 2010/2011 show expenditure totalling Kshs.6,546,000.00. The expenditure difference of Kshs.6,753,000.00 has not been explained or reconciled.

Omission of Footnotes

1059. The Appropriation Account further reflects material differences between approved estimates and actual expenditure in respect of three items of expenditure which have not been explained in footnotes contrary to the requirements of Paragraph 11.7 of the Government Financial Regulations and Procedures.

1060. The Appropriation Account reflects a total net expenditure balance of Kshs.2,711,111,240.00 while the Appropriation Account summary and the Trial Balance as at 30 June 2011 show corresponding figures of Kshs.2,702,411,461.00 and Kshs.2,706,449,193.30 respectively. The resultant differences among the three sets of records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.18

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

1061. The Appropriation Account for Vote D.18 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.1,286,206,259.80, representing approximately 39% of the voted provisions of Kshs.3,281,543,161.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.454,823,419.00 or about 73% of the estimated receipts of Kshs.623,953,231.00.

1062. The reasons provided in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include; failure of the planned activity to take off, conflicts between the donor funded programmes' financial year and the Government financial year, IFMIS technical errors, non-submission of districts data and non-submission of data by the donors. It has not been explained, however, how the Ministry is addressing these challenges.

Variances between the Appropriation Account and the Trial Balance

1063. The Appropriation Account also reflects against various Items and Heads expenditure totalling Kshs.236,885,228.00 while the Trial Balance as at 30 June 2011 shows an amount of Kshs.40,964,111.00 against the similar items. The difference of Kshs.195,921,117.00 between the two sets of records has not been reconciled or explained.

Understatement of Actual expenditure and Lack of Footnote

1064. Footnotes to the Account indicated non-submission of expenditure data from both the Districts and the donors as the reasons for under expenditure on various Heads. Consequently, the actual expenditure recorded under the Heads in the Appropriation Account is understated.

1065. Further, no footnote was provided for the variation of Kshs.21,200,000.00 noted between the Approved Estimates and Actual Expenditure under Head 180601, Item 3110700 – Purchase of Vehicles and Other Transport Equipment, contrary to the requirements of Paragraph 11.7 of the Government Financial Regulations and Procedures.

Unsupported Expenditure

1066. Payment vouchers and other related records in support of expenditure totalling Kshs.169,129,812.00 reflected in the Appropriation Account under Sub vote 1802 Head 180204 – Social Welfare, Item 2211000- Specialized Materials and Supplies were not availed for audit review. Consequently, the propriety of this expenditure could not be ascertained.

PENDING BILLS

1067. Records maintained at the Ministry's Headquarters indicated that bills amounting to Ksh.45,717,387.50 relating to 2010/2011 were not paid during the year but were instead carried forward to 2011/2012. Out of the total, an amount of Ksh.45,178,508.50 was chargeable to the Recurrent Vote while the balance of Ksh.538,879.00 related to the Development Vote.

1068. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.18 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.96,413,630.50 instead of the Kshs.141,592,139.00 now shown. Similarly, the Appropriation Account for Vote D.18 for the same period would have reflected a reduced Net Surplus of Kshs.830,843,961.80 instead of the Kshs.831,382,840.80 now recorded.

OUTSTANDING IMPRESTS

1069. Examination of imprests records maintained at the Ministry's Headquarters revealed that temporary and standing imprests totalling Kshs.4,913,750.50 and Kshs.140,000.00 respectively which ought to have been surrendered or otherwise accounted for on or before 30 June 2011 were still outstanding as at that date.

1070. Out of total temporary imprests, an amount of Kshs.770,912.50 was owed by politicians, Kshs.1,434,703.00 by officers on Job Group 'M' and above while the balance of Kshs.2,708,135.00 was due from officers on Job Group 'L' and below.

1071. It was also observed that some officers were issued with additional imprests before surrendering or accounting for the balances previously issued, while imprests totalling Kshs.1,304,037.50 were owed by officers who had since left the Ministry.

1072. A review of the position as at 30 September 2011 showed that temporary imprests totalling Kshs.2,084,394.00 had been surrendered or accounted for, leaving a balance of Kshs.2,829,356.50. Similarly, standing imprests amounting to Kshs.70,000.00 had been accounted for, leaving a similar balance still outstanding.

THE WOMEN ENTERPRISE FUND

Statement of Financial Position

Loans to Micro - Finance Intermediaries

1073. The Statement of Financial Position as at 30 June 2011 reflects Trade and Other Receivables balance of Kshs.1,220,202,452.75 which includes a net amount of Kshs.931,590,000.00 in respect of loans disbursed to Micro – Finance Intermediaries for on-lending to various women groups and enterprises. As in the previous years, it has not been clarified how the Intermediaries were identified and considered eligible for on-lending loan purposes. In addition, loan returns and related records showing the amounts on-lent, disbursed, received and repaid by the intermediaries, women groups and enterprises were not made available for audit review.

Loans to Constituencies' Women Enterprises

1074. The Trade and Other Receivables balance also includes a net amount of Kshs.286,082,014.20 in respect of Loans to Constituencies' Women Enterprises as at 30 June 2011. However, the completeness and accuracy of the balance could not be ascertained due to lack of relevant supporting analyses. Further, a provision of 1% on bad and doubtful debts on the outstanding loans although indicated under Note (15) was not made. The loan balance is therefore over-valued by Kshs.2,860,820.14.

Fixed Deposits

1075. The Statement of Financial Position also reflects a Cash and Cash Equivalents balance of Kshs.727,384,470.45 which includes a short term investment (fixed deposits) balance of Kshs.652,859,740.65. The latter balance, however, differs with the principal amount of Kshs.650,944,385.10 confirmed by the bankers by Kshs.1,915,355.55 and this difference has not been reconciled or explained.

Bank Balance

1076. The Cash and Cash Equivalents balance of Kshs.727,384,470.45 also includes a bank balance of Kshs.74,524,729.80 which differs with the Cashbook figure of Kshs.69,348,385.05 as at 30 June 2011. No reconciliation or explanation has been provided for the difference of Kshs.5,176,344.75 between the two figures.

Statement of Financial Performance

Administration Expenses

1077. The Statement of Financial Performance reflects Administration Expenses of Kshs.27,379,862.95 which includes a rental expense of Kshs.1,947,076.05 for the office space occupied by the Fund at National Social Security Fund (NSSF) Building. However, the lease agreement was not provided for audit review and consequently the accuracy and propriety of the expenditure could not be ascertained.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1078. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011, reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.17,610,469.85 which includes four payments amounting to Kshs.1,234,295.50 that had already been cleared in the Bank Statement but erroneously indicated as uncleared in the statement.

1079. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.5,587,500.45, out of which an amount of Kshs.68,653.40 relates to 2009/2010. Failure to update the Cashbook with the payments has not been explained.

1080. The Statement in addition, reflects receipts totalling Kshs.1,118,444.65 in the Cashbook not recorded in the Bank Statement which includes entries amounting to Kshs.403,040.00 described as Cashbook adjustments. It has not however been clarified what the Cashbook adjustments represent.

Development Cashbook

1081. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments totalling Kshs.13,451,723.10 in the Cashbook not recorded in the Bank Statement, out of which an amount of Kshs.7,829,591.10 had not been cleared through the bank for over six months after the transaction date.

1082. The Statement further reflects receipts in the Bank Statement not recorded in the Cashbook amounting to Kshs.6,258,916.00 which includes long outstanding receipts of Kshs.3,233,884.00 relating to 2009/2010. Failure to record the receipts of Kshs.3,233,884.00 in the Cashbook has not been explained.

1083. The Statement further reflects receipts totalling Kshs.13,186,612.85 in the Cashbook not recorded in the Bank Statement, which includes an amount of Kshs.12,831,896.55 relating to 2009/2010. No reason has been provided for non banking of the receipts.

Deposits Cashbook

1084. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.5,706,993.25 out of which an amount of Kshs.1,289,648.05 relates to 2009/2010 and earlier years. No reason has been provided for failure to have the receipts recorded in the Cashbook.

1085. The Statement also reflects payments totalling Kshs.662,684.00 in the Bank Statement not recorded in the Cashbook relating to 2009/2010 and earlier years. As in the previous cases, no reason has been provided for failure to record the payments in the Cashbook.

1086. The Statement further reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.1,116,090.40 relating to 2009/2010 and earlier years. No clarification has been made for failure to bank the long outstanding receipts.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.18

1087. The Statement of Assets and Liabilities for Vote R.18 as at 30 June 2011 reflects various balances under Exchequer, District Suspense, General Suspense, General Account of Vote (GAV), Inter-Ministerial Agency and Miscellaneous Deposit Accounts relating to 2009/2010 and earlier years. Besides the failure to clear these balances from the books of account, they have also not been fully analysed. As a result, it has not been possible to ascertain the completeness and accuracy of the balances.

1088. The Statement further reflects an Imprests Account debit balance of Kshs.4,631,415.70 which should have been surrendered or otherwise accounted for on or before 30 June 2011. No reason has been provided for failure to account for the imprests.

1089. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided for audit purposes. As a result, it has not been possible to ascertain the completeness and accuracy of the balances reflected in the Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.18

1090. The Statement of Assets and Liabilities for Vote D.18 as at 30 June 2011 reflects Exchequer Account balance of Kshs.375,529,832.10 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances relating to prior years.

1091. In addition, the Exchequer Account balance of Kshs.147,279,004.00 for 2010/2011 differs with a figure of Kshs.489,965,176.00 shown in the related records maintained at Treasury. The resultant difference of Kshs.342,686,172.00 between the two sets of records has not been reconciled or explained.

1092. The Statement further reflects various long outstanding account balances under Inter-Ministerial Agency, District Suspense and General Account of Vote (GAV) Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear these long outstanding debit and credit balances.

1093. The Statement in addition reflects various balances under Inter-Ministerial Agency, District Suspense, General Deposits and District Suspense Accounts which have not been analysed. In the absence of analysis for the above balances, their completeness and accuracy could not be ascertained.

1094. The Statement also shows that an amount of Kshs.740,782,974.60 from the previous years' Paymaster General (PMG) Account balance of Kshs.760,144,023.55 was cleared during the year under review. The clearance has, however, not been supported with the relevant documents and Cashbook adjustments. Consequently, the completeness and accuracy of the Paymaster General (PMG) Account net balance of Kshs.19,361,048.95 as at 30 June 2011 could not be ascertained.

1095. The trial balance as at 30 June 2011 and the ledgers for the period then ended were not provided for audit. As a result, it has not been possible to confirm the accuracy of the books of account used to prepare the Statement of Assets and Liabilities.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 18

1096. The Statement of Assets and Liabilities for Deposits 18 as at 30 June 2011 reflects an Imprests Account debit balance of Kshs.1,908,115.80 out of which an amount of Kshs.996,000.00 issued on 21 May 2008 to an officer had not been accounted for. No explanation has been provided for failure by the officer to account for or surrender this long outstanding imprest.

1097. The Statement also shows a General Deposits Account credit balance of Kshs.3,993,894.90, which has not been supported with relevant records or analyses. Consequently, the completeness and accuracy of the balance of Kshs.3,993,894.90 could not be ascertained.

1098. The Ministry did not produce a trial balance as at 30 June 2011 and the ledger for the month of June 2011. The basis of preparation of the Statement of Assets and Liabilities as at 30 June 2011 has not, therefore, been clarified.

MINISTRY OF LIVESTOCK DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE R.19

Format of the Appropriation Account

1099. The Appropriation Account for Vote R.19 for the year ended 30 June 2011 submitted for audit did not disclose separately the original and supplementary estimates of expenditure. Further, the Account's Sub-votes and Heads were coded differently from the ones in the Approved Estimates contrary to Government Financial Regulations and Procedures.

Discrepancy between the Appropriation Account and the Printed Estimates

1100. The Appropriation Account reflects numerous estimates of expenditure which differ with the respective amounts shown in the Printed Estimates across all the three Sub-votes. Consequently, the Net Approved Estimates of Kshs.3,691,254,750.00 shown in the Account differs with the Net Approved Estimates figure of Kshs.3,679,384,250.00 reflected in the Printed Estimates by Kshs.11,870,500.00.

Discrepancy between the Appropriation Account and the Summary

1101. Further, the total net expenditure of Kshs. 3,345,266,591.00 shown in the main Appropriation Account differs with the corresponding figure of Kshs. 3,340,653,386.00 shown in the summary by Kshs. 4,613,205.00, which has not been explained.

Unauthorized Expenditure

1102. The Appropriation Account reflects expenditure totalling Kshs.11,371,700.00 under Head 190204-Headquarters Livestock Production Support Services, Item 3111300 – Purchase of Certified Seeds, Breeding Stock and Live Animals - for which there was no provision in the approved Recurrent Expenditure Estimates. Consequently, the amount of Kshs.11,371,700.00 constitutes unauthorized expenditure.

Excluded Expenditure

1103. Review of payment vouchers and other supporting documents revealed that expenditure totalling Kshs.71,383,269.60 chargeable to Vote R.19 during the year 2010/2011 was not captured and accounted for in the Appropriation Account. No explanation has been provided for the exclusion of the expenditure.

Excluded Appropriations-In-Aid

1104. Although the Appropriations-In-Aid records and returns held at the Ministry's Headquarters indicate that an amount of Kshs.4,323,830.00 was collected in the year 2010/2011, the Appropriation Account reflects receipts totalling only Kshs.60,600.00 for the period. No explanation has been provided for the omission of the resultant difference of Kshs.4,263,230.00 from the Account.

Expenditure Charged to Incorrect Items

1105. Expenditure totalling Kshs.2,312,498.75 in respect of calling cards, casual wages, subsistence allowance and dairy meal was charged to the incorrect account codes. No reason has been given for failure to adhere to the budgetary control procedures.

Grants to Collaborating Institutions

1106. Payment Vouchers and the Cashbook shows that an amount of Kshs.23,667,344.05 was paid to five institutions collaborating with the Ministry in the year 2010/2011 while the Appropriation Account reflects expenditure totalling Kshs.9,856,430.00 against current transfers, grants and subsidies to the institutions during the period. No explanation or reconciliation has been provided for the difference totalling Kshs.13,810,911.05. Further, no expenditure returns from these organizations were made available for audit review. Consequently it has not been possible to confirm whether the grants were received and utilised for the intended purposes.

Failure to Provide Footnotes for Material Variations

1107. Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures, requires that footnotes be provided to explain variations of Kshs.1,000,000.00 above or below the approved estimates and the actual expenditure or actual Appropriations-In-Aid within each Head. The Appropriation Account, however, reflects variations in excess of Kshs.1,000,000.00 in respect of which no footnotes have been provided.

APPROPRIATION ACCOUNT FOR VOTE D. 19

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

1108. The Appropriation Account for Vote D.19 for the year ended 30 June 2011 reflects gross under expenditure of Kshs.870,861,668.00 or approximately 24% of the approved gross estimates of Kshs.3,567,726,742.00 and under-collection of Appropriations-In-Aid of Kshs.57,394,330.00 representing about 23% of the

estimated receipts. The main reasons provided in the footnotes to account for under-expenditure and under-collection includes; lack of liquidity and delay in release of donor funds. No indication has however been given on how the Ministry is addressing these challenges.

Excluded Expenditure

1109. The Appropriation Account reflects Nil Expenditure under Head 190204-Headquarters Livestock Production Support Services, Item 2630200 – Capital Grants to Government Agencies and other Levels of Government. The Kenya Dairy Board’s financial statements for 2010/2011, however, reflect receipts of Kshs.20,000,000.00 during the year from the Ministry. The expenditure of Kshs.20,000,000.00 has, therefore, been apparently excluded from the Appropriation Account.

Variances between Appropriation Account and Trial Balance

1110. The Appropriation Account also reflects net total expenditure of Kshs.2,509,846,944.00 while the Trial Balance as at 30 June 2011 shows a figure of Kshs.2,478,166,241.20. The resultant difference of Kshs.31,680,702.80 between the two sets of records has not been reconciled or explained.

1111. Further, the detailed Appropriation Account reflects total net expenditure of Kshs.2,487,046,909.00 which differs with the corresponding figure of Kshs.2,509,846,944.00 shown in the summary statement. The resultant difference of Kshs.22,800,035.00 has not been explained.

Failure to Provide Footnotes

1112. The Appropriation Account further reflects variations in excess of Kshs.1,000,000.00 for which no footnotes were provided under Account 190-447-2110300 - Personnel Allowances Paid as Part of Salary-with a variance of Kshs.1,181,783.00 and Account 190-491-5120200, Foreign Borrowing – Direct Payment-with a variance of Kshs.2,414,448.00. No reason has been given for the omissions.

PENDING BILLS

1113. Records maintained at the Ministry’s Headquarters indicate that bills amounting to Kshs.45,315,979.85 were not settled during the year 2010/2011, but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.14,425,637.55 were chargeable to the Recurrent Vote R.19 while the balance of Kshs.30,890,342.30 related to the Development Vote D.19.

1114. Had the bills been paid and the expenditure charged to the financial statements for the 2010/2011, the Recurrent Appropriation Account for Vote R.19 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.318,554,614.45 instead of the Kshs.332,980,252.00 now shown. Similarly, the Development Appropriation Account for Vote D. 19 for the same period would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.782,576,995.70 instead of the Kshs.813,467,338.00 now recorded.

OUTSTANDING IMPRESTS

1115. Records maintained at the Ministry's Headquarters indicate that Temporary imprests totalling Kshs.3,831,246.00 which ought to have been surrendered or accounted for on or before 30 June 2011 were still outstanding as at that date. Out of the total, imprests amounting to Kshs.1,898,714.00 were owed by officers on Job Group 'L' and below, Kshs.1,768,532.00 by officers on Job Group 'M' and above while the balance of Kshs.164,000.00 was due from Members of Parliament.

1116. It was also observed that nine officers were issued with multiple imprests amounting to Kshs.953,604.00 before having surrendered or accounted for amounts previously issued.

1117. A review of the position as at 31 August 2011 revealed that imprests amounting to Kshs.1,768,744.00 had been accounted for leaving a balance of Kshs.2,062,502.00 still outstanding.

GARRISA DISTRICT VETERINARY OFFICE - PAYMENT FOR WORK NOT DONE

Erection and completion of a Tannery at Garissa Township

1118. In May 2011, quotations were invited by Garissa District Tender Committee from ten prequalified contractors for erection and completion of a tannery at Garissa Town. Bids for six contracts who responded were opened on 2 June 2011.

1119. The contract was awarded to the lowest evaluated bidder on 9 June 2011, at a contract sum of Kshs.9,849,275.80. The scope of works involved builder's works for the tannery, underground water tank, ablution block, gate house, external and electrical works.

1120. The contract sum was paid via two payment vouchers, Nos. 002 and 1725 dated 26 June and 30 June 2011 for Kshs.4,607,340.17 and Kshs.5,241,936.10 respectively, both totalling Kshs.9,849,276.27. It was, however, observed that the payments were made to a different firm, apparently of the same address instead of the contracted firm. No explanation has been given for the anomaly.

1121. Although the contractor was paid the full contract sum based on the statement for payment on account certificates issued by the project manager, the Bills of Quantities (BQs) and contract agreement were not availed for audit review. As a result, the specifications and contract period could not be ascertained.

1122. Physical verification carried out on 20 September 2011 revealed that the ablution block, gate house and the ground water tank with an estimated value of Kshs.3.9 Million or 40% of the contract had not been done. No explanation has been provided for the certification and full payment for uncompleted works.

DISTRICT LIVESTOCK PRODUCTION OFFICE – TANA DELTA

Unaccounted for Livestock

1123. The District Livestock Production Officer (DLPO) - Tana Delta was allocated an amount of Kshs.7,370,000.00 by the Ministry of Livestock Development for the rehabilitation of Ranches under Economic Stimulus Programme. Idasa Godana Ranch was identified as the beneficiary Ranch of the whole amount allocated.

1124. Out of the above amount, Kshs.3,900,000.00 was to be utilized by the DLPO for purchase of animals and breeding stock for the Ranch. Information available indicate that quotations were floated for the purchase of two hundred (200) steers and five farmers responded.

1125. A local farmer being the lowest evaluated bidder was awarded the tender to supply the animals at a price of Kshs.19,500.00 per head by the District Tender Committee on 20 May 2011.

1126. According to the information obtained, 200 steers aged 4 – 5 years and each weighing about 200 Kilograms were reportedly delivered and received at the Ranch and a Counter Receipt Voucher (S13) No.395978 issued on 2 June 2011. Although the Authority to Incur Expenditure (AIE) provided for the purchase of steers and breeding stock, only steers were procured.

1127. Physical verification conducted at the Ranch on 28 September 2011 disclosed that out of the 200 steers delivered, only 95 were existing. The District Livestock Production Officer explained that 80 steers were sold on 25 August

2011 for a total of Kshs.1,136,000.00 implying a sale price of Kshs.14,200.00 per steer while the remaining 25 steers either died of disease or were killed by wild animals. However, no documentary evidence was produced for audit review to confirm the sale of (80) steers or the death of the 25 steers as stated. Consequently, it is doubtful whether the (105) steers were delivered and received at the ranch.

1128. Further, It has not been explained why the steers bought at a price of Kshs.19,500.00 each were later sold after 3 months at a price of Kshs.14,200.00 each resulting in a total loss of Kshs.424,000.00.

DISTRICT LIVESTOCK PRODUCTION OFFICE – LAMU WEST

Purchase of Livestock

1129. The District Livestock Production Officer (DLPO) – Lamu West was allocated an amount of Kshs.3,760,000.00 by the Ministry of Livestock Development for the restocking of animals and breeding stock at the Witu /Nyongoro Ranch. On 31 May 2011 the District Tender Committee, floated a tender for the supply of two hundred (200) steers and seven (7) heifers. Five bidders subsequently responded.

1130. The tender was awarded to a local farmer based in Witu being the lowest evaluated bidder and was on 6 June 2011 issued with LPO No.D971627 for supply of 200 steers and 7 heifers. The animals were indicated as having been delivered a day later vide invoice No. 000100 dated 7 June 2011 and a Counter Receipt Voucher (S.13) No. 4172490 issued on 13 June 2011 acknowledging receipt of the animals. The supplier was paid an amount of Kshs.3,739,800.00 vide payment voucher No. 8343 of the same date.

1131. A further payment of Kshs.17,950.00 was made to the supplier through Payment Voucher No. 9690 dated 29 June 2011, in respect of an additional 1 young steer delivered to Witu/Nyongoro Ranch and acknowledged vide Receipt Voucher (S.13) No. 4172492.

1132. It was, however, not possible to confirm whether the 201 steers and 7 heifers valued at Kshs.3,757,750.00 were received because during a physical verification exercise carried out at Witu/ Nyongoro Ranch on 20 September 2011, no records were maintained and the Ranch had other animals whose records were also not provided for audit review.

Unaccounted for Pipes and Water Tank

1133. The District Livestock Production Officer (DLPO) issued a Local Purchase Order (LPO) No.D97/630 of 17 June 2011 for the supply of 350 pieces of 3” UPVC pipes worth Kshs.722,750.00 to a local firm based in Mpeketoni. An invoice No. 415 dated 23 June 2011 was presented and payment made on 29 June 2011.

1134. A physical verification at Bargoni Ranch Holding Ground on 20 September 2011 where the pipes were reportedly delivered disclosed that only 100 pieces of the 3” UPVC Pipes ordered were entered in the stock ledger cards by the Holding Ground attendant. Consequently, 250 pieces worth Kshs.516,250.00 appear not to have been delivered or accounted for. Besides, no stores records were maintained at the DLPO.

1135. It was further noted that the DLPO issued another Local Purchase Order (LPO) No.D97629 to a local firm based in Lamu for the supply of three plastic water tanks each of 10,000 litres capacity worth Kshs.442,500.00 and paid for them vide payment voucher No. 111 of 29 June 2011 and cheque No.001399 of 29 June 2011. According to the stock ledger cards, two tanks were indicated to have been taken to Bargoni Ranch Holding Ground whose delivery was confirmed while the other was taken to Witu/Nyongoro Ranch.

1136. However, physical verification carried out on 20 September 2011 at Witu/Nyongoro Ranch revealed that no tank was delivered or received. The tank worth Kshs.147,500.00 therefore, remains, unaccounted for.

VETERINARY SERVICES DEVELOPMENT FUND

1137. The Veterinary Services Development Fund Financial Statements for the year ended 30 June 2011 was not derived from the Ministry’s records and ledgers but seem to have been extracted from other records separately maintained. No reason has been provided for failure to incorporate the Fund’s operations in the Ministry’s financial records.

1138. The Fund’s Income and Expenditure Account reflects an expenditure of Kshs.5,988,040.00 against Basic Wages – Temporary, out of which an amount of Kshs.2,452,310.00 relates to payments made to merchants for supply of goods and services. No explanation has been provided for this anomaly.

1139. The Balance Sheet reflects Non-Current Assets balance of Kshs.75,225,248.00 which, however excludes various non-current assets with an undetermined value acquired by the Fund in 2008/2009 and earlier years. Further, no assets register exists to show the location or physical existence of

these assets. Consequently, the Non-current Assets balance of Kshs.75,225,248.00 is not fairly stated.

1140. The Balance Sheet also reflects Temporary Imprests totalling Kshs.1,073,340.00 which were due for surrender on, or before 30 June 2011. No reason has been given for failure to account for the imprest by 30 June 2011.

1141. The Balance Sheet further reflects a DVOs Suspense Account balance of Kshs.4,563,831.25 which was explained as unspent AIEs balances in various Districts. However, the Ministry has not provided verifiable documents such as cashbooks, board of survey report, bank statements and certificates to support the unspent balances. As a result, it has not been possible to confirm the completeness and accuracy of the balance of Kshs.4,563,831.25.

Bank Reconciliation Statement

1142. The Fund's Bank Reconciliation Statement as at 30 June 2011 reflects payments in the cashbook not in the bank statement totalling kshs.17,425,778.30 which includes stale cheques amounting to Kshs.1,443,826.20.

1143. The Statement also reflects receipts in the bank statement not in the cashbook totalling Kshs.27,182,642.39 which include receipts amounting to Kshs.11,972,833.00 relating to the period prior to 31 December 2010.

1144. The Statement further reflects payments in the bank statement not in the cashbook totalling Kshs.28,972,857.85 out of which an amount of Kshs.22,951,655.30 had been outstanding for more than six months.

1145. The Statement in addition reflects receipts in the cashbook not in the bank statement totalling Kshs.4,428,814.15 which include receipts amounting to Kshs.2,330,557.70 relating to the period between 31 March 2009 and 21 January 2010. No reason was given for not banking the receipts.

HIDES AND SKIN CESS FUND

1146. In the reports for previous years, reference was made to the fact that the Hides and Skins Cess Fund was abolished through a Legal Notice No.129 of 11 June 1986. The Treasury through a Circular No.15/2009 dated 7 August 2009 instructed all Accounting Officers to wind up all dormant Funds and to pay over to the Exchequer all monies held against such Funds as extra exchequer receipts. However, a review of the position in 2010/2011 revealed that the Fund had not been wound up contrary to the Treasury instructions and an amount of Kshs.57,954,613.50 was still held against the Fund as at 30 June 2011.

1147. The Fund's Statement of financial position as at 30 June 2011 also continues to reflect amounts of Kshs.10,000.00 and Kshs.5,881.85 in respect of Accountancy Fee and Interest due to Other Organizations respectively. The validity and accuracy of these liabilities could not, however, be confirmed due to lack of relevant supporting documents and records.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1148. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.139,187,716.60 in the Cashbook not in the Bank Statement. The payments include an amount of Kshs.82,329,806.90 which had been outstanding for over six months. The reasons for exclusion of these payments from the bank statement for a long period have not been given.

1149. The Statement also reflects receipts in the Bank Statement not in the Cashbook totalling Kshs.8,317,080.70 out of which an amount of Kshs.4,027,545.55 had been outstanding for more than six months.

1150. The Statement also reflects payments in the Bank Statement not in the Cashbook totalling Kshs.128,663,770.45 out of which an amount of Kshs.99,910,486.40 had been outstanding for more than six months.

1151. The Statement further reflects receipts in the Cashbook not in the Bank Statement totalling Kshs.57,536,545.85. The receipts include an amount of Kshs.7,612,376.65 which had been outstanding for over six months. No reason has been provided for failure to bank the receipts.

Development Cashbook

1152. The Bank Reconciliation for Development Cashbook as at 30 June 2011 reflects receipts totalling Kshs.3,983,005.00 in the Bank Statement not in the Cashbook out of which an amount of Kshs.532,012.00 had been outstanding for more than six months after the transaction date.

1153. The Statement also reflects payments totalling Kshs.71,675,350.00 in the Bank Statement not in the Cashbook which includes payments amounting to Kshs.6,827,107.85 that had been outstanding for more than six months. Failure to update the cashbook with the payments has not been explained.

1154. The Statement further reflects receipts totalling Kshs.160,528,411.25 in the Cashbook not in the Bank Statement which includes an amount of Kshs.8,350,677.40 that had remained outstanding for over six months. No reason has been given for failure to bank the receipts.

Deposit Cashbook

1155. The Bank Reconciliation Statement for Deposits Cashbook as at 30 June 2011 reflects payments totalling Kshs.4,515,048.25 in the Cashbook not in the Bank Statement. The payments includes an amount of Kshs.4,118,210.25 which had remained uncleared for over six months after the transaction date.

1156. The Statement also reflects receipts totalling Kshs.7,605,576.75 in the Bank Statement not in the Cashbook out of which an amount of Kshs.6,230,084.65 had remained outstanding for more than six months. No reason has been given for failure to update the Cashbook.

1157. The Statement also reflects payments totalling Kshs.1,292,576.15 in the Bank Statement not in the Cashbook and which had been outstanding for more than six months.

1158. Further, the Statement reflects receipts in the Cashbook not in the Bank Statement totalling Kshs.6,263,280.60 which includes an amount of Kshs.1,613,682.60 that remained unrecorded in Bank Statement for over six months. Failure to bank the receipts has not been explained.

FAILURE TO SUBMIT THE STATEMENTS OF ASSETS AND LIABILITIES

1159. The Ministry did not prepare and submit for audit the Statements of Asset and Liabilities for the Recurrent, Development Votes and the Deposits as at 30 June 2011, respectively contrary to the requirements of Section 18(2)(d) of The Government Financial Management Act. 2004. No explanation has been provided for this omission.

MINISTRY OF WATER AND IRRIGATION

APPROPRIATION ACCOUNT FOR VOTE R.20

Grants to National Water Conservation and Pipeline Corporation

1160. The Appropriation Account reflects grants totalling Kshs.287,000,000.00 as having been issued to the National Water Conservation and Pipeline Corporation during the year, while the financial statements of the Corporation for 2010/2011 show grants amounting to Kshs.286,000,000.00 as having been received. The difference of Kshs.1,000,000.00 between the two sets of records has not been reconciled or explained.

Grants to Water Services Boards

1161. The Appropriation Account also reflects grants totalling Kshs.50,000,000.00 and Kshs.30,000,000.00 as issued to the Northern Water Service Board and Lake Victoria South Water Service Board, respectively during the year. However, the financial statements of the two corporations for the year 2010/2011, show that grants amounting to Kshs.113,299,335.00 and Kshs.73,727,000.00, respectively were received. No reconciliation or explanation has been provided for the resultant differences of Kshs.63,299,335.00 and Kshs.43,727,000.00, respectively.

Unvouched Expenditure

1162. The Appropriation Account reflects expenditure totalling Kshs.144,980,800.00 against Item 3110700 – Purchase of Vehicles and Other Transportation Equipment under Heads 887 and 567 while payment vouchers and other related records show expenditure amounting to Kshs.13,326,000.00 in respect of the Item resulting in an unsupported expenditure of Kshs.131,654,800.00. Consequently, the propriety of the expenditure of Kshs.131,654,800.00 could not be ascertained.

APPROPRIATION ACCOUNT FOR VOTE D. 20

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

1163. The Appropriation Account for Vote D. 20 for the year ended 30 June 2011 reflects gross under expenditure of Kshs.9,487,662,773.00 or about 29% of the approved estimates of Kshs.32,783,206,807.00. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.5,592,797,383.00 or about 42% of the estimated receipts of Kshs.13,212,518,007.00.

1164. According to the footnotes to the Account, the under-expenditure and under-collection of Appropriations-In-Aid have been attributed to; lack of liquidity, delayed disbursement by donors and late receipt of invoices from contractors and suppliers. The Ministry has not, however, indicated how it is addressing the underlying challenges of under-expenditure and under-collection of Appropriations-In-Aid.

Grants to State Corporations and Water Services Trust Fund

1165. The Appropriation Account also reflects grants totalling Kshs.4,601,037,086.00 and Kshs.100,000,000.00 as having been disbursed to the National Water Conservation and Pipeline Corporation and Water Services Trust Fund respectively during the year, while the financial statements of the Corporations and the Trust Fund for 2010/2011 show amounts of Kshs.4,507,895,250.00 and Kshs.144,999,101.00 respectively, as having been received. The differences of Kshs.93,141,836.00 and Kshs.44,999,101.00 between the Appropriation Account and the financial statements of the two organizations have not been reconciled or explained.

1166. In addition, records indicate that grants totalling Kshs.4,485,362,212.00 were similarly disbursed to various Water Service Boards and the Water Resources Management Authority during the year, while the respective financial statements of the said agencies for 2010/2011 show an amount of Kshs.1,151,603,352.00 as having been received. As in the previous instance, no reconciliation or explanation has been provided for the resultant difference of Kshs.3,333,758,860.00.

Grants to National Irrigation Board

1167. Further, the Appropriation Account reflects grants totalling Kshs.1,605,743,500.00 as having been disbursed to National Irrigation Board while records maintained by the Board show an amount of Kshs.1,623,492,876.00 as having been received from the Ministry. The difference of Kshs.17,749,376.00 between the two sets of records has not been reconciled or explained.

Nugatory Expenditure

1168. The Appropriation Account for Vote D. 20 for the year ended 30 June 2011 reflects expenditure of Kshs.6,194,315,106.00 under Sub-vote 200, Head 716 – Water Services Board, Item 3110500 – Construction of Civil Works. The expenditure includes accrued interest charges of Kshs.5,439,420.00 resulting from the Ministry's failure to settle bills submitted by a contractor on time. Had the bills been settled on time, the Government would have avoided nugatory payment of accrued interest of Kshs.5,439,420.00.

PENDING BILLS

1169. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.36,340,827.00 and Kshs.100,302,000.00 relating to 2010/2011 and chargeable to the Recurrent and Development Votes respectively were not settled during the year, but were instead carried forward to 2011/2012.

1170. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account for Vote R. 20 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.38,300,065.00 instead of Kshs.74,640,892.00 now shown. Similarly, the Development Appropriation Account for Vote D.20 for the year would have reflected a reduced Net Surplus of Kshs.3,794,563,390.00 instead of Kshs.3,894,865,390.00 now recorded.

NON-SUBMISSION OF FINANCIAL STATEMENTS OF THE KENYA YOUTH EMPOWERMENT PROJECT

1171. The Development Revenue (DR1) - Statement of Revenue for the year ended 30 June 2011 submitted by the Treasury indicates that a total of Kshs.150,000,000.00 received from the International Development Association (IDA) was transferred to the Ministry of Water and Irrigation for the Kenya Youth Empowerment Project. However, the Ministry did not prepare and submit for audit the project's financial statements for the year ended 30 June 2011, as required under Section 7 of the Public Audit Act, 2003 and Schedule 2 Section II (B) of the Financing Agreement Credit No. 4697-KE dated 20 May 2010 between the Government of Kenya and the International Development Association (IDA). It has not, therefore, been possible to ascertain that the funds were used for the intended purposes.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

1172. Although records maintained at the Treasury indicate that loans totalling Kshs.10,638,065,599.89 issued to various agencies under the Ministry were outstanding as at 30 June 2011, no Statement of Outstanding Loans was prepared and submitted for audit as required under Section 4(2) (b) of the Public Audit Act, 2003. No reason has been provided for failure to submit the Statement.

OUTSTANDING IMPRESTS

1173. Audit of imprest records maintained at the Ministry of Water and Irrigation Headquarters indicate that temporary imprests totalling Kshs.1,102,564.50 which ought to have been surrendered or otherwise accounted for on or before 30 June 2011, were still outstanding as at that date. Out of the total, imprests amounting to Kshs.313,695.00 were owed by officers on Job Group 'M' and above, while the balance of Kshs.788,869.50 was owing from officers on Job Group 'L' and below.

1174. A review of the position as at 30 September 2011 showed that imprests amounting to Kshs.285,150.00 had been surrendered or accounted for, leaving a balance of Kshs.817,414.50 outstanding as at that date.

DISTRICT WATER OFFICE – WAJIR WEST DISTRICT

Unaccounted for Bulk Fuel

1175. The District Water Officer, procured 32,579 litres of diesel worth Kshs.3,455,005.00 from a Wajir based merchant vide L.P.O. Nos. 0981355, 0981360 and 0981364 dated 17 December 2010, 4 May 2011 and 29 June 2011 for 12,000 litres, 11,000 litres and 957 litres respectively.

1176. A review of stores ledger cards (S3), however, indicated that the fuel was neither entered in bulk fuel register nor supported by delivery notes from the supplier. Further, work tickets of the vehicles that consumed the fuel were not made available for audit review.

1177. In the absence of the above documents, it has not been possible to ascertain the usage of the 32,579 litres of diesel or propriety of the expenditure of Kshs.3,455,005.00.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1178. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects receipts totalling Kshs.57,276,317.40 in the Cashbook not recorded in the Bank Statement out of which an amount of Kshs.50,812,013.05 relates to what has been described as "Cashbook Adjustments". The nature and purpose of these "Cashbook Adjustments" has not been clarified.

Deposit Cashbook

1179. The Bank Reconciliation Statement for Deposits Cashbook as at 30 June 2011 reflects receipts in Cashbook not recorded in Bank Statement totalling Kshs.10,593,703.75 out of which Kshs.10,090,176.70 relates to 2009/2010. No reason has been given for failure to bank the collections or investigate the long outstanding balance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.20

1180. The Statement of Assets and Liabilities for Vote R.20 as at 30 June 2011 does not reflect debit and credit balances under Excess Vote 1981/1982, Exchequer Under Issue, Exchequer Under Issue 2009/2010, Exchequer Adjustment A/C 2002/2003, General Suspense – Retrenchment, Stale Cheque (Receipts), PMG Reimbursement Suspense A/C, Paymaster General, Agency Account, GAV – Surplus Vote, GAV – Surplus Vote 2009/2010, Excess Exchequer – 1997/1998, District Suspense Account, General Suspense and General Deposit Accounts as brought forward from 2009/2010 accounts. No justification has been provided for this omission and anomaly.

1181. The Statement also reflects various accounts with debit and credit balances totalling Kshs.250,795,310.25 and Kshs.271,070,159.40 respectively, under Advance, Advance Government Org., Imprests, R/D Cheques, Advances from Ministry of Rural Development, Clearance Account, Returned Salary and Inter-Bank Transfers Accounts relating to 2009/2010 and earlier years. No reasons have been given for failure to clear the balances from the books of account.

1182. The Statement also reflects three debit and five credit balances totalling Kshs.240,086,911.85 and Kshs.123,558,525.80 respectively, in respect of Advances, Advance Govt. Organization, Imprests, R/D Cheques, Clearance Account, General Deposit, Returned Salary and Inter-Bank Transfers Accounts against which the relevant supporting analyses were not provided. In absence of the analyses, it has not been possible to confirm the validity and accuracy of the balances.

1183. The Statement reflects Exchequer Under Issues for 2010/2011 of Kshs.821,644,000.00 while the records at Treasury show a balance of Kshs.388,644,400.00. The resultant difference of Kshs.432,999,600.00 has not been reconciled or explained.

1184. The Statement further reflects advances account debit balance of Kshs.679,985.80 while the Salary Advance Register maintained by the Ministry shows an amount of Kshs.2,222,728.65. No reconciliation or explanation has been given for the difference of Kshs.1,542,742.85 between the two records.

1185. The Statement in addition reflects an Imprests Account debit balance of Kshs.5,586,835.50 while the Imprests Register shows a figure of Kshs.1,102,564.50. No reconciliation or explanation has been provided for the difference of Kshs.4,484,271.00.

1186. The Statement reflects a General Account of Vote for 2010/2011 credit balance of Kshs.821,644,000.00 while the Recurrent Appropriation Account for Vote R. 20 for the year ended 30 June 2011 shows Net Surplus to be surrendered to the Exchequer of Kshs.114,852,446.00. The resultant difference of Kshs.706,791,554.00 has not been reconciled or explained.

1187. The Ministry did not provide the Trial Balance as at 30 June 2011 and the Ledgers for the period then ended to support the account balances. Consequently, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.20

1188. The Statement of Assets and Liabilities as at 30 June 2011 does not reflect debit and credit account balances under Excess Votes, Exchequer under issues, Exchequer under issues 2009/2010, Miscellaneous 2000/2001, Exchequer Adjustment A/C 2002/2003, PMG Reimbursement A/C, District Suspense A/C, General Suspense, Stale Cheques, Paymaster General, GAV Surplus Votes, District Suspense A/C, R/D Cheques, Stale Cheques, General Suspense and Inter-Bank Transfers Accounts as brought forward from 2009/2010 financial year. No justification was provided for failure to bring forward the above balances to 2010/2011 with the result that the accuracy of balances shown against these accounts is doubtful.

1189. The Statement also reflects various long outstanding debit and credit balances totalling Kshs.518,088,110.00 and Kshs.3,773,864,975.00, respectively under Advance (Mt. Kenya), Advance-Government Organizations, Imprests, Stale Cheques, GAV Surplus Votes, GAV Surplus Votes 2009/2010 and Inter-Vote Adjustments A/C (MENR & W) Accounts relating to 2009/2010 and earlier years. No reason has been given for non-clearance of these long outstanding balances from the books of account.

1190. The Statement further reflects various debit and credit balances totalling Kshs.3,728,438,698.00 and Kshs.1,087,784,730.00 respectively, under Advance (Mt. Kenya), Advance-Government Organizations, Imprests, Stale Cheques, General Suspense and Inter-Vote Adjustments A/C (MENR & W) Accounts which have not been supported with the relevant analyses. In the absence of the analyses, it has not been possible to confirm the validity and accuracy of the balances.

1191. The Statement reflects Exchequer Under Issues for 2010/2011 balance of Kshs.2,789,147,701.00 while records maintained at the Treasury shows a figure of Kshs.2,280,269,700.00. The resultant difference of Kshs.508,878,001.00 between the two sets of records has not been reconciled or explained.

1192. The Statement in addition reflects General Account of Vote (GAV) – 2010/2011 balance of Kshs.2,789,147,701.00, while the Appropriation Account for Vote D.20 for the year ended 30 June 2011 shows a Net Surplus of Kshs.3,894,865,390.00. The resultant difference of Kshs.1,105,717,689.00 has not been reconciled or explained.

1193. The Trial Balance as at 30 June 2011 and the Ledger for the period then ended were not provided to support the balance reflected in this Statement. Consequently, the completeness and accuracy of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 20

1194. The Statement of Assets and Liabilities for Deposits 20 as at 30 June 2011 reflects two Miscellaneous Deposits Account credit balances amounting to Kshs.34,440,919.00 which have not been analysed or supported with relevant documents. It has not been possible, therefore, to ascertain the completeness and accuracy of the balances.

1195. The Statement further reflects Contractor's Retention Money Account credit balance of Kshs.19,411,566.65 while the Retentions Register as at 30 June 2011 shows a figure of Kshs.5,600,105.20. The resultant difference of Kshs.13,811,461.45 between the two sets of records has not been reconciled or explained.

1196. A Trial Balance as at 30 June 2011 and Ledgers for the period then ended that would have supported the figures reflected in the Statement were not provided. Consequently, it has not been possible to confirm the source and accuracy of the figures in the Statement as a whole or whether proper books of account were kept during the period.

MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES

APPROPRIATION ACCOUNT FOR VOTE R.21

1197. The Appropriation Account for Vote R.21 for the year ended 30 June 2011 reflects under Heads 210602-National Environmental Management Authority and 210603-Public Complaints Committee-grants issued to the two Agencies totalling Kshs.544,577,508.00 and Kshs.20,799,999.00, respectively. However, the financial statements of these government agencies for 2010/2011, indicate that amounts of Kshs.547,037,504.00 and Kshs.20,089,978.00 respectively were received from the Ministry during the year. The resultant differences of Kshs.2,459,996.00 and Kshs.710,021.00, respectively have not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D. 21

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

1198. The Appropriation Account reflects gross under-expenditure of Kshs.607,741,922.85 representing 24% of the approved estimates of Kshs.2,553,864,966.05 and under-collection of Appropriations-In-Aid of Kshs.220,796,779.50 or approximately 96% of the estimated receipts of Kshs.230,532,500.00.

1199. The under – expenditure has been explained in the footnotes as due mainly to: prolonged procurement process; late receipt of funds; late take-off of projects' activities; and community driven problems. The Ministry has not indicated, however, how it is addressing these challenges with a view to avoiding material under-expenditure in future.

1200. The Ministry did not provide footnotes to explain material under collection of Appropriations-In-Aid contrary to the requirements of the Government Financial Regulations and Procedures.

Misallocation of Expenditure

1201. Expenditure totalling Kshs.46,932,000.00 on meal allowances was charged during the year to Vote D.21 against various Heads and Items relating to climate change and environment policy issues. No reason has been provided for charging the meal allowances to the incorrect account items instead of Item 2110800 – Hospitality, Supplies and Services.

Excluded Expenditure

1202. The Project's Financial Statements of Lake Victoria Environmental Management Project for the year ended 30 June 2011 reflects expenditure totalling Kshs.166,028,229.60 while the Appropriation Account for Vote D. 21 for the period shows a figure of Kshs.120,734,870.00 against the Item. The resultant difference of Kshs.45,293,359.60 between the two sets of records has not been reconciled or explained.

Unvouched Expenditure

1203. Payment vouchers and other related records in support of expenditure totalling Kshs.150,714,584.35 were not provided for audit review. Consequently, the propriety of the expenditure could not be ascertained.

Grants to National Environment Management Authority (NEMA)

1204. The Appropriation Account reflects net expenditure of Kshs.79,987,500.00 under Head 210602- National Environment Management Authority, while the Financial Statements of the Authority for 2010/2011 shows receipts from the Ministry of Kshs.15,705,000.00 during the period. No reconciliation or explanation has been provided for the resultant difference of Kshs.64,282,500.00.

Failure to provide footnotes

1205. The Appropriation Account in addition reflects material variances between the approved estimates and the actual expenditure in respect of various items under Heads 210103,210304, 210601 and 210602 without the footnotes contrary to Paragraph 11.7 of the Government Financial Regulations and Procedures. No reason has been given for failure to provide the footnotes.

NON – SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

1206. Records maintained at the Treasury indicates that loans totalling Kshs.2,486,648,474.13 issued through the Ministry to Kenya Fishing Industries Limited, National Water Conservation and Pipeline Corporation and Mombasa Pipeline Board were outstanding as at 30 June 2011. However, no statement of Outstanding Loans was prepared and submitted by the Ministry for audit as required under Section 4(2) (b) of the Public Audit Act, 2003.

NON-SUBMISSION OF FINANCIAL STATEMENTS OF THE KENYA YOUTH EMPOWERMENT PROJECT

1207. The Development Revenue (DR1) - Statement of Revenue for the year ended 30 June 2011 submitted by the Treasury indicates that a total of Kshs.75,000,000.00 received from the International Development Association (IDA) was transferred to the Ministry of Environment and Mineral Resources for the Kenya Youth Empowerment Project. However, the Ministry did not prepare and submit for audit the project's financial statements for the year ended 30 June 2011, as required under Section 7 of the Public Audit Act, 2003 and Schedule 2 Section II(B) of the Financing Agreement Credit No. 4697-KE dated 20 May 2010 between the Government of Kenya and the International Development Association (IDA). It has not, therefore, been possible to ascertain that the funds were used for the intended purposes.

OUTSTANDING IMPRESTS

1208. Imprest records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.173,501,970.77, which ought to have been surrendered or accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, imprests amounting to Kshs.11,527,183.00 were owed by officers on Job Group 'M' and above, Kshs.161,073,744.22 by officers on Job Group 'L' and below, while the balance of Kshs.901,043.55 was due from former Ministers and Assistant Ministers.

1209. A review of the position as at 30 September 2011 disclosed that temporary imprests amounting to Kshs.1,162,783.70 had been accounted for leaving a balance of Kshs.172,339,187.07 as at that date.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.21

1210. The Statement of Assets and Liabilities for Vote R.21 as at 30 June 2011 reflects three debit and two credit account balances totalling Kshs.13,266,470.85 and Kshs.2,209,521.30 respectively, under Standing Imprests, Temporary Imprests, District Suspense Control, General Suspense and Clearance Suspense Accounts which have not been analysed. In the absence of analyses, it has not been possible to ascertain the validity and correctness of the balances.

1211. The Statement also reflects two debit and three credit account balances under GAV Excess Vote, Exchequer A/C Under Issues, GAV Surplus Vote and Excess A.I.A (2002/2003) Accounts totalling Kshs.391,269,630.90 and Kshs.948,754,118.65, respectively relating to 2009/2010 and prior years. No reason has been provided for failure to clear these long outstanding balances.

1212. The Statement further reflects Exchequer Under Issues for 2010/2011 of Kshs.8,796,000.00 while records maintained at the Treasury show a figure of Kshs.796,000.00. The difference of Kshs.8,000,000.00 between the two sets of records has not been reconciled or explained.

1213. The Statement in addition reflects a Temporary Imprests Account balance of Kshs.2,695,188.85 while the Imprest Register indicates a balance of Kshs.2,792,069.40 resulting in a difference of Kshs.96,880.55. Similarly, the Statement shows a Standing Imprests Account balance of Kshs.26,102.00 while the Imprest Register shows a balance of Kshs.170,709,901.37 resulting in a difference of Kshs.170,683,799.37. No reconciliation or explanation has been provided for the differences.

1214. The Statement also shows that various debit and credit account balances under Salary Advance, District Suspense Control, General Suspense and Clearance Suspense Accounts brought forward from 2009/2010 were cleared during the year under review. However, no records were provided in support of these clearances. Consequently, the validity of the clearances could not be confirmed.

1215. The Statement further reflects a Paymaster General (PMG) Account debit balance of Kshs.546,319,159.75 while the Cashbook shows a figure of Kshs.395,363.90 as at 30 June 2011. The difference of Kshs.545,923,795.85 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.21

1216. The Statement of Assets and Liabilities for Vote D.21 as at 30 June 2011 reflects various balances under Exchequer Account, Excess Vote and General Account of Vote (GAV) Accounts relating to 2009/2010 and earlier years which have not been cleared. Failure to clear these long outstanding balances has not been explained.

1217. Further, the Statement reflects Exchequer Under Issues for 2010/2011 of Kshs.402,384,614.00, while the Treasury records show a balance of Kshs.352,299,614.00. The resultant difference of Kshs.50,085,000.00 between the two sets of records has not been reconciled or explained.

1218. The Statement in addition shows that various debit and credit balances under Agency Suspense, District Control, Clearance Suspense and Suspense Accounts totalling Kshs.345,805,781.45 and Kshs.204,877,092.05, respectively brought forward from 2009/2010 were cleared during the year under review. However, no documents and records were provided in support of these clearances in the year 2010/2011. The validity of the clearances could not therefore be ascertained.

1219. The Statement further shows a Paymaster General (PMG) Account debit balance of Kshs.455,984,177.20 while the Cashbook as at 30 June 2011 reflects a figure of Kshs.6,793,615.40. The difference of Kshs.449,190,561.80 between the two sets of records has not been reconciled or explained.

1220. The Trial Balance as at 30 June 2011 was not provided to support the balances reflected in the Statement. Consequently, the completeness and accuracy of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 21

1221. The Statement of Assets and Liabilities for Deposits 21 as at 30 June 2011 indicate that a District Suspense Account debit balance of Kshs.299,804.35 brought forward from 2009/2010 was cleared during the year under review. However, no documents were provided in support of the clearance and in consequence, the validity of the clearance could not be confirmed.

1222. The Statement reflects a Paymaster General (PMG) Account debit balance of Kshs.147,664,301.30 which differs with the Cashbook balance of Kshs.147,933,934.15 as at 30 June 2011. The resultant difference of Kshs.269,632.85 has not been reconciled or explained.

1223. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided to support the figures reflected in the Statement. Consequently, it has not been possible to ascertain the completeness and accuracy of the balances reflected in the Statement.

MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING

APPROPRIATION ACCOUNT FOR VOTE D.22

Excess Vote

1224. The Appropriation Account for Vote D.22 for the year ended 30 June 2011 reflects gross total expenditure of Kshs.148,521,080.65 against approved estimates of Kshs.146,340,000.00, resulting in an Excess Vote of Kshs.2,181,080.65. The Excess Vote appears to have been caused by an over-expenditure of Kshs.16,415,611.00 recorded under Head 706 – Office of the Commissioner, Sub-head 318 – Sacco Societies Regulatory Authority, Item 2630200 – Capital Grants to Government Agencies and Other Levels of Government. However, no explanation has been provided in the footnotes for the material over-expenditure of Kshs.16,415,611.00 against the item contrary to the Government Financial Regulations and Procedures.

Discrepancy between Appropriation Account and Trial Balance

1225. The Appropriation Account's gross total expenditure of Kshs.148,521,080.65 differs with gross total expenditure of Kshs.106,766,932.05 reflected in the Trial Balance as at 30 June 2011 by an amount of Kshs.41,754,148.60. No reconciliation or explanation has been provided for the above differences.

Capital Grants to Sacco Societies Regulatory Authority

1226. The Appropriation Account further reflects an expenditure of Kshs.24,415,611.00 under Head 706 – Office of the Commissioner, Sub-head 318 – Sacco Societies Regulatory Authority, Item 2630200 – Capital Grants to Government Agencies and Other Levels of government, while the financial statements of Sacco Societies Regulatory Authority for the year ended 30 June 2011 show development grants totalling Kshs.7,915,611.00 as having been received from the Ministry during the year. The difference of Kshs.16,500,000.00 has not been explained.

PENDING BILLS

1227. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.16,812,959.75 were not settled in the year 2010/2011 but instead carried forward to 2011/2012 financial year. Out of the total, bills amounting to

Kshs.8,677,051.75 related to Recurrent Vote, Kshs.6,168,008.00 to Development Vote, while the balance of Kshs.1,967,900.00 was in respect of Deposits.

1228. Had the bills been settled and the expenditure charged to the account for 2010/2011, the Appropriation Account for Vote R.22 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.38,545,060.75 instead of Kshs.47,222,112.00 now shown, while the Appropriation Account for Vote D.22 would have reflected an enhanced Excess Vote of Kshs.8,349,088.65 instead of Kshs.2,181,080.65 now recorded.

MANAGEMENT, SUPERVISION AND LIQUIDATION FUND ACCOUNTS

Unsupported Paymaster General Account Balances

1229. The Balance Sheet as at 30 June 2011 reflects Paymaster General Account balances of Kshs.3,286,477.70 and Kshs.5,159,150.00 in respect of Management and Supervision Fund and Liquidation Fund, respectively. However, no bank certificate, board of survey report, bank reconciliation statement or cashbook has been availed in support of these balances. Although the Ministry has explained that cash transactions relating to the funds were recorded in the Deposits Cashbook (which shows a cash balance of Kshs.18,390,682.50 as at 30 June 2011), no explanation has been provided as to how the PMG balances in respect of the funds were determined.

1230. Under the circumstance, it has not been possible to ascertain the accuracy of the PMG account balances of Kshs.3,286,477.70 and Kshs.5,159,150.00.

Unanalysed Balances

1231. The Balance Sheet continues to reflect, as observed in the previous year, Co-operative Societies Liquidation Control Account credit balance of Kshs.4,626,872.20 which has not been analysed or supported with the relevant records. It has not been possible therefore to confirm the completeness and accuracy of the balance.

Non Cash Adjustments

1232. Contrary to the requirements under Chapter 11, Paragraph 11.10.3 of the Government Financial Regulations and Procedures, the Administrator of the Fund failed to incorporate non-cash adjustments such as depreciation on non-current assets and provision for bad and doubtful debts in the Fund Accounts. As a result, the entire cost of Furniture and Equipment of Kshs.1,560,280.00 purchased during the year was treated as an expense in the Income and Expenditure Statement for the year ended 30 June 2011. Further the valuation,

accuracy and recoverability of the debtors balance of Kshs.48,546,230.00 as at 30 June 2011 could not be ascertained in the absence of a provision for bad and doubtful debts.

Application of Management Fund

1233. According to Rule 19 (1) of the Co-operative Societies Rules 2004, fifty percent (50%) of the annual receipts received by the Fund are required to be paid half yearly to the Government as Appropriations-In-Aid. However, during the year under review, the Fund paid an amount of Kshs.7,200,000.00 or approximately 24.9% of the total receipts of Kshs.28,918,144.50 to the Government as Appropriations-In-Aid, rather than the expected Kshs.14,459,072.25. No reason has been provided for failure to pay the balance of Kshs.7,259,072.25 to the Exchequer.

Trial Balance

1234. The Ministry did not prepare and submit for audit review a Trial Balance as at 30 June 2011 in respect of the Fund. As a result, it has not been possible to ascertain the accuracy of the total income of Kshs.28,918,144.50 and total expenditure of Kshs.26,049,559.45 reflected in the Income and Expenditure Statement for the year ended 30 June 2011 and the Assets and Liabilities balances totalling Kshs.56,991,857.70, respectively reflected in the Balance Sheet as at that date. No satisfactory explanation has been provided for failure to prepare the Trial Balance.

CURRENT GRANTS TO GOVERNMENT AGENCIES

1235. The Appropriation Account for Vote R.22 for the year ended 30 June 2011 reflects under Heads 706-Office of the Commissioner and 711-Co-operative Education and Training Programmes, Current Grants to Government Agencies and Other Levels of Government totalling Kshs.107,068,523.50. However, records maintained at the Sacco Societies Regulatory Authority (SASRA) and the Co-operative College of Kenya show that the two state corporations received current grants totalling Kshs.121,617,721.80 from the Ministry during the year. The resultant difference of Kshs.14,549,198.30 between the two sets of records has not been explained.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1236. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.7,804,777.55, which include Stale Cheques amounting to Kshs.722,353.50, relating to the period between 25 July 2006 and 31 December 2010. No reason has been provided for failure to replace or reverse the Cheques in the Cashbook as at 30 June 2011.

1237. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.5,742,662.90, which include an amount of Kshs.3,759,178.70 relating to the period between 29 June 2007 and 27 December 2010. No reason has been provided for failure to record the long outstanding payments in the Cashbook as at 30 June 2011.

Development Cashbook

1238. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.859,972.00, which include payments amounting to Kshs.828,972.00, relating to the period between 18 February and 2 July 2010. No reason has been provided for failure to record the payments in the Cashbook as at 30 June 2011.

1239. The Statement further indicate that the Cashbook bank balance was overdrawn by Kshs.2,367,059.40 as at 30 June 2011. No explanation has been provided for this anomaly.

Deposits Cashbook

1240. The Bank Reconciliation Statement for Deposits Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.1,244,706.75, which include Stale Cheques and other payments amounting to Kshs.83,176.30, relating to the period between 3 March 2008 and 24 May 2010. No reason has been provided for the failure to replace or reverse the long outstanding cheques in the Cashbook.

1241. The Statement further reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.840,406.20. The amount includes a double payment of Kshs.40,300.50 made in October 2004, undercasts of Kshs.80,185.00 in the Cashbook, erroneous posting to the Recurrent Cashbook of Kshs.385,700.00 and a posting error of Kshs.35,800.00 arising from an Inter-account transfer. No reason has been provided for not making the necessary corrections as at 30 June 2011.

STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE R.22

1242. The Statement of Assets and Liabilities for Vote R.22 as at 30 June 2011 reflects various brought forward account balances under Imprest, District Suspense, Paymaster General (PMG) and Salary Advances Accounts. No explanation or reconciliation has been provided for the differences.

1243. The Statement also reflects District Suspense Account debit balance of Kshs.75,058,816.70 which has not been analyzed.

1244. The Statement reflects Excess Appropriations-In-Aid of Kshs.130,842.00 relating to prior years. No explanation has been given for failure to surrender these receipts to Treasury.

1245. Various closing balances under Standing Imprests, Agency, District Suspense Control and Clearance – Difference in IFMIS Accounts reflected in the Statement of Assets and Liabilities for Vote R.22 as at 30 June 2010 were not brought forward in the Statement under review. No explanation has been provided for the omission of the balances.

1246. The Account balances reflected in the Statement are not shown in the Trial Balance as at 30 June 2011. As a result, it has not been possible to ascertain the completeness and accuracy of the balances.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.22

1247. The Statement of Assets and Liabilities for Vote D.22 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.9,621,156.45 relating to the year under review, while the Cashbook as at 30 June 2011 shows a credit balance of Kshs.2,367,059.40. The resultant difference of Kshs.11,988,215.85 between the two sets of records has not been reconciled or explained.

1248. The Statement also reflects brought forward debit balances of Kshs.65,133,622.00 and Kshs.77,185,302.40 against Imprest and District Suspense Accounts respectively and a credit balance of Kshs.158,189,825.30 against Paymaster General Account, which were cleared during the year. However, journal vouchers and other related records in support of the clearance were not provided for audit review. Consequently, it has not been possible to ascertain the validity and completeness of the clearance.

1249. The Statement further reflects an Exchequer Account debit balance of Kshs.15,288,400.00 and a General Account of Vote (GAV) credit balance of Kshs.28,565,637.10, relating to 2009/2010, which have not been cleared. No

clarification has been provided for failure to clear the balances during the financial year 2010/2011.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1250. The Statement of Assets and Liabilities for Deposits 22 as at 30 June 2011 reflects a Temporary Imprest Account debit balance of Kshs.58,830.00 relating to 2009/2010 and earlier years. No explanation has been provided for failure to surrender or account for the imprest before the end of the financial year.

1251. The Statement also shows that brought forward debit balance of Kshs.576,950.00 in respect of an Inquiry Fees Deposit Account relating to 2009/2010 and earlier years was cleared during the year under review. However, no journal vouchers and other related records were provided in support of the clearance. The Statement further reflects a credit balance of Kshs.817,787.60 against the same Account relating to the year under review, which has not been analysed.

1252. The Statement, further reflects two credit balances amounting to Kshs.3,656,966.45 against Management & Supervision Fund – PMG Account, which besides not being reflected in the Trial Balance, differs with a debit balance of Kshs.3,286,477.70 reflected in the Management, Supervision and Liquidation Funds' Balance Sheet as at 30 June 2011. No clarification has been provided for these anomalies.

1253. The Statement in addition shows a Liquidation Fund Account credit balance of Kshs.5,159,150.00 relating to 2009/2010 and earlier years, which has neither been analysed nor reflected in the Trial Balance as at 30 June 2011.

1254. As reported in the previous year, the Statement continues to reflect a New KCC Shares Refund Deposit Account credit balance of Kshs.1,581,051.65 relating to 2007/2008 and earlier years, which has neither been analysed nor included in the Trial Balance as at 30 June 2011.

1255. The Statement also reflects a Registration & Miscellaneous Deposit Account credit balance of Kshs.5,492,600.50 relating to 2010/2011 which has not been analysed. The balance also differs with a credit balance of Kshs.907,130.00 reflected in the Trial Balance as at 30 June 2011 by an amount of Kshs.4,585,470.50, which has not been explained.

1256. The Statement similarly shows a credit balance of Kshs.280,779.05 against Returned Salaries Account relating to 2008/2009 and earlier years, which has not been analysed, included in the Trial Balance as at 30 June 2011 or re-credited in the payroll. No explanation has been given for these omissions.

1257. The Statement further reflects a Retention Monies Account credit balance of Kshs.1,092,408.10 relating to 2009/2010 and earlier years, which has not been analysed or included in the Trial Balance as at 30 June 2011.

1258. The Statement in addition shows a credit balance of Kshs.348,661.20 against Annual Registration Account relating to 2010/2011, which apart from being unanalysed, differs with a credit balance of Kshs.98,600.00 reflected in the Trial Balance as at 30 June 2011 by an amount of Kshs. 250,061.20 which has not been explained.

1259. The Statement does not reflect a debit balance of Kshs.563,000.00 and a credit balance of Kshs.17,347,445.50 reflected in the Trial balance as at 30 June 2011 against General Deposits and Audit Fees, respectively. No reason has been given for failure to include these account balances in the Statement.

CABINET OFFICE

APPROPRIATION ACCOUNT FOR VOTE R.23

1260. The Appropriation Account for Vote R.23 for the year ended 30 June 2011 reflects net expenditure of Kshs.799,661,000.85 which differs from the corresponding figure of Kshs.797,920,742.90 shown in the Trial Balance as at 30 June 2011. The resultant difference of Kshs.1,740,257.95 has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D. 23

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

1261. The Appropriation Account for Vote D. 23 for the year ended 30 June 2011 reflects a gross under-expenditure of Kshs 180,429,242.40 or about 39% of estimated provision of Kshs 464,400,000.00. The Account also reflects under-collection of Appropriations - in - Aid of Kshs.167,308,062.10 or about 60% of estimated receipts of Kshs.277,000,000.00.

1262. According to the footnotes to the Account, the reasons for under - expenditure and under-collection of Appropriations-in-Aid include: non-completion of contracted works, savings realized from contracted professional services, late submission of procurement requests and non-release of funds by the donor. The Cabinet Office has, however, not indicated how it is addressing the underlying challenges.

Accuracy of the Appropriation Account

1263. The Appropriation Account reflects various expenditure under Heads 577 – National Economic and Social Council and 783 - Directorate of E-Government which do not agree with the corresponding amounts in the Trial Balance as at 30 June 2011 and the Ledger for the period then ended. No reconciliation or explanation has been provided for the discrepancies between the two sets of records.

Excluded Expenditure

1264. The Appropriation Account reflects under Head 783, Item 2211300 - Other Operating Expenses actual expenditure of Kshs.33,996,092.00 while payment vouchers and related supporting documents show a figure of Kshs.39,645,089.00. No reconciliation or explanation has also been given for the difference of Kshs.5,648,997.00 which has apparently been omitted from the Account.

Misallocation of Expenditure

1265. Expenditure totalling Kshs.10,356,133.00 relating to Vote D.23 incurred on rent, electricity and air tickets was not charged to the correct account codes but was misallocated to incorrect account codes. No reasons have been given for these anomalies.

PENDING BILLS

1266. Records maintained at the Cabinet Office indicate that bills totalling Kshs.6,564,228.40 relating to 2010/2011 and chargeable to the Recurrent Vote R.23 were not settled during the year but were instead carried forward to 2011/2012.

1267. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account for Vote R.23 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.94,855,870.75 instead of Kshs.101,420,099.15 now shown.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1268. The Bank Reconciliation Statement for Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.25,391,967.30 in the Cashbook not recorded in the Bank Statement out of which an amount of Kshs.465,732.00 relate to stale cheques. No explanation has been given for the failure to reverse the cheques in the Cashbook.

Development Cashbook

1269. The Bank Reconciliation Statement for Development Cashbook as at 30 June 2011 reflects payments totalling Kshs.920,927.95 in the Bank Statement not recorded in the Cashbook and relating to 2009/2010 financial year. No reason has been given for the failure to enter the payments in the Cashbook.

1270. The Statement also reflects receipts totalling Kshs.1,593,886.85 in the Cashbook not recorded in the Bank Statement relating to September 2010 and earlier period. No explanation has been given for the failure to capture these receipts in the Bank Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 23

1271. The Statement of Assets and Liabilities for Vote R.23 as at 30 June 2011 reflects various balances under Ministerial Agency Account, Exchequer Account, General Deposits Account and General Account of Vote (GAV) relating to 2008/2009 and earlier years. No reason has been provided for failure to clear these long outstanding balances.

1272. The Statement also reflects a debit balance of Kshs.5,664,194.90 against General Suspense Account, which has not been analyzed. The Statement further shows that out of a brought forward balance of Kshs.13,957,855.90, an amount of Kshs.8,293,661.00 was cleared during the year under review. However, no documentary evidence was provided in support of the clearance and as a result, the accuracy of the outstanding balance could not be ascertained.

1273. In addition, the Statement reflects a credit balance of Kshs.8,141,003.05 against General Deposits Account. However, the balance of Kshs.8,141,003.05 differs with the Deposits Register figure of Kshs.6,023,033.55 by Kshs.2,117,969.50 which has not been explained or reconciled.

1274. The Statement further reflects a credit balance of Kshs.11,388,145.30 against Stale Cheques which has not been analyzed. Consequently, the validity and accuracy of the balance could not be ascertained.

1275. The Statement does not reflect various debit and credit balances under Headquarter Administration Services, Cash-Office, Salary advance, Salary in advance, R/D cheques, Staff loans and Prepayments accounts which, however, are shown in the Trial Balance. No reason has been provided for their omission.

1276. The Statement further shows various balances under Imprest, Inter-Ministerial Agency, General Suspense, General Deposit and Stale Cheques Accounts which differ with the Trial Balance as at 30 June 2011. No reason has been provided for the differences.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.23

1277. The Statement of Assets and Liabilities for Vote D.23 as at 30 June 2011 reflects various balances relating to 2009/2010 and earlier years under Imprest Account, Exchequer Account and General Account of Vote.

1278. The Statement further shows that the Contractors' Retention Money Account debit balance of Kshs.512,731.10 brought forward from 2009/2010 was cleared during the year under review. However, no records were provided in support of this clearance. Further, the Statement also reflects a credit balance of

Kshs.606,311.05 against the same account for which no analysis has been provided for audit verification.

1279. The Statement in addition reflects a General Suspense debit balance of Kshs.1,825,614.00 which has not been analyzed. Consequently, the validity and accuracy of the balance could not be ascertained.

1280. The Trial Balance as at 30 June 2011 reflects a credit balance of Kshs.31,110,212.10 against an Inter-Ministerial Agency Account, which has apparently been omitted from the Statement. No reason has been provided for the omission.

MINISTRY OF EAST AFRICAN COMMUNITY

APPROPRIATION ACCOUNT VOTE R.24

1281. The Appropriation Account for Vote R.24 for the year ended 30 June 2011 reflects under various Heads, expenditure totalling Kshs.282,718,159.00 in respect of basic salaries – permanent employees, foreign travel and subsistence, printing, supplies and advertising, rental of produced assets, routine maintenance of vehicles, purchase of office furniture, personal allowances, training and other operating expenses while the vouchers and supporting documents show expenditure totalling Kshs.292,813,517.05 for the same items. The resultant expenditure variance of Kshs.10,095,358.05 has not been satisfactorily explained.

APPROPRIATION ACCOUNT FOR VOTE D.24

Unsupported Expenditure

1282. The Appropriation Account for Vote D. 24 for the year ended 30 June 2011 reflects gross total expenditure of Kshs.107,627,625.00 which includes an amount of Kshs.64,400,000.00 representing direct payments made by the Department for International Development (DfID) for various goods and services provided to the Ministry during the year. Although the payments were journalised and captured in the Appropriation Account, the journal entries were not supported with relevant documentary evidence. Further, there was no acknowledgement from the recipients confirming receipt of the goods or services offered. Consequently, and in the absence of supporting documentation the propriety of the expenditure of Kshs.64,400,000.00 could not be confirmed.

PENDING BILLS

1283. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.12,481,217.60 in respect of expenditure incurred during the Somali peace process from the year 2003 to 2005 and chargeable to the Recurrent Vote R.24 were not settled during the period or in the subsequent financial years but were instead carried forward to 2011/2012.

1284. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote. R.24 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.1,916,740.05 instead of Kshs.14,397,957.65 now shown.

OUTSTANDING IMPRESTS

1285. Audit of Imprest records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.224,533.45 which ought to have been surrendered or accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, an amount of Kshs.46,020.00 was owed by an officer on Job Group 'M' while the balance of Kshs.178,513.45 was due from officers on Job Group "L" and below.

1286. A review of the position as at 30 September 2011 disclosed that an amount of Kshs.46,020.00 had been surrendered leaving a balance of Kshs.178,513.45 outstanding. It was also further observed that the Kshs.178,513.45 was owed by officers who no longer worked for the Ministry. It was not explained how the Ministry intended to pursue these former employees.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.24

1287. The Statement of Assets and Liabilities for Vote R.24 as at 30 June 2011 reflects various balances under PMG Account & Earlier Periods, PMG Account – 2010/2011, PMG Account & Earlier Periods, GAV Account – 2010/2011 and GAV Account & Earlier Periods which were not derived from the Trial Balance as at that date. The source of these balances was not clarified. In addition, no reason was given for not clearing the long outstanding PMG and GAV Account balances relating to the earlier periods.

1288. The Statement further reflects an Exchequer Account debit balance of Kshs.131,436,264.20 relating to 2009/2010 and earlier years. No reason has been given for failure to clear this long outstanding balance.

1289. The Statement also reflects an Imprests Account debit and credit balances of Kshs.253,637.60 and Kshs.1,453,753.75, respectively relating to 2009/2010 and earlier years. Besides non-clearance of these long outstanding balances, it has not been explained what the unusual credit balance against the Imprests Account represents.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.24

1290. The Statement of Assets and Liabilities for Vote D.24 as at 30 June 2011 reflects various debit and credit balances under PMG Account and earlier years, PMG Account 2010/2011, GAV Account 2010/2011 and GAV Account and earlier years which were not supported with a Trial Balance as at that date. As a result, the completeness and accuracy of the balances could not be ascertained.

1291. The Statement further reflects Exchequer and GAV Account balances of Kshs.72,900,000.00 and Kshs.73,557,776.40, respectively relating to 2009/2010 and earlier years. No reasons have been given for failure to clear these long outstanding balances.

1292. The Statement does not reflect balances of Kshs.62,685,598.40 (Dr) and Kshs.52,501,194.00 (Cr) under 6540101 – Ministry HQ Development and 739999 – Cash Clearing Account respectively which have, however, been reflected in the Trial Balance as at 30 June 2011. No reason has been provided for the omission.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSIT 24

1293. The Statement reflects PMG Kshs.43,865.00 (Dr) and Deposit Kshs.43,865.00 (Cr) balances which were not reflected in the Trial balance as at 30 June 2011. The source and authenticity of the balances could therefore not be ascertained.

STATE LAW OFFICE

PENDING BILLS

1294. Records maintained at the State Law Office indicate that bills totalling Kshs.2,859,232.15 relating to 2010/2011 and chargeable to the Recurrent Vote R.25 were not settled during the year but were instead carried forward to 2011/2012.

1295. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.32,987,106.30 instead of Kshs.35,846,338.45 now shown.

NON-SUBMISSION OF ACCOUNTS OF THE OFFICIAL RECEIVER

1296. According to Section 7(5) of the Public Audit Act, 2003, a person administering a public trust or fund is required to prepare accounts in respect of the trust or fund for each financial year and submit the same within three months after the year end to the Auditor-General. However, the State Law Office did not prepare and submit the accounts of the official receiver for the year ended 2010/2011 contrary to the law.

OUTSTANDING IMPRESTS

1297. Audit of imprests records maintained at the State Law Office indicated that temporary imprests totalling Kshs.1,823,242.10 which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, imprests amounting to Kshs.995,929.25 were owed by officers on Job Group 'M' and above, Kshs.550,340.40 by officers on Job Group 'L' and below, while, the balance of Kshs.276,972.45 was due from Non-Civil Servants.

1298. It was further, observed that some officers were issued with additional imprest before having accounted for amounts previously issued contrary to the provisions of the Government Financial Regulations and Procedures.

1299. A review of the position as at 30 September 2011 disclosed that out of the total, an amount of Kshs.85,636.00 had been surrendered, leaving a balance of Kshs.1,737,606.10 outstanding.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1300. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.142,844,429.45, which include an amount of Kshs.750,363.20 relating to 31 December 2010 and earlier years. No explanation has been provided for failure to capture these long outstanding payments in the Bank Statement.

1301. The Statement also reflects receipts in the Bank Statement not recorded in Cashbook totalling Kshs.3,184,898.90, which include an amount of Kshs.3,153,819.40 described as "bank credits". No explanation has been given for failure to investigate the credits and update the Cashbook accordingly.

1302. The Statement further reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.2,778,735.20 which include an amount of Kshs.2,520,135.56 described as "bankings". No explanation has been provided to clarify what these bankings represent.

1303. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.18,250,541.75. The payments mainly relate to unpaid cheques, bank charges and payments to Commissioner of VAT. No explanation has been provided for failure to investigate the balances and update the Cashbook accordingly.

Development Cashbook

1304. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.587,822.40 and described as "V ROC". It has not been explained, however, what these "V ROC" represent.

Deposits Cashbook

1305. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects receipts in the Bank Statement not recorded in Cashbook totalling Kshs.6,153,708.60 which include an amount of Kshs.496,165.40 described as "EFT Retention" and relating to 6 September 2010. No reason has been provided for failure to record this long outstanding receipt in the Cashbook.

1306. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.51,664,579.80 which include an amount of Kshs.45,615,696.05 relating to 2009/2010 and earlier years. No reason has been given for failure to record these long outstanding payments in the Cashbook.

1307. The Statement further reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.25,762,822.75 which include an amount of Kshs.21,222,574.45 relating to 2009/2010 and earlier years. No reason has been provided for failure to have the long-outstanding receipts banked.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.25

1308. The Government Financial Regulations and Procedures require that balances in the Statement should distinguish between those relating to current financial year's transactions and those brought forward from prior years. However, opening balances in the Statement of Assets and Liabilities for Vote R.25 as at 30 June 2011 in respect of Exchequer, Agency, Paymaster General, General Account of Vote, Standing Imprests and Excess A.I.A have not been distinguished. No explanation has been provided for failure to reflect the closing balances relating to 2009/2010 in the Statement.

1309. The Statement reflects brought forward account balances under Advances, Temporary Imprests, District/Provincial, Suspense Accounts and Clearance Accounts which differs with the closing balances shown in the Statement for 2009/2010. These anomalies have not been explained.

1310. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.40,213,341.65 which differs with the Cashbook balance of Kshs.402,936.65. The resultant difference of Kshs.39,810,405.00 has not been reconciled or explained.

1311. The Statement further reflects various credit and debit balances under Advances, Temporary Imprests, District/Provincial Suspense, Suspense and Clearance Accounts which were not analysed. In the absence of the analyses, the completeness and accuracy of the balances could not be ascertained.

1312. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided for audit review. Consequently, it has not been possible to confirm that proper books of account were kept during the period.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.25

1313. The Statement of Assets and Liabilities for Vote D.25 as at 30 June 2011 reflects nil brought forward balances against all accounts, yet the statement of Assets and Liabilities as at 30 June 2010 reflected various closing balances under Exchequer, Imprests, Agency, General Account of Vote, Suspense, District/Provincial/Suspense, Clearance, Excess A.I.A and P.M.G Accounts. No

reason has been provided for failure to reflect the opening balances relating to 2009/2010 in the Statement.

1314. The Statement also reflects a nil balance in respect of Paymaster General (PMG) Account while the Cashbook shows a balance of Kshs.2,739,899.35. The resulting difference of Kshs.2,739,899.35 between the two sets of records has not been reconciled or explained.

1315. The Statement further reflects Excess Appropriations-in-Aid of Kshs.4,663,407.20 while the Development Appropriation Account for Vote D.25 for the year ended 30 June 2011 shows a Deficiency In Appropriations-In-Aid of Kshs.2,292,200.00. The source of the Appropriations-In-Aid shown in the Statement has, therefore, not been clarified.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 25

1316. The Statement of Assets and Liabilities for Deposits 25 as at 30 June 2011 reflects a District Suspense Account debit balance of Kshs.3,701,743. 20 brought forward from previous years. No analysis has been provided for the balance, consequent upon which its completeness and accuracy could not be ascertained. Further, no reason has been provided for its non-clearance.

1317. The Statement also reflects a Paymaster General (PMG) Account debit balance of Kshs.405,152,558.70, while the Cashbook shows an amount of Kshs.145,044,053.25 as at 30 June 2011. The difference of Kshs.260,108,505.45 between the two sets of records has not been reconciled or explained.

1318. The Statement further reflects a Sundry Deposits Account credit balance of Kshs.34,192,381.75. The balance has not been analyzed and under the circumstances its completeness and accuracy could not be ascertained.

1319. The Statement in addition reflects a Deposit Suspense Account credit balance of Kshs.91,443,941.80 comprising a brought forward balance of Kshs.52,602,410.45 relating to 2008/2009 and earlier years and an amount of Kshs.38,841,531.35 for the current period. Besides lack of analyses for the balance, no reason has been provided for non-clearance of the long outstanding amount.

1320. The Statement also reflects a Provincial Suspense Account credit balance of Kshs.179,632.30 brought forward from 2008/2009 and earlier years. It has not been clarified why this long outstanding balance had not been cleared as at 30 June 2011.

1321. The Statement shows total Assets of Kshs.408,854,301.90 against total Liabilities of Kshs.125,815,955.85. The Statement is therefore out of balance by a figure of Kshs.283,038,346.05. In addition, a trial balance was not provided for audit review and therefore the source, completeness and accuracy of the balances reflected in the Statement could not be ascertained.

JUDICIARY

APPROPRIATION ACCOUNT FOR VOTE R.26

Completeness and Accuracy of the Appropriation Account

1322. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided in support of the figures reflected in the Appropriation Account for Vote R.26 for the year ended 30 June 2011. As a result, the completeness and accuracy of the estimated and actual expenditure figures as well as the net surplus to be surrendered to the Exchequer could not be ascertained.

Failure to Provide Footnotes

1323. According to Government Financial Regulations and Procedures, footnotes must be provided to explain variances of Kshs.1,000,000.00 and above or below the approved estimates and actual expenditure or actual Appropriations-in-Aid. The Appropriation Account, however, reflects variances in excess of Kshs.1,000,000.00 under Heads 260103 – High Court Stations and 260104 – Headquarters (General), Item 1420300 – Receipts from Administrative Fees and Charges - for which no footnotes were provided. No reason has been provided for the omission.

APPROPRIATION ACCOUNT FOR VOTE D. 26

Accuracy of the Appropriation Account

1324. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided to support the figures reflected in the Appropriation Account for Vote D. 26 for the year ended 30 June 2011. Consequently, the completeness and accuracy of the Appropriation Account could not be ascertained.

Unexplained Expenditure Variances

1325. The Appropriation Account reflects expenditure amounting to Kshs.553,823,410.00 while the payment vouchers and related documentation shows an amount of Kshs.541,834,787.60 in respect of refurbishment and construction of buildings, and purchase of specialized equipment and machinery. The resultant expenditure differences totalling Kshs.11,988,622.40 have not been explained.

Unvouched Expenditure

1326. Payment vouchers and related documentation in respect of payments totalling Kshs.10,791,867.90 made to four firms were not provided for audit review. Consequently, it has not been possible to ascertain the nature of goods supplied or services rendered to the Judiciary by the firms or the propriety of the expenditure of Kshs.10,791,867.90.

PENDING BILLS

1327. Records maintained at the Judiciary Headquarters indicate that bills totalling Kshs.18,323,030.00 relating to 2010/2011 and chargeable to the Recurrent Vote R.26 were not settled during the year, but were instead carried forward to 2011/2012.

1328. Had these bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.26 for the year ended 30 June 2011 would have reflected an Excess Vote of Kshs.11,952,080.00 instead of the Net Surplus to be Surrendered to the Exchequer of Kshs.6,370,950.00 now shown.

OUTSTANDING IMPRESTS

1329. Audit of imprest records maintained at the Judiciary indicated that temporary imprests totalling Kshs.198,507.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, a sum of Kshs.108,190.00 was owed by judges while the balance of Kshs.90,317.00 was due from magistrates.

1330. It was also observed that two judges and a magistrate were issued with multiple imprests amounting to Kshs.85,007.00 before having surrendered or accounted for the balances previously issued, contrary to the provisions of the Government Financial Regulations and Procedures.

HIGH COURT OF KENYA – KAPSABET LAW COURTS

Unaccounted for Revenue

1331. Audit of Revenue Records maintained at the Kapsabet Law Courts revealed that revenue amounting to Kshs.3,492,322.00 collected by the Court between April 2009 and June 2010 was not banked intact but was instead held by the Cashier in the form of partly surrendered collection books. No reason has

been provided for the failure to bank the revenue intact as required by the Government Financial Regulations and Procedures.

Outstanding Imprests

1332. Audit of Imprests Records maintained at the Kapsabet Law Courts disclosed that an imprest of Kshs.250,000.00 was issued to a Judicial Officer on 29 December 2009 for unspecified official work at the Court. Although the date of surrender was not specified, the imprest had still not been accounted for as at 30 June 2011. No reason was provided for the long delay in the surrender or accounting for the imprest.

UNACCOUNTED FOR REVENUE - OYUGIS LAW COURTS

1333. Review of records maintained at Oyugis Law Courts revealed that revenue totalling Kshs.2,349,934.00 was collected between July 2010 and March 2011 in respect of court fees and deposits. However, the revenue collected was not banked intact but was instead held by the cashier in the form of partly surrendered collection books. No reason has been provided for the failure to bank the revenue collected intact as required by the Government Financial Regulations and Procedures.

ELDORET LAW COURTS

Misuse of Revenue Collected at Eldoret Law Courts

1334. Audit of the records maintained at the Eldoret Law Courts revealed that receipts in respect of court fees, fines and deposits totalling Kshs.4,254,117.00 collected during the year ended 30 June 2011 were not banked intact but were instead held as partly paid vouchers - Kshs.3,451,357.00, I Owe You's (IOU's) - Kshs.436,600.00 and stale cheques - Kshs.111,000.00, while the balance of Kshs.255,160.00 was shown as cash shortage in the cash survey certificate.

1335. No satisfactory reason has been provided for the direct use of revenue before banking or for continuous holding of stale cheques or for the failure to have the cash shortage accounted for as required by the Government Financial Regulations and Procedures.

Unaccounted for Court Deposits

1336. An audit review of the Eldoret Law Courts deposit ledger indicated that deposits totalling Kshs.17,862,869.95 had been collected for the year ended 30 June 2011. The Central Bank Statement of Account for the period ended at the same date however shows a total of Kshs.9,026,557.00 as having been credited

to the bank account resulting in an unexplained and unreconciled difference of Kshs.8,836,312.95. Indications are that court convicts' bonds and deposits are not banked intact as provided for in the Government Financial Regulations and Procedures.

STATEMENT OF REVENUE HEAD 1430100 – FINES AND FORFEITURES

1337. The Statement of Arrears of Revenue as at 30 June 2011 reflects Arrears of Revenue totalling Kshs.50,853,786.00 relating to 2009/2010 and earlier years. As in the previous year, no reason has been provided for failure to collect the long outstanding arrears.

1338. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided to support the figures reflected in Revenue Statement. Consequently, it has not been possible to ascertain the source, completeness and accuracy of the figures shown.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.26

1339. The Statement of Assets and Liabilities for Vote R.26 as at 30 June 2011 reflects a Paymaster General Account (PMG) debit balance of Kshs.734,205,575.89 while the Board of Survey Report and Cashbook as at the same date show a balance of Kshs.6,974,097.92. The resultant difference of Kshs.727,231,477.97 between the two sets of records has not been reconciled or explained.

1340. The Statement also reflects various account balances under Exchequer, General Account of Vote (GAV), General Account of Vote (GAV) and Excess Appropriation-in-Aid Accounts relating to 2009/2010 and earlier years. No reason has been given for failure to clear these long outstanding balances from books of account.

1341. The Statement further reflects an Agency Account debit balance of Kshs.7,905,000.00 representing rent paid for various Judges which had not been reimbursed by the Treasury as at 30 June 2011. No reason has been given for failure to claim the reimbursement from the Treasury.

1342. The Statement further shows a Suspense Account credit balance of Kshs.12,883,867.22 which has not been analysed. As a result, the accuracy and completeness of the balance could not be ascertained.

1343. The Judiciary did not provide a Trial Balance as at 30 June 2011 from which the Statement was drawn. Consequently, the source, completeness and accuracy of the balances reflected in the statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.26

1344. The Statement of Assets and Liabilities for Vote D.26 as at 30 June 2011 reflects various account balances relating to 2009/2010 and earlier years under Exchequer, General Account of Vote (GAV), Excess Appropriation-In-Aid (AIA) Accounts. No reason has been provided for failure to clear the long outstanding balances from the books of account.

1345. The Statement in addition reflects a District Imprests Account debit balance of Kshs.1,623,505.00 and Retention and Suspense Accounts credit balances of Kshs.27,444,207.05 and Kshs.63,960,186.71, respectively which have not been analysed. As a result, the validity and accuracy of these balances could not be ascertained.

1346. The Statement in addition reflects a Paymaster General Account balance of Kshs.176,588,767.81, while the Cashbook shows a figure of Kshs.10,479,864.90 as at 30 June 2011. The resultant difference of Kshs.166,108,902.91 between the two sets of records has not been reconciled or explained.

1347. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided to support the figures in the Statement. Consequently, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1348. The Statement of Assets and Liabilities for Deposits as at 30 June 2011 shows that the Suspense Account brought forward debit balance of Kshs.6,891,124.00 was cleared during the year under review. However, no journal vouchers and other documents in support of clearance were provided for audit. Consequently, the validity of the clearance could not be confirmed.

1349. The Statement further reflects a District Suspense Account debit balance of Kshs.45,757,574.10 relating to deposits frozen from 1997 to 2003. No reason has been provided for non clearance of the balance from the books of account.

1350. The Trial Balance as at 30 June 2011 from which the Statement ought to have been drawn was not provided to support the balances shown. As a result, the source, completeness and accuracy of the balances could not be ascertained.

PUBLIC SERVICE COMMISSION

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 27

1351. The Statement of Assets and Liabilities for Vote R.27 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.13,828,648.00 and Agency Account and General Account of Vote credit balances of Kshs.4,990,158.00 and Kshs.21,934,770.80, respectively relating to 2009/2010 and earlier years. No reason has been given for failure to clear the long outstanding balances.

1352. The Statement also reflects a Paymaster General Account debit balance of Kshs.12,122,532.20 while both the Cashbook and Board of Survey Report as at 30 June 2011 show a figure of Kshs.1,043,423.80. No reconciliation or explanation has been provided for the resultant difference of Kshs.11,079,108.40.

NATIONAL ASSEMBLY

PENDING BILLS

1353. Records held at the National Assembly indicate that bills totalling Kshs.66,654,847.30 chargeable to Recurrent Vote R.29 in 2010/2011 were not settled during the year, but were carried forward to 2011/2012.

1354. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.29 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.104,842,420.90 instead of Kshs.171,497,268.20 now shown.

OUTSTANDING IMPRESTS

1355. Imprests records maintained at the National Assembly indicate that temporary imprests totalling Kshs.990,056.20, which ought to have been surrendered or accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, an amount of Kshs.487,639.15 was owed by two former members of parliament while the balance of Kshs.502,417.05 was due from a former staff of the National Assembly. The imprests were due between October 2005 and April 2008. No reason has been given for non recovery of Imprests from respective members' dues.

PARLIAMENTARY MORTGAGE SCHEME FUND

1356. An examination of the records relating to the Parliamentary Mortgage Scheme Fund revealed that three ex-Members of Parliament were no longer servicing loans totalling Kshs.17,163,920.12.

1357. Information available indicate that the Parliamentary Service Commission had given these defaulters upto 15 December 2011 to pay the entire outstanding loans plus interest. However, no action has been taken subsequently to dispose the properties charged with a view to recovering the outstanding amounts.

BANK RECONCILIATION STATEMENT – RECURRENT CASHBOOK

1358. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.40,903,290.90 in the Cashbook not recorded in the Bank Statement which include two stale cheques amounting to

Kshs.117,900.40. No action appear to have been taken to replace or reverse the cheques in the Cashbook.

1359. The Statement also reflects receipts totalling Kshs.104,832,919.10 in the Bank Statement not recorded in the Cashbook out of which an amount of Kshs.200,843.80 relates to December 2010 and earlier period. No clarification has been provided for failure to record these long outstanding receipts in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 29

1360. The Statement of Assets and Liabilities for Vote R.29 as at 30 June 2011 reflects brought forward balances under Exchequer, Imprests, Advances, Bank Balances and GAV Accounts which differs with the audited closing balances as at 30 June 2010. No satisfactory explanation has been provided for these anomalies.

1361. The Statement also reflects Exchequer and Imprest Accounts debit balances of Kshs. 507,432,530.00 and Kshs.990,056.20 respectively and a General Account of Vote credit balance Kshs.566,083,413.20 all relating to 2009/2010 and earlier years. Failure to clear these long outstanding balances from the books of account has not been explained.

1362. In addition, the Statement reflects a Suspense Account debit balance of Kshs.59,824,687.65 which has not been analysed. As a result, its validity and accuracy could not be ascertained.

1363. The Statement further shows a Paymaster General Account (PMG) balance of Kshs.42,161,933.65 while the Cashbook and Board of Survey Report as at 30 June 2011 show a figure of Kshs.15,433,225.45 against the item. No reconciliation or explanation has been provided for the resultant difference of Kshs.26,728,708.20 between the two sets of records.

MINISTRY OF ENERGY

APPROPRIATION ACCOUNT FOR VOTE R.30

Unvouched Expenditure

1364. The Appropriation Account for Vote R.30 for the year ended 30 June 2011 reflects actual expenditure amounting to Kshs.10,797,372.00 against Item 2210300 – Domestic Travel and Subsistence and Other Transportation Costs and Kshs.7,276,982.00 against Item 2211100 – Office and General Supplies and Services, both under Head 300101 – Headquarters Administrative Services. The two expenditure items, however, include amounts of Kshs.9,763,014.00 and Kshs.5,275,038.00 respectively which have not been supported with the relevant payment vouchers and related records. As a result, the propriety of the expenditure could not be ascertained.

Excluded Expenditure

1365. The Appropriation Account further shows expenditure totalling Kshs.175,630,706.00 under various heads and items, while payment vouchers and related records reflect expenditure amounting to Kshs.197,434,856.75 in respect of the items. The resultant expenditure difference of Kshs.21,804,150.75 was apparently excluded from the Appropriation Account. No explanation has been provided for this omission.

Grants to State Corporations

1366. The Appropriation Account also reflects an actual expenditure of Kshs.641,666,667.00 against Item 2630100-Current Grants to Government Agencies and Other Levels of Government Under Sub-Head 0123 – Rural Electrification Authority. However, the Authority's Financial Statements for the year ended 30 June 2011 show grants amounting to Kshs.763,000,000.00 as having been received in 2010/2011. No reconciliation or explanation has been provided for the difference of Kshs.121,333,333.00 between the Ministry's and the Authority's records.

1367. The Appropriation Account further reflects recurrent grants of Kshs.366,666,667.00 and Kshs.642,333,334.00 to Kenya Electricity Transmission Company and Geothermal Development Company under Sub-Heads 0262 and 0261, respectively. However, the Financial Statements of these State Corporations have not been submitted for audit review. As a result, it has not been possible to confirm whether these grants were received and utilized for the intended purposes.

APPROPRIATION ACCOUNT FOR VOTE D.30

Discrepancy between the Appropriation Account and Trial Balance

1368. The Appropriation Account for Vote D.30 for the year ended 30 June 2011 reflects total actual expenditure of Kshs.6,070,232,424.00 under Heads 300101, 300202, 300301 and 300302, while the Trial Balance as at 30 June 2011 shows a corresponding figure of Kshs.101,914,547.00. The resultant difference of Kshs.5,968,317,877.00 between the two sets of records has not been reconciled or explained.

1369. The Appropriation Account further reflects total actual Appropriations-In-Aid of Kshs.5,510,162,727.00 under Heads 300101, 300202, 300301 and 300302. However, this amount does not appear in the Trial Balance as at 30 June 2011.

Discrepancy between the Appropriation Account and Financial Statements of Energy Sector Recovery Project

1370. The Appropriation Account in addition shows gross expenditure of Kshs.88,651,657.00 under Head 300101 – Headquarters Administrative Services, Sub-Head 0093 – Energy Sector Recovery Project, while the financial statements of the Energy Sector Recovery Project for the year ended 30 June 2011 reflects total expenditure of Kshs.98,939,140.85. The resultant difference of Kshs.10,287,483.85 between the two sets of records has not been reconciled or explained.

1371. The Account also reflects total Appropriations-In-Aid of Kshs.36,526,533.50 under the same head and sub-head, while the Project's financial statements indicates direct payments totalling Kshs.36,166,893.20. The resulting discrepancy of Kshs.359,640.30 between the two sets of records has similarly not been reconciled or explained.

Unvouched Expenditure

1372. The Appropriation Account further reflects actual expenditure amounting to Kshs.136,392,005.00 under Head 300202 – Alternative Energy Technologies, Item 3111100 – Purchase of Specialized Plant, Equipment & Machinery; Head 300401 – Petroleum & Coal Exploration, Items 2211300 – Other Operating Expenses and 3111400 – Research, Feasibility Studies, Project Preparation and Design and Project Supervision. The expenditure, however, includes an amount of Kshs.108,225,086.00 which has not been supported with the relevant payment vouchers. Consequently, the propriety and accuracy of the expenditure could not be ascertained.

Excluded Expenditure

1373. The Appropriation Account also reflects expenditure totalling Kshs.3,515,060,450.00 under various heads and items, while payment vouchers and other related records show expenditure amounting to Kshs.5,599,656,750.00 in respect of the items. The resultant expenditure difference of Kshs.2,084,596,300.00 was apparently excluded from the Appropriation Account.

Grants to State Corporations and Kenya Association of Manufacturers

1374. Records relating to Vote D.30 for the year ended 30 June 2011 show that the Ministry disbursed grants totalling Kshs.5,512,200,000.00 to Kenya Electricity Generating Company (Kengen) and Rural Electrification Authority (REA). However, the financial statements of the two state corporations for the year ended 30 June 2011 indicate that grants amounting to Kshs.4,754,726,000.00, were received in 2010/2011. No reconciliation or explanation has been provided for the difference of Kshs.757,474,000.00 between the Ministry's records and the corporations' financial statements.

1375. The records further indicate that grants amounting to Kshs.1,776,500,000.00, chargeable to Vote D.30 were disbursed to Kenya Power and Lighting Company (KPLC) in the year 2010/2011. However, the receipts could not be traced in the financial statements of the company for the year ended 30 June 2011.

1376. The records in addition show that grants totalling Kshs.9,966,000,106.00 chargeable to Vote D.30 were similarly disbursed to Geothermal Development Company (GDC), Kenya Electricity Transmission Company (KETRACO), National Oil Corporation of Kenya (NOCK) and Kenya Association of Manufacturers (KAM) in 2010/2011. However, the financial statements of these organizations have not been submitted for audit review. Consequently, it has not been possible to confirm whether these grants were received and utilized for the intended purposes.

PENDING BILLS

1377. Audit of records maintained at the Ministry's Headquarters indicated that bills totalling Kshs.5,688,617.20, relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.4,982,657.20 related to the Recurrent Vote, R.30 while the balance of Kshs.705,960.00 was in respect of the Development Vote D.30.

1378. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Accounts for Vote R.30 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be

surrendered to the Exchequer of Kshs.223,014,510.85 instead of Kshs.227,997,168.05 now recorded. Similarly, the Appropriation Account for Vote D.30 would have reflected a reduced surplus of Kshs.2,761,109,441.50 instead of Kshs.2,761,815,401.50 now recorded.

NUCLEAR ELECTRICITY PROJECT

1379. The Government through a Kenya Gazette Notice No.14188 dated 19 November 2010 established a Nuclear Electricity Project Committee for the purpose of fast tracking the development of nuclear electricity in order to enhance the production of affordable and reliable energy generation sources. Available information indicates that the executive chairman of the Committee informed the Ministry on 14 June 2011 that the Committee had engaged the Kenya Power and Lighting Company Limited (KPLC) to perform on its behalf recruitment and remuneration of staff, partitioning and equipping of office space at Re-Insurance Plaza and meeting of office running costs. The Ministry subsequently disbursed a total of Kshs.133,500,000.00 to KPLC on 30 June 2011 for these activities and charged the expenditure to the Development Vote D.30, Head 435 – National Grid Systems, Sub-Item 3111402 – Engineering and Design Plans.

1380. However, documents showing how KPLC was identified and the contract agreement or memorandum-of-understanding (MOU) between the committee and KPLC were not provided for audit review. As a result, it has not been possible to ascertain the procurement procedure used to engage KPLC or to confirm that the procedure used conformed with the Public Procurement and Disposal Act, 2005 and the related regulations.

1381. The Statement of Expenditure prepared by KPLC for the committee shows that out of the Kshs.133,500,000.00 released to the company, an amount of Kshs.3,151,814.50 was expended mainly on the activities of the committee and its members, while the balance of Kshs.130,348,185.50 had not been spent as at 09 November 2011. However, payment vouchers together with supporting documents and bank statements were not provided to support Committee Expenses. As a result, it has not been possible to ascertain the propriety of the expenditure of Kshs.3,151,814.50 or to verify the existence of the balance of Kshs.130,348,185.50.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

1382. The Statement of Obligations Guaranteed by the Government of Kenya as at 30 June 2011 reflects outstanding contingent liabilities totalling Japanese Yens.24,991,503,217.00 (equivalent to Kshs.27,878,021,838.56) in respect of

loans borrowed by Kenya Electricity Generating Company Limited (Kengen) from a foreign government and guaranteed by the Government of Kenya.

1383. However, documents from the Treasury, Kengen or the foreign government confirming the outstanding balances were not made available for audit review. As a result, it has not been possible to ascertain the existence, completeness and accuracy of the outstanding contingent liabilities of Japanese Yens 24,991,503,217.00 (Kshs.27,878,021,838.56).

STATEMENT OF OUTSTANDING LOANS

1384. The Statement of Outstanding Loans as at 30 June 2011 does not reflect five loans with a total outstanding balance of Kshs.312,454,627,349.83, as at that date. No documentary evidence and records were provided, however, to show that the loans were paid in their entirety during the financial year 2010/2011. Further, no explanation has been given for their omission.

1385. The Statement reflects thirteen loans borrowed by the Kenya Electricity Generating Company Limited (Kengen) and Kenya Power and Lighting Company Limited (KPLC), totalling Kshs.33,680,491,639.73, out of which an amount of Kshs.3,712,025,930.04 was repaid during the year leaving a balance of Kshs.29,968,465,709.69 outstanding as at 30 June 2011. However, copies of loan agreements between the Government and the lenders, and documents confirming the loan balances from the lenders and the two borrowers were not provided for audit review.

1386. As a result, it has not been possible to ascertain the terms and conditions of the loans or that the borrowing companies have adhered to those terms and conditions. In addition, the accuracy of the amounts lent, repaid or outstanding, reflected in the Statement could not be ascertained in the absence of loan confirmation documents.

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

1387. The Statement of Participation by Government of Kenya in Quasi Government and Other Statutory Organizations as at 30 June 2011 shows that the Government, through the Ministry of Energy held a total of 274,317 shares valued at Kshs.5,487,660.00 in six state corporations. Government shareholding in each of the six state corporations has not, however, been confirmed as a result of failure by the state corporations to submit confirmation letters.

1388. The original share certificates in respect of the 16 shares held in Kenya Electricity Generating Company Limited (KENGEN), 10 shares in Kenya Electricity Transmission Company Limited (KETRACO), 10 shares in Geothermal Development Company Limited (GDC), 265,999 shares in National Oil Corporation of Kenya (NOCK), and 7,245 Kenya Power and Lighting Company Limited (KPLC) shares which were acquired during the year under review were not availed for audit verification. Consequently, it has not been possible to confirm the Government's ownership of shares valued at Kshs.5,487,660.00 as at 30 June 2011.

1389. The share certificate in respect of the one share with a book value of Kshs.20 which the Ministry holds in Kenya Pipeline Company Limited (KPC), is still in the name of Mr. Crispus Mutitu, a former Permanent Secretary, Ministry of Energy. No explanation has been provided for failure to transfer the share to the name of the current Permanent Secretary.

1390. The Ministry continued to hold more than one share each in KENGEN, KPLC, NOCK, KETRACO and GDC contrary to the Permanent Secretary to the Treasury (Incorporation) Act, Cap 101 which requires all Government investments to be vested in the Permanent Secretary, Treasury as a body corporate. No explanation has been provided for failure to transfer the shares to the name of the Permanent Secretary to the Treasury.

PETROLEUM DEVELOPMENT LEVY FUND ACCOUNTS

1391. The Petroleum Development Levy Fund Balance Sheet as at 30 June 2011 reflects a comparative Cash at Bank balance of Kshs.248,434,084.00 relating to 2009/2010, while the audited Accounts of the Fund for the previous year shows a figure of Kshs.207,935,005.00 against the item. The resultant difference of Kshs.40,499,079.00 has not been explained.

1392. The Balance Sheet also reflects a Nil balance against Receivables under years 2009/2010 and 2010/2011 while the closing balance in the previous year was Kshs.2,500,000.00. However, no documentary evidence has been provided to confirm receipt of the amount during the year under review. In addition, no explanation has been provided for failure to reflect a comparative balance of Kshs.2,500,000.00 under the year 2009/2010.

1393. The Petroleum Development Levy Fund Income Statement for the year ended 30 June 2011 reflects Petroleum Development Levy receipts of Kshs.1,249,520,000.00 while the Trial Balance as at 30 June 2011 shows actual receipts totalling Kshs.1,161,493,667.10. The resultant difference of Kshs.88,026,332.90 between the two sets of records has not been explained or reconciled.

1394. The Petroleum Development Levy receipts of Kshs.1,249,520,000.00 also differs with an amount of Kshs.1,201,520,000.00 shown in the Treasury records as having been released to the Ministry of Energy during the year ended 30 June 2011. The resultant difference of Kshs.48,000,000.00 has similarly not been reconciled or explained.

TRAINING FUND ACCOUNTS

Irregular Payments

1395. The Training Fund's Income Statement for the year ended 30 June 2011 reflects total expenditure of Kshs.208,722,829.10 which includes an amount of Kshs.124,468,608.90 spent on activities related to the construction of Ministry of Energy Headquarters; advertisement; plan approval; meal allowances; field allowance; stamp duty; National Oil Corporation of Kenya Headquarters disbursement; conference expenses; purchase of iPad, desk top computers, filing cabinets; petro graphic microscope; Global Position system (GPS); and construction of Mitunguu Centre. However, Section 11(1) of The Petroleum (Exploration and Production Act), Cap.308 of the Laws of Kenya and Regulation (7) of the Petroleum (Exploration and Production) (Training Fund) Regulations, 2006 limits the application of the Fund to training of Kenyan nationals in the petroleum industry. No explanation has been provided for making the above payments out of the Fund.

Bank Reconciliation Statement

1396. The Bank Reconciliation Statement for the Training Fund Cashbook as at 30 June 2011 reflects receipts in the Cashbook not recorded in the Bank Statement of Kshs.7,622,307.20 relating to the period between 27 January and 3 December 2010, which include an amount of Kshs.7,430,000.00 received from the Permanent Secretary, Ministry of Energy. Besides lack of information as to what the latter amount represents, no explanation has been provided for failure to bank the receipts of Kshs.7,622,307.20 more than six months after they were received.

Opening Cash Balance

1397. The Training Fund's Balance Sheet as at 30 June 2011 reflects a comparative Cash at Bank Account balance of Kshs.179,465,992.00 relating to 2009/2010, while the audited Fund's Balance Sheet for the previous year shows a closing figure of Kshs.168,695,415.00 against the Account. The resultant difference of Kshs.10,770,577.00 between the two sets of records has not been explained.

Basis of Accounts Preparation

1398. Since the operationalisation of the Training Fund on 1 July 2006, the Ministry has continued to prepare the Training Fund Accounts on a cash basis instead of accrual basis contrary to the requirements of Paragraph 11.10 of the Government Financial Regulations and Procedures.

1399. Consequently, Non-current assets acquired during the year 2010/2011 at a total cost of Kshs.10,049,776.00 were expensed instead of being capitalized and depreciated over the useful economic lives of the assets;

1400. Further, miscellaneous receipts totalling Kshs.60,098,758.10 earned in 2008/2009 and 2009/2010 financial years were instead accounted for and presented in the Income Statement for the year ended 30 June 2011.

1401. In addition, receipts of Kshs.2,515,797.75 and payments of Kshs.415,917.00, reflected in the Bank Statement but not recorded in the Cashbook as at 30 June 2011 were excluded from the Income Statement.

Trial Balance and Ledgers

1402. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided for audit to support the balances shown in the Fund Accounts. Consequently, the completeness and accuracy of the balances reflected in the Training Fund Accounts could not be ascertained.

KENYA ENERGY SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME (KEEP) FUND

Basis of Financial Statements Preparation

1403. The Fund's Financial Statements for the year ended 30 June 2011 were prepared purely on cash basis contrary to the requirements of Paragraph 11.10 of the Government Financial Regulations and Procedures that annual fund accounts should incorporate non-cash adjustments such as reserves, provisions, accruals and prepayments. As a result, the statement of financial performance does not reflect accrued annual contribution of Kshs.250,000,000.00 receivable from the organizations specified in the Fund Regulations, while the statement of financial position does not include arrears of contributions totalling Kshs.890,500,000.00 receivable from the same organizations.

Contributions by Other Parties

1404. The Fund has not since its inception on 17 October 2007 received statutory contributions totalling Kshs.890,500,000.00 from Kenya Petroleum Refineries Limited, KPLC, KENGEN, Kenya Pipeline Company Limited, National Oil Corporation of Kenya Limited and Energy Regulatory Commission contrary to the requirements of Section 3(2)(b) of the Government Financial Management (Kenya Energy Sector Environment and Social Responsibility Programme Fund) Regulations, 2007 and the Programme's ten years action plan (2008-2018). It has not been explained why these organizations failed to comply with the Regulations.

Failure to Utilize the Fund

1405. The Fund's Statement of financial position as at 30 June 2011 reflects Cash at Bank and Accumulated Fund balance of Kshs.399,360,715.30, which was apparently lying idle in the bank account. No justification has been provided for failure to use the money to achieve the objectives and purpose of the Fund as stipulated under Section 4 of the Fund's Regulations.

Cash Balance Brought Forward

1406. The statement of financial position reflects a comparative Cash at Bank and a similar figure of Accumulated Fund balances of Kshs.306,851,519.05 which however, differs with the respective closing balances of Kshs.310,795,155.90 as at 30 June 2010. The resulting difference of Kshs.3,943,636.85 has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE R.30

1407. The Statement of Assets and Liabilities for Vote R.30 as at 30 June 2011 reflects various balances under Exchequer, District Suspense, General Account of Vote, Excess Appropriations-in-Aid, General Suspense, Clearance and Suspense Adjustment Accounts relating to 2009/2010 and earlier years. No reason has been given for failure to clear the long outstanding balances from the books of account. In addition, the balances have not been fully analysed.

1408. The Statement in addition reflects a District Suspense Account debit balance of Kshs.7,621,932.00 which has not been analysed, with the result that its completeness and accuracy could not be ascertained.

1409. The Statement further shows a Cash at Bank balance of Kshs.393,512,919.40, while the Cashbook as at 30 June 2011 reflects a figure of Kshs.5,699,656.80 against the item. The resultant difference of Kshs.387,813,262.60 has not been reconciled or explained. In addition, the

failure to show Cash on Hand of Kshs.4,695.00 as at 30 June 2011 in the Statement has not been clarified.

1410. The Statement in addition reflects a General Suspense Account credit balance of Kshs.2,979,653.25 relating to 2009/2010 and earlier years and a debit balance of Kshs.174,028,316.55 against Suspense Account Adjustment which have not been analysed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.30

1411. The Statement of Assets and Liabilities for Vote D.30 as at 30 June 2011 reflects various balances under Exchequer, District Suspense, General Account of Vote, Excess Appropriations-in-Aid and Suspense Adjustments Account relating to 2009/2010 and earlier years. Apart from failure to clear these long outstanding balances from the books of account, they have not been fully analysed.

1412. The Statement further shows an Imprest Account debit balance of Kshs.33,000.00 which has not been analysed. It has also not been explained why the amount was not surrendered or accounted for on or before 30 June 2011.

1413. The Statement reflects Cash at Bank balance of Kshs.3,792,839,168.95 while the Cashbook as at 30 June 2011, reflects a figure of Kshs.61,832,804.80. The resultant difference of Kshs.3,731,006,364.15 has not been reconciled or explained.

1414. The Statement also reflects a Cash on Hand balance of Kshs.570,576.50 while the Cashbook and Board of Survey Report as at 30 June 2011 shows a figure of Kshs.14,764.50. The resultant difference of Kshs.555,812.00 has similarly not been reconciled or explained.

1415. The Statement also shows a General Suspense Account debit balance of Kshs 44,720.00 which has not been analysed. Consequently, the completeness and accuracy of the balance could not be ascertained.

1416. Finally, the assets and liabilities totalling Kshs.14,739,827,750.20, reflected in the Statement were not derived from the Trial Balance as at 30 June 2011. As a result, the completeness and accuracy of the account balances reflected in the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS

1417. As similarly reported in 2009/2010, the Statement of Assets and Liabilities for Funds, Schemes and Deposits as at 30 June 2011 reflects a Cash at Bank balance of Kshs.17,030,606.50 brought forward from 1996/1997, and comprising receipts from the Kenya Pipeline Company Ltd. Kipevu Oil Storage Facility, National Youth Development Fund Contributions and the Energy Development Fund. Besides the fact that the balance has not been properly analysed or explained, information available indicates that the Ministry has for the last fourteen years, been awaiting instructions from Treasury on how to clear the amount.

1418. Similarly, the Statement shows a balance of Kshs.2,103,664.00 under the Energy Development Fund which has been outstanding for the last twelve years. The amount ought to have been cleared from the books of account in accordance with Legal Notice No. 6 of 30 December 1999 under which the Fund was wound up. However, no reason has been provided for this anomaly.

1419. The Statement also reflects Cash at Bank and Cash at Hand balances of Kshs.726,476,293.70 and Kshs.341,101.60 respectively, both totalling Kshs.726,817,395.30, while the Cashbook as at 30 June 2011 shows a figure of Kshs.75,116,454.65. The resultant difference of Kshs.651,700,940.65 between the two sets of records has not been reconciled or explained.

1420. The Statement further reflects a Funds, Schemes and Deposits balance of Kshs.741,744,247.80, which was not analysed and as a result, it has not been possible to confirm its completeness and accuracy.

MINISTRY OF EDUCATION

APPROPRIATION ACCOUNT FOR VOTE R.31

Under-Collection of Appropriations-In-Aid

1421. The Appropriation Account for Vote R.31 for the year ended 30 June 2011 reflects under-collection of Appropriations-In-Aid of Kshs.2,980,022,711.00 or approximately 99% of the estimated receipts of Kshs.2,996,375,200.00. The under-collection mainly occurred under Sub-Votes 3101, 3102 and 3121 representing General Administration and Planning, Basic Education and Department of Adult Education, respectively.

1422. According to the footnotes to the Account, the under-collection is attributed to failure by the collecting institutions to surrender receipts, delayed activities in the respective institutions, direct deduction of commission disbursements and over budgeting, amongst others.

As was the case in the previous year, no indications have been provided by the Ministry on action being taken to address the underlying causes of under collection of Appropriations-In-Aid.

Differences Between the Appropriation Account and the Ledger

1423. The Appropriation Account also reflects a total actual expenditure of Kshs.128,783,570,757.20, while the Ledger for the month of June 2011 against which the Account was prepared shows a figure of Kshs.129,254,504,724.38. The difference of Kshs.470,933,967.18 between the two sets of records has not been reconciled or explained. Consequently, accuracy and completeness of the Appropriation Account could not be ascertained.

Irregular Payment of Meal Allowances

1424. The Appropriation Account further reflects expenditure totalling Kshs.2,702,000.00 charged under various Sub-Votes and Heads and under Item 2210300 – Domestic Travel and Subsistence and Other Transportation costs, Item 2210700 – Training Expenses and Item 2210800 – Hospitality Supplies and Other Services, being meal allowances paid to officers while performing duties at their regular work stations. No evidence was however provided to confirm that the officers worked beyond normal working hours and therefore the expenditure is irregular.

Grants and Subsidies to Government Agencies and other Institutions

1425. The Appropriation Account in addition reflects, under various Heads, expenditure totalling Kshs.10,147,530,999.00 under Item 2630100 - Current Grants to Government Agencies and Other levels of Government, representing funds released to various Government Educational Agencies, Schools and Colleges during the year. Out of the above total, an amount of Kshs.9,137,214,977.00 has been confirmed received in the respective institutions, colleges and schools leaving a balance of Kshs.1,010,316,022.00 outstanding. The Ministry's records further indicate that Kshs.594,384,810.00 was disbursed to Kenya Institute of Education while the Institute's audited financial statements for the year under review indicate receipts of grants totalling Kshs.674,302,793.00. The difference of Kshs.79,917,983.00 between the two sets of records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.31

Accuracy of the Appropriation Account

1426. The Appropriation Account for Vote D.31 for the year ended 30 June 2011 reflects actual expenditure of Kshs.8,246,052,530.80, while the Ledger for the month of June reflects an amount of Kshs.5,604,041,423.90. The resultant difference of Kshs.2,642,011,106.90 between the two sets of records has not been reconciled or explained.

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

1427. The Appropriation Account also reflects gross under-expenditure of Kshs.1,667,753,354.20, or approximately 17% of the approved estimates of Kshs.9,913,805,885.00 and under-collection of Appropriations-in-Aid of Kshs.847,882,657.65 or about 28% of the estimated receipts of Kshs.2,992,616,585.00. The under expenditure and under-collection of Appropriations-In-Aid occurred in various Sub-Votes. According to footnotes to the Account, the under-expenditure was mainly due to slow implementation of projects, over budgeting, delay of the supplementary budget, delay in procurement processes, under-collection of Appropriations-In-Aid and delay in submission of invoices from training institutes. However, no reason was provided for the under-collection of Appropriations-In-Aid.

Grants to Government Agencies and Other Institutions

1428. The Appropriation Account further reflects expenditure amounting to Kshs.389,417,860.00 incurred in respect of five (5) Government Institutions including Quality Assurance and Standards, Kenya Institute of Education, Policy

and Planning, Centre for Mathematics, Science and Technology (CEMASTEA) and Kibabii Teachers Training College.

1429. According to records available, the funds were disbursed to the institutions. However, receipt and proper utilization of the funds could not be confirmed since no verifiable documentation or audited financial statements were produced for audit confirmation.

Unconfirmed Expenditure at the Districts

1430. The Appropriation Account in addition reflects gross expenditure totalling Kshs.1,873,203,208.00 under Head 310203, Item 2211000 – Specialized Materials and Supplies. The expenditure relates to World Food Programme Project No.2502/04 on Food Assistance to Primary and Pre-primary Schools in Semi-Arid Areas and Disadvantaged Urban Children. The figure includes an amount of Kshs.22,496,100.00 allocated to some nine (9) districts for the purpose of transporting food supplies from the stores to beneficiary schools. However, these districts apparently did not have any food allocation during the year. It is therefore not clear what the expenditure actually relates to.

Irregular Award of Tender

1431. The Appropriation Account also reflects expenditure totalling Kshs.665,542,732.00 under Head 310314 –Secondary and Tertiary Education, Headquarters Administrative Services. Included in the amount is expenditure totalling Kshs.248,891,004.00 relating to the African Development Bank (ADB) Education III Project on Strengthening and Expanding Access to Appropriate Secondary Education and Skills Acquisition.

1432. Scrutiny of tender documents and evaluation reports of a contract at St. Mary's School, Amukura revealed that the contract for construction works was awarded to a contractor who had quoted Kshs.4,894,726.00, a figure which was higher than the Ministry of Public Works estimates of Kshs.3,231,970.00 by Kshs.1,662,756.00. Further, among the eleven (11) bidders, the firm was the highest bidder and no reason had been given for disqualifying the other bidders. In addition, it is not clear how and when the bidders were identified since no tender advertisement or quotation documents were produced for audit review.

Unconfirmed Expenditure Incurred by Schools

1433. The Appropriation Account also reflects expenditure totalling Kshs.408,897,396.00 and Kshs.361,198,002.00 under Head 310201 – Directorate of Basic Education and Head 310314 – Sub-Head 0240 – Free Secondary Education. Included in the expenditure were grants totalling Kshs.23,154,417.00 disbursed to some eight (8) secondary schools while a further sum of Kshs.6,510,781.10 was disbursed to some sixteen (16) primary

schools for purposes of purchasing Instructional Materials during the year. However, supporting documents for the expenditures including payment vouchers, invoices or cash sale receipts were not made available for audit verification. The resultant expenditure could therefore not be confirmed.

1434. Further, four (4) schools made payments totalling Kshs.294,728.00 to suppliers of Instructional Materials and other supplies during 2010/2011. However, verification of stores records and other inventory records did not support receipt or existence of such materials. In the circumstances, propriety of the expenditure could not be confirmed.

1435. In Addition, three (3) schools in Western, Nyanza and Coast Provinces made payments to suppliers in respect of stationeries and textbooks at a rate higher than that of approved price list, resulting to an overpayment totalling Kshs.98,725.50.

1436. A payment for Kshs.100,000.00 was also made from Government grant to a Principal of a Secondary School in Coast Province in February 2011. However, the funds had not been accounted for or refunded as at 30 September 2011, the funds may have been embezzled.

1437. Further four (4) schools procured various goods and services worth Kshs.5,072,032.00 from various suppliers without inviting quotations, contrary to Public Procurement and Disposal Act, 2005.

PENDING BILLS

1438. Examination of records held at the Ministry's Headquarters revealed that bills totalling Kshs.534,030,325.65, for 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.301,265,393.15 related to the Recurrent Vote, while the balance of Kshs.232,764,932.50 related to Development Vote.

1439. Had these bills been settled and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.31 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.1,301,417,638.65, instead of Kshs.1,602,683,031.80. Similarly, the Appropriation Account for Vote D.31 for the same period would have reflected a reduced Net Surplus of Kshs.587,105,764.05, instead of Kshs.819,870,696.55.

OUTSTANDING IMPRESTS

1440. Examination of imprest records maintained at the Ministry Headquarters revealed that Temporary imprests totalling Kshs.35,240,940.90, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding with some imprests dating to as far back as 1999.

1441. Out of the total, imprests amounting to Kshs.17,536,746.05 were owed by officers on Job Group 'M' and above, Kshs.16,069,528.50 by officers on Job Group 'L' and below, Kshs.1,338,346.35 was due from Politicians and the balance of Kshs.296,320.00 was owed by deceased officers.

1442. A review of the position as at 30 September 2011 revealed that imprests totalling Kshs.16,321,062.90 had been cleared as at that date leaving a balance of Kshs.18,919,878.00 outstanding.

1443. It was further observed that some officers in Job Group 'L' and below were issued with additional imprests before surrendering the balances previously issued, contrary to Government Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.31

1444. The Statement of Assets and Liabilities as at 30 June 2011 for Vote R.31 reflects various debit and credit balances totalling Kshs.3,774,706,777.00 and Kshs.50,941,980.00, respectively relating to 2009/2010 and earlier years in respect of Advances, Standing Imprest, Temporary Imprest, General Suspense, Miscellaneous, PMG, Agency and Clearance Accounts. No reasons have been given for the non clearance of these long outstanding balances from the books of account.

1445. The Statement also reflects various debit and credit balances, which differ with balances reflected in the ledger in respect of Advances, Standing Imprest, General Suspense, Paymaster General, Agency and Clearance Accounts. No reconciliation has been provided for the differences between the Statement and the General Ledger balances. Consequently, the completeness and accuracy of the balances cannot be confirmed.

1446. The Statement further reflects an Exchequer Account balance of Kshs.173,340,076.50 for the year ended 30 June 2011, which differs with the balance indicated in Treasury records of Kshs.778,901,300.00. The difference between the two sets of records has not been reconciled or explained. Further, the Exchequer Account reflects an opening balance of Kshs.693,181,900.00 relating to 2009/2010 and earlier years that ought to have been cleared on or before 30 June 2011.

1447. The Statement in addition reflects a District Suspense Account debit balance of Kshs.334,963,753.65 while the schedule provided indicates a balance of Kshs.682,723,895.40, resulting into unreconciled difference of Kshs.347,760,141.75.

1448. The Statement also reflects a Miscellaneous Account balance brought forward from 2009/2010 and earlier years of Kshs.1,340,249.60, which was not supported.

1449. The Statement reflects General Account of Vote (GAV) credit balance of Kshs.737,551,273.10 for the year which differs with the Appropriation Account's Net Surplus to be surrendered to the Exchequer figure of Kshs.1,602,683,031.80 by Kshs.865,131,758.70. The difference has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.31

1450. The Statement of Assets and Liabilities as at 30 June 2011 for Vote D.31 reflects various debit and credit balances totalling Kshs.2,308,452,009.20 and Kshs.2,035,432,998.80 respectively, relating to 2009/2010 and earlier years in respect of Exchequer, Temporary Imprest, Agency, Miscellaneous, GAV, District Suspense and General Suspense Accounts. No reason has been given for failure to clear the long outstanding balances from the books of account.

1451. The Statement further reflects various debit and credit balances amounting to Kshs.6,771,767.20 and Kshs.302,303,245.05 respectively, in respect of Temporary Imprest, District Suspense and General Suspense Accounts that were cleared during the year. No supporting documents were however provided to support the clearance and consequently, the validity of the balances cannot be confirmed.

1452. The Statement further, reflects various debit balances in respect of Exchequer, Agency and Miscellaneous Accounts of Kshs.2,694,879,270.00, Kshs.82,405,195.10 and Kshs.41,706.50 respectively which had not been analysed. No reason has been provided for failure to analyse the balances. Consequently, completeness and accuracy of the balances cannot be ascertained.

1453. The Statement in addition reflects various balances in respect of Temporary Imprests, Paymaster General and District Imprests Accounts that differ with the ledger balances or were not included in the ledger. The accuracy and completeness of the balances reflected in the Statement as at 30 June 2011 cannot therefore be confirmed.

1454. The Statement also reflects an Exchequer Account balance of Kshs.475,224,086.05 while Treasury records reflected Kshs.1,363,452,218.00,

resulting into a difference of Kshs.888,228,131.95 which has not been reconciled or explained. In absence of a reconciliation, the completeness and accuracy of the Exchequer Account balance cannot be confirmed.

1455. The Statement also shows a figure of Kshs.779,525,220.25 under General Account of Vote (GAV) which differs with the Net Surplus to be surrendered to the Exchequer of Kshs.1,602,683,031.80 by Kshs.823,157,811.55. The difference has not been reconciled or explained. Consequently, the completeness and accuracy of the GAV account balance could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 31

1456. The Statement of Assets and Liabilities as at 30 June 2011 for Deposits 31 reflects an opening credit balance of Kshs.7,805,087.60 in respect to a Non-Existing Account. The figure however differs with the 2009/2010 audited Statement's balance of Kshs.6,571,688.85 under the same account. The difference of Kshs.1,233,398.75 has not been reconciled or explained.

1457. The Statement further reflects long outstanding debit and credit balances amounting to Kshs.6,985,729.10 and Kshs.172,571,457.95 respectively against Temporary Imprests, Agency-Ministry of Home Affairs, Agency-Suspense, Clearance Account (Research), District Suspense, Funds and Schemes, Nararas Singh Trust Fund, Mrs. Kamelgoan Bhatt Trust, Dulverton Scholarship Fund, Esso Scholarship Fund, Headquarters Deposits, Mombasa Non-Existing Deposits and Posting to Non-Existing Accounts. No reason has been given for the non clearance of these long outstanding balances from the books of account.

1458. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.165,523,728.85 which differs with the Cashbook balance Kshs.164,259,593.25 as at 30 June 2011 by Kshs.1,264,135.60. The PMG balance also differs with bank balance of Kshs.171,929,965.75 by Kshs.6,406,236.90. The differences have not been reconciled. Further, the movement in the PMG Account of Kshs.18,660,976.30 during the year and the movement in the Headquarters Deposits figure of Kshs.18,776,523.00 have not been analysed, or supported with verifiable documentation. Consequently, accuracy of the PMG Account and Headquarters Deposits balances of Kshs.165,523,728.85 and Kshs.165,506,177.40 as at 30 June 2011 cannot be confirmed.

MINISTRY OF INFORMATION AND COMMUNICATIONS

APPROPRIATION ACCOUNT FOR VOTE R.32

Under-Collection of Appropriations-In-Aid

1459. The Appropriation Account for Vote R.32 for the year ended 30 June 2011 reflects under-collection of Appropriations-In-Aid of Kshs.47,502,623.55 or approximately 29% of the estimated receipts of Kshs.162,981,300.00. The under-collection occurred mainly under Sub-Vote 3202- Information and News Services-against which only Kshs.26,277,259.45 was realized out of the Kshs.63,886,300.00 expected.

According to footnote to the Account, the under-collection of Appropriations-In-Aid is attributed to over projection on sales of Kenya Today Newspaper, which did not pick up.

Payroll Records

1460. The Appropriation Account also reflects expenditure totalling Kshs.209,030,764.35 across various Heads under Item 2110101- Basic Salaries - Civil Service. The Integrated Payroll and Personnel Data (IPPD) records on the other hand reflect an amount of Kshs.219,053,632.40. The difference of Kshs.10,022,868.50 between the two sets of records, has not been reconciled or explained.

Grants to Government Agencies and Other Institutions

1461. The Appropriation Account further reflects under Head 320104, Item 2630101-Current Grants to Government Agencies and other levels of Government, grants amounting to Kshs.72,554,519.00 disbursed to Kenya Film Classification Board while the financial statements of the Board reflect receipts of Kshs.56,565,351.00 resulting in a difference of Kshs.15,989,168.00. Similarly, the Appropriation Account reflects grants disbursed to Kenya Film Commission of Kshs.78,500,000.00 while the financial statements of the Commission show receipts of Kshs.76,500,000.00 resulting in a difference of Kshs.2,000,000.00. In both instances, no explanation or reconciliation was given for the differences between the two sets of records.

1462. Further, the Appropriation Account reflects an amount of Kshs.10,205,000.00 under Head 320102, Item 2630108 being grants to Communication Appeals Tribunal during the year. However, the Tribunal did not

prepare financial statements for the year, and therefore receipt and proper utilization of the funds could not be confirmed.

APPROPRIATION ACCOUNT FOR VOTE D.32

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

1463. The Appropriation Account for Vote D.32 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.612,811,357.25, representing approximately 14% of the approved estimates. The under-expenditure occurred mainly under Sub-Vote 3201 – General Administration and Planning. The reasons provided for the under-expenditure include inadequate liquidity, Exchequer under-issues and failure by the ICT Board to request for whole allocation. The Account also shows under- collection of Appropriations-In-Aid of Kshs.15,000,000.00 or about 39% of the estimated receipts of Kshs.38,000,000.00. No reasons have been provided for the under-collection.

Grants to Institutions

1464. The Appropriation Account further reflects Grants and transfers to Government Agencies and Other Semi Autonomous Government Agencies totalling Kshs.2,291,943,143.00. Included in the total amount is Kshs.1,881,943,143.00 disbursed to Kenya ICT Board. However, the financial statements of the Kenya ICT Board reflects an amount of Kshs.1,676,362,038.00. The difference of Kshs.205,581,105.00 between the two sets of records has not been reconciled or explained.

Failure to Provide Footnotes.

1465. Footnotes for seven (7) expenditure and Appropriations-In-Aid items with variances exceeding Kshs.1,000,000.00 have not been provided in the Appropriation Account. Failure to provide the footnotes has not been explained.

PENDING BILLS

1466. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.82,645,906.10 relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.31,253,106.10 related to the Recurrent Vote while the balance of Kshs.51,392,800.00 related to the Development Vote.

1467. Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for the Vote R.32 for the year 2010/2011 would have reflected an Excess Vote of Kshs.27,233,799.95 instead of Net

Surplus to be Surrendered to the Exchequer of Kshs.4,019,306.15 now shown. Similarly, the Appropriation Account for the Vote D.32 for the same period would have reflected a reduced Net Surplus of Kshs.546,418,557.25 instead of Kshs.597,811,357.25 now shown.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

1468. Section 4 (2) (b) of the Public Audit Act, 2003 and the Government Financial Regulations and Procedures require each Accounting Officer to prepare and submit for audit, a Statement of Outstanding Loans within three months after the end of the financial year.

1469. The Ministry has however not submitted such a Statement for audit, although records maintained at the Treasury show that loans amounting to Kshs.3,737,274,884.00 were due and outstanding as at 30 June 2011 against Telkom (K) Ltd. No reasons have been given for not complying with the law.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

1470. As reported in previous year, the Statement of Outstanding Obligations Guaranteed by the Government of Kenya as at 30 June 2011 reflects outstanding contingent liability totalling Kshs.7,117,582,587.50, made up of Kshs.6,722,165,243.00 and Kshs.395,417,344.50 relating to Government of Japan loan No. KE –P 12 to Kenya Broadcasting Corporation and ECD Canada loan to Telkom (K) Ltd, respectively. Loan registers for the two loans were not availed for audit review.

1471. Other records held by the Treasury indicate that Outstanding Obligations Guaranteed by the Government of Kenya in respect of both loans was Kshs.6,722,038,696.00 and Kshs.404,403,816.06 totalling to Kshs.7,126,442,512.06. The difference of Kshs.8,859,924.56 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.32

1472. The Statement of Assets and Liabilities for R.32 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.1,977,918.75 while the Cashbook and the Board of Survey Report reflect a balance of Kshs.699,818.45 and Kshs.715,533.50 respectively. The differences between the three sets of records have not been reconciled or explained. Consequently, the accuracy of the PMG Account balance cannot be confirmed.

1473. The Statement further reflects debit balances under Advance Account and Temporary Imprests amounting to Kshs.728,171.85 and Kshs.163,370.00 respectively relating to 2009/2010 and earlier years. No reason has however been provided for the failure to clear the long outstanding balances from the books of account.

1474. The Statement also reflects debit and credit balances amounting to Kshs.5,071,312.25 and Kshs.54,215,666.65 that were cleared during the year, under GAV 2008/2009 and earlier years, Exchequer Account, Temporary Imprests and GAV 2009/2010. No documentary evidence was however provided in support of the clearance of the long outstanding Items. Consequently, the validity of the cleared Items could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.32

1475. The Statement of Assets and Liabilities for Vote D.32 as at 30 June 2011 reflects a Paymaster General (PMG) Account credit balance of Kshs.56,717,355.25 while the Cashbook as at the same date shows a debit balance of Kshs.22,098,224.60. The difference of Kshs.78,815,579.85 between the two set of records has not been explained.

1476. The Statement further reflects a credit balance of Kshs.179,174.35 under District Suspense Account relating to 2009/2010 and earlier years. No reason has been given for failure to clear the long outstanding balance from the books of account.

INTERIM INDEPENDENT ELECTORAL COMMISSION

APPROPRIATION ACCOUNT FOR VOTE R.33

Accuracy of the Appropriation Account

1477. The Appropriation Account for Vote R.33 for the year ended 30 June 2011 reflects expenditure against some four (4) Sub-Heads which differ with those reflected in the General Ledger for the month of June 2011. No reconciliation or explanation has been provided for the variance between the two sets of records.

Misrepresentation of Sub Votes and Heads Codes

1478. The Appropriation Account also reflects expenditure codes for Heads 330101, 330102 and 330201 which do not match with expenditure codes for Heads 570, 733 and 591 reflected in the approved estimates. Further, codes for Sub-Votes 3301 and 3302 reflected in the Appropriation Account do not match with codes reflected in the printed estimates. The discrepancies have not been explained.

PROCUREMENT OF LEGAL SERVICES BY INTERIM INDEPENDENT ELECTORAL COMMISSION (IIEC)

1479. A review of expenditure records maintained by the Interim Independent Electoral Commission (IIEC) during 2010/2011 revealed that the Commission procured legal services from various law firms for legal services rendered while representing the Commission in various election petitions during the year worth Kshs.68,635,673.30.

1480. The payments were made against legal fee notes raised by the respective law firms and charged to Other Operating Expenses, Item No. 0-570-0387-2211300. However, it was observed that the legal services were directly procured contrary to the requirements of Section 74 of the Public Procurement and Disposal Act, 2005. There was no evidence produced to confirm that the conditions prevailing at the time of procuring these services justified direct procurement method.

1481. Further, the direct procurement of legal services was not reported to the Public Procurement Oversight Authority (PPOA) within fourteen (14) days after notification of the award as required by section 62 of the Public Procurement and Disposal Regulations, 2006. Also, no evidence has been provided showing the

number of court appearances made by the law firms while representing the Commission.

1482. In the absence of relevant supporting documentation, it has not been possible to confirm that the IIEC received value for money on the Kshs.68,635,673.30 spent on legal fees during the year. Also, no explanation has been provided for not following the laid down procurement procedures while obtaining legal services.

POLITICAL PARTIES FUND ACCOUNT

Overpayments to Political Parties

1483. The statement of financial performance for the year ended 30 June 2011 reflects expenditure totalling Kshs.191,748,321.70 which includes Kshs.191,260,523.70 distributed to Political Parties during the year. A review of expenditure records revealed that the Party of Independent Candidates of Kenya (PICK) and Kenya Social Congress (KSC) were over paid by Kshs.1,052,923.95 and Kshs.1,000.00 respectively. No effort appears to have been made to recover these amounts as at 30 June 2011.

Unsupported Expenditure

1484. The statement of financial performance also reflects an expenditure of Kshs.487,800.00 on Fund Operating Expenses. However, no documentary evidence has been provided to support this expenditure. Consequently, propriety of the expenditure of Kshs.487,800.00 charged to the Fund cannot be confirmed.

Cash Deposit at Bank

1485. The statement of financial position as at 30 June 2011 reflects cash at bank balance of Kshs.76,915,491.85, which differs with the Cashbook balance as at the same date of Kshs.70,914,384.30 by Kshs.6,001,107.55. The resultant difference has not been reconciled or explained. Consequently, accuracy of the cash balance reflected in the Fund Account cannot be confirmed.

CAR LOAN SCHEME FUND ACCOUNTS

Accuracy of the Financial Statements

1486. The financial statements for Interim Independent Electoral Commission for 2010/2011 include comparative figures and balances brought forward relating to 2009/2010 and earlier years. However, no financial statements had been prepared for the Scheme during 2009/2010 and earlier years. Consequently, the

completeness and accuracy of the figures disclosed in the statement of financial position as at 30 June 2011 could not be ascertained.

Debtors Outstanding Loan Balance

1487. The Fund's statement of financial position as at 30 June 2011 reflects Debtors Outstanding Loan balance of Kshs.26,192,965.00 against a balance of Kshs.29,444,630.00 as at 30 June 2010, representing a reduction of Kshs.3,251,665.00 during the year under review. However, no documentary evidence was provided to support the reduction of Debtors Outstanding Loan. Further, no efforts appear to have been made to recover outstanding loans which relate to the year 2008 when the former Electoral Commission of Kenya was disbanded.

Cash at Bank Balance

1488. The statement of financial position further reflects Cash at Bank balance of Kshs.20,878,468.85 as at 30 June 2011. However, the Cashbook for the Fund was not availed for audit verification and confirmation. Consequently, accuracy and completeness of the Bank balance of Kshs.20,878,468.85 as at 30 June 2011 could not be confirmed.

Capital Fund Balance

1489. The statement of financial position also reflects a Capital Fund Balance of Kshs.47,071,433.85, indicating an increase of Kshs.1,124,926.20 from the previous year's balance of Kshs.45,946,507.65. However, no documentary evidence has been availed to support the Capital Fund balance as at 30 June 2011.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.33

1490. The Statement of Assets and Liabilities for Vote R.33 as at 30 June 2011 reflects Cash on Hand totalling Kshs.26,845,414.65 which includes Kshs.26,792,248.30 brought forward from the year 2009/2010. However, the brought forward figure of Kshs.26,792,248.30 varies from the figure of Kshs.27,540,580.20 reflected in the audited Statement for 2009/2010. The Cash on Hand as at 30 June 2011 also differs from the balance of Kshs.53,166.35 reflected in the Cashbook as at the same date. Similarly, the Statement reflects Cash at Bank balance of Kshs.1,342,081,143.35 which includes Kshs.1,316,164,615.05 brought forward from the year 2009/2010, which, however differs from the figure of Kshs.1,316,048,615.10 reflected in the audited Statement for 2009/2010. The Cash at Bank as at 30 June 2011 also differs from the figure of Kshs.25,916,528.30 reflected in the Cashbook. No reconciliation or explanation has been provided for the above variations.

1491. The Statement also reflects balances under Excess Appropriations-In-Aid and General Suspense Account of Kshs.55,216,680.90 and Kshs.133,264,866.15 respectively, brought forward from 2009/2010 which differ from balances of Kshs.55,100,680.90 and Kshs.134,013,198.20 reflected in the 2009/2010 audited Statement. No reconciliation has been provided for the variation of Kshs.116,000.00 and Kshs.748,332.05, respectively between the two sets of records.

1492. The Statement further reflects various balances against Advances, Imprest, Provincial/District Suspense, General Suspense and Salary Clearance Accounts which vary from the figures appearing in the Trial Balance as at 30 June 2011. The variances have not been reconciled or explained.

1493. The Statement also reflects various long outstanding debit and credit balances amounting to Kshs.3,206,629,980.45 and Kshs.4,553,975,882.20 respectively, against Exchequer Account, Advances, Imprest, General Suspense, Provincial/District Suspense, General Account of Vote, Excess Appropriations-In-Aid, and Salary Clearance Accounts relating to 2009/2010 and earlier years. No reasons have been provided for failure to clear these long outstanding balances from the books of account.

1494. The Statement further reflects other balances against Advance and General Suspense Accounts which have not been analysed. In the circumstances, it has not been possible to determine what the balances represent or ascertain their correctness.

1495. The Statement in addition, reflects a nil General Account of Vote balance for 2010/2011, while the Appropriation Account for the same period reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.50,998.00. The omission has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 33

1496. The Statement of Assets and Liabilities for Deposits 33 as at 30 June 2011 reflects opening balances for year 2009/2010 against Cash at Bank, Deposits and Suspense Account of Kshs.27,274,019.30, Kshs.30,500.00 and Kshs.27,098,176.30 respectively, which have not been audited and confirmed. Further, opening balances for 2009/2010 assets and liabilities figures of Kshs.27,274,019.30 and Kshs.27,128,676.30 are not balanced by Kshs.145,343.00. Accuracy of the 2009/2010 balances brought forward can therefore not be confirmed.

1497. The Statement further reflects a Cash at Bank balance of Kshs.27,274,019.30 as at 30 June 2011. However, this balance differs with the Cashbook and Certificate of bank balances of Kshs.27,278,019.30, by Kshs.4,000.00 that has not been reconciled or explained.

1498. The Statement also reflects a credit balance of Kshs.179,918.00 against Deposits Account, which includes Kshs.30,500.00 relating to 2009/2010 and earlier years. In addition, the balance of Kshs.179,918.00 has not been supported with relevant documents.

1499. The Statement further reflects a Suspense Account credit balance of Kshs.27,098,176.30 relating to 2009/2010 and earlier years, with some entries dating back to year 1999, but which differs with the analysed balance of Kshs.27,128,676.30 by Kshs.30,500.00. In addition, no supporting documents were produced for audit confirmation of the nature of the Suspense Account balances.

MINISTRY OF STATE FOR SPECIAL PROGRAMMES

APPROPRIATION ACCOUNT FOR VOTE R.35

Format and Presentation

1500. The Appropriation Account for Vote R.35 for the year ended 30 June 2011 submitted for audit did not fully conform with the Government Financial Regulations and Procedures Chapter 11, Paragraph 11.6.3 on the layout of the Appropriation Accounts. The Account did not show original and supplementary estimates separately. Further, the coding systems in the Account did not conform with the estimates from where they are deemed to have originated. No reason has been provided for failure to follow the regulations.

Inaccuracy of the Account

1501. The Appropriation Account reflects under Heads 350101, 350102 and 350103 various items of expenditure figures that differ from the corresponding balances shown in the Ledger for the month of June 2011. No explanation has been provided for the differences between the two sets of records.

Differences Between the Appropriation Account and Supporting Documents

1502. Five items under Heads 350101 and 350102 in the Appropriation Account reflect expenditure totalling Kshs.2,497,813,644.00 which differ with the amount of Kshs.2,711,147,641.13 shown on the payment vouchers and supporting documents. The differences have not been explained.

Unaccounted for Authority to Incur Expenditure (AIE)

1503. The Ministry issued two Authority to Incur Expenditure (AIEs) of Kshs.30,000,000.00 and Kshs.20,000,000.00 to the National Youth Service and the Administration Police Commandant respectively to facilitate transportation of Relief food to needy Kenyans during the year. The total amount of Kshs.50,000,000.00 was charged to Head 350102, Item 2640200 – Emergency Relief and Refugee Assistance. However, expenditure returns from the recipients were not availed for audit review.

1504. Further, Authority to Incur Expenditure (AIEs) amounting to Kshs.116,000,000.00 and Kshs.112,666,890.00 sent to various districts for meeting transportation cost of relief food were respectively charged to Items

2211300 – Other Operating Expenses and 2640200 – Emergency Relief and Refugee Assistance under Head 350102 – Relief and Rehabilitation. However, out of the total AIE released of Kshs.228,666,890.00, expenditure returns for an amount of Kshs.29,700,788.10 were not produced for audit verification and therefore were unaccounted for. The propriety of the unaccounted for AIEs could not be confirmed.

Disbursements to Strategic Grain Reserve Trust Fund

1505. The Appropriation Account reflects under Head 350103 – National Food Security expenditure totalling Kshs.2,303,627,232.00 as disbursed to Strategic Grain Reserve Trust Fund during the year under review. The Strategic Grain Reserve Trust Fund Accounts for 2010/2011, however, show receipts amounting to Kshs.2,011,983,394.70. The resultant difference of Kshs.291,643,837.30 has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D. 35

Accuracy of the Appropriation Account

1506. The Appropriation Account for Vote D. 35 for the year ended 30 June 2011 reflects total net expenditure of Kshs.3,978,098,352.05 while the Trial Balance as at 30 June 2011 shows a corresponding figure of Kshs.1,262,906,289.80. The resultant difference of Kshs.2,715,192,062.25 between the two sets of records has not been reconciled or explained.

Under-Collection of Appropriations-In-Aid

1507. The Appropriation Account also reflects a deficiency in Appropriations-In-Aid of Kshs.856,669,662.35 or about 32% of the estimated receipts of Kshs.2,652,205,000.00. No footnotes to the Account have, however, been provided to explain the reasons for material under collection of over Kshs.1,000,000.00 for the estimated receipts under Heads 350101 – Headquarters Administrative Services, 350105 – National Aids Control Council, 350102 – Relief & Rehabilitation and 350109 – Western Kenya Flood Mitigation Project. Consequently, the requirements under Paragraph 11.7 of the Government Financial Regulations and Procedures have been contravened.

Transfers to National Aids Control Council

1508. The Appropriation Account further reflects a net expenditure of Kshs.2,780,913,118.00 under the National Aids Control Council (NACC), while the Financial Statements of the Council for 2010/2011 reflect receipts of Kshs.1,907,171,118.45 from the Ministry. The resultant difference of

Kshs.873,741,999.55 between the two sets of records has not been reconciled or explained.

Disbursements to Humanitarian Fund

1509. The Appropriation Account further reflects total expenditure of Kshs.969,448,239.00 against Head 350101-Headquarters Administrative Services, Item 2640500 – Other Capital Grants and Transfers, in respect of disbursements to the National Humanitarian Fund while the Fund's Accounts for the period show receipts amounting to Kshs.145,752,243.00. The resultant difference of Kshs.823,695,996.00 has not been reconciled or explained.

PENDING BILLS

1510. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.1,591,106,717.00 relating to 2010/2011 and chargeable to the Recurrent Vote R.35 were not settled during the year but were instead carried forward to 2011/2012.

1511. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.35 for the year ended 30 June 2011 would have reflected an Excess Vote of Kshs.1,452,021,551.60 instead of the Net Surplus to be Surrendered to the Exchequer of Kshs.139,085,165.40 now shown.

1512. Further, out of the total bills, payment vouchers and documentation for bills totalling Kshs.599,205,689.75 were not provided for audit review. Consequently, the validity of these bills could not be confirmed.

OUTSTANDING IMPRESTS

1513. Audit of imprests records maintained at the Ministry's Headquarters indicated that Temporary imprests totalling Kshs.2,727,324.40, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date. Out of the total, imprests amounting to Kshs.462,363.40 were owed by officers in Job Groups 'M' and above while the balance of Kshs.2,264,961.00 was due from officers in Job Groups 'L' and below.

1514. A review of the position as at 30 September 2011 disclosed that imprests amounting to Kshs.975,555.40, had been accounted for, leaving a balance of Kshs.1,751,769.00 outstanding as at that date.

NATIONAL HUMANITARIAN FUND

Cash and Bank Balances

1515. The Fund's Statement of Assets and Liabilities as at 30 June 2011 reflects a Paymaster General (PMG) Account balance of Kshs.364,856,417.00 which differs with the Cashbook figure of Kshs.381,709,454.65 reflected in the Bank Reconciliation Statement as at 30 June 2011 by Kshs.16,853,037.65. No reconciliation or explanation has been provided for the difference. In addition, Board of Survey and Bank Confirmation Certificate as at the same date were not provided for audit verification.

Suspense Account

1516. The Fund's Statement of Assets and Liabilities also reflects a Suspense Account balance of Kshs.46,562,550.00 that has not been analysed. As a result, the validity and accuracy of the balance could not be ascertained.

Exchequer Receipts

1517. The Fund's Statement of Income and Expenditure for the year ended 30 June 2011 reflects Exchequer Receipts of Kshs.145,752,243.00 while the Appropriation Account for Vote D.35 for the same period indicate that the Ministry disbursed a total of Kshs.969,448,239.00 to the Fund. The resultant difference of Kshs.823,695,996.00 between the two sets of records has not been reconciled or explained.

Donations

1518. The Fund's Income and Expenditure Statement also reflects receipts of Kshs.538,604,648.30 which exclude contributions amounting to Kshs.872,000.00 received from a foreign donor. No explanation has been provided for this omission.

Unaccounted for Funds

1519. Records available indicate that Authority to Incur Expenditure (AIEs) totalling Kshs.100,550,194.90 were issued by the Fund to various Provincial Commissioners, District Commissioners and Regional Coordinators across the country for the purpose of assisting Internally Displaced Persons during the year. However, out of the total AIEs issued, expenditure returns for Kshs.27,494,190.30 provided for audit review were incomplete while no expenditure returns were provided for the balance of Kshs.72,856,004.60. The propriety of the total AIEs of Kshs.100,550,194.90 could not, therefore, be confirmed.

Failure to Provide Work Programmes and Cost Estimates

1520. Regulation (7) of the Government Financial Management (Humanitarian Fund for Mitigation of Effects and Resettlement of Victims of Post-2007 Election Violence) Regulations, 2008 requires that “the expenditure incurred on the Fund shall be on the basis of work programmes and cost estimates which shall be prepared by the Permanent Secretary in consultation with the Board”. The Ministry has not, however, made available for audit verification the work programmes and cost estimates for the year 2010/2011. Consequently, it has not been possible to confirm whether the total expenditure of Kshs.118,202,627.55 was incurred in accordance with the Fund’s Regulations.

Splitting of Orders – Purchase of Timber

1521. Section 30(1) of the Public Procurement and Disposal Act, 2005 prohibits splitting of orders to avoid the use of procurement procedures. However, during the year under review, the Fund purchased timber worth Kshs.8,138,183.00 through quotations that were split into two separate orders of Kshs.3,122,553.00 and Kshs.5,015,630.00 vide Local Purchase Order numbers 0714024 and 0714025 respectively in order to avoid the Kshs.5 million threshold for open tendering. No explanation has been given for the contravention of procurement regulations.

Misallocation of Expenditure

1522. Audit of payment vouchers revealed that expenditure totalling Kshs.517,129.00 incurred on per diem for two officers accompanying the Minister to New York for a meeting on HIV/AIDs was irregularly charged to the Humanitarian Fund instead of being charged to the Ministry’s Account. No explanation has been provided for the misallocation of expenditure.

NAKUMATT/MOLO FIRE VICTIMS FUND

1523. As previously reported, the Fund Management Committee did not maintain during the year 2010/2011 proper records including cashbooks, donations register, official receipts, payment vouchers and bank reconciliation statements. Consequently, it has not been possible to confirm the value of donations received, disbursements made and the Fund Balance as at 30 June 2011.

1524. Interest Income totalling Kshs.3,008,825.30 earned in 2010/2011 from the deposits held at the Kenya Commercial Bank and Equatorial Bank was not captured and accounted for in the Receipts and Expenditure Statement for the year ended 30 June 2011. Consequently, the total receipts of Kshs.73,179,570.00 reflected in the Statement are not fairly stated.

1525. The Fund's Financial Statements reflect comparative figures for the year 2009/2010 yet no Financial Statements were prepared and submitted for audit for that year. It has therefore not been possible to confirm how the figures were derived.

FAZA FIRE DISASTER FUND

1526. As in the previous year, The Fund Management Committee did not maintain basic accounting records such as; a Cashbook, official receipt books, a donations register and bank reconciliation statements during the year 2010/2011. It has not been possible therefore to establish the actual value of donations received, total disbursements made and the Fund balance as at 30 June 2011.

1527. The comparative figures for 2009/2010 reflected in the Fund's Financial Statements for the year ended 30 June 2011 differ with the closing balances shown in the financial statements for the related year. No explanation has been provided for these anomalies.

1528. The Cash at Bank balance of Kshs.4,067,832.81 shown in the Financial Statements was not supported by bank certificates, Board of Survey report and a bank reconciliation statement as at 30 June 2011. Consequently, it has not been possible to ascertain the accuracy of the cash and Bank balance.

STRATEGIC GRAIN RESERVE TRUST FUND ACCOUNTS

Accuracy of the Accounts

1529. The Balance Sheet as at 30 June 2011 reflects comparative balances for 2009/2010 against three items, which differ from the corresponding closing balances reflected in the audited Accounts for 2009/2010. The discrepancies have not been explained.

Sales

1530. The Income and Expenditure Statement for the year ended 30 June 2011 reflects sales figure of Kshs.1,620,000,000.00 representing transfer during the year of 900,000 bags x 90 Kg of maize from Strategic Grain Reserve stock to the Famine Relief stock at a price of Kshs.1,800.00 per bag. However, records available indicated that transfer of 600,000 bags of maize was authorized via Trustees minutes leaving the transfer of the balance of 300,000 bags of maize valued at Kshs.540,000,000.00 unauthorized. Consequently, the validity of the transfer of the 300,000 bags could not be confirmed.

Purchases

1531. The Statement of Income and Expenditure under Note (4) to the financial statements shows Purchases amounting to Kshs.471,143,400.00 while a schedule provided in support of the same indicate an amount of Kshs.434,907,240.00. No reconciliation or explanation has been provided for the resultant difference of Kshs.36,236,160.00.

Stocks

1532. The Balance Sheet reflects a Stocks balance of Kshs.5,560,702,304.80 made up of 2,317,450 bags of maize as at 30 June 2011. However, the stock sheets in support of the balance have not been made available for audit review. Consequently, the existence, completeness and accuracy of the balance could not be confirmed.

Accounts Receivable

1533. The Balance Sheet as at 30 June 2011 reflects an Accounts Receivable balance of Kshs.6,373,500,000.00 due from Famine Relief Account and which includes an amount of Kshs.4,753,500,000.00 relating to 2009/2010. No reason has been provided for failure to demand refund of the long outstanding amount of Kshs.4,753,500,000.00.

Accumulated Exchequer Balances

1534. The Balance Sheet also shows accumulated Exchequer releases totalling Kshs.20,360,311,779.00 which includes an amount of Kshs.2,011,983,394.70 relating to the year 2010/2011. The Ministry's Appropriation Account for Vote R.35 for the year ended 30 June 2011 on the other hand reflects an amount of Kshs.2,303,627,232.00 against the releases. The resultant difference of Kshs.291,643,837.30 has not been reconciled or explained.

Control weaknesses

In the Report for 2009/2010, a number of operational and management weaknesses in respect of the Fund were observed as follows:

1535. The Fund does not appear to have an independent monitoring and evaluation mechanism for confirming transactions involving its stock, carried out by the National Cereals and Produce Board (NCPB). Consequently, indications are that services rendered are made against invoices, statements and schedules submitted by NCPB before such claims are assessed, evaluated and tested.

1536. The Fund does not appear to maintain Annual Work Plans as provided for under Regulation 6(1) of the Exchequer and Audit (Strategic Grain Reserve Trust

Fund) Regulations, 2002. The Fund does not also enter into Operational Contracts for each operation as provided for under Article 9 of the Agency Agreement. No explanation has been provided for these omissions.

1537. The Fund and NCPB do not appear to undertake joint review of the stock position on a monthly basis to identify possible discrepancies between their respective records, as required under Article 7 of the Agency Agreement. In addition, no evidence was availed to show that the Fund participates in the annual stock taking exercises, which is provided for under Article 8 of the Agreement. Again, no reasons have been provided for failure to adhere to the relevant regulations as indicated above.

A review of the position in 2010/2011 revealed that no meaningful progress has been made to remedy these weaknesses.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.35

1538. The Statement of Assets and Liabilities for Vote R. 35 as at 30 June 2011 reflects various balances under Exchequer, PMG, Imprests, District Suspense, GAV, Excess A.I.A and Suspense Accounts whose opening balances differ with the closing balances reflected in the audited Statement for 2009/2010. No satisfactory explanation has been provided for the anomaly and differences.

1539. The Statement reflects an Imprests Account debit balance of Kshs.1,820,214.00 which includes an amount of Kshs.1,560,814.00 relating to 2009/2010 and earlier years. No plausible explanation has been given for the failure to have the imprests surrendered or accounted for on or before 30 June 2011.

1540. The Statement reflects District Suspense and Headquarters Suspense Accounts debit and credit balances of Kshs.30,917,107.60 and Kshs.58,831,945.50, respectively which have not been fully analysed. As a result, the validity and accuracy of these balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.35

1541. The Statement of Assets and Liabilities for Vote D.35 as at 30 June 2011 reflects nil brought forward balances against all accounts while the 2009/2010 audited statement reflects various balances under Exchequer, PMG, Imprest, Suspense, GAV, Imprests and Suspense Accounts. No explanation has been provided for failure to bring forward these balances to 2010/2011.

1542. The Statement also reflects an Exchequer Account debit balance of Kshs. 277,694,762.40 while the records maintained by Treasury show a figure of

Kshs.241,053,495.20. No reconciliation or explanation has been provided for the resultant difference of Kshs.36,641,267.20.

1543. The Statement also reflects a Paymaster General (PMG) Account debit balance of Kshs.26,437,336.00 while the Cashbook as at 30 June 2011 shows a balance of Kshs.10,194,920.40. No explanation has been given for the difference of Kshs.16,242,415.60 between the two sets of records.

1544. The Statement reflects a Suspense Account debit balance of Kshs.22,926,325.00 which has not been analysed. As a result, the validity and accuracy of the balance could not be confirmed.

1545. The Statement shows a General Account of Vote (GAV) balance of Kshs.327,099,423.40 while the Appropriation Account for Vote D.35 for the year ended 30 June 2011 reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.351,028,798.35. No explanation or reconciliation has been given for the difference of Kshs. 23,929,374.95.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 35

1546. The Statement of Assets and Liabilities for Deposits 35 as at 30 June 2011 total deposits balance of Kshs.11,900,104.25 includes a brought forward figure of Kshs.10,196,051.15 that has not been analysed. As a result, its completeness and accuracy could not be ascertained.

MINISTRY OF LANDS

APPROPRIATION ACCOUNT FOR VOTE D.36

Under-collection of Appropriations-In-Aid

1547. The Appropriation Account for the year ended 30 June 2011 reflects under-collection of Appropriations-In-Aid of Kshs.206,849,010.95 representing approximately 92% of the estimated receipts of Kshs.224,600,000.00. The under collection mainly occurred under Head 360101-Headquarters Administrative Services, Item 1310200 – Grants from Governments. The under collection has been explained in the footnotes as due to delayed disbursement by the donor. The Ministry has not, however, indicated how it is addressing this unsatisfactory situation.

Unsupported Direct Payments

1548. The Appropriation Account reflects under Head 360101-Headquarters Administrative Services, Item 1310200-Grants from Foreign Government, direct expenditure treated as Appropriations-In-Aid totalling Kshs.10,510,532.00 out of which an amount of Kshs.5,254,734.00 was not supported by receipt vouchers and related documentation. The propriety of the direct expenditure could not therefore be ascertained.

PENDING BILLS

1549. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.34,280,436.52 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.12,979,929.75 related to the Recurrent Vote R.36 while the balance of Kshs.21,300,506.77 was in respect of Development Vote D.36.

1550. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.36 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.55,215,000.15 instead of Kshs.68,194,929.90 now shown. Similarly the Appropriation Account for Vote D.36 would have reflected a reduced Net Surplus of Kshs.196,335,414.98 instead of Kshs.217,635,921.75 now recorded.

OUTSTANDING IMPRESTS

1551. Audit of imprest records maintained at the Ministry's Headquarters indicate that temporary imprests totalling Kshs.3,053,807.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, an amount of Kshs.1,675,338.00 was owed by officers on Job Group 'M' and above while the balance of Kshs.1,378,469.00 was owed by officers on Job Group 'L' and below.

1552. A review of the position as at 30 September 2011 disclosed that imprests amounting to Kshs.552,353.00 had been accounted for leaving a balance of Kshs.2,501,454.00 outstanding.

OUTSTANDING IMPRESTS-SETTLEMENT FUND TRUSTEES

1553. Audit of Imprest records maintained at the Settlement Fund Trustee Headquarters indicated that temporary imprests totalling Kshs.1,926,607.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of this total, an amount of Kshs.485,913.00 was owed by officers on Job Group 'M' and above, while the balance of Kshs.1,440,694.00 was due from officers on Job Group 'L' and below.

1554. A review of the position as at 30 September 2011 disclosed that imprests amounting to Kshs.817,390.00 had been accounted for leaving a balance of Kshs.1,109,217.00 outstanding.

FAILURE TO SUBMIT FINANCIAL STATEMENTS OF AGRICULTURAL SETTLEMENT FUND TRUSTEES

1555. Section 6(1) and (4) of the Public Audit Act, 2003 requires a person charged with the responsibility of administering a public fund to prepare fund accounts and submit them within three months after the end of each financial year for audit. However, the Ministry has not submitted for audit financial statements of the Agricultural Settlement Fund Trustees for four financial years from 2007/2008 to 2010/2011. No reason has been provided for failure to submit the financial statements.

1556. Records maintained at the Ministry's Headquarters also indicated that during the period 2007/2008 to 2010/2011, the Ministry disbursed to the Fund grants totalling Kshs.5,148,850,000.00. However, and in the absence of the financial statements for the period, it has not been possible to confirm that the funds were correctly received and properly accounted for.

STATEMENT OF OUTSTANDING GOVERNMENT OF KENYA LOANS ISSUED TO SETTLEMENT FUND TRUSTEES

1557. The Statement of Outstanding Government of Kenya Loans issued to Settlement Fund Trustees as at 30 June 2011 reflects outstanding balances of Kshs.18,260,935.63 while the records maintained at the Treasury show a figure of Kshs.89,710,460.91 as at the same date. The resultant difference of Kshs.71,449,525.28 has not been reconciled or explained.

STATEMENT OF LAND REVENUE HEAD 150-360

1558. The Statement of Land Revenue Head 150-360 for the year ended 30 June 2011 submitted by the Ministry was not signed by the Receiver of Revenue contrary to Section 5(1) of the Public Act, 2003 which requires each Receiver of Revenue to prepare accounts relating to the revenue in which he/she is appointed and submit the same to the Auditor-General. In the absence of the name and signature of the Receiver of Revenue, the authenticity of the Statement could not, therefore, be confirmed.

1559. The Item Codes and details/titles of some revenue items shown in the Statement differ with the Printed Estimates of Revenue. No explanation has been provided for these anomalies.

1560. The estimated receipts reflected in the Statement under Stand Premium on Town Plots and Rent on Land differ with the approved amounts shown in the Printed Estimates of Revenue for 2010/2011. No explanation has been provided for these discrepancies.

1561. The Statement of Revenue shows that an amount of Kshs.149,430,609.20 was paid to the Exchequer during the year. However, no documentary evidence has been provided by the Ministry for audit review in support of the payment. Further, records held at the Treasury indicate that Land Revenue totalling Kshs.1,073,011,039.00 was collected and received during the year under review. The resultant difference of Kshs.923,580,429.80 has, however, not been reconciled or explained.

1562. The Statement as similarly reported in the previous year does not show arrears of revenue and revenue abandoned as at 30 June 2011. Consequently, it has still not been possible to establish the status of arrears totalling Kshs.8,362,494,049.00 recorded as outstanding as at 30 June 2009.

TOWNSHIP ROADS AND DRAINS ACCOUNT

1563. In the reports for previous years, reference was made to 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. A review of the position of Township Roads and Drains Account for the year ended 30 June 2011 revealed that the Treasury, declined to grant the Ministry authority to write-off the loss relating to the accumulated deficit until investigation to determine the propriety of the expenditure which contributed to the deficit is completed. The Ministry has, however, not indicated the action it has taken subsequent to the Treasury's instruction to bring the matter to conclusion.

THE DISTRICT LANDS OFFICE - BUNGOMA SOUTH

Unaccounted for Revenue – Misappropriation of Appropriations-in-Aid

1564. Audit of the revenue records maintained at the District Lands Office Bungoma revealed that revenue amounting to Kshs.6,455,317.00 collected between 01 July 2010 and 30 June 2011 by the Revenue Clerks in respect of Appropriations In Aid (A.I.A) was not banked but was instead held by the Cashier in form of fictitious receipts of Kshs.4,293,829.00, IOUs of Kshs.1,857,975.00, stale cheques of Kshs.147,913.00, interborrowing deposits of Kshs.148,600.00 and cash shortage of Kshs.7,303.00.

1565. The fictitious receipts serial numbers were for receipt books which had not been issued per the counter receipt register while IOU chits were not properly authorized and some dated as far as 2008.

1566. No action appears to have been taken against the Officers who perpetrated the fraudulent transactions through which revenue totalling Kshs.6,455,317.00 was misappropriated.

STATEMENT OF ASSET AND LIABILITIES FOR VOTE R.36

1567. The Statement of Assets and Liabilities for Vote R.36 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.249,451,910.00 out of which an amount Kshs.18,027,700.00 relates to 2009/2010 financial year. No reason has been provided for failure to clear the long outstanding amount of Kshs.18,027,700.00.

1568. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.45,651,558.30 which differs with the Cashbook balance of Kshs.15,874,849.95. The resultant difference of Kshs.29,776,708.35 has not been explained or reconciled.

1569. The Statement also reflects an Advances Account debit balance of Kshs.1,354,332.67 which includes an unanalysed amount of Kshs.714,062.92 relating to the previous financial year. No reason has been given for non clearance of the long outstanding balance.

1570. The Statement further reflects a District Suspense Account debit balance of Kshs.42,963,038.73 which has not been analyzed. In addition, a balance of Kshs.40,823,524.85 brought forward from 2009/2010 and indicated as cleared during the year under review has not been supported with any clearance documents.

1571. The Statement reflects a Stale Cheques Account debit balance of Kshs.1,153,421.05. No reason has been provided for failure to clear the amount from the books of account.

1572. The Statement also shows a Refer to Drawer (RD) Cheques Account debit balance of Kshs.5,653,800.40, out of which Kshs.4,317,805.40 relating to the previous financial year was not analysed. No reason has been provided for non-clearance of the amount of Kshs.4,317,805.40 as at 30 June 2011.

1573. The Statement further reflects a Temporary Imprests Account debit balance of Kshs.4,000,239.40 which includes an unanalysed amount of Kshs.2,253,469.40 relating to 2009/2010. No reason has been provided for failure to surrender or otherwise account for the imprests on or before 30 June 2011.

1574. The Statement further shows a General Account of Vote (GAV) credit balance of Kshs.190,826,266.45 which includes an amount of Kshs.122,631,336.55 relating to 2009/2010 financial year. Failure to clear the amount relating to the previous year was not clarified.

1575. The Statement also shows Excess Appropriations In Aid (A.I.A) of Kshs.159,402,034.10 which includes an amount of Kshs.15,991,003.10 for the previous financial year. No reason has been given for failure to surrender the amount in respect of 2009/2010 to the Exchequer.

1576. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided for audit review. Consequently, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.36

1577. The Statement of Assets and Liabilities for Vote D.36 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.239,777,400.00 comprising of Kshs.30,940,000.00 and Kshs.208,837,400.00 for the years 2009/2010 and 2010/2011 respectively. However, the amount of Kshs.208,837,400.00 shown under 2010/2011 differs with the balance of Kshs.156,837,400.00 reflected in the Treasury records. The resultant difference of Kshs.52,000,000.00 between the two sets of records has not been reconciled or explained.

1578. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.55,936,368.75 while the Cashbook and Board of Survey Report as at 30 June 2011 shows a figure of Kshs.14,569,528.75. The resultant difference of Kshs.41,366,840.00 has not been reconciled or explained.

1579. The Statement further reflects Refer to Drawer Cheques and District Suspense Account debit and credit balances of Kshs.50,000.00 and Kshs.27,737,623.00, respectively which have not been analysed. In consequence, the completeness and accuracy of the balances could not be ascertained.

1580. The Statement reflects a General Account of Vote balance of Kshs.255,888,268.75 out of which an amount of Kshs.38,252,347.00 relating to 2009/2010 was not cleared during the year under review for unexplained reasons.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 36

1581. The Statement of Assets and Liabilities for Deposits 36 as at 30 June 2011 reflects a Paymaster General (PMG) Account balance of Kshs.857,404,919.00 while the Cashbook as at the same date shows a figure of Kshs.787,737,063.65. The resultant difference of Kshs.69,667,855.35 between the two sets of records has not been reconciled or explained.

1582. The Statement also reflects eight credit balances amounting to Kshs.196,030,966.75 under 10% Retention Money, Tender Money, Contribution in Lieu of Rates, Personal Deposit, Professional Fees (Estate), Misc. Deposits (Survey), Registration/Library (KISM) and Revenue Accounts which have not been analysed. As a result, the validity and accuracy of the above account balances could not be ascertained.

MINISTRY OF STATE FOR IMMIGRATION AND REGISTRATION OF PERSONS

APPROPRIATION ACCOUNT FOR VOTE R.40

Excluded Appropriations-In-Aid

1583. The Appropriation Account for Vote R.40 for the year ended 30 June 2011 reflects actual Appropriations-In-Aid receipts amounting to Kshs.2,376,077,885.00 against Item 1420300 under Head 371- Immigration Department Headquarters - while collection records indicate that an amount Kshs.2,378,241,283.35 was received. The resultant difference of Kshs.2,163,398.35 has apparently been omitted from the Account.

Excluded Expenditure

1584. Payment vouchers and other records relating to Vote R.40 indicate that expenditure totalling Kshs.30,253,219.50 incurred on basic salaries, personal allowances and other operating expenses was not accounted for in the Appropriation Account. No reason has been provided for the omission.

Unsupported Expenditure

1585. The Appropriation Account also reflects expenditure totalling Kshs.10,408,719.00 against Item 2210600 – Rental of Produced Assets under Head 053 – Refugees Affairs Department, out of which an amount of Kshs.6,954,919.00 in respect of rent paid for offices at Lavington was not supported by a lease agreement. Consequently, the propriety of the amount could not be ascertained.

APPROPRIATION ACCOUNT FOR VOTE D.40

1586. The Appropriation Account for Vote D.40 for the year ended 30 June 2011 reflects total net expenditure of Kshs.1,795,310,212.00 while the Trial Balance as at the same date shows a figure of Kshs.1,580,804,767.70. The resultant difference of Kshs.214,505,444.30 between the two sets of records has not been reconciled or explained.

PENDING BILLS

1587. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.12,073,289.55 relating to 2010/2011 and chargeable to Recurrent Vote R.40 were not settled during the year, but were instead carried forward to 2011/2012.

1588. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account for Vote R.40 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.314,997,773.45 instead of Kshs.327,071,063.00 now shown.

OUTSTANDING IMPRESTS

1589. Audit of imprest records maintained at the Ministry's Headquarters revealed that temporary imprests totalling Kshs.616,844.50, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date.

1590. Out of the total, an amount of Kshs.115,243.00 was owed by officers on Job Group M and above, Kshs.238,930.00 by officers on Job group L and below, Kshs.167,271.50 by officers in other Ministries, Kshs.25,000.00 by a deceased officer and Kshs.70,400.00 by an officer who has left the service.

1591. A review of the position as at 30 September 2011 indicated that imprests amounting to Kshs.330,673.00 had been surrendered or accounted for, leaving a balance of Kshs.286,171.50 still outstanding.

LOSS OF REVENUE AT MOI INTERNATIONAL AIRPORT – MOMBASA

1592. During the year under review, the Department of Immigration office at Moi International Airport – Mombasa collected foreign currency in various denominations from the sale of visas and the money was banked with the National Bank of Kenya (NBK). The money was translated into local currency using the daily bank ruling foreign exchange rates. Comparison of the foreign exchange rates with those of Central Bank of Kenya (CBK), revealed that NBK rates were far much lower, occasioning an exchange loss of Kshs.10,194,083.00.

1593. Further, information available indicates that the department applied to the Treasury for authority to open a foreign currency account with the Central Bank of Kenya (CBK) in 2006 which, however, had not been granted as at 30 June 2011. No reason has been given for not reapplying for authority over the last five years.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1594. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.334,353,342.85 in the Cashbook not recorded in the Bank Statement, out of which Kshs.130,824.75 relate to stale cheques. No reason has been given for failure to reverse the stale cheques in the Cashbook or to have them replaced. The total payments also include an amount Kshs.26,819,757.60 described as “overcasts/undercasts” which has not been explained or justified.

1595. The Statement also reflects receipts totalling Kshs.166,818,627.75 in the Cashbook not in the Bank Statement which include an amount of Kshs.82,139,290.05 relating to November 2010 and earlier period. No reason has been given for failure to bank these long outstanding receipts.

Development Cashbook

1596. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Bank statement not recorded in the Cashbook totalling Kshs.49,149,077.25, out of which an amount of Kshs.45,533,530.75 relate to foreign exchange losses. No reason has been provided for failure to record the foreign exchange losses in the Cashbook.

1597. The Statement also reflects receipts in Bank Statement not recorded in the Cashbook totalling Kshs.556,125.80 all of which relate to July 2010 and earlier period. No clarification has been given for failure to record these long outstanding receipts in the Cashbook.

Deposits Cashbook

1598. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects receipts in the Cashbook not recorded in Bank Statement totalling Kshs.2,920,623.30 which includes an amount of Ksh.190,499.15 relating to 2009/2010 financial year. No explanation has been provided for failure to investigate and have these receipts captured in the Bank Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.40

1599. The Statement of Assets and Liabilities for Vote R.40 as at 30 June 2011 reflects a nil balance against Exchequer Account for 2010/2011 while the Treasury records show a balance of Kshs.335,362,310.00. The resultant difference of Kshs.335,362,310.00 between the two sets of records has not been reconciled or explained.

1600. The Statement reflects long outstanding account balances relating to 2009/2010 and earlier years under Exchequer, Inter-ministerial, Excess A.I.A, District Suspense, R.D. Cheques, Stale cheques and G.A.V Accounts which have not been cleared from the books of accounts. No explanation has been provided for not clearing these long outstanding balances.

1601. The Statement also reflects various account balances under Exchequer, P.M.G, Imprest, Advance, Inter-ministerial, Excess A.I.A, General Suspense, District Suspense, R.D. Cheques, Stale Cheques, Clearance and G.A.V Accounts which differ with their corresponding figures shown in the Trial Balance as at 30 June 2011. No reconciliation or explanation has been provided for these differences.

1602. The Statement further reflects various account balances in respect of Advance, Inter-ministerial, General Suspense, District Suspense, Stale Cheques, Clearance and R.D. Cheques Accounts which have not been analysed. In the absence of the analyses, the validity and accuracy of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.40

1603. The Statement of Assets and Liabilities for Vote D.40 as at 30 June 2011 reflects account balances under Exchequer, PMG, District Suspense, General Suspense and GAV Accounts which differ with the figures shown in the Trial Balance. No reconciliation or explanation has been provided for the above differences.

1604. The Statement also reflects balances relating to 2009/2010 and earlier years under PMG, District Suspense, General Suspense and GAV Accounts that have not been cleared from the records. No explanation has been provided for not clearing these long outstanding balances.

1605. The Statement further reflects debit balances under General Suspense and District Suspense Accounts of Kshs.50,671,389.50 and Kshs.57,070,004.80 respectively which were not analyzed. Consequently, it has not been possible to confirm the completeness and accuracy of the balances.

1606. The Statement does not reflect the debit balances under Ministry Headquarters, District Development, RD Cheques, Temporary Imprest, Stale Cheques and Interbank Transfers Accounts which have, however, been included in the Trial Balance as at 30 June 2011. No reason has been provided for the omission.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

1607. The Statement of Assets and Liabilities for Deposits as at 30 June 2011 reflects balances under PMG, General Deposits and Retention Monies Accounts which differ with the corresponding figures shown in the Trial Balance as at 30 June 2011. The differences have not been reconciled or explained.

1608. Various account balances reflected in the Trial Balance as at 30 June 2011 under R/D cheques, District Deposit, District Suspense and General Deposit Accounts have not been included in the Statement. No explanation has been provided for the omission.

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF STATE FOR NATIONAL HERITAGE AND CULTURE

APPROPRIATION ACCOUNT FOR VOTE R.41

Misallocation of Expenditure

1609. The Appropriation Account for Vote R.41 for the year ended 30 June 2011 reflects expenditure of Kshs.222,795,381.55 under Sub-Vote 410 – General Administration and Planning. The expenditure includes Kshs.2,584,454.80 incurred on specialized materials, training, foreign travel, hospitality and fuel, but which have been charged to wrong expenditure codes. No Treasury authority approving the reallocation of funds was availed for audit review.

Failure to Provide Footnotes

1610. The Appropriation Account further reflects expenditure totalling Kshs.2,005,550.10 under Sub-Vote 410 Head 015 Subhead 0000 - Headquarters and Item 2110400 - Personal Allowances Paid as Reimbursement. Included in the figure of Kshs.2,005,550.10 is an amount of Kshs.1,471,921.00 paid as Ex-Gratia. However, no footnote showing details of the payment has been appended to the Appropriation Account, contrary to requirements of Government Financial Regulations and Procedures.

APPROPRIATION ACCOUNT FOR VOTE D.41

Irregular Expenditure

1611. The Appropriation Account for Vote D.41 for the year ended 30 June 2011 reflects expenditure amounting to Kshs.5,499,999.80 under Sub Vote 414 Head 916 Headquarters Cultural Services. Included in the amount of Kshs.5,499,999.80 is an expenditure of Kshs.4,423,543.00 incurred on the Kenya Cultural Centre which is owned by the Queen of England. It is not clear why the Ministry spent public funds on a Non Governmental Agency, whose ownership has not been transferred to the Government.

Misallocation of Expenditure

1612. The Appropriation Account also reflects expenditure totalling Kshs.60,387,731.25 under Head 925 Item 3110200 - Construction of Buildings. Included in the total expenditure is an amount of Kshs.4,170,970.70 incurred on

foreign travel, per diem allowances, rent and other administrative expenses. No Treasury authority approving reallocation of the funds was availed for audit review.

Under-Collection of Appropriations-In-Aid

1613. The Appropriation Account further reflects an under collection of Appropriations-In-Aid of Kshs.37,500,000.00, representing 100% of the estimated receipts. According to the footnotes provided, the under collection was caused by failure by the United States Agency for International Development (USAID) to release funds to the Ministry during the year.

Under Statement of expenditure

1614. The Appropriation Account in addition reflects grants totalling Kshs.43,125,000.00 released to the National Museums of Kenya for construction of buildings. However, audited financial statements of the National Museums of Kenya for the year ended 30 June 2011 reflects Kshs.47,126,000.00 as received from the Ministry. The expenditure in the Appropriation Account is therefore understated by Kshs.4,001,000.00.

OUTSTANDING IMPRESTS

1615. Records maintained by the Ministry of State for National Heritage & Culture Headquarters indicates that temporary imprests totalling Kshs.136,900.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. The amount of Kshs.136,900.00 was due from officers in Job Group 'L' and below.

1616. A review of the position as at 15 August 2011 revealed that out of the total outstanding imprests of Kshs.136,900.00 as at 30 June 2011, an amount of Kshs.122,900.00 had been accounted for leaving a balance of Kshs.14,000.00.

PAYROLL RECORDS

Payroll Expenditure

1617. The Integrated Payroll and Personnel Data (IPPD) records reflect total expenditure of Kshs.189,170,800.85, while expenditure posted to the Ministry's ledger totalled Kshs.195,631,148.35. The variance of Kshs.6,460,347.50 between the two sets of records has not been reconciled or explained.

Temporary Employees

1618. The Ministry's expenditure records reflect expenditure totalling Kshs.2,000,000.00 on temporary employees against a budgetary allocation of Kshs.2,000,000.00. However, details of the number of temporary employees hired, the nature of work they were engaged to do, the rates at which they were hired for and any other relevant documentary evidence were not provided for audit verification and confirmation. Under these circumstances, propriety of the expenditure of Kshs.2,000,000.00 incurred on temporary employees during the year could not be ascertained.

Commutation of Leave

1619. The Office of the President Circular No.5/2006 dated 29 August 2006 requires officers to take more than one-half of their annual leave entitlement to qualify for leave allowance of Kshs.4,000.00 for Job Group 'A' - 'J'; Kshs.6,000.00 - Job Group 'K'-'N' and Kshs.10,000.00 for Job Group P and above. Further, Circular No.3/2006 dated 27 December 2005 from the same Office gives Authorized Officers power to defer and commute leave days for cash where an officer fails to proceed on leave due to exigencies of service. The Circular however requires that all cases of commutation of leave for cash be approved by the Authorized Officer personally.

1620. A review of the Ministry's personnel records revealed that a total of fifty nine (59) employees did not proceed on leave during 2010/2011 and instead opted to commute their leave days for cash, contrary to the requirements.

1621. Had the fifty nine (59) employees proceeded on annual leave, the Government would have spent Kshs.318,000.00 instead of Kshs.1,768,166.40 paid for the commuted leave. The Government therefore incurred avoidable expenditure of Kshs.1,450,166.40 due to commuted leave days.

1622. It was further observed that the provision of commuting leave on the ground of exigency of service is grossly abused since majority of those officers who commuted their leave fall under the cadre whose duties are routine and can easily be performed by other officers in their absence. For instance, seven (7) officers who commuted leave days are in Job Group 'P' and above, twenty (20) between Job Group 'K' -'N' and thirty two (32) officers in Job Group 'L' and below.

1623. Unless commutation of leave is properly controlled, most employees will desist from proceeding on leave and instead opt to commute the leave days for financial gain.

CONSTRUCTION OF AN OFFICE BLOCK (PHASE I) AT PERMANENT PRESIDENTIAL MUSIC COMMISSION (PPMC)

Background Information

1624. The Permanent Presidential Music Commission (PPMC) is a department in the Ministry of National Heritage and Culture established in the year 1988 to preserve and develop music and dance in Kenya. The Ministry entered into a contract for construction of an Office block at PPMC along State House Road, Nairobi. The proposed office block was to be constructed in three phases and Phase I commenced in the financial year 2010/2011.

Procurement Procedures

1625. Identification of a contractor for the construction of the Office Block (Phase I) at PPMC was done through restricted tendering as approved by the Ministerial Tender Committee.

1626. A total of eight (8) bidders were invited to quote for the tender, which is below the required minimum of ten (10) tenders as stipulated by the Public Procurement and Disposal Regulations, 2006 Section 54 (3). All the eight (8) companies invited responded.

1627. After technical and financial evaluation, a construction company which was the lowest bidder was on 28 October 2010 awarded the contract at a sum of Kshs.23,975,483.00. This constituted the cost of construction, installation and completion of the office block and the remedying of any defects therein.

Contract Period

1628. The period for completion of the project was indicated as seventy two (72) weeks from the date of site possession on 6 January 2011 and be completed and handed over to the Commission on 11 June 2012.

Contract Payments

1629. Three (3) certified payments amounting to Kshs.10,919,190.25 had been paid as at 30 June 2011 and which included retention money of Kshs.1,017,022.45. Audit of payment vouchers supporting the above payments revealed that, payment certificates from the Ministry of Public Works did not indicate the specific details of works that had been executed, certified complete and due for payment as per the Bills of Quantities (BQs), therefore making it difficult to verify the amount of work done and due for payment.

Physical Verification

1630. A Physical verification of the project on 21 September 2011 revealed that the Contractor had only done the construction up to slab level and had little materials on site. No work was going on, since the Contractor had abandoned the site. It was further noted that the Ministry of Public Works had written a default notice to the contractor for failing to proceed with the works diligently and abandoning the site. No reason was provided for the delay in executing the project and abandoning the site by the contractor. Further, no explanation was provided by the project manager, on the actions intended to be taken to complete the project on time.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1631. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.396,268.85 in the Bank Statement not recorded in the Cashbook. Included in the above figure are payments totalling Kshs.323,027.85 relating to the Development Vote but erroneously paid from the Recurrent Cashbook. No reason has been provided for the erroneous payments.

Development Cashbook

1632. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments of Kshs.7,500.00 in the Bank Statement not recorded in the Cashbook. The figure relates to a double payment made by the bank during the month of June 2011 but which had not been recovered as at 30 June 2011. No reason has been provided for the non recovery of the amount.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.41

1633. The Statement of Assets and Liabilities for Vote R.41 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.24,918,715.20 while the Cashbook as at the same date, shows a figure of Kshs.60,386.50. The difference of Kshs.24,858,328.70 between the two sets of records has not been reconciled or explained.

1634. The Statement also reflects various debit and credit balances relating to 2009/2010 and earlier years in respect of Exchequer 2009/2010, Advance, Imprest, District Suspense, GAV Account 2009/2010, GAV Account 2008/2009 and earlier, General Suspense, Clearance, Returned salary for officer and Staff Loan General Accounts. These balances had not been cleared as at 30 June 2011 and no explanation has been provided for the non-clearance.

1635. The Statement in addition reflects debit and credit balances totalling Kshs.6,200,873.25 and Kshs.12,845,551.70 respectively in respect of Advance, Imprest, GAV 2006/2007, General Suspense, Clearance Account, Unreconciled difference, R.D Cheques and Stale Cheques Accounts that were cleared during the year. However, no documentary evidence including journal vouchers and analyses were provided in support of the clearances.

1636. The Statement also reflects a Stale Cheques balance of Kshs.636,409.55 as at 30 June 2011. However, no reason has been provided for failure to replace the Stale Cheques relating to 2009/2010 and record them in the Cashbook.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.41

1637. The Statement of Assets and Liabilities for Vote D.41 as at 30 June 2011 reflects various debit and credit balances totalling Kshs.2,249,999.80 and Kshs.34,230,409.95 respectively, relating to 2009/2010 and earlier years in respect of General Suspense Account, GAV, District Suspense and Excess A.I.A Accounts. No reason has been provided for failure to clear the long outstanding balances from the books of account.

1638. The Statement further reflects a debit balance of Kshs. 43,527,060.00 under the Exchequer Account. This figure was cleared from the books in the previous year without any supporting documents. The figure has been reinstated in the Statement of Assets and Liabilities as at 30 June 2011, again without any documentary evidence.

1639. The Statement also reflects a Paymaster General (PMG) Account credit balance of Kshs.11,160,927.40 which differs with the Cashbook debit balance as at 30 June 2011 of Kshs.1,657,170.30. The difference of Kshs 12,818,097.70 between the two sets of records has not been reconciled.

1640. The Statement in addition reflects a reduced General Account of Vote (GAV) balance for the year 2009/2010 of Kshs.2,828,642.40 after an adjustment of Kshs.2,771,140.00 was made during the year. However, no documentary evidence was provided for audit verification and confirmation of the transaction.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 41

1641. The Statement of Assets and Liabilities for Deposits 41 reflects a balance of Kshs.7,811,835.80 under Miscellaneous Deposits Account as at 30 June 2011. Included in the amount of Kshs.7,811,835.80 are two entries described as Appropriation-In-Aid bankings and sale of boarded items amounting to Kshs.592,136.60 and Kshs.519,811.50, respectively. It has not been explained

why Appropriation-In-Aids receipts totalling Kshs.1,111,948.10 were recorded in Deposits Account instead of Recurrent Appropriation Account Vote.

MINISTRY OF YOUTH AFFAIRS AND SPORTS

APPROPRIATION ACCOUNT FOR VOTE R.42

Current Grants to Government Agencies and Other Levels of Government

1642. The Appropriation Account for Vote R.42 for the year ended 30 June 2011 reflects expenditure totalling Kshs.42,000,000.00 under Head 420405 - Moi International Sports Centre, Item 2630100-Current Grants to Government Agencies and Other Levels of Government, in respect of Sports Stadia Management Board. However, the financial statements of Sports Stadia Management Board for the year 2010/2011 reflect an amount of Kshs.183,300,000.00 as grants from the Government. No reconciliation or explanation has been provided for the resultant difference of Kshs.141,300,000.00 between the two sets of records.

Other Government Transfers, Grants and Subsidies

1643. The Appropriation Account further reflects other government grants and transfers totalling Kshs.310,241,903.00 issued to various organizations and groups. No information was provided on identities of the groups and how they were identified. Further, financial statements for 2010/2011 of the recipient organizations have not been made available for confirmation of receipt of the funds. Consequently, it has not been possible to ascertain propriety of the expenditure of Kshs.310,241,903.00 included in the Appropriation Account.

Unsupported Expenditure

1644. The Appropriation Account also reflects under Head 420303-Youth Polytechnic and Training Services, expenditure amounting to Kshs.850,953,200.00 charged against Item 2510100-Subsidies to Non-Financial Public Enterprises and Kshs.69,606,364.00 charged against Item 2110200, Basic Wages – Temporary Employees. Payment vouchers submitted for audit review accounted for only Kshs.758,446,106.00 for Item 2510100 and Kshs.66,421,417.00 for Item 2110200. Payment vouchers and relevant supporting documents in respect of expenditure amounting to Kshs.92,507,094.00 and Kshs.3,184,947.00 for Items 2510100 and 2110200 respectively, totalling Kshs.95,692,041.00 were not provided for audit review.

Compensation and Ex-gratia Payments

1645. The Appropriation Account in addition reflects Kshs.6,730,724.00 under Sub Vote 4201, Head 420101 Item 2110400 – Personal Allowances paid as Reimbursement. Included in the amount is a figure of Kshs.5,806,724.05 in

respect of Compensation and Ex-gratia payments which was not supported with documentary evidence. It has not been possible to confirm what the expenditure represents. Further, details of the payment have not been disclosed in form of a footnote to the Appropriation Account, contrary to requirement of Government Financial Regulations and Procedures.

Under-Collection of Appropriations-In-Aid

1646. The Appropriation Account reflects under-collection of Appropriations-In-Aid (A.I.A) of Kshs.86,753,062.05 or about 57% of the approved estimates. No explanation has been given for the under-collection of A.I.A.

Failure to Provide Footnotes for Material Differences

1647. The Appropriation Account also reflects various material variances in respect of various items which have not been explained in form of footnotes to the Accounts, contrary to the requirements of Government Financial Regulations and Procedures.

APPROPRIATION ACCOUNT FOR VOTE D.42

Under-Expenditure and Under-Collection of Appropriations-In-Aid (A.I.A)

1648. The Appropriation Account for Vote D.42 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.1,460,602,378.55 representing approximately 31% of the approved estimates of Kshs.4,672,403,600.00. The Account also reflects under-collection of A.I.A amounting to Kshs.1,026,000,000.00 or 100% of the approved Appropriations-In-Aid. No explanation has been provided for this significant deviation.

Unconfirmed disbursement to Sport Stadia Management Board

1649. The Appropriation Account also reflects an amount of Kshs.118,321,684.00 under Sub-Vote 4204, Head 420404, Item 3110600 - Overhaul & Refurbishment of Construction and Civil Works. The expenditure includes Kshs.71,212,796.00 paid to Sport Stadia Management Board for rehabilitation of Moi, Mombasa and Eldoret stadiums. However, receipt of the funds could not be confirmed since the Board's financial statements as at 30 June 2011 did not reflect the funds.

Capital Grants to Government Institutions

1650. The Appropriation Account in addition reflects Capital Grants to Government Agencies and Other Levels of Government under Sub-Vote 4203, Head 420304 of Kshs.385,000,000.00 and Sub-Vote 4204, Head 420405 of

Kshs.120,000,000.00, disbursed to Youth Enterprise Development Fund and Sport Stadia Management Board, respectively during the year. However, audited financial statements for the Youth Enterprise Development Fund and Sport Stadia Management Board for the year ended 30 June 2011 show receipts of Kshs.395,000,000.00 and Ksh.90,000,000.00 respectively. The resultant differences of Kshs.10,000,000.00 and Kshs.30,000,000.00 respectively between the two set of records have not been reconciled.

Unvouched expenditure

1651. The Appropriation Account also reflects expenditure totalling Kshs.679,980,596.10 under Sub-Vote 4202, Head 420201, Item 3110400-Construction of Roads. Available records indicate that the road works were to be carried out in Tana River District. Out of this amount, Kshs.382,981,835.00 was spent in Tana River District while the balance of Kshs.296,998,761.10 was paid from Ministry Headquarters. Out of the expenditure of Kshs.296,998,761.10, an amount of Kshs.51,066,110.40 was paid to various contractors for supply of road materials and Kshs.10,633,640.50 for building of culverts. However, contract documents supporting expenditure totalling Kshs.61,699,750.90 were not availed for audit verification.

1652. Further, an amount of Kshs.140,479,010.20 indicated as paid to the Director - National Youth Service for hire of road machines and vehicles, was not reflected in the Mechanical Revolving Fund financial statements as at 30 June 2011.

1653. The Appropriation Account further reflects expenditure totalling Kshs.9,994,495.00 under Sub-Vote 4201, Head 420101, Item 3111400 – Research, Feasibility Studies, Project Preparation and Design, Project Supervision. However, no supporting documents relating to this expenditure were provided for audit verification.

Unbudgeted Expenditure

1654. The Appropriation Account also reflects an expenditure of Kshs.308,100.00 under Sub-Vote 4204, Head 420401, Item 3110600 – Overhaul & Refurbishment of Construction and Civil Works with no budgetary provision. No reason has been provided for this anomaly.

Kenya Italy Debt for Development Programme (KIDDIP) Project

1655. The Appropriation Account in addition reflects an expenditure of Kshs.168,843,424.00 under Sub-Vote 4203, Head 420301, Item 3110200 Construction of Buildings. Included in the above expenditure is an amount of Kshs.52,105,894.30 incurred under the KIDDIP Project. However, supporting documentation examined indicated that seven (7) of the projects contracted

during 2008/2009 at a total contract sum of Kshs.117,378,000.95, and project duration of eight (8) months each, had their contract periods expired by between sixteen (16) and twenty six (26) months as at 30 June 2011, while two of the projects are indicated with completion status of 10% and 40%. No explanation has been provided for the delay in completion of the projects.

Failure to Provide footnotes for Material Variances

1656. The Appropriation Account also reflects various material variances between approved estimates and actual expenditure and under-collection of Appropriations-In-Aid against which no footnotes to the accounts were provided, contrary to the Government Financial Regulations and Procedures, which require that variances in excess of Kshs.1,000,000.00 should be explained by way of footnotes. No reason has been provided for the omission.

PENDING BILLS

1657. Records held at the Ministry's Headquarters indicate that bills totalling Kshs.85,622,188.85 and Kshs.60,132,475.37 relating to 2010/2011 chargeable to Recurrent and Development Votes respectively, were not settled during the year under review but were instead carried forward to 2011/2012. No explanation has been provided for failure to settle the bills during the year to which they relate.

1658. Had the bills been paid and expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.42 for the period would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.376,701,031.35 instead of Kshs.462,323,220.20 now shown, while the Appropriation Account for Vote D.42 for the same period would have shown a reduced Net Surplus of Kshs.374,469,903.18 instead of Kshs.434,602,378.55 now recorded.

OUTSTANDING IMPRESTS

1659. Audit of records maintained at the Ministry's Headquarters revealed that imprests amounting to Kshs.1,336,459.05 which ought to have been surrendered on or before 30 June 2011 were still outstanding as at that date.

1660. Out of the total outstanding imprests, an amount of Kshs.1,028,436.05 was owed by officers on Job Group 'M' and above and Kshs.308,023.00 by officers on Job Group 'L' and below.

1661. It was further noted that an officer was issued with multiple imprests totalling Kshs.33,500.00, while others had partially surrendered imprests

amounting to Kshs.16,209.05. This is contrary to the Government Financial Regulations and Procedures which require imprests to be surrendered in full, and that no additional imprests should be issued to an officer before fully accounting for the previous one.

1662. A review of the position as at 15 August 2011 revealed that out of the total outstanding imprests of Kshs.1,336,459.05 as at 30 June 2011, an amount of Kshs.682,802.30 had been accounted for leaving a balance of Kshs.653,656.75.

OUTSTANDING YOUTH ENTERPRISE DEVELOPMENT FUND (C-YES) LOANS

1663. Audit of the Youth Enterprise Development Fund loan records maintained at the District Youth office in; Kiharu, Kieni West, Kieni East, Githunguri, Kirinyaga West, Mukurwe-ini, Nyeri, Kirinyaga South, Kirinyaga East, Kirinyaga Central, Kitui South, Kitui West, Mwingi South, Kyuso, Yatta, Kibwezi, Kajjado Central and Nandi North revealed that, loans totalling Kshs.21,237,994.65 were due and outstanding as at 30 June 2011. According to other information available, the loans were disbursed to various youth groups and associations between 2007/2008 to facilitate self employment through setting up of various commercial businesses and other related activities in the respective districts.

1664. Although pursuant to circular Ref. No. DYD/8/Vol. 1/16 of 22 October 2007 on C-YES Repayment Guidelines, the loans disbursed were to be repaid in twelve equal installments from the date the loanees received the cheques, and in any case not later than three months from that date, no efforts appear to have been made by the Ministry to recover the long outstanding balance of Kshs.21,237,994.65.

1665. According to other information available, some of the groups and associations ceased to exist as soon as disbursements were made, while others apparently believed that the funds were free and therefore not repayable.

CONSTRUCTION OF A PODIUM AND ABLUTION BLOCK AT MIGWENA SPORTS CENTRE - BONDO DISTRICT

1666. During the year 2010/2011, the District Sports Officer Bondo was issued with Authority to Incur Expenditure (AIE) amounting to Kshs.3,000,000.00 for the construction of a podium and an ablution block at the Migwena Sports Centre in the District. The Ministry of Public Works Engineers had estimated the cost at Kshs.3,675,338.20. Tenders were floated and eight (8) firms submitted their bids.

1667. The Contract was on 15 June 2011 awarded to the lowest bidder at a contract sum of Kshs.2,604,101.00. The contract sum was later adjusted by

Kshs.891,964.42 or 34% from Kshs.2,604,101.00 to Kshs.3,496,065.42 by the District Tender Committee, contrary to the provisions of the Public Procurement and Disposal Regulations, 2005. However, the contract agreement justifying and supporting the variation was not made available for audit review.

1668. A site visit on August 2011 revealed that although the contractor had been paid a total of Kshs.2,800,000.00, only the podium had been constructed and roofed but using ordinary gauge 32 iron sheets instead of the pre-painted gauge 28 corrugated sheets provided in the bills of quantities, while the construction of ablution block had not commenced. No reason has been provided for this unsatisfactory state of affairs.

MECHANICAL TRANSPORT & PLANT MAINTENANCE FUND

1669. The Income and Expenditure Account for the year ended 30 June 2011 reflects total income and expenditure of Kshs.153,532,066.53 and Kshs.59,057,680.10 respectively, resulting to a surplus of Kshs.94,474,386.43. The expenditure of Kshs.59,057,680.10 however includes a repair and maintenance amount of Kshs.17,697,554.10, which has not been analysed or explained. In the absence of an analysis or explanation, the accuracy of the Income and Expenditure Account for the year ended 30 June 2011 could not be ascertained.

1670. The Income and Expenditure Account also reflects income from commercial hire charges of Kshs.113,543,523.17. Out of this, only an amount of Kshs.39,423,403.80 was analysed, leaving a balance of Kshs.74,120,119.37. In absence of an analysis, it was not possible to confirm its accuracy.

1671. The Balance Sheet as at 30 June 2011 reflects a Commercial Debtors' balance of Kshs.13,807,738.85. This balance however, appears to be a replication of the previous year balance. Scrutiny of demand letters by the department to the debtors and recommendations by the Attorney General shows that the debts are doubtful and may never be recovered. However, no action appears to have been taken to clear this balance from the Fund's books of account.

1672. The Balance Sheet further reflects a Paymaster General (PMG) Account balance of Kshs.242,728,426.17, while the Ministry's Statement of Assets and Liabilities for Deposits as at 30 June 2011 does not reflect any balance on the Fund. Further, the amounts making up the PMG balance have not been analysed. Consequently, the accuracy and completeness of the PMG balance cannot be confirmed.

1673. The Balance Sheet also reflects current liabilities balance of Kshs.60,673,936.54 which includes a long outstanding amount of

Kshs.41,604,799.80 which has not been analysed. Consequently, the accuracy and completeness of the creditors balance could not be ascertained.

1674. As similarly reported in previous years, the Fund Management did not maintain basic accounting records such as Main Cashbook, Journals, Ledgers or Bank Accounts to record its day to day operations and transactions during the year. The only book maintained appears to have been a Memorandum Cashbook which shows only the receipts for onward transmission to the Ministry's Headquarters. As a result, and as reported in earlier years, the balances reflected in the financial statements were derived from manual analyses and schedules. In the absence of proper books of account, it has not been possible to confirm the accuracy of the figures reflected in the financial statements as at 30 June 2011.

1675. The Legal Notice which established the Fund has not been availed for audit verification. In its absence, it has not been possible to confirm the legal framework under which the Fund is operated and regulated.

MECHANICAL TRANSPORT & PLANT RENEWALS FUND

1676. The Mechanical Transport and Plant Renewals Fund Balance Sheet as at 30 June 2011 reflects an amount of Kshs.2,618,189,896.62 under new machines and equipment. However, a review of the relevant records indicated that other assets including generators, water pumps, air compressors, disc ploughs, disc harrows, mould board ploughs, maize planter, maschio hopper driven by tractor, rubber roller rice huller, forage chopper, ridger, motivator, manure spreader hopper, hay rake, hay baller and hay rotary mower represented part of the balance. No reason has been provided for failure to separately classify the assets.

1677. The Balance Sheet also reflects a Domestic Debtors balance of Kshs.64,995,394.91 which includes a balance brought forward of Kshs.38,336,366.00 which has been long outstanding. No explanation has been given as to why the balance has not yet been cleared from the Fund's records.

1678. The Balance Sheet further reflects a Paymaster General (PMG) Account balance of Kshs.158,252,504.10, while the Ministry's Statement of Assets and Liabilities for Deposits as at 30 June 2011 does not reflect any balance on the Fund. No explanation was given for this anomaly.

1679. The Balance Sheet in addition reflects a Fund balance of Kshs.3,127,975,597.86, made up of a balance brought forward of Kshs.2,892,412,158.90 and an amount of Kshs.235,563,438.96 for 2010/2011. The Fund balance was however not supported with documentary evidence.

Consequently, the completeness and accuracy of the balance cannot be ascertained.

1680. In addition, the Income and Expenditure Account reflects a total income of Kshs.26,659,028.91 against an expenditure of Kshs.208,284,376.28 resulting to a loss of Kshs.181,625,347.37 on its fund operations during the year under review. It is however not clear how the Fund made a loss considering that the Fund balance increased by Kshs.235,563,438.96 during the year.

1681. As similarly reported in the previous year, the Fund Management did not maintain basic accounting records such as main cashbook, journals, ledgers or bank accounts to record its day to day operations and transactions during the year. The only book maintained appears to have been a Memorandum Cashbook which shows receipts for onward transmission to the Ministry's Headquarters. As a result, and as in earlier years, the balances reflected in the financial statements were derived from manual analyses and schedules. In the absence of properly maintained accounting records, it has not been possible to confirm the accuracy of the figures reflected in the financial statements.

1682. The Legal Notice which established the Fund has not been availed for audit verification. In its absence, it has not possible to confirm the legal framework under which the Fund is operated and regulated.

BANK RECONCILIATION STATEMENT- DEPOSITS CASHBOOK

1683. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.37,894,705.45 which includes Stale Cheques amounting to Kshs.7,034,811.95. No action has been taken by the Ministry to reverse the cheques.

1684. The Statement also reflects receipts totalling Kshs.102,527,470.60 in the Bank Statement not recorded in the Cashbook. No explanation has been provided as to why these receipts have not been entered in the Cashbook as at 30 June 2011.

1685. The Statement further reflects payments amounting to Kshs.11,563,102.15 in the Bank Statement not recorded in the Cashbook which includes a balance of Kshs.5,610,065.90 relating to 2009/2010 and earlier years. No reason has been provided for failure to record these payments in the Cashbook.

1686. The Statement also reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.223,507,918.25 out of which an amount of

Kshs.30,625,200.80 relates to 2009/2010 and earlier years. No reason has been given for failure to bank the revenue.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.42

1687. The Statement of Assets and Liabilities for Vote R.42 as at 30 June 2011 reflects various debit and credit balances, each amounting to Kshs.543,524,381.88, in respect of Exchequer Under Issues, Imprest A/C, Paymaster General (PMG), Salary Advance, District Account, Unreconciled Difference, GAV-Surplus, GAV-Surplus 2009/2010, General Suspense, Excess AIA and Clearance Accounts, reflected in the audited Statement for 2009/2010 but have not been reflected as opening balances. In absence of these balances, the accuracy and completeness of the Statement could not be confirmed.

1688. The Statement further reflects debit and credit balances totalling Kshs.67,082,015,545.00 and Kshs.61,930,352,154.85 respectively, against various accounts which, besides not being reflected in the Trial Balance as at 30 June 2011 and the Ledger for the period then ended, were not analysed. Due to omission of the figures in the Trial Balance and Ledger, it was not possible to confirm the completeness and accuracy of the balances.

1689. The Statement also shows a debit balance of Kshs.55,263,927,191.60 against the Paymaster General (PMG) Account while the Cashbook as at 30 June 2011 shows a debit balance of Kshs.41,701,493.30. The difference of Kshs.55,222,225,698.30 between the two sets of books has not been reconciled or explained.

1690. The Statement's total debit and credit balances of Kshs.67,082,015,545.00 and Kshs.61,930,352,154.85 respectively, do not include Net Surplus to be Surrendered to Exchequer of Kshs.462,323,220.20 reflected in Recurrent Appropriation Account for Vote R.42 for 2010/2011. No explanation has been provided for the omission.

1691. The Statement in addition reflects debit balances totalling Kshs.67,082,015,545.00 against total credit balances of Kshs.61,930,352,154.85 indicating that the Statement is not balancing by Kshs.5,151,663,390.15. The difference has not been explained or reconciled. Consequently, the completeness and accuracy of the Statement as a whole is doubtful.

1692. The Statement also reflects balances described as Provision for Encumbrance, Exchequer Release/Provisioning Account and Consolidated Fund. The details on these balances have neither been provided nor analysed. Consequently their existence, completeness and accuracy could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.42

1693. The Statement of Assets and Liabilities for Vote D.42 as at 30 June 2011 does not include balances brought forward from the year 2009/2010 under Exchequer 2007/2008 & 2008/2009, Exchequer 2009/2010, Imprest, District Suspense, Paymaster General (PMG), Unreconciled Difference, GAV-Surplus 2007/2008 & 2008/2009, GAV-Surplus 2009/2010 and Suspense Accounts. In the absence of opening balances, accuracy and completeness of the Statement of Assets and Liabilities as at 30 June 2011 could not be confirmed.

1694. The Statement of Assets and Liabilities reflects total assets of Kshs.38,032,801,188.10 and liabilities of Kshs.22,176,557,379.50 which are not supported with a Trial Balance as at 30 June 2011. Further, the assets are more than the liabilities by Kshs.15,856,243,808.60. In addition, all balances reflected in the Statement have not been supported with analyses.

1695. The Statement further excludes Exchequer Under Issues balance of Kshs.220,390,035.00 and General Account of Vote (GAV) balance of Kshs.434,602,378.55 for 2010/2011 but which are reflected in the Exchequer records at the Treasury and Appropriation Account for Vote D.42, respectively.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 42

1696. The Statement of Assets and Liabilities for Deposits 42 as at 30 June 2011 does not reflect balances brought forward from the year 2009/2010 under NYS IBS, HQT Deposit, MTB Renewal, MTB Maintenance and Suspense Accounts. The accuracy of the Statement is therefore doubtful.

1697. The Statement also reflects various assets and liabilities balances totalling Kshs.3,870,647,050.52 and Kshs.974,062,220.98 respectively against General Suspense, R/D Cheques, District Suspense, District Deposit Bank Account, Ministry HQ-Deposit Bank Account, Temporary Imprest, Staff Welfare Associations, Contractors Retention Money and Cash Clearing Accounts, which have not been supported with relevant analyses. Consequently, the completeness and accuracy of the balances could not be ascertained.

1698. The Statement further reflects opening balances against General Suspense, Imprest, District Suspense, Welfare, NYS IBS, HQT Deposits, MTB Renewal, MTB Maintenance, Suspense, Staff Welfare, Contractors Retention Money and Cash Clearing Accounts brought forward from 2009/2010 that differ with the balances reflected in the audited statement for 2009/2010. The completeness and accuracy of the Statement could therefore not be confirmed.

MINISTRY OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY

APPROPRIATION ACCOUNT FOR VOTE R.43

Accuracy of the Appropriation Account

1699. The Appropriation Account for Vote R.43 for the year ended 30 June 2011 reflects expenditure balances of Kshs.255,555,692.00 and Kshs.1,209,359,736.00 under expenditure Heads 430101 and 430204, respectively. The corresponding ledger for the month of June 2011 shows amounts of Kshs.239,578,697.95 and Kshs.1,207,074,841.00 under the two items, respectively. The resultant differences of Kshs.15,976,994.05 and Kshs.2,284,895.00 have not been reconciled or explained.

1700. The Appropriation Account Summary further reflects actual gross expenditure of Kshs.339,790,972.20 under Head 4301 – General Administrative and Planning, while the detailed Appropriation Account reflects an amount of Kshs.339,339,224.00, resulting in unexplained difference of Kshs.451,748.00.

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

1701. The Appropriation Account also reflects gross under-expenditure of Kshs.14,474,907,637.00, representing approximately 36% of the approved estimates of Kshs.40,347,263,680.00, and under-collection of Appropriations-In-Aid of Kshs.14,241,574,880.00 or about 99.9% of the estimated receipts of Kshs.14,242,192,880.00. The under-expenditure and under-collection of Appropriations-In-Aid was mainly recorded under Sub-Vote 4304 - University Education. According to footnotes to the Account, the under-collection was due to failure by the Institutions to submit returns to the Ministry. No efforts however appear to have been made to have the Institutions file returns regularly.

Meal Allowances

1702. The Appropriation Account further reflects expenditure totalling Kshs.18,440,521.00 under Heads 430101 and 430501, Items 2210300 - Domestic Travel, Subsistence and other Transportation costs, and 2210800 - Hospitality Supplies and Services respectively. Included in the figure of Kshs.18,440,521.00 is an amount of Kshs.2,626,500.00 paid out to Ministry officials as meal allowances while carrying out their normal duties, contrary to regulations governing such allowances. No reason has been given for the payment of the allowances.

Procurement of Air Tickets

1703. The Appropriation Account also reflects under various Heads a total of Kshs.28,142,633.00 under Item 2210400 – Foreign Travel and Subsistence, and Other Transportation Costs. The expenditure includes Kshs.3,597,920.00 incurred on procurement of air tickets from various Travel Agents. However, no competitive process appears to have been used in identification of the service providers.

Grants to Government Agents

1704. The Appropriation Account in addition reflects an amount of Kshs.435,499,899.00 under Head 430300 - National Council for Science and Technology, Item 2630100-Current Grants to Government Agencies and Other Levels of Government. The amount includes Kshs.32,025,188.00 paid twice in the month of June 2011 under the 4th quarter operational funding. Although a reversal of the second payment had been sought from Kenya Commercial Bank, the amount had not been reversed or refunded as at 31 January 2012.

1705. The Appropriation Account in addition reflects capital grants totalling Kshs.21,306,738,911.00 disbursed to various Government Agencies and Institutions including Universities, Polytechnics and Technical Training Institutes under various expenditure Heads. However, only a total of thirteen (13) Institutions, which reflect grants totalling Kshs.20,483,115,839.00 confirmed an amount of Kshs.19,193,170,091.00 as having been received, leaving a variance of Kshs.1,289,945,748.00. Further, grants totalling Kshs.823,623,072.00 released to five (5) institutions could not be confirmed received since no audited financial statements for 2010/2011 were produced for audit confirmation.

APPROPRIATION ACCOUNT FOR VOTE D.43

Accuracy of the Appropriation Account

1706. The Appropriation Account for Vote D.43 for the year ended 30 June 2011 reflects gross actual expenditure of Kshs.6,005,965,284.00, while the ledger for the month of June 2011 shows expenditure totalling Kshs.5,714,779,804.90 under various Heads. The resultant difference of Kshs.291,185,479.10 has not been reconciled or explained.

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

1707. The Appropriation Account also reflects gross under-expenditure of Kshs.2,175,269,716.00 or about 27% of the approved estimates of Kshs.8,181,235,000.00, and an under-collection of Appropriations-In-Aid of Kshs.1,344,966,592.00 or about 96% of the estimated receipts of

Kshs.1,402,235,000.00. According to footnotes to the Account, the under-expenditure and under-collection of Appropriations-In-Aid occurred under all the three Sub-Votes and has been attributed to non commissioning of monitoring and evaluation of projects on time, lack of liquidity, delay in project approval, non availability of records from the donors and non availability of records from institutions. However, no indication has been shown of efforts being made to address the underlying causes of under-expenditure and under-collection of Appropriations-In-Aid.

Grants to Universities

1708. The Appropriation Account further reflects expenditure totalling Kshs.2,770,259,741.00 under Sub-Vote 4304 – University Education. The amount relates to funds disbursed to various Universities for infrastructure developments and other activities. However, the expenditure figure of Kshs.2,770,259,741.00 differs by Kshs.114,771,084.00 with a total of Kshs.2,885,030,825.00 confirmed received by the Universities. No reconciliation or explanation has been provided for the difference.

Grants to Other Institutions

1709. The Appropriation Account in addition reflects expenditure totalling Kshs.1,707,220,899.00 under Head 430101 - Headquarters Administrative Services, Item 2640500 - Other Capital Grants and Transfers. The Account also reflects expenditure totalling Kshs.690,499,999.00 under Heads 430204 and 430207 Item – 2630200- Capital Grants to Government Agencies and Other Levels of Government, made up of Kshs.450,000,000.00 and Kshs.240,499,999.00 paid to Technical Training Institutes and Harambee Institute of Technology, respectively. However, no audited financial statements were provided for confirmation that the funds were received by the beneficiary Organisations and utilized for the intended purposes. Consequently, the propriety of the expenditure could not be confirmed.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

1710. Section 4 (2) (b) of the Public Audit Act, 2003 and the Government Financial Regulations and Procedures require each Accounting Officer to prepare and submit for audit, a Statement of Outstanding Loans within three months after the end of the financial year.

1711. The Ministry has however not submitted such a Statement for audit, although records maintained at the Treasury show that a loan of Kshs.250,000,000.00 was due and outstanding as at 30 June 2011 from one institution under the Ministry. No reasons have been given for not complying with the law.

PENDING BILLS

1712. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.460,940,963.50 for the year 2010/2011 were not settled during the year, but were instead carried forward to year 2011/2012. Out of the total, bills amounting to Kshs.56,555,889.30 related to the Recurrent Vote, while the balance of Kshs.404,385,074.20 related to Development Vote.

1713. Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.43 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.176,776,867.70 instead of Kshs.233,332,757.00 now shown, while Appropriation Account for Vote D.43 would have reflected a reduced Net Surplus of Kshs.425,918,049.80 instead of Kshs.830,303,124.00 now recorded.

OUTSTANDING IMPRESTS

1714. Examination of imprest records maintained at the Ministry's Headquarters revealed that Temporary Imprest totalling Kshs.563,777.60, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date. Out of the total, imprests amounting to Kshs.227,250.00 were owed by Officers on Job Group 'M' and above, Kshs.216,627.60 was owed by officers on Job Group 'L' and below, while the balance of Kshs.119,900.00 was due from politicians.

1715. A review of the position as at 30 September 2011 revealed that imprests owed by politicians totalling Kshs.119,900.00 had been cleared as at that date, leaving a balance of Kshs.443,877.60 due from the other officers.

1716. Further, Standing Imprest amounting to Kshs.55,000.00 was outstanding as at 30 June 2011. However, as at 30 September 2011, only Kshs.10,000.00 was still outstanding.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.43

1717. The Statement of Assets and Liabilities for Vote R.43 as at 30 June 2011 reflects various balances for the year under review in respect of Exchequer, Advances, Temporary Imprest, District Agency and PMG Accounts which are at variance with those reflected in the audited statement for 2009/2010. The differences have not been reconciled or explained.

1718. The Statement also reflects various debit and credit balances totalling Kshs.409,537,470.35 and Kshs.597,830,420.75, respectively relating to 2009/2010 and earlier years in respect of Exchequer, Advances, Temporary

Imprest, Standing Imprest, District Agency, General Account of Vote and Inter-ministerial Accounts. No reason has been provided for failure to clear the long outstanding balances from the books of account.

1719. The Statement further shows balances under Advances, Standing Imprests and General Suspense Accounts of Kshs.2,399,295.35, Kshs.100,000.00 and Kshs.18,004,630.00 respectively, which have not been analysed. Consequently, the accuracy of the balances could not be confirmed.

1720. The Statement in addition reflects Paymaster General (PMG) Account balance of Kshs.240,316,329.10 which differs by Kshs.10,175,725.70 with the Cashbook balance of Kshs.230,140,603.40 as at 30 June 2011. The difference has not been reconciled or explained. Consequently, the accuracy of the PMG balance could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.43

1721. The Statement of Assets and Liabilities for Vote D.43 as at 30 June 2011 reflects a debit and a credit balance under the Exchequer and the GAV Account, of Kshs.140,012,800.00 and Kshs.192,430,065.95 respectively, which relates to 2009/2010 and earlier years, that ought to have been cleared as at 30 June 2011. No reason has been given for failure to clear the long outstanding balances from the books of account.

1722. The Statement further reflects a Paymaster General (PMG) Account balance of Kshs.92,460,460.55 which differs with the Cashbook balance as at 30 June 2011 of Kshs.32,573,051.35 by Kshs.59,887,409.20. The difference has not been explained or reconciled.

1723. The Statement also reflects an Exchequer Account balance for the year of Kshs.955,945,000.00, which differs by Kshs.150,000,000.00 with the balance of Kshs.805,945,000.00 shown in the records maintained at Treasury. No reconciliation has been provided for the difference.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 43

1724. The Statement of Assets and Liabilities for Deposits 43 as at 30 June 2011 reflects opening balances against a Paymaster General (PMG) Account and Retention Account of Kshs.17,535,549.20 and Kshs.17,524,799.20 respectively, which differ with the audited balances for 2009/2010 of Kshs.16,479,795.65 for both Accounts. In addition, an opening balance of Kshs.10,750.00 under Deposits was not disclosed in the Statement for 2009/2010.

1725. The Statement also reflects Paymaster General (PMG) Account balance of Kshs.18,906,132.50 which differs with the Cashbook balance as at 30 June 2011 of Kshs.75,000.00. The difference of Kshs.18,831,132.50 between the two sets of records has not been reconciled or explained.

1726. The Statement further reflects a Retention Account balance of Kshs.17,524,799.20 which relates to 2009/2010 and earlier years. No explanation has been provided for failure to pay retention money to the specific contractors.

1727. Further, an amount of Kshs.358,854.40 indicated as having been paid to a contractor in December 2010 was not recorded in the Cashbook. No explanation has been given for the omission.

1728. The Statement also reflects a Deposits balance of Kshs.1,740,187.70 which, although analysed, but due to missing details, its accuracy could not be confirmed.

1729. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011. The accuracy and completeness of the Statement as a whole is therefore doubtful.

MINISTRY OF HOUSING

APPROPRIATION ACCOUNT FOR VOTE R.44

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

1730. The Appropriation Account for Vote R.44 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.746,485,788.20 representing approximately 44% of the approved estimates of Kshs.1,714,911,220.00. The Account further reflects under collection of Appropriations-In-Aid of Kshs.640,256,710.25 or about 68% of the estimated receipts of Kshs.936,000,000.00.

1731. The reasons given in the footnotes to the accounts for under-expenditure and under-collection of Appropriations-In-Aid include, misposting of district data, non- sales of building and lack of exchequer releases. However, the Ministry has not indicated how it is addressing these challenges.

Unvouched Expenditure

1732. Expenditure totalling Kshs.422,796,165.00 charged to Vote R.44 during the year and relating to various items under Heads 440101, 440201, 440301, 440303 and 440202 was not supported by payment vouchers and related documentation. As a result, the propriety of the expenditure of Kshs.422,796,165.00 could not be ascertained.

APPROPRIATION ACCOUNT FOR VOTE D.44

Unvouched Expenditure

1733. Payment vouchers and other records for expenditure totalling Kshs.489,222,933.90 charged to Vote D.44 in the year 2010/2011 were not availed for audit review. The expenditure was in respect of Other Operating Expenses, Routine Maintenance, Other Assets, Refurbishment of Buildings and Construction and Civil Works. Consequently, the propriety of the expenditure could not be ascertained.

Irregular Charge of Expenditure

1734. Expenditure totalling Kshs.33,929,025 of recurrent nature incurred on flowers, sanitary services, conferences, printing, office equipment and furniture, cameras, T-shirts, umbrellas, cotton caps, computer accessories, stationery and staff allowances was irregularly charged against Development Vote D.44 Items 2220200 – Routine Maintenance Other Assets and 3110500 – Construction and

Civil Works under Heads 440101 – Headquarters Administration Services and 440301 – Housing Department, respectively. No explanation has been provided for charging the recurrent expenditure to Development Vote.

PENDING BILLS

1735. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.14,700,127.50 relating to 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.1,296,136.50 related to the Recurrent Vote R.44 while the balance of Kshs.13,403,991.00 was in respect of the Development Vote D.44.

1736. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Recurrent Appropriation Account for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.104,932,941.45 instead of Kshs.106,229,077.95 now shown while the Development Appropriation Account for the same period would have reflected a reduced Net Surplus of Kshs.185,028,899.20 instead of Kshs.198,432,890.20 now recorded.

OUTSTANDING IMPRESTS

1737. Audit of imprest records maintained at the Ministry's Headquarters indicated that temporary imprests totalling Kshs.4,736,245.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date. Out of the total, an amount of Kshs.2,732,787.00 was owed by officers on Job Group 'M' and above while the balance of Kshs.2,003,458.00 was owed by officers on Job Group 'L' and below.

1738. A review of the position as at 30 September 2011 disclosed that imprests amounting to Kshs.1,462,328.00 had been accounted for leaving a balance of Kshs.3,273,917.00 outstanding.

KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND ACCOUNTS

Fixed Assets

1739. Besides lack of a Fixed Assets Register, the Net Fixed Assets balance of Kshs.1,208,032,282.55 reflected in the Fund's Balance Sheet as at 30 June 2011 includes various parcels of land in Langata and Mavoko Upgrading sites for which ownership documents were not made available for audit verification. In the

absence of the title deeds, it has not been possible to ascertain the ownership of the properties.

1740. Further, the Net Fixed Assets balance of Kshs.1,208,032,754.00 differs with the amount of Kshs.1,231,421,805.55 shown as the net book value as at 30 June 2011 under Note (2) to the accounts by Kshs.23,389,051.00. The difference has not been explained. In addition, no comparative net book values as at 30 June 2010 for various classes of plant, property and equipment were provided under Note (2). No reason has been given for the omission.

Deposits

1741. The Balance Sheet as at 30 June 2011 reflects under Assets a Deposit Account balance of Kshs.107,026,075.65 which was not supported by any records or documentation. In the circumstances, it has not been possible to ascertain its validity and accuracy.

Cash and Bank Balances

1742. The Balance Sheet reflects Cash and Bank Balances of Kshs.614,514,503.00 while the Cashbook shows a figure of Kshs.608,732,338.60 as at 30 June 2011. The resultant difference of Kshs.5,782,164.40 has not been reconciled or explained. No board of survey report on cash and bank balances or authentic bank reconciliation statement as at 30 June 2011, were availed for audit review. Consequently, it has not been possible to ascertain the accuracy of the Cash and Bank Balances of Kshs.614,514,503.00.

Income

1743. The Fund's Income and Expenditure Account for the year ended 30 June 2011 reflects Other Income and Other Income balances of Kshs.150,000,000.00 and Kshs.29,188,593.95 respectively which apparently were not supported by receipt vouchers and related documentation. It has not been possible, therefore, to ascertain the occurrence, completeness and accuracy of the income amounting to Kshs.179,188,593.95.

Cash Flow Statement

1744. The Cash Flow statement reflects a net increase in cash and cash equivalents of Kshs.126,697,575.65 which was not supported by any records. The accuracy of the amount could not therefore be ascertained.

CIVIL SERVANTS HOUSING SCHEME FUND

Net Fixed Assets

1745. The Civil Servants Housing Scheme Fund Balance Sheet as at 30 June 2011 reflects a balance of Kshs.13,899,437.78 against the Net Fixed Assets while a memorandum account of property and plant maintained by the Fund shows a figure of Kshs.15,784,407.25. The resultant difference of Kshs.1,884,969.47 has not been reconciled or explained.

Mortgage Recoverable HFCK Account

1746. The Balance Sheet also reflects a balance of Kshs.427,728,046.35 against a Mortgage Recoverable HFCK Account. However, statements of account, certificate of bank balance and a reconciliation of the Mortgage Recoverable HFCK Account as at 30 June 2011 were not availed for audit review. As a result, it has not been possible to ascertain the existence and accuracy of the balance.

Cash and Bank Balance

1747. The Cash and Bank balance of Kshs.415,391,067.04 reflected in the Balance Sheet includes amounts of Kshs.414,078,284.16 and Kshs.1,312,782.88 relating to the Fund's Deposits and Recurrent Cash Accounts balances, respectively. However, the Deposits and Recurrent Accounts' Cashbooks show balances of Kshs.188,810,907.59 and Kshs.7,159,486.13 respectively as at 30 June 2011. The resultant respective differences of Kshs.225,267,376.57 and Kshs.5,846,703.25 have not been reconciled or explained.

Work-in-Progress

1748. The Work-in-Progress (W.i.P) balance of Kshs.2,135,899,515.15 shown in the Balance Sheet includes retention money amounting to Kshs.2,064,871.71 which had already been paid. Consequently, the balance has been overstated by Kshs.2,064,871.71.

Creditors, Accruals, Retention and Account Payables

1749. The Balance Sheet reflects Creditors, Accruals, Retention and Account Payables balance of Kshs.149,074,333.53. However, no records or analysis were provided in support of the balance. As a result it has not been possible to ascertain the completeness and accuracy of the balance.

Mortgage Interest from HFCK

1750. The Income and Expenditure Statement reflects an amount of Kshs.6,358,562.15 in respect of Mortgage Interest from HFCK. However, due to lack of certificate and confirmation from the bank as at 30 June 2011, the accuracy of this amount could not be ascertained.

BANK RECONCILIATION STATEMENT FOR THE DEPOSITS CASHBOOK

1751. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.10,594,150.90 which include an amount of Kshs.10,271,605.00 that has been described as “overcast on cashbook”. The circumstances leading to the overcast have not, however, been explained.

1752. The Statement also reflects receipts in the Bank Statement not recorded in the CashBook totalling Kshs.21,572,192.35 which also include twelve entries amounting to Kshs.4,070,347.70 relating to the period prior to December 2010. No reason has been provided for failure to record in the Cashbook these long outstanding receipts which are shown as “CBK Pins”.

1753. The Bank Statement in addition reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.5,393,257.90 out of which an amount of Kshs.3,473,725.10 relates to the period before September, 2010 and described as GOK home rent, 15% court fees and 10% retention fees. No reasons have been given for failure to bank these receipts.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.44

1754. The Statement of Assets and Liabilities for vote R.44 as at 30 June 2011, reflects various balances under Exchequer, Temporary Imprests and General Account of Vote (GAV) Accounts relating to 2008/2009 and earlier years which have not been cleared from the books of account. No reason has been provided for failure to clear these long outstanding balances.

1755. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.310,142,588.25 while the Cashbook shows a balance of Kshs.39,450,342.45 as at 30 June 2011. The resultant difference of Kshs. 270,692,245.80 has not been reconciled or explained.

1756. The Statement reflects District Suspense Account and Advances Account debit balances of Kshs.143,143,516.30 and Kshs.608,131.50 respectively which have not been analyzed. Consequently, the validity and accuracy of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 44

1757. The Statement of Assets and Liabilities for Vote D.44 as at 30 June 2011 reflects an Exchequer Account balance of Kshs.364,371,008.05, which includes an amount of Kshs.223,633,508.05 relating to 2009/2010 and earlier years. Non-clearance of the long outstanding amount has not been clarified.

1758. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.158,147,678.50 which differs with Cashbook balance of Kshs.39,641,311.95. The resultant difference of Kshs.118,506,366.55 has not been reconciled or explained.

1759. The Statement in addition reflects a District Suspense Account debit balance of Kshs.122,296,330.20 which has not been analysed with the result that its completeness and accuracy could not be ascertained.

1760. The Statement also reflects a General Account of Vote balance of Kshs.644,815,016.75 which includes an amount of Kshs.446,382,126.55 relating to 2009/2010 and earlier years. As in the previous instances, failure to clear the amount of Kshs.446,382,126.55 from the books of account has not been explained.

1761. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided for audit. As a result, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 44

1762. The Statement of Assets and Liabilities for Deposits 44 as at 30 June 2011 reflects a credit balance of Kshs.145,279,133.80 against 10% Retention Money Account, out of which an amount of Kshs.6,183,808.50 was not supported with any analyses. As a result, the accuracy of the balance could not be ascertained.

NATIONAL SECURITY INTELLIGENCE SERVICE

BANK RECONCILIATION STATEMENT

1763. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.2,362,108.60 which includes Stale Cheques amounting to Kshs.735,499.30. No reason has been provided for the failure to investigate and replace the cheques or reverse them back in the Cashbook.

1764. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.554,718.65 which includes two receipts dated 15 October 2006 and 19 June 2007, amounting to Kshs.486,718.65. Failure to update the Cashbook with the long outstanding receipts has not been clarified.

1765. The Statement further reflects a receipt of Kshs.661,905.00 dated 25 June 2010 in the Cashbook not recorded in the Bank Statement. No explanation has been provided for the long delay in banking the receipts.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.45

1766. The Statement of Assets and Liabilities for Vote R.45 as at 30 June 2011 reflects various balances under Advance, Agency, Clearance, General Account of Vote, Exchequer and Excess Appropriations-in-Aid accounts relating to 2009/2010 and earlier years. No satisfactory explanation has been provided for their non clearance.

1767. The Statement also reflects an Imprest Account balance of Kshs.25,220,275.73 which includes an amount of Kshs.13,299,160.95 relating to 2009/2010 and earlier years.

1768. The Statement also reflects Suspense Account debit and credit balances relating to 2008/2009 and earlier years which have not been analysed and as a result the accuracy of the balances could not be ascertained. In addition, no satisfactory explanation has been provided for their non clearance.

MINISTRY OF TOURISM

APPROPRIATION ACCOUNT FOR VOTE R.46

Accuracy of the Appropriation Account

1769. The Appropriation Account for Vote R.46 for the year ended 30 June 2011 reflects net expenditure of Kshs.320,898,132.00 under Head 715 Headquarters Administrative Services. Included in the figure of Kshs.320,898,132.00 is an amount of Kshs.27,854,468.00 under two Sub-Heads, which differed with the supporting payment vouchers by Kshs.3,173,748.00. No reconciliation or explanation has been provided for the difference.

Authority to Incur Expenditure

1770. The Appropriation Account further reflects net expenditure of Kshs.47,428,085.00 under Head 541 Domestic Tourism Services. Out of this amount, Kshs.10,582,573.00 was spent at the Ministry Headquarters in respect of basic salaries and personal allowances, while the balance of Kshs.36,845,512.00 was in respect of Authorities to Incur Expenditure (AIEs) issued to regional offices in Mombasa, Nakuru, Eldoret, Garissa, Nyeri and Kisumu during the year. However, the figures differ from those reflected by the Ministry's Vote Book by Kshs.5,412,933.00. Further, no expenditure returns have been made from the regions. Consequently, the accuracy of the amounts disbursed to the regions is doubtful.

APPROPRIATION ACCOUNT FOR VOTE D.46

Grants to Government Agencies and Other Levels of Government

1771. The Appropriation Account for Vote D.46 for the year ended 30 June 2011 reflects grants totalling Kshs.349,221,485.00 under Sub-Vote 461, Head 540, Item 2630100 Capital Grants to Semi-Autonomous Government Agencies and Other Levels of Government. The amount represents direct funding to Kenya Tourist Board from European Economic Community (EEC) for consultancy services on Technical Assistance - Tourism Market Recovery Programme II (TMRP II).

1772. However, the financial statements of Kenya Tourist Board for 2010/2011 indicate grants totalling Kshs.346,744,966.00 were received from EEC. No reconciliation or explanation has been provided for the difference of Kshs.2,476,519.00 between the two sets of records.

Under-Expenditure

1773. The Appropriation Account further reflects gross under-expenditure of Kshs.151,376,214.00, representing approximately 13% of the total gross estimates of Kshs.1,195,221,485.00. The under-expenditure relates to Capital Grants to Government Agencies and Other Levels of Government and is attributed to delay in passing necessary legislation to have the proposed Ronald Ngala Utalii College at the Coast become a legal entity.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

1774. Section 4 (2) (b) of the Public Audit Act, 2003 and the Government Financial Regulations and Procedures require each Accounting Officer to prepare and submit for audit, a Statement of Outstanding Loans within three months after the end of the financial year.

1775. The Ministry has however not submitted such a Statement for audit, although records maintained at the Treasury show that loans amounting to Kshs.188,000,000.00 were due and outstanding as at 30 June 2011 against various organizations under the Ministry of Tourism. No reasons have been given for not complying with the law.

PENDING BILLS

1776. Examination of records maintained at the Ministry's Headquarter revealed that bills totalling Kshs.723,806.00 chargeable to the Recurrent Vote were not paid during the year, but were instead carried forward to 2011/2012.

1777. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote R.46 for the year ended 30 June 2011 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.28,037,890.00 instead of Kshs.28,761,696.00 now shown.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.46

1778. The Statement of Assets and Liabilities for Vote R.46 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.47,311,202.80, which differs with the Cashbook balance as at 30 June 2011 of Kshs.9,912,606.45. The resultant difference of Kshs.37,398,596.35 between the two sets of records has not been reconciled or explained.

1779. The Statement further reflects debit and credit balances, amounting to Kshs.29,036,552.35 and Kshs.56,307,859.15 respectively, against Exchequer, Advance, District Suspense, General Account of Vote, Excess Appropriations-in-Aid and Clearance Accounts relating to 2009/2010 and earlier years that ought to have been cleared on or before 30 June 2011. No reason has however been provided for failure to clear the long outstanding balances from the books of account.

1780. The Statement also reflects a General Account of Vote balance of Kshs.29,446,946.00 for the year ended 30 June 2011, which differs with the Net Surplus to be Surrendered to the Exchequer balance of Kshs.28,761,696.00 by Kshs.685,250.00. The difference has not been explained or reconciled.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 46

1781. The Statement of Assets and Liabilities for Vote D.46 as at 30 June 2011 reflects Paymaster General (PMG) Account debit balance of Kshs.24,966,589.00, which differs with the Cashbook balance as at the same date of Kshs.29,020,018.40. The resultant difference of Kshs.4,053,429.40 between the two sets of records has not been reconciled or explained.

1782. The Statement also reflects a PMG credit balance of Kshs.31,889,501.00 relating to 2009/2010 and earlier years. It has not been explained why the Statement reflects two sets of PMG Account balances.

1783. The Statement further reflects debit balances of Kshs.49,000,000.00 and Kshs.13,003,068.00 against Exchequer and District Suspense Accounts respectively, and a debit balance of Kshs.29,703,942.00 against General Account of Vote, all relating to 2009/2010 and earlier years, which ought to have been cleared on or before 30 June 2011. No reason has been provided for failure to clear the long outstanding balances from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 46

1784. The Statement of Assets and Liabilities for Deposits 46 as at 30 June 2011 reflects General Deposits Account credit balance of Kshs.24,486,892.95, which includes an amount of Kshs.16,699,137.90 relating to funds transferred from Recurrent Bank Account to Deposits Bank Account on 30 June 2011. It is not clear why voted funds were transferred to Deposit Account, contrary to requirements of Government Financial Regulations and Procedures.

OFFICE OF THE PRIME MINISTER

APPROPRIATION ACCOUNT FOR VOTE D.48

Under-Collection of Appropriations-In-Aid

1785. The Appropriation Account for Vote D.48 for the year ended 30 June 2011 reflects actual Appropriations-In-Aid of Kshs.328,668,864.65 against approved estimates of Kshs.397,970,000.00, resulting in under-collection of Kshs.69,301,335.35 or 17% of the approved estimates. Although it has been explained that the reasons for the under-collection include delay of release of funds by the donors, it is not clear how the problem is being addressed.

Unvouched Expenditure

1786. The Appropriation Account, under Head 480201 reflects expenditure totalling Kshs.59,400,000.00 charged against items 2210400 – Foreign Travel, 2211300 – Other Operating Expenses, 2220100 – Routine Maintenance – Vehicles and other Transport Equipment, 3111100 – Purchase of Specialized Plant, Equipment and Machinery and 3111400 – Research, Feasibility Studies, Project Preparation and Design.

1787. Although the expenditure was funded through a grant from the Government of Japan, documents and records in support of the expenditure were not made available for audit review. Consequently, the propriety of the expenditure could not be ascertained.

PENDING BILLS

1788. Examination of records maintained at the Office of the Prime Minister indicated that bills totalling Kshs.64,480,215.68 for 2010/2011 were not settled during the year but were instead carried forward to 2011/2012. Out of the total, an amount of Kshs.48,608,770.18 was chargeable to the Recurrent Vote while the balance of Kshs.15,871,444.50 related to the Development Vote.

1789. Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.48 for the year would have reflected a reduced Net surplus to be surrendered to the Exchequer of Kshs.2,717,694.22 instead of Kshs.51,326,464.40 now shown. Similarly, the Appropriation Account for Vote D.48 for the same period would have shown an Excess Vote of Kshs.12,465,975.00 instead of the Net Surplus of Kshs.3,405,469.50 now recorded.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.48

1790. The Statement of Assets and Liabilities for Vote R.48, as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.1,321,510.00 relating to 2009/2010 and earlier years. The Statement also reflects a credit balance of Kshs.118,779,991.55 against the General Account Vote (GAV) which includes an amount of Kshs. 67,453,527.15 in respect to 2009/2010 and earlier years. These balances ought to have been cleared from the books of account on or before 30 June 2011.

1791. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2011 or Ledger for the year then ended. The basis on which the Statement was prepared is therefore not clear.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.48

1792. The Statement of Assets and Liabilities as at 30 June 2011 reflects a Paymaster General Account balance of Kshs.49,163,492.60. However, a Ledger or Trial Balance was not availed for confirmation of the PMG balance as at 30 June 2011.

1793. The Statement also reflects an Excess Appropriations-In-Aid balance of Kshs.131,661,328.40 and an Excess Vote of Kshs.131,379,199.60 relating to 2009/2010 and earlier years. No explanation has been provided for failure to clear the balances from the accounting records.

1794. The Statement also reflects an Exchequer Account balance of Kshs.45,325,019.90, which includes an amount of Kshs.44,670,019.90 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance.

1795. The Statement also reflects a General Account Vote (GAV) balance of Kshs.94,206,383.70, which includes Kshs.90,800,914.20 relating to 2009/2010 and earlier years.

1796. Both the Trial Balance as at 30 June 2011 and the Ledger for the month of June 2011 were not availed for audit confirmation. In consequence, the basis of preparation of the Statement under review has not been clarified.

MINISTRY OF PUBLIC HEALTH AND SANITATION

APPROPRIATION ACCOUNT FOR VOTE R.49

1797. The Appropriation Account for Vote R.49 for the year ended 30 June 2011 reflects under-collection of Appropriations-In-Aid of Kshs.24,130,105.05, representing approximately 41% of the estimated receipts of Kshs.59,077,300.00. The under-collection was recorded mainly under Sub-Votes 492, 494 and 495 - Disease Control Service, Primary Health Services and Technical Services, respectively. No reason has however been provided for the under-collection.

1798. The Appropriation Account also reflects total expenditure of Kshs.35,690,150.22 against various items, for which no provision was made in the approved estimates. No explanation has been provided for incurring expenditure without Parliamentary approval.

1799. The Appropriation Account reflects expenditure totalling Kshs.6,571,538,723.94 incurred under all the Sub-Votes on Basic Salaries, Personal Allowances Paid as Part of Salary and Personal Allowances paid as Reimbursements. However, examination of the Integrated Payroll and Personnel Data (IPPD) by-products and other payroll records for the same period indicated that expenditures on these items amounted to Kshs.5,545,775,679.45, thereby giving a difference of Kshs.1,025,763,044.49. No explanation or reconciliation has been provided for the difference between the payroll records and the Appropriation Account.

1800. The Appropriation Account in addition reflects expenditures totalling Kshs.1,489,139,767.23 across various Sub-Votes charged to Purchase of Specialized Materials and Supplies, Refurbishment of Buildings, Other Capital Grants and Transfers, Purchase of Buildings and Construction of Buildings.

However, the expenditure could not be verified due to lack of payment vouchers and other related supporting documents. Consequently, propriety of the expenditure could not be ascertained.

APPROPRIATION ACCOUNT FOR VOTE D.49

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

1801. The Appropriation Account for Vote D.49 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.3,044,845,887.60 or approximately 19% of the approved estimates of Kshs.15,694,220,941.00 . The under-expenditure occurred mainly under Sub-Votes 490, 491 and 494 relating to General

Administration and Planning, Preventive Medicine & Promotive Health and Primary Health Services, respectively. The Appropriation Account also reflects under-collection of Appropriations-In-Aid of Kshs.1,128,901,215.45 or about 20% of the estimated receipts of Kshs.5,739,180,541.00.

1802. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of Appropriations-In-Aid include under provision, delay in release of funds and over-estimation of Appropriations-In-Aid, amongst others. However, and as observed in previous years, no action appears to have been taken to address the underlying causes of under-expenditure and under-collection of Appropriations-In-Aid.

Unbudgeted Expenditure

1803. The Appropriation Account also reflects expenditure totalling Kshs.353,206,478.20 incurred under various Heads and items against which no provision had been made in the budget. The expenditure of Kshs.353,206,478.20 was not authorized by Parliament and is therefore illegally incurred.

Failure to Budget for Donor Funded Projects

1804. The Appropriation Account further reflects Appropriations-In-Aid collected under Sub Vote 494, Head 335 and Sub Vote 495, Head 334, Item 1310 100 – Grants from International Organizations–Cash Through Exchequer of Kshs.1,172,507,276.80 and Kshs.3,842,529.85, respectively. However, these amounts had not been budgeted for in the annual estimates for the year. The receipts related to Rural Health Project III were funded by both African Development Fund (ADF) and OPEC. It has not been explained how such a substantial amount of money would have been received by the Ministry without prior arrangement with the financiers.

1805. In addition, the Ministry had budgeted to collect an amount of Kshs.493,000,000.00 and Kshs.600,900,000.00 under Sub-Votes 491, Heads 328, 494 and 335 respectively during the year. However, the Ministry collected Kshs.720,415,827.00 and Kshs.1,109,672,208.15, respectively. The additional collection of Kshs.227,415,827.00 and Kshs.508,772,208.15 under the two Heads respectively have not been explained.

Irregular Reallocation of Funds

1806. The Appropriation Account also reflects expenditure totalling Kshs.4,040,009,573.43 charged under various items for which only a total provision of Kshs.2,123,962,302.00 had been made in the approved estimates. Although reasons for the over expenditure of Kshs.1,916,047,271.42 are provided in form of footnotes to the Account, it has not been indicated how the

huge over expenditures under these items were financed in the absence of additional funding.

Unsupported Expenditure

1807. The Appropriation Account in addition shows expenditure totalling Kshs.342,424,953.60 incurred under Head 114-Headquarters and Administrative Services during the year, out of which Kshs.232,424,953.60 was charged under Item 2210600 - Rentals of Produced Assets against nil provision. The balance of Kshs.110,000,000.00 was charged under Item 2210900-Insurance Costs, with a provision of only Kshs.6,000,000.00. However, payment vouchers and other supporting records for this particular expenditure totalling Kshs.342,424,953.60 were not made available for audit review, consequent upon which the propriety of the expenditure could not be ascertained.

Capital Grants to Government Agencies and Other Levels of Government

1808. The Appropriation Account further shows under Sub-Vote 490, Head 643 – Item 2630200, grants totalling Kshs.74,500,000.00 disbursed to Kenya Medical Research Institute (KEMRI) during the year. Audited financial statements of KEMRI for the year 2010/2011, however reflect grants received from the Ministry during the period amounting to Kshs.149,000,000.00. The difference of Kshs.74,500,000.00 between the two sets of records has not been reconciled or explained.

1809. In addition, the Appropriation Account reflects under Sub-Vote 491, Heads 328 and 510 – Item 2630200, grants totalling Kshs.65,190,000.00, disbursed to Kenya Medical Supplies Agency (KEMSA) for distribution of various medical supplies during the year. The financial statements of KEMSA for the year 2010/2011 however show grants amounting to Kshs.161,890,000.00 as having been received from the Ministry during the period. The difference of Kshs.96,700,000.00 between the two sets of records has not been reconciled or explained.

PENDING BILLS

1810. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.1,669,426.00 relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.522,522.00 related to the Recurrent Vote while the balance of Kshs.1,146,904.00 was in respect of the Development Vote.

1811. Had the bills been settled and expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.49 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.9,060,560.43

instead of Kshs.9,583,082.43 now shown. Similarly, the Appropriation Account for Vote D.49 for the same period would have reflected a reduced Net Surplus of Kshs.1,914,797,542.10 instead of Kshs.1,915,944,446.10 now recorded.

OUTSTANDING IMPRESTS

1812. Audit of imprest records maintained at the Ministry's Headquarters indicated that Temporary and Standing imprests totalling Kshs.13,100,308.20 and Kshs.69,225,497.00, respectively which ought to have been surrendered or otherwise accounted for on or before 30 June 2011 were still outstanding as at that date.

1813. Out of the total Outstanding Temporary Imprests of Kshs.13,100,308.20, an amount of Kshs.4,170,583.00 was owed by officers on Job Group 'M' and above, while the balance of Kshs.8,929,725.20 was owed by officers on Job Group 'L' and below. With regard to Standing Imprests, an amount of Kshs.69,225,497.00 was outstanding against the Rural Health Project III, Malaria Control Programme, GAVI Health Systems Project and Promotive Health Services, among others. No reason has been provided for failure to have the imprests surrendered or accounted for as required by Government financial regulations and procedures.

1814. A review of the position as at 30 September 2011 disclosed that out of the total outstanding temporary imprests of Kshs.13,100,308.20 as at 30 June 2011, an amount of Kshs.11,407,952.70 had been surrendered or accounted for leaving a balance of Kshs.1,692,355.50. Similarly, out of the standing imprests of Kshs.69,225,497.00 outstanding as at 30 June 2011, an amount of Kshs.69,012,497.00 had been accounted for as at 30 September, 2011 leaving a balance of Kshs.213,000.00 still outstanding.

1815. Further, imprest records indicate that several officers were issued with additional imprests amounting to Kshs.4,890,580.20 before they accounted for the previous ones. No explanation has been given for this irregularity.

CONSTRUCTION OF NYANDIWA MODEL HEALTH CENTRE – SUBA DISTRICT

1816. The Medical Officer of Health in Suba District was on 9 March 2010 issued with an Authority to Incur Expenditure (AIE) through AIE number A551771 amounting to Kshs.8,000,000.00 for the construction of Nyandiwa Model Health Centre.

1817. According to the payment vouchers examined, a construction firm had by 30 June 2011 been paid a total of Kshs.8,000,000.00 in three instalments based on certificates issued by the Ministry of Public Works.

1818. However, no documents including the tender documents, drawing plans, Bills of Quantities (BQs), contract agreement and minutes were provided for audit review to confirm whether the provisions of the Public Procurement and Disposal Act, 2005 were adhered to.

1819. A site visit carried out in March 2011, revealed that a building which was explained as consisting of a maternity, a children's ward and a registry had been constructed up to the roofing level and which, according to the District Works Officer, ought to have been completed by 15 August 2010. The contractor however appeared to have abandoned the site despite having been paid all the money set aside for this project.

1820. Available information further indicate that the contractor was at one time terminated from continuing with the construction works by the District Works Officer in Suba District due to failure to provide a security bond.

1821. In consequence, and in absence of the tender documents, contract and related information, it has not been possible to determine propriety of the expenditure and whether the public received value for money from expenditure incurred on this project.

CONSTRUCTION OF WALDENA MODEL HEALTH CENTRE IN TANA RIVER DISTRICT

1822. The Galole Constituency Development Tender Committee invited tenders on 23 September 2009 for the construction of a Model Health Centre at Waldena in Tana River District under Economic Stimulus Programme (ESP) and four (4) bidders responded.

1823. A construction company was on 16 December 2009 awarded the tender at a contract sum of Kshs.43,333,340.00 after being the third lowest bidder. No explanation was given as to why the lower bidders were considered non responsive.

1824. The scope of works involved erection and completion of an inpatient and an outpatient block, a maternity block and a service and a registration block. The contractor was also to carry out civil, electrical and mechanical works.

1825. The contract sum of Kshs.43,333,340.00 was however on 16 December 2009 renegotiated between the contractor and the Constituency Projects Tender Committee and scaled down to Kshs.16,200,000.00. No records were however,

made available for audit review to show whether the other bidders were invited for the re-negotiations.

1826. A site visit done on 11 September 2011 revealed that the contractor appeared to have abandoned the site with works estimated at Kshs.10,671,599.00 or about 66% remaining undone, while at the same time the construction period which was expected to take 24 weeks with effect from 21 May 2010 had already expired. As of the same date, the contractor had been paid Kshs.5,528,401.00 or 34% of the contract price based on Completion Certificates issued by the Ministry of Public Works.

1827. Information available indicates that the contractor attributed the delay in completion to the negative attitude of the local people towards the project and had also sought extension of time from 21 May 2010 to 30 June 2011. No evidence was however availed for audit review to show whether the request was granted.

1828. The Ministry has not explained the steps it has taken to ensure that the remaining 66% of the project estimated at Kshs.10,671,599.00 is completed without cost overruns.

Loss of Cost Sharing Revenue

1829. Examination of Cost Sharing Revenue records maintained at the District Medical Officer of Health Office at Tana River revealed that revenue totalling Kshs.1,288,780.00 was collected between November 2010 and February 2011. Out of the total, an amount of Kshs.964,900.00 was banked leaving a balance of Kshs.228,990.00 unaccounted for as at 30 June 2011.

CONSTRUCTION OF NALONDO DISPENSARY MODEL HEALTH CENTRE IN BUNGOMA CENTRAL DISTRICT

1830. The District Procurement Officer - Bungoma awarded through direct procurement, a contract to a contractor for the construction of a Model Health Centre at Nalondo Dispensary under the Economic Stimulus Programme in Sirisia Constituency at a contract sum of Kshs.16,200,000.00. It was observed that the contractor had quoted a price of Kshs.41,393,530.48 which was later adjusted to Kshs.16,200,000.00 by the District Procurement Officer on condition that the contractor would reduce the scope of the works before commencement and signing of the contract. However, the reduced scope of works and the signed contract agreement were not availed for audit review.

1831. According to the Letter of Acceptance dated 11 December 2009, the scope of works involved the construction of an In-patient Department (IPD), a Maternity Block, Service/Sanitation Block and other External Works. However, the commencement and completion dates were not specified.

1832. Although by 30 June 2011, the contractor had been fully paid the total contract sum of Kshs.16,200,000.00 based on a Certificate of Practical Completion issued by the Bungoma County Works Officer on 20 May 2011. A site visit on 28 September 2011 revealed that it was only the In-patient Department which had been completed while works on the Maternity Block, Service and Sanitary Block and External works were ongoing. The completed works were estimated at seventy percent (70%) while works worth Kshs.4,860,000.00 or about thirty percent (30%) were incomplete, although fully paid for.

1833. It is not clear why the whole project works were certified as complete and fully paid for, contrary to Treasury Circular which requires that cheques be issued only for goods and services received or rendered. In addition, it was not possible to determine the propriety or value for money of the total expenditure of Kshs.16,200,000.00 in absence of the contract agreement and other related documents.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.49

1834. The Statement of Assets and Liabilities for Vote R.49 as at 30 June 2011 reflects temporary and standing imprests credit balances of Kshs.68,879,331.50 and Kshs.513,818,019.82, which differ with amounts of Kshs.13,100,308.20 and Kshs.69,225,497.00 indicated in temporary and standing imprests records, respectively. The unusual huge credit balances and the differences between the Statement and imprest records figures have not been explained.

1835. The Statement further reflects debit and credit balances of Kshs.156,384,837.05, Kshs.515,303,683.82 and Kshs.233,693,056.50 against Temporary and Standing Imprests and Clearance Account respectively cleared during the year, but which have not been supported with documentary evidence.

1836. The Statement also reflects various debit and credit balances against Agency, Salary Advance, District Suspense, General Suspense, Salary-in-Advance, Clearance, Temporary Imprest and Standing Imprest Accounts, which have not been supported with relevant analyses. In the absence of the analyses, completeness and accuracy of the above balances could not be ascertained.

1837. The Statement in addition reflects a credit balance under General Account of Vote (GAV) of Kshs.545,203,710.60 as at 30 June 2011, which includes Kshs.535,620,628.17 for 2009/2010 and earlier years. The Ministry has not

explained why the surplus due to Exchequer of Kshs.535,620,628.17 relating to 2009/2010 and earlier years has not been surrendered to the Exchequer.

1838. The Statement similarly reflects a Paymaster General (PMG) Account debit balance of Kshs.608,554,806.55 as at 30 June 2011, which includes Kshs.10,492,800.00 for the year under review. However, the Cashbook shows a balance of Kshs.10,598,372.10 as at the same date while the Ledger for the same period reflects a credit balance of Kshs.79,625,825.81. The differences between the three sets of records have not been reconciled or explained.

1839. The Statement also reflects an Appropriations-In-Aid credit balance of Kshs.39,409,323.95 as at 30 June 2011 made up of Kshs.4,462,129.00 for 2009/2010 and earlier years and Kshs.34,947,194.95 for 2010/2011. However, the Appropriation Account for 2010/2011 reflects deficiency in Appropriations-In-Aid of Kshs.24,130,105.05 and not excess Appropriations-In-Aid of Kshs.34,947,194.95 recorded. No explanation has been provided for this discrepancy.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.49

1840. The Statement of Assets and Liabilities for Vote D. 49 as at 30 June 2011 reflects various movements against Agency Account, Standing Imprest, District Suspense, Temporary Imprest, Clearance Account and Exchequer Account items which have not been supported with relevant documents.

1841. The Statement also reflects credit balances of Kshs.488,639,377.45, Kshs.1,463,207.80 and Kshs.857,011,032.27 against Temporary Imprest, Returned Salary and District Suspense Accounts respectively, which have not been supported with relevant analyses.

1842. As reported in 2009/2010, the Statement excludes various balances under Exchequer, Paymaster General and General Account of Vote Accounts, although the balances appeared in the audited statement for 2007/2008. No reason has been given for the omissions and as a result, the accuracy of the Statement cannot be ascertained.

1843. The Statement further shows a credit balance of Kshs.163,925,235.38 under Standing Imprest Account while analyses presented in support of this balance indicates an amount of Ksh.68,716,497.00 due as at 30 June 2011 from three officers. No explanation has been given for the unusual credit balance and omission of imprest due of Kshs.68,716,497.00 from three officers.

1844. The Statement in addition reflects debit and credit balances under the General Account of Vote (GAV) of Kshs.344,215,140.65, being Excess Vote for 2009/2010 and earlier years, and an amount of Kshs.5,674,697,028.85 being

amount due to the Exchequer, which includes an amount of Kshs.3,758,752,352.70 relating to 2009/2010 and earlier years. No explanation has been provided for failure to surrender to the Exchequer surpluses relating to 2009/2010 and earlier years and also the action being taken to clear the long outstanding Excess Vote balance of Kshs.344,215,140.65 from the books of account.

1845. The Statement further reflects Paymaster General (PMG) Account debit balance of Ksh.1,189,381,502.30, which differs with the ledger credit balance of Kshs.796,460,842.28 and Cashbook balance of Kshs.269,658,002.20. The differences between the three sets of balances have not been reconciled or explained. In addition, a Paymaster General (PMG) Account overdraft balance relating to 2008/2009 and earlier years of Kshs.733,789,301.35 has not been cleared.

1846. The Statement in addition reflects an unusual debit balance of Kshs.1,550,525,935.15 for 2009/2010 and earlier years described as A.I.A collection. No explanation has been provided for non-clearance of the long outstanding balance.

1847. Account balances reflected against Temporary Imprest, Standing Imprest, and District Suspense in the Statement differ with their corresponding ledger balances. The differences between the Statement and the ledger have not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 49

1848. The Statement of Assets and Liabilities for Deposits 49 as at 30 June 2011 reflects a Paymaster General (PMG) balance of Kshs.12,067,959.35 while the Cashbook as at the same date reflects a balance of Kshs.10,806,884.00. The resulting difference of Kshs.1,261,075.35 between the two sets of records has not been reconciled or explained.

1849. The Statement further reflects a debit balance of Kshs.815,000.00 under temporary imprest and credit balances of Kshs.12,697,721.10 and Kshs.185,238.25 under General Deposit and Retention Money accounts, respectively. These balances have not been analysed. Consequently, the completeness and accuracy of the balances cannot be confirmed.

MINISTRY OF FORESTRY AND WILDLIFE

APPROPRIATION ACCOUNT FOR VOTE R.55

Grants to Wildlife Clubs of Kenya

1850. The Appropriation Account for Vote R.55 for the year ended 30 June 2011 reflects under Sub-vote 550, Head 170, Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, an expenditure of Kshs.30,010,993.80. The expenditure includes an amount of Kshs.30,000,000.00 disbursed as grants to the Wildlife Clubs of Kenya during the year. Besides the fact that the club is not a Government Agency, no records or expenditure returns have been seen to confirm that grants were received by the club as intended.

Grants to Kenya Forestry Research Institute

1851. The Appropriation Account also reflects under Head 646-Forestry Research Institute Headquarters a net expenditure of Kshs.816,631,800.00. However, the Institute's financial statements for 2010/2011 shows that an amount of Kshs.819,131,800.00 was received from the Ministry during the period. The resultant difference of Kshs.2,500,000.00 between the two sets of records has not been explained.

Grants to Kenya Forestry Service

1852. The Appropriation Account further shows under Head 672-Headquarters Forestry Development a net expenditure of Kshs.1,716,841,978.65 while the records maintained by the Kenya Forest Service indicate that an amount of Kshs.1,795,887,633.00 was received from the Ministry in the year 2010/2011. The difference of Kshs.79,045,654.35 has not been explained.

Misallocation of Expenditure

1853. Payment vouchers and other related documents show that expenditure totalling Kshs.19,781,071.70 incurred on various items was charged to incorrect account codes. No explanation has been provided for this irregularity.

APPROPRIATION ACCOUNT FOR VOTE D.55

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

1854. The Appropriation Account for Vote D.55 for the year ended 30 June 2011 reflects gross under expenditure of Kshs.891,762,398.70 representing about

32% of the approved estimates of Kshs.2,791,537,120.00 and a deficiency in Appropriations – In – Aid of Kshs. 751,305,889.90 or approximately 84% of the estimated receipts of Kshs.893,560,000.00. The under-expenditure and under-collection of Appropriations–In–Aid occurred mainly under Heads 676 – Forestry and Plantation Development, 878 – Catchments and Natural Forest Conservation and 738 – Arid and Semi-Arid Lands Forestry.

According to the footnotes to the Account, the under – expenditure and under – collection of Appropriations–In–Aid were caused mainly by the failure to release funds by donors. No indication has however been provided on how the Ministry is addressing this unsatisfactory situation.

Grants to Kenya Forestry Service

1855. The Appropriation Account shows that grants totalling Kshs.755,872,331.60 were issued to Kenya Forestry Service under Heads 672, 675, 676, 681, 738 and 748 during the year. The financial statements of the Kenya Forestry Service for 2010/2011, however, show development grants totalling Kshs.931,870,956.60 as having been received from the Ministry. The difference of Kshs.175,998,625.00 has not been reconciled or explained.

Grants to Wildlife Clubs of Kenya

1856. The Appropriation Account further reflects under Sub-vote 550, Head 170-Headquarters and Administrative Services, Item 2630200 – Capital Grants to Government Agencies and Other Levels of Government an expenditure of Kshs.20,212,854.00 relating to disbursements made to Wildlife Clubs of Kenya. The audited financial statements for 2010/2011 of the organization have not, however, been made available for audit review. As a result, it has not been possible to confirm whether the grants were received and used for the intended purposes.

NON-SUBMISSION OF FINANCIAL STATEMENTS OF THE KENYA YOUTH EMPOWERMENT PROJECT

1857. The Development Revenue (DR1) - Statement of Revenue for the year ended 30 June 2011 submitted by the Treasury indicates that a total of Kshs.75,000,000.00 received from the International Development Association (IDA) was transferred to the Ministry of Forestry and Wildlife for the Kenya Youth Empowerment Project. However, the Ministry has not prepared and submitted for audit the project's financial statements for the year ended 30 June 2011, as required under Section 7 of the Public Audit Act, 2003 and Schedule 2 Section II(B) of the Financing Agreement Credit No. 4697-KE dated 20 May, 2010 between the Government of Kenya and the International Development

Association (IDA). It has not, therefore, been possible to ascertain that the funds were used for the intended purposes.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.55

1858. The Statement of Assets and Liabilities for Vote R.55 as at 30 June 2011 reflects a Salary Advance Account balance of Kshs.673,120.95 which differs with the Salary Advances Register figure of Kshs.413,267.00. The difference of Kshs.259,853.95 has not been reconciled or explained.

1859. The Statement also reflects a General Account of Vote (GAV) debit balance and Suspense Account credit balances of Kshs.4,057,954.05 and Kshs.265,516.95 respectively relating to 2009/2010 and earlier years. No reason has been provided for failure to clear these balances from the books of account.

1860. The Statement also show that the Returned Salary, Extra Funds received from MEMR, and Excess Appropriation-In-Aid (A-I-A) credit balances totalling Kshs.1,309,562.70 brought forward from 2009/2010 were cleared during the year under review. However, no records were provided in support of the clearances. Consequently, the validity of the clearances could not be confirmed.

1861. The Statement further reflects Paymaster General Account debit balances totalling Kshs.60,154,278.30 while the Trial Balance shows an amount of Kshs.60,701,698.45. The resultant difference of Kshs.547,420.15 has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 55

1862. The Statement of Assets and Liabilities for Vote D. 55 as at 30 June 2011 reflects a Paymaster General Account debit balance of Kshs.38,026,975.95 while the Trial Balance shows a credit balance of Kshs.55,305,193.85. The resultant difference of Kshs.93,332,169.80 between the two sets of records has not been reconciled or explained.

1863. The Statement also shows that KFS Project Advance, Extra Funds from MEMR and Suspense Account balances of Kshs.124,000,000.00, Kshs.16,221,878.77 and Kshs.13,166,609.90 brought forward from 2009/2010 were cleared during the year under review. However, no records were provided in support of the clearances and consequently, the validity of the clearances could not be confirmed.

1864. The Statement also reflects Retention Money and Extra Funds received (KFS) credit balances of Kshs.855,630.00 and Kshs.804,365.55 respectively which were not derived from the Trial Balance as at 30 June 2011. The

completeness and accuracy of these balances could not therefore be ascertained.

1865. The Statement further reflects a General Account of Vote balance of Kshs.49,112,224.45 for the year 2010/2011 while the Appropriation Account for Vote D. 55 for the year ended 30 June 2011 shows a Net Surplus of Kshs.140,456,508.80. The resultant difference of Kshs.91,344,284.35 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 55

1866. The Statement of Assets and Liabilities for Deposits 55 as at 30 June 2011 reflects Paymaster General Account (PMG) balance of Kshs.899,080.40 while the Trial Balance reflects a balance of Kshs.11,999,520.00. The resultant difference of Kshs.11,100,439.60 has not been reconciled or explained.

1867. The Statement also reflects Revenue, Retention Money and Kenya Forest Service credit balances of Kshs.50,000.00 Kshs.604,211.50 and Kshs.244,868.50 respectively under Liabilities which were not derived from the trial balance as at 30 June 2011. It has, therefore, not been possible to confirm the source, completeness and accuracy of the balances.

MINISTRY OF FISHERIES DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE R.56

1868. The Appropriation Account for Vote R.56 for the year ended 30 June 2011 reflects Total Net Expenditure of Kshs.963,120,741.20 while the Trial Balance as at 30 June 2011 shows a figure of Kshs.958,112,789.90. The resultant difference of Kshs.5,007,951.30 between the two sets of records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.56

1869. The Appropriation Account for Vote D. 56 for the year ended 30 June 2011 shows under-expenditure totalling Kshs.800,716,010.95 or about 25% of the Approved Estimates of Kshs.3,201,067,049.00. The under-expenditure occurred mainly under Head 560206 – Marine Fisheries Research Institute, Head 560209 - Directorate of Aquaculture Development and Head 5600202 – Fisheries Stations.

1870. The reasons provided in the footnotes to the Account for under-expenditure include: delayed procurement procedures in districts; failure to recruit Fisheries Extension Officers during the year; delayed construction of fish-ponds due to extreme weather conditions; late release of bills of quantities by the Ministry of Public Works; and donor conditionalities to be fulfilled before disbursement of funds. The Ministry has not explained how it is addressing these challenges.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.56

1871. The Statement of Assets and Liabilities for Vote R.56 as at 30 June 2011 reflects four long outstanding balances under Exchequer, Imprests, Advances and General Account of Vote Accounts relating to 2009/2010 and earlier years which have not been cleared. No explanation has been provided for failure to clear these balances.

1872. The Statement also shows that various balances In respect of General Account of Vote, District Suspense, Agency and Unreconciled Difference Accounts brought forward from 2009/2010 were cleared in 2010/2011. However, no documentary evidence has been produced to indicate how the balances were cleared.

1873. The Statement further reflects a General Suspense Account debit balance of Kshs.3,577,589.05 which has not been analysed. As a result, its validity and accuracy could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.56

1874. The Statement of Assets and Liabilities for Vote D. 56 as at 30 June 2011 reflects long outstanding balances under Exchequer, District Suspense and General Account of Vote Accounts relating to 2009/2010 and earlier years. No satisfactory reasons have been given for failure to clear these long outstanding balances from the books of account.

MINISTRY OF NAIROBI METROPOLITAN DEVELOPMENT

APPROPRIATION ACCOUNT FOR VOTE D.57

Excess Vote

1875. The Appropriation Account for the Development Vote D.57 reflects a total actual expenditure of Kshs.917,834,310.00 against an Approved Estimates amount of Kshs.857,600,000.00, resulting in an over-expenditure or excess vote of Kshs.60,234,310.00. The over-expenditure occurred in all the six (6) heads under Development Vote. The Ministry did not make available for audit review an approval from Parliament for the over-expenditure as required by the Government Financial Regulations and Procedures.

Footnotes to the Financial Statements

1876. The Appropriation Account for Vote D.57 reflects various items within the six Heads with over-expenditure and under-expenditure that were equal to or above the 10% threshold. However, the Account does not include footnotes to the Account showing reasons for the material differences between Approved Estimates and Actual Expenditure as required by the Government Financial Regulations.

Unvouched Expenditure

1877. During the year, the Ministry spent a total of Kshs.917,834,310.00 through the Development Vote. However, included in this expenditure was an amount of Kshs.303,108,291.90 charged against all the eleven (11) items in the Development Vote and whose payment vouchers and other related records were not provided for audit verification. Consequently, the propriety of the expenditure could not be ascertained.

PENDING BILLS

1878. Audit of records maintained at the Ministry's Headquarters revealed that bills amounting to Kshs.356,834,815.15 were not settled during the year but were instead carried forward to 2011/2012 financial year. Out of the total bills, an amount of Kshs.12,416,890.90 related to Recurrent Vote while the balance of Kshs.344,417,923.20 was in respect of those under the Development Vote. However, the Pending Bills Register, Invoices and Certificates were not provided for audit review.

1879. Had the bills been paid and the expenditure charged to the financial statements for the year, the Appropriation Account for Vote R.57 would have reflected an Excess Vote of Kshs.2,383,333.05 instead of the Net Surplus to be Surrendered to the Exchequer of Kshs.10,033,557.85 now shown, while the Appropriation Account for Vote D.57 for the same period would have reflected an increased Excess Vote of Kshs.404,652,234.20 instead of the Kshs.60,234,310.00 now recorded.

OUTSTANDING IMPRESTS

1880. Audit of imprest records maintained at the Ministry's Headquarters during the year ended 30 June 2011 revealed that imprests amounting to Kshs.3,810,879.00 outstanding as at 30 June 2010 were not brought forward to the year under review. However, no documents were made available to show that the imprests were surrendered or accounted for as at 30 June 2011.

1881. Imprests totalling Kshs.2,346,122.00 relating to the Recurrent Vote, which ought to have been surrendered on or before 30 June 2011, were still outstanding as at that date. No reason has been provided for failure to have the imprests surrendered or accounted for on the due dates.

1882. Further, and included in the total outstanding imprests amount of Kshs.2,346,122.00 was a sum of Kshs.553,519.00 which represented additional imprests granted to officers who held other previously issued and unsurrendered imprests, contrary to the applicable Government Circulars and Financial Regulations. Again, no reason has been provided for this anomaly.

1883. Although the Development Imprests Register was not maintained, the Development CashBook reflected issued imprests totalling Kshs.9,589,069.00. However, no explanation was given for the anomaly.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1884. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments totalling Kshs.31,090,550.85 in the Cashbook not recorded in the Bank Statement, which includes long outstanding unrepresented cheques amounting to Kshs.1,177,915.20. Further, the Statement reflects receipts totalling Kshs.585,975.20 in the Cashbook not recorded in the Bank Statement, which includes an amount of Kshs.82,990.35 relating to 2009/2010.

1885. The Statement also reflects payments totalling Kshs.4,711,681.15 in the Bank Statement not recorded in the Cashbook, which includes an amount of Kshs.1,102,624.90 relating to 2009/2010 and earlier years. In addition, the Statement reflects receipts totalling Kshs.114,916.35 in the Bank Statement not recorded in the Cashbook, which includes an amount of Kshs.30,406.35 relating to 2009/2010 and earlier years. No reason or explanation has been provided for non-clearance of these long outstanding items from the records.

Development Cashbook

1886. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments totalling Kshs.2,782,008.60 in the Cashbook not recorded in the Bank Statement, which includes long outstanding unrepresented cheques amounting to Kshs.167,034.40. The Statement also reflects receipts totalling Kshs.2,345,239.00 in the Cashbook not recorded in the Bank Statement, which includes an amount of Kshs.2,335,239.00 relating to 2009/2010 and earlier years.

1887. The Statement also reflects payments totalling Kshs.2,160,161.15 in the Bank Statement nor recorded in the Cashbook, which includes an amount of Kshs.40,827.00 relating to 2009/2010 and earlier years. In addition, the Statement reflects receipts totalling Kshs.2,482,920.55 in the Bank Statement not recorded in the Cashbook. No explanation has been given for non-clearance of these long outstanding items from the records.

Deposits Cashbook

1888. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments in the Cashbook totalling Kshs.183,491.15 not recorded in the Bank Statement. Further, the Statement reflects receipts totalling Kshs.2,457,754.15 in the Cashbook not recorded in the Bank Statement. In addition, the Statement reflects receipts totalling Kshs.1,553,190.00 in the Bank Statement not recorded in the Cashbook. No reason or explanation has been given for failure to clear the outstanding items from the records.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.57

1889. The Statement of Assets and Liabilities for Vote R.57 as at 30 June 2011 reflects an Exchequer Account balance of Kshs.13,378,580.00 which includes an amount of Kshs.238,180.00 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.238,180.00.

1890. The Statement also reflects a Paymaster General Account (PMG) balance of Kshs.47,157,343.75 while the Cashbook, annual Board of Cash Survey Report

and the Bank Reconciliation Statement all show a figure of Kshs.879, 271.90 as at 30 June 2011. The resultant difference of Kshs.46,278,071.85 has not been reconciled or explained.

1891. The Statement reflects a Temporary Imprest balance of Kshs.1,215,470.30 as at 30 June 2011, which includes an unanalyzed amount of Kshs.421,500.80 relating to 2009/2010 and earlier years. As in the previous instances, failure to have the long overdue imprests amount of Kshs.421,500.80 surrendered or otherwise recovered from the officers' salaries has not been explained. Further, the imprests register reflected a balance of Kshs.5,312,880.00 as at 30 June 2011 which again differs with the Statement balance of Kshs.1,215,470.30 by an un-reconciled and unexplained amount of Kshs.4,097,409.70.

1892. The Statement also reflects a total Advances Account balance of Kshs.92,259.70 as at 30 June 2011 which includes an unanalyzed amount of Kshs.255,259.00 relating to 2009/2010 and earlier years. However, it was not satisfactorily clarified why the long outstanding Advances of Kshs.255,259.00 had not been recovered during the year. Further, the Salary Advances Register was not availed for audit review.

1893. The Statement further shows a General Account of Vote balance of Kshs.59,664,423.15 as at 30 June 2011 which includes an unanalyzed amount of Kshs.49,630,865.30 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.49,630,865.30.

1894. The Statement also reflects Excess AIA balance of Kshs.2,179,500.00 as at 30 June 2011 which included an amount of Kshs.871,500.00 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.871,500.00.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.57

1895. The Statement of Assets and Liabilities for Vote D.57 as at 30 June 2011 reflects an Exchequer Account opening balance of Kshs.106,989,110.00. However, the audited Statements as at 30 June 2010 reflects an Exchequer Account closing balance of Kshs.606,989,110.00, resulting in an unexplained and unanalyzed difference of Kshs.500,000,000.00. In addition, the Statement as at 30 June 2011 reflects a nil Exchequer Account balance for the year under review, while records maintained by the Ministry and the Treasury both reflects a balance of Kshs.422,785.00. The resultant difference of Kshs.422,785.00 has not been explained or reconciled. Consequently, the accuracy of the Exchequer Account balance of Kshs.606,989,110.00 as at 30 June 2011 could not be confirmed.

1896. The Statement also reflects a Paymaster General Account (PMG) opening credit balance of Kshs.3,694,571.40 as at 30 June 2011. However, the audited Statement as at 30 June 2010 reflects a Paymaster General Account (PMG) closing debit balance of Kshs.2,146,263.35 resulting in an unexplained and unanalyzed difference of Kshs.6,110,834.75. The Statement further reflects a Paymaster General Account credit balance of Kshs.60,234,310.00 for the year under review while the CashBook, Bank Reconciliation Statements and the Board of Cash Survey Report as at 30 June 2011 all reflect a debit balance of Kshs.1,661,803.95, resulting in an unexplained and unreconciled difference of Kshs.61,896,113.95. Consequently, the accuracy of the Paymaster General Account (PMG) credit balance of Kshs.57,818,046.65 as at 30 June 2011 could not be confirmed.

1897. The Statement reflects an opening Imprest balance of Kshs.120,719.00 as at 30 June 2011. However, the audited Statement as at 30 June 2010 reflects a nil Imprest closing balance resulting in an unexplained and unanalyzed difference of Kshs.120,719.00.

1898. The Statement reflects a General Account of Vote (G.A.V) opening balance of Kshs.103,173,819.60 as at 30 June 2011. However, the audited Statement as at 30 June 2010 reflects a General Account of Vote closing balance of Kshs.609,405,373.35 resulting in an unexplained and unanalyzed difference of Kshs.506,231,553.75. The Statement also reflects a General Account of Vote (G.A.V) debit balance of Kshs.60,234,310.00 for the year under review and although it agrees with the Excess Vote in the Appropriation Account D.57 as at 30 June 2011, the Ministry has not explained the source of the Excess Vote. Consequently, the accuracy of the General Account of Vote balance of Kshs.549,171,063.35 as at 30 June 2011 could not be confirmed.

MINISTRY OF STATE FOR DEVELOPMENT OF NORTHERN KENYA AND OTHER ARID LANDS

APPROPRIATION ACCOUNT FOR VOTE R.58

Un-vouched Expenditure

1899. Payment vouchers and other related records for expenditure totalling Kshs.24,597,286.55 charged against various items under Head 197-Headquarters and Administrative Services were not provided for audit verification. Consequently, the propriety of the expenditure could not be ascertained.

Misallocation of Expenditure

1900. Expenditure totalling Kshs.9,864,640.00 on meal allowance, tea, snacks, air-tickets, insurance cover, leave for cash, toners, retreat and baggage allowance, workshop, per diem, repairs, tyres and mileage claims was charged to incorrect items of the budget instead of the ones approved by Parliament provided for in the Recurrent Estimates of Expenditure for 2010/2011. No explanation has been provided for this irregularity.

APPROPRIATION ACCOUNT FOR VOTE D. 58

Under-Collection of Appropriations-In-Aid

1901. The Appropriation Account for Vote D.58 for the year ended 30 June 2011 reflects a deficiency in Appropriations-In-Aid of Kshs.66,934,062.05 or about 36% of the estimated receipts of Kshs.184,741,500.00. According to the footnotes to the Account, the under-collection of Appropriations-In-Aid was caused mainly by a donor funded project which had not become effective and failure to receive documentation relating to direct payments made by the donors in time to enable data capture. The Ministry has not indicated, however, how it is addressing these challenges.

Accuracy of the Appropriation Account

1902. The Appropriation Account for Vote D.58 reflects expenditure figures totalling Kshs.2,103,199,268.35 under various Heads which differs from the corresponding amounts of Kshs.1,343,874,791.25 shown in the Trial Balance as at 30 June 2011. No reconciliation or explanation has been provided for the differences amounting to a net of Kshs.759,324,477.10.

Excluded Expenditure

1903. Expenditure totalling Kshs.110,079,217.25 incurred under Head 197-Headquarters Administrative Services against Item 3110500 – Construction and Civil Works - was not captured and accounted for in the Appropriation Account for Vote D. 58. No reason has been provided for this omission

Unsupported Expenditure

1904. Expenditure totalling Kshs.9,796,200.00 charged against Item 3110300 Refurbishment of Buildings under Head 197 was not supported by payment vouchers and other related records. Consequently, the propriety of the expenditure could not be ascertained.

PENDING BILLS

1905. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.13,498,745.45 relating to 2010/2011 and chargeable to the Development Vote were not settled during the year, but were instead carried forward to 2011/2012.

1906. Had the bills been paid and the expenditure charged to the financial statements for 2010/2011, the Appropriation Account for Vote D. 58 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.286,974,318.20 instead of the Kshs.300,473,063.65 now shown.

OUTSTANDING IMPRESTS

1907. Audit of imprest records maintained at the Ministry's Headquarters indicated that temporary imprests totalling Kshs.1,256,980.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date. Out of the total, an amount of Kshs.292,480.00 was owed by officers on Job Group 'M' and above, while the balance of Kshs.964,500.00 was due from officers on Job group "L" and below.

1908. It was further observed that various officers had been issued with multiple imprests before having surrendered or accounted for the amounts previously issued.

CONSTRUCTION OF A WATER PAN - TANA RIVER DISTRICT

1909. The Ministry advertised a tender on 18 March 2011 for the construction of a water pan at Mitiboma in Tana River District and thirteen companies responded. The Contract was subsequently awarded to the fourth lowest bidder, at a contract sum of Kshs.7,482,000.00. However, the tender evaluation minutes of the District Tender Board Committee were not availed for audit review and therefore, the criteria used to award to the fourth lowest bidder could not be ascertained. Had the contract been awarded to the lowest responsive bidder who had quoted Kshs.6,891,801.70, the Government could have saved an amount of Kshs.590,198.30.

1910. Further, the agreement signed between the contractor and Arid Lands Resource Management Project on 2 June 2011 did not specify the contract period.

1911. Physical verification carried out on 4 September 2011 revealed that despite payment of the full contract sum of Kshs.7,482,000.00 by 30 June 2011 the contractor was not on site and only approximately 40% of the works had been completed. It has not been clarified why the contractor was paid for work not done estimated at Kshs.4,489,200.00.

BANK RECONCILIATION STATEMENTS

Recurrent Cashbook

1912. The Ministry did not submit the Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011, contrary to the Government Financial Regulations and Procedures. No reason has been provided for failure to prepare and submit the Statement for audit.

Development Cashbook

1913. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.130,594,465.40, out of which an amount of Kshs.20,526,595.35 relates to the period between 6 April 2010 and 30 October 2010. No reason has been provided for failure to capture these long outstanding payments in the Bank Statement.

1914. The payments of Kshs.130,594,465.40 reflected in the Statement also differs with the related total amount of Kshs.127,716,367.60 shown in the reconciliation schedules attached to the Statement. No explanation has been provided for the resultant variance of Kshs.2,878,097.80.

1915. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.40,010,424.85 which include an amount of Kshs.24,557,924.85 relating to the period prior to 17 June 2010. No reason has been provided for failure to record these long outstanding receipts in the Cashbook.

1916. The Statement reflects payments in the Bank Statement not yet recorded in the Cashbook totalling Kshs.64,122,722.50, out of which an amount of Kshs.47,707,903.30 relates to payments made on 31 December 2010 and earlier period. As in the previous instance, no reason has been provided for failure to update the Cashbook.

1917. The Statement further reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.207,590,500.00 out of which an amount of Kshs.110,000,000.00 relates to a single receipt on 30 June 2010. No clarification has been provided for failure to capture these receipts in the Bank Statement.

Deposits Cashbook

1918. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.8,335,315.05 which include an amount of Kshs.2,806,293.15 relating to the period between 29 June 2010 and 8 December 2010. No explanation has been provided for failure to record these long outstanding receipts in the Cashbook.

1919. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.2,773,420.00 which include an entry dated 20 June 2011 of Kshs.2,437,420.00 and described as “cashbook overcasts”. However, the circumstances which gave rise to the error has not been explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.58

1920. The Statement of Assets and Liabilities for Vote R.58 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.1,629,570.00, out of which an amount of Kshs.717,020.00 relates to 2009/2010 and prior years. No satisfactory reason has been provided for non-clearance of the long outstanding balance from the books of account.

1921. The Statement also reflects Paymaster General debit and credit balances of Kshs.35,856,268.25 and Kshs.344,068.30 respectively, while the Cashbook as at 30 June 2011 shows a debit balance of Kshs.28,717,863.10. The difference between the two sets of records has not been reconciled or explained.

1922. The Statement further reflects a General Account of Vote debit balance of Kshs.5,492,026.20 relating to 2008/2009 and prior years as reported in the previous year. The delay in regularizing the excess vote has not been explained. The Statement also shows a General Account of Vote credit balance of Kshs.33,915,653.80 which includes an amount of Kshs.23,990,870.85 relating to 2009/2010 and earlier years. As in the previous instance, no reason has been given for failure to clear the long outstanding balance from the books of account.

1923. The Statement also shows Excess Appropriations-In-Aid credit balance of Kshs.9,281,620.15 out of which an amount of Kshs.9,120,778.65 relates to 2009/2010 and earlier years. No reason has been provided for delay in remitting the latter amount to the Exchequer.

1924. The Statement in addition shows a Suspense Account debit balance of Kshs.15,776.90, which has not been analysed. As a result, the completeness and accuracy of the balance could not be ascertained.

1925. The Statement also reflects Stale and Cancelled Cheques Account credit balance of Kshs.630,390.65. This balance has not been analysed and as a result, its completeness and accuracy could not be confirmed. The Statement however, does not reflect Stale Cheques Account closing debit balance of Kshs.834,988.00 relating to 2009/2010 and earlier years.

1926. The Statement in addition reflects a Temporary Imprests Account brought forward debit balance of Kshs.834,988.00 while the closing balance in the previous year was nil. No reason has been given for the variance.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.58

1927. The Statement of Assets and Liabilities for Vote D.58 as at 30 June 2011 reflects an Exchequer debit balance of Kshs.684,446,145.00, General Account of Vote credit balance of Kshs.1,373,913,405.06 and Excess A.I.A credit balance of Kshs.24,507,291.00 which relate to 2009/2010 and earlier years but which had not been cleared. No explanation has been provided for non-clearance of the long outstanding balances.

1928. The Statement also reflects District Suspense Account and Stale Cheques Account debit balances of Kshs.2,260,351,046.18 and Kshs.24,134,904.25 respectively, and a credit balance of Kshs.2,186,606,947.07 against the General Suspense Account which have not been analyzed. As a result, the validity and accuracy of these balances could not be ascertained.

1929. The Statement in addition reflects a Paymaster General Account debit balance of Kshs.291,144,570.90 while the Trial Balance and the Cashbook show balances of Kshs.1,201,441.10 and Kshs.130,151,816.50, respectively as

at 30 June 2011. The differences among the three sets of records have not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 58

1930. The Statement of Assets and Liabilities for Deposits 58 as at 30 June 2011 reflects a Paymaster General Account debit balance of Kshs.22,615,741.25 while the Cashbook and the Trial Balance show figures of Kshs.27,275,102.25 and Kshs.5,814,535.55, respectively as at 30 June 2011. No reconciliation or explanation has been provided for the differences between the three sets of records.

1931. The Statement in addition reflects a Retention Money Account credit balance of Kshs.22,378,288.25 while the Trial Balance as at 30 June 2011 shows a figure of Kshs.6,383,513.85. As in the previous instance, the resultant difference of Kshs.15,994,774.40 has not been reconciled or explained.

MINISTRY OF PUBLIC WORKS

APPROPRIATION ACCOUNT FOR VOTE R.59

Difference between the Appropriation Account and Trial Balance

1932. The Appropriation Account for Vote R.59 for the year ended 30 June 2011 reflects total net expenditure vote of Kshs.1,697,833,422.00 while the Trial Balance as at 30 June 2011 shows a figure of Kshs.1,733,245,248.45. The resultant difference of Kshs.35,411,826.45 between the two sets of records has not been explained.

Excluded Expenditure

1933. The footnotes to the Appropriation Account under Heads 590102 – Provincial Administration Services and 590103 – District Administration Services attributes the under-expenditure totalling Kshs.236,428,670.00 against various items to Authority to Incur Expenditure (A.I.Es) issued to field offices whose expenditure returns were yet to be received. The expenditure of Kshs.236,428,670.00 has, therefore, been apparently excluded from the Appropriation Account hence understating the total net expenditure vote.

Overstatement of Net Surplus to be Surrendered to Exchequer

1934. Contrary to the requirements under Paragraph 11.6.3 of the Government Financial Regulations and Procedures on the layout of appropriation accounts, the excess Appropriations-In-Aid of Kshs.5,378,575.00 payable separately to the Exchequer has been presented in the main summary of the Appropriation Account instead of under the Details of Appropriations-In-Aid summary. In addition, the applied Appropriations-In-Aid have been reflected as Kshs.23,378,575.00 instead of Kshs.18,000,000.00 occasioning a difference of Kshs.5,378,575.00. As a result, the Net Surplus to be Surrendered to Exchequer of Kshs.369,104,978.00 shown in the Appropriation Account has been overstated by Kshs.5,378,575.00.

PENDING BILLS

1935. Examination of records maintained at the Ministry of Public Works Headquarters indicated that bills totalling Kshs.1,095,975,092.25 relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, bills amounting to Kshs.15,605,533.25 were in respect of the Recurrent Vote while the balance of Kshs.1,080,369,559.00 related to the Development Vote.

1936. Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.59 for the year would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.348,120,869.75 instead of Kshs.363,726,403.00. Similarly, the Appropriation Account for Vote D.59 for the period would have reflected an Excess Vote of Kshs.781,429,464.00 instead of the Net Surplus of Kshs.298,940,095.00

OUTSTANDING IMPRESTS

1937. Examination of imprests records maintained at the Ministry's Headquarters indicated that temporary imprests totalling Kshs.1,138,477.40, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011 were still outstanding as at that date.

1938. Out of the total, imprests amounting to Kshs.351,244.00 were owed by officers on Job Group 'M' and above while the balance of Kshs.787,233.40 was due from officers on Job Group 'L' and below.

1939. A review of the position as at 30 September 2011 disclosed that imprests totalling Kshs.687,018.45 had been accounted for leaving a balance of Kshs.451,458.95 still outstanding.

PROPOSED ERECTION OF A FOOTBRIDGE AT KAGAARI, EMBU EAST DISTRICT

1940. Records available indicate that the contract for the proposed footbridge at Kagaari, Embu East was awarded on 8 June 2011 to a local firm at a contract price of Kshs.3,000,000.00. The works commenced on 23 June 2011 for a contract Period of twelve weeks up to 16 September 2011.

1941. Examination of contract records and subsequent audit inspection of the construction site on 4 October 2011 revealed that the works were not procured through open tendering procedure but instead five contractors were nominated by the District Works Officer to tender for the works. The basis on which the five contractors were nominated to tender for the works has not been explained. In addition, bid documents and minutes of the District Tender Committee were not availed for audit review.

1942. The tender was for the proposed erection of a foot bridge at Kagaari but in the letter of offer to the contractor dated 8 June 2011 it was indicated that works to be undertaken had been relocated to the Njau Bridge over Gitwa River in Kigumo area of Embu East. Further, the design drawings and bill of quantities

relating to Njau Bridge were not provided for audit review. In the circumstances the work undertaken was different from the work awarded and tendered for.

1943. The District Works Officer Embu East who was the Project Manager received an amount of Kshs.3,000,000.00 from the Ministry Headquarters during the financial year ended 30 June 2011. However, evidence contained in the payment vouchers indicate that records were altered to misrepresent that works which commenced on 23 June 2011 for a contract period of twelve weeks were completed within one week and fully paid for by 30 June 2011.

1944. Further, there was no documentary evidence to show that periodic progress of works reports or certificates were being prepared regarding this contract. In the circumstances, it was not possible to establish the percentage of work completed although the deck of the bridge had been mounted across the river as at the time of audit inspection.

PROPOSED CONSTRUCTION OF KAKAMEGA SOUTH DISTRICT HEADQUARTERS

1945. Records available indicate that Contract No. KAK/DTC/5/31/2009-2010 for construction of Highland Type District Headquarters for Kakamega South District was awarded on 2 February 2010 to a local firm at a sum of Kshs.30,000,000.00 after revision of initial bid price of Kshs.35,959,710.00.

1946. The original scope of works entailed erection and completion of a Highland Type District Headquarters office block, including the associated electrical, mechanical and external works. However due to a restricted budget of Kshs.30,000,000.00 during the year, the works were scaled down by omitting works valued at Kshs.5,959,710.00. The works commenced on 11 March 2010 and were scheduled to be complete on 29 July 2010 after a duration of twenty weeks.

1947. An audit inspection of the project site on 22 and 23 March 2011 and a review of the contract records disclosed that the tender was adjudicated and awarded by the Ikolomani Constituency Project Tender Committee. However, the technical and financial evaluation reports of the tenders were not availed for audit review. Consequently, it has not been possible to confirm that the contract was awarded in accordance with requirements of regulation 16 of the Public Procurement and Disposal Regulations, 2006.

1948. As at the time of the site visit on 23 March 2011, 54% of the physical work had been completed and the project was more than four and a half months past the completion date. The contract therefore exceeded its contract period.

1949. The supervision of the project was observed to be weak, particularly with regard to the control function of the Clerk of Works who under normal circumstances, would be expected to be on the construction site but was absent during the site visit.

1950. In addition, the records showing tests for the depth of the foundation, concrete slab and columns were not made available for audit review. Consequently, it was not possible to ascertain if the quality of work executed so far was of the desired standards.

1951. According to the Bills of Quantities, the contractor was supposed to use 200mm thick rough chisel dressed natural stone walling bedded and jointed in cement and sand (in the ratio of one to three), mortar and reinforced with and including 20swgxmm wide hoop iron in every alternate course. However, during the audit inspection, it was observed that the contractor used concrete blocks whose technical strength had not been determined. No documentary evidence has been produced approving the change of design by the Ministry.

1952. The contractor had also not provided a programme of works in accordance with Clause 13 of the Conditions of Contract. No reason has been provided for failure to prepare and provide a programme of works.

1953. Although payments totalling Kshs.15,614,857.45 had been made to the contractor for the works certified as of 15 March 2011, the Ministry had not commenced to recover liquidated damages at the rate of Kshs.20,000.00 per week after the contractor failed to complete the works within the stipulated period. No justification has been provided for failure to recover the liquidated damages as required under Clause 27 of the Conditions of Contract.

1954. Further, the Performance Bond dated 1 March 2010 for Kshs.1,500,000.00 submitted by the contractor and purportedly issued by a local Insurance Company was confirmed by the Company later as invalid because it was signed by an unauthorized person, lacked validity period and could not be traced in their records.

CONSTRUCTION OF FOOT BRIDGES – ELDORET WEST DISTRICT

Failure to Supply Project Vehicle

1955. During the year under review a local company was in February 2011 competitively awarded a contract to construct three foot bridges at Kaiboi, Kiptuen, Chepkoo for a total contract sum of Kshs.26,139,488.00. The amount included a provision for one four-wheel drive vehicle at Kshs.5,600,000.00, comprising the cost of the vehicle of Kshs.4,000,000.00, maintenance costs of

Kshs.1,200,000.00 and other costs of KSh.400,000.00. The vehicle was to be used for the supervision during the construction of the bridges.

1956. However, as at 30 September 2011 the vehicle had not been supplied and all the three foot bridges were already complete. No reason was given for the failure to provide the four wheel drive vehicle.

Construction of Five Foot Bridges

1957. The construction of five other foot bridges in Eldoret West District included a component for purchase of tools and equipments to be used under Kazi Kwa Vijana Programme at a cost of Kshs.980,000.00. However, no evidence was provided to support the purchase of tools and equipment worth Kshs.980,000.00

1958. The contract for construction of Chepkemei, Nakwijit and Muruny bridges also included a provision of Kshs.581,850.00 for Kazi Kwa Vijana Programme. The amount was, however, irregularly used by the contractor instead of engaging and paying the youths from the surrounding areas where the bridges were being constructed. No reason was provided for not engaging the youths under the programme.

CONSTRUCTION OF A FOOTBRIDGE AT NAOROS/NADOTO – TURKANA CENTRAL DISTRICT

1959. During the year 2010/2011 a total of Kshs.5,000,000.00 was received from the Ministry of Public Works Headquarters by the District Works Officer (DWO) for constructing a footbridge at Naoros/Nadoto in Turkana Central District through two Authority to Incur Expenditures (AIEs) numbers A556740 and A538040 dated 22 October 2010 and 14 March 2011 respectively for Kshs.2,500,000.00 each. Six firms submitted their bids for the work.

1960. The tender was on 10 March 2011 awarded to a Nairobi based firm, the fifth lowest bidder at a contract sum of Kshs.7,512,598.50 which was higher than the lowest bid of Kshs.5,217,432.00 by Kshs.2,295,166.50. The District Tender Committee disqualified all the other five bidders on account of being non responsive. It is not clear why all the other bidders would fail to attach the mandatory Ministry of Public Works estimates if they were indeed qualified contractors.

1961. The scope of work involved site clearance, erecting reinforced concrete foundation base and columns, fabrication of steel structures and abutment protection by gabions across River Turkwel. According to the contract agreement dated 25 March 2011 the work was to take twenty four weeks commencing on 26 March 2011 and was expected to be completed on 24 September 2011.

1962. The District Work Officer (DWO) on 28 March 2011 requested for additional AIE funding of Kshs.2,500,000.00 out of which Kshs.2,000,000.00 was paid to the contractor directly from the Ministry Headquarters in respect of a certificate number 4 while the DWO received an amount of Kshs.1,637,598.50 which was used to pay the contractor the final balance.

1963. The contractor had by 30 November 2011 been paid a total of Kshs.8,637,598.50 which included payments for additional works totalling Kshs.1,125,000.00 allegedly carried out by the contractor according to certificate number 6. The details of the additional works were, however, not given.

1964. A site inspection carried out on 9 December 2011 revealed that the bridge which had supposedly been completed on 28 September 2011 could not be used as one of its reinforced concrete foundation base and one column had collapsed. Information available indicates that the location of the bridge was not appropriate as the site was plain and sandy.

1965. According to the Structural Engineer's Site Meeting Report, the contractor was required to omit the gabions and instead construct two (2) thirty (30) meters long flood channels made of sandbags, hardcore and treated mesh wire. However, there was no indication that the instructions were followed. Indications are that the footbridge may never be put into use.

1966. Under the circumstances, it is clear that the work performed by the contractor was substandard and the Public did not obtain value for money for the expenditure of Kshs.8,637,598.50.

PROPOSED CONSTRUCTION OF SABATIA DISTRICT HEADQUARTERS

1967. During the year 2010/2011, the District Works Officer Sabatia received a total of Kshs.30,000,000.00 through two Authority to Incur Expenditures (AIEs) numbers A433937 dated 5 March 2010 and A472084 dated 9 December 2009 each for Kshs.15,000,000.00 for construction of the District Headquarters. The Ministry of Public Works on the 12 November 2009 advertised the tender in the local dailies and eight bids were received.

1968. The District Tender Committee in their meeting held on the 22 February 2010 awarded the tender NO.D59/SAB/DTC/002/2009-2010 through a letter Ref.No.E&S 29/4 VOL.1/28 to a local contractor at a contract price of Kshs.28,967,897.00 although the Ministry of Public Works had estimated the construction to cost Kshs.38,639,001.44.

1969. The original scope of works under the Government Economic Stimulus Programme entailed erection and completion of a Highland Type District Headquarters office block including the associated electrical, mechanical and

external works. According to the contract agreement the construction was expected to take thirty weeks from the date of commencement which was not specified in the contract while other records from the Ministry of Public Works indicated a period of fifty two weeks commencing on 22 March 2010 and scheduled for completion on 22 March 2011.

Contract Price

1970. A review of the contract records and an audit inspection of the project carried out on 23 March 2011 revealed that the contract price of Kshs.28,967,897.00 was less than the Ministry's technical estimate of Kshs.38,639,001.44 by Kshs.9,671,104.44 or 25 percent. No explanations have been provided for this material difference or whether the contractor would complete the works specified without any upward variation in the contract price.

Performance Bond

1971. The Performance Bond dated 3 April 2010 for Kshs.1,448,394.85 issued by a local Insurance Company and submitted by the contractor appeared to be invalid in that it did not have a validity period or a seal. Consequently, Clause 28 of the Conditions of Contracts regarding submission of a valid performance security by the contractor was, therefore, not observed.

Programme of Works

1972. The contractor had not provided a program of works as required under Clause 13 of the Conditions of Contract. No reason has been provided for failure to prepare and provide a program of works.

Material Tests and Defective Works

1973. There was no evidence to show that the contractor had been submitting materials for tests by the project management as the works progressed. The contractor had besides failed to employ competent foremen resulting in their inability to understand site instructions or interpret drawings and specifications. This had contributed to defective works on site including poorly constructed columns which had to be demolished.

Project Supervision

1974. There was lack of order and coherence in the project's supervision team. The depth of foundation, for example, which had been approved by the District Architect on 8 April 2010 was disapproved by the Senior Structural Assistant on 4 June 2010 according to a letter dated 14 July 2010 from the Contractor to the District Works Officer. The Provincial Structural Engineer also appeared to have

delegated his supervisory role over this project to a Senior Structural Assistant who was perpetually in conflict with the contractor.

Slow Progress of Works

1975. As at the time of the audit inspection, 25% of the works had been executed which did not compare favourably with the 84% of the elapsed contract period, an indication that the contract was behind schedule.

Payments to the Contractor

1976. As at 30 June 2011, the contractor had been paid a total of Kshs.8,983,073.20 based on certificates issued by the District Works Officer Vihiga. The services of the contractor were on 25 October 2011 terminated by the District Works Officer for continued breach of the contractual provisions and conditions of the contract and a new procurement process for the same works initiated.

CONSTRUCTION OF TWO FOOTBRIDGES IN RONGO

1977. Audit of records relating to Tender No.KSME/DC/99/2009/10 financed through the Development Vote for the construction of two footbridges at Rina Kameji and Gogo in Rongo District and site inspections on 2 December 2010 and 19 September 2011 revealed various unsatisfactory matters.

Award of Contract

1978. According to an unsigned letter of award Ref. No. PWO/NYZ/FTB/55/12 dated 28 December 2009 issued by the Provincial Works Officer, the contract for the construction of two footbridges at Rina Kameji and Gogo in Rongo District was awarded to a local firm at a contract price of Kshs.8,862,874.00. However, tender documents including tender notice, signed bids and tender committee minutes were not made available for audit review. Consequently, it has not been possible to confirm that the contract was competitively awarded.

Commencement of the Contract

1979. Although the contract period was specified in the letter of award as twenty two (22) weeks, it has not been possible to establish the commencement date since relevant documents were not availed.

Payment for Works

1980. A review of third quarter progress reports on the footbridges dated 12 May 2010 issued by the Provincial Works Officer, Nyanza indicated that 5% of the physical works had been achieved. The contract records, however, indicated that three certificates Nos. 1, 2 and 3 for a total sum of Kshs.8,860,904.00 or about 99.99% of the contract price were certified for payment on 17 June 2010 on the basis that 99.99% of the civil works had been completed from the date of commencement. It was not explained how a progress of about 95% was achieved within a duration of one month after the third quarter progress report.

Incomplete Works

1981. During a site audit visit on 19 September 2011, it was noted that the ramp on Kameji footbridge and deck works on Gogo footbridge were incomplete. Further, the span of Gogo footbridge was supposed to be 48 metres while the contract had specified a provision of 36 metres. This is an indication that the contract was being implemented based on an inadequate design resulting in incomplete works. In the circumstances, it was not possible to confirm that the value for money was obtained on expenditure incurred on an incomplete bridge.

CONSTRUCTION OF FOOTBRIDGES AT TAITA, MSAMBWENI AND CHANGAMWE DISTRICTS

Irregular award of Contract

1982. In February 2010, the Provincial Works Officer (PWO) invited tenders for the construction of three footbridges at Mgambonyi Market, Suini River and Bangladesh-Mikidani in Taita, Msambweni and Changamwe Districts respectively. The tenders were advertised in two daily newspapers and bids were received from ten firms.

1983. The tender evaluation committee on 9 June 2010 recommended for award of the contract to a local firm at a sum of Kshs.20,249,749.30, being the lowest evaluated bidder. However, under unclear circumstances, the Permanent Secretary, Ministry of Public Works awarded the same contract to another construction company at a contract sum of Kshs.20,567,976.48 despite that firm having been the second lowest evaluated bidder.

1984. The basis of reversing the tender evaluation committee's decision was not given and no minutes of the tender committee meeting to endorse the decision were availed for audit review. In the absence of documentary evidence disqualifying the lowest evaluated bidder, the contract award would appear to have been flawed.

1985. The contractor awarded the contract by the Permanent Secretary had been reported in the 2009/2010 audit report for having failed to complete another footbridge at Lagha Hirimani in Tana North District despite being paid the whole contract sum of Kshs.5,589,446.00.

1986. A physical verification of the projects on 16 and 17 August 2011 revealed that only about 50% of the works had been done while the contractor was not at any of the sites. Further, none of the footbridges had been completed five months after the expiry of the completion date despite the contractor having been paid Kshs.14,408,651.12 or 70% of the contract sum on the basis of two completion certificates Nos. 36989 and 46053 issued by the Ministry of Public Works on 31 May 2011 and 8 June 2011 for Kshs.9,278,679.30 and Kshs.5,129,971.82 respectively.

1987. Further, the contractor did not erect sign posts at the sites despite Kshs.30,000.00 having been allocated for this purpose. A further, Kshs.300,000.00 was allocated for stationery which the Project Manager could not account for.

CONSTRUCTION OF KIBUSU FOOTBRIDGE IN TANA DELTA DISTRICT

1988. Tender for construction of Kibusu footbridge in Tana Delta District was awarded on 12 March 2010 by the District Tender Committee to a Mombasa based construction firm at a contract price of Kshs.4,416,318.00 following an open tendering procedure. The contractor was subsequently notified of the award on 12 March 2010 and the contract commenced on 15 April 2010 for a duration of twelve weeks with an expected completion date of 15 July 2010.

1989. According to records available, the scope of works included; fabrication of modular truss units to make up 36 meter clear span; excavation of bridge abutments for anchorage for both the bridge and the approaches; concreting of the abutments ready to receive the modular truss units; provision of approaches on either side of the bridge; and provision of protective measures to all the bridge structure members.

1990. The contractor's approved program of work was not, however, provided for audit review. The sequence of the activities relating to the project could not, therefore, be verified.

1991. There was no evidence to show that site meetings as specified in the contract had ever taken place, an omission which indicates weaknesses in the project supervision.

1992. No progress reports for the project were provided for audit review and therefore, the percentage of works completed against the amount paid to the contractor could not be ascertained.

1993. During an audit inspection undertaken at the site on 27 September 2011 the work was found to be incomplete. In addition, the completed deck works had not been mounted on the columns because the actual span of the bridge was 39 metres whereas only 36 metres was previously provided for in the bill of quantities.

1994. The contract period had elapsed by more than fourteen months against a payment of Kshs. 2,360,800.00 made to the contractor as of 27 September 2011. No evidence was available to indicate that the contractor had been issued with a default notice.

CONSTRUCTION OF KYUSO DISTRICT HEADQUARTERS

1995. The contract for construction of Kyuso District Headquarters was awarded by the District Commissioner, Kyuso District to a local contractor through a letter of notification of award dated 4 May 2010 at a contract price of Kshs.31,120,816.40 following an open tendering procedure.

Evaluation Committee

1996. The Tender Evaluation appears to have been undertaken by one person only, the District Works Officer-Mwingi Central, instead of the committee duly constituted in accordance with Clause 16 of Public Procurement and Disposal Regulations 2006 as evident from the Tender Report Ref.MWI/MOPW/CQ/GEN/VOL.I/75 of 21 April 2010. No explanation has been provided for this irregularity.

Local Service Order

1997. Although a letter of acceptance dated 4 May 2010 issued to the contractor and signed by the District Commissioner indicated that the tender had been accepted at a contract price of Kshs.31,120,816.40, a Local Service Order No.0042868 dated 30 April 2010 for Kshs.30,000,000.00 was similarly issued by the District Works Officer to the contractor to undertake the same works. No explanation has been provided for this anomaly.

Slow Progress of Works and Abandonment

1998. The works commenced on 18 May 2010 and were scheduled for completion on 31 March 2011, after a duration of 45 weeks. A review of minutes

of the Special Site Meeting No. 4 held on 13 September 2011, indicate that 38% only of the works had been done against 177% of the contract period elapsed.

1999. Examination of contract records and subsequent inspection of the project on 22 September 2011 also revealed that the contractor had abandoned the site from May 2011.

Payments

2000. The expenditure records further indicate that an amount of Kshs.10,866,880.00 or 36.29% of the contract sum specified in the Local Service Order had been certified and paid to the contractor as of 27 May 2011. In view of failure by the contractor to complete the works, this amount would, therefore, appear to be a wasteful expenditure.

Performance Bond

2001. The contractor provided a performance bond of Kshs.1,500,000.00 which expired on 4 July 2011 but had not been renewed despite the works having not been completed as at that date.

Termination of Contract

2002. On 18 August 2011, the contractor wrote to the District Works Officer requesting for mutual termination of the contract because the contract price was under-quoted, escalation of the prices of the critical construction materials, and transportation costs, change of plans to the open plan design and significant under measurements of the ring beam occasioned by discrepancies between the bill of quantities and the drawings. No decision appears to have been made regarding this matter as of 22 September 2011.

Liquidated Damages

2003. Although liquidated damages at the rate of Kshs.20,000.00 per week were payable by the contractor with effect from 3 March 2011 upon failure to complete the works on the agreed date, no documentary evidence showing recovery of the damages from the contractor's payment certificate was availed for audit verifications. The liquidated damages had accumulated to Kshs.260,000.00 and Kshs.400,000.00 as at 30 June 2011 and 18 August 2011, respectively.

CONSTRUCTION OF GOYE PEDESTRIAN FOOTBRIDGE ON RIVER YALA – BONDO DISTRICT

2004. During the year under review, the District Works Officer (DWO) Bondo received an Authority to Incur Expenditure (AIE) amounting to Kshs.4,600,000.00 from the Ministry of Public Works for the construction of Goye Pedestrian Footbridge. The DWO advertised on 07 January 2011 through open tender for the construction of the footbridge and five firms responded.

2005. The District Tender Committee evaluated the tenders and awarded the contract on 06 April 2011 to the third lowest bidder a local contractor at a contract sum of Kshs.4,305,240.00 and a contract agreement of the same amount was signed on 28 April 2011. The construction was to take a period of six (6) months commencing on 29 April 2011 and was expected to be completed on 29 October 2011. However, no reason has been given for not awarding the contract to the lowest bidder at Kshs.4,112,246.00 where a saving of Kshs.192,994.00 would have been realised.

2006. The scope of work involved the clearing of bushes, excavations and back filling, erecting columns and concrete blinding under the foundations and erecting vibrated/reinforced concrete.

2007. A site visit on 30 August 2011 revealed that the works carried out were shoddy as the main columns had wide cracks all over separating the stones from the columns and the contractor was not on site. The footbridge could also not be completed because according to the Ministry it needed redesigning to cover a wider span of the river.

2008. Records available show that by 30 August 2011 the contractor had been paid an amount of Kshs.4,491,304.70 which exceeded the contract sum of Kshs.4,305,240 by Kshs.186,064.70.

2009. Due to the poor designs, the project is likely to be delayed and incur cost overruns. Further, the amount of Kshs.4,491,304.70 already paid to the contractor appear to be a waste of public funds as the structures constructed might be demolished later upon redesigning of the footbridge.

STORES AND SERVICES FUND ACCOUNTS

Statement of Assets and Liabilities

Suspense Supplies Account

2010. The Statement of Assets and Liabilities for Stores and Services Fund as at 30 June 2011 reflects a Suspense Supplies Account brought forward debit

balance of Kshs.482,983,865.58, which as in the previous years, has not been analysed. Consequently, it has not been possible to ascertain the validity and accuracy of the balance.

Paymaster General Account

2011. The Statement also reflects a Paymaster General Account overdraft balance of Kshs.844,003,800.33 representing an increase by Kshs.16,676,221.58, from the previous year's figure of Kshs.827,327,578.75. However, and as in the previous years, the overdraft does not appear to have been authorized by the Treasury.

2012. Although the Statement shows an overdraft balance of Kshs.844,003,800.33 as at 30 June 2011, the Cashbook reflects a figure of Kshs.18,761,458.10 as at the same date. The resultant difference of Kshs.862,765,258.43 has not been reconciled or explained.

Closing Stock

2013. The Closing Stock balance of Kshs.176,862,457.27 includes dormant and unserviceable stock valued at Kshs.57,411,432.72. In the circumstances, it has not been possible to confirm that the balance is fairly stated.

Mark-up Suspense Account

2014. The Mark-up Suspense Account credit balance of Kshs.42,241,050.10 was neither analysed nor supported with any documentary evidence. As a result, it has not been possible to confirm the completeness and accuracy of the balance.

Debtors

2015. The Debtors balance of Kshs.51,624,143.10 includes an unanalysed amount of Kshs.51,145,177.64, brought forward from the previous years. Consequently, the existence, validity and collectability of the amount of Kshs.51,145,177.64 could not be ascertained.

Unsettled Losses

2016. The Statement further shows a debit balance of Kshs.136,721,571.35 against Unsettled Losses Account, which has been brought forward from the previous years. No reason has been given for failure to clear this long outstanding amount from the books of account.

Discrepancies in Balances

2017. The balances reflected in the Stores and Services Fund Accounts under Suspense, Direct Issues, Issues to Ministries, Receipts Mark Up and Issues to Cash Sales differs with the figures reflected in the Trial Balance. No explanation has been provided for these discrepancies.

BANK RECONCILIATION STATEMENTS

Stores and Services Fund

2018. The Bank Reconciliation Statement for the Stores and Services Fund as at 30 June 2011 reflects payments in Cashbook not recorded in the Bank Statement amounting to Kshs.2,237,495.55. The amounts relate to 2008/2009 and earlier years. The Statement in addition reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.35,459,711.80, out of which an amount of Kshs.13,917,504.55 relates to 2009/2010 and earlier years. No reason has been provided for failure to clear these long outstanding items.

2019. The Statement also reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.10,130,475.85, out of which an amount of Kshs.10,118,712.45 relates to 2008/2009 and earlier years. The Statement further reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.1,340,849.50, out of which an amount of Kshs.1,163,925.30 relates to 2009/2010 and earlier years. Similarly, reason for failure to clear these long outstanding items has not been clarified.

Recurrent Cashbook

2020. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.227,018,570.10 out of which an amount of Kshs.45,600,758.65 relates to 2009/2010 and earlier years. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.6,628,109.75 out of which an amount of Kshs.3,938,249.80 relates to 2009/2010 and earlier years. No reason has been provided for failure to post the long outstanding payments in the Bank Statement or to record the receipts in the Cashbook.

2021. The Statement further reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.58,515,496.20 out of which an amount of Kshs.40,317,662.00 relates to the year 2009/2010 and earlier years. The Statement also shows receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.59,206,615.35 out of which an amount of Kshs.4,339,434.00 relates to 2009/2010 and earlier years. No explanation has

been given for failure to record the long outstanding payments in the Cashbook or post the receipts in the Bank Statement.

Development Cashbook

2022. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling to Kshs.226,610,410.35 out of which an amount of Kshs.145,461,771.35 relates to 2009/2010 and earlier years. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook of Kshs.450,651.90. No reason has been provided for failure to record the long outstanding payments in the Bank Statement or the receipts in the Cashbook.

2023. The Statement further reflects payments in the Bank Statement not recorded in the Cashbook totalling Kshs.119,233,009.00, which includes an amount of Kshs.118,686,268.50 relating to 2009/2010 and earlier years. Failure to record the long outstanding payments in the Cashbook has not been clarified.

2024. The Statement further reflects receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.98,197,098.95 which includes unrecorded receipts amounting to Kshs.865,787.15 in respect of 2009/2010 and earlier years.

Deposits Cashbook

2025. The Bank reconciliation Statement for the Deposits Cashbook as at 30 June 2011 reflects payments in the Cashbook not recorded in the Bank Statement totalling Kshs.27,141,643.10, which includes an amount of Kshs.1,153,793.15 relating to 2009/2010. No reasons have been given for failure to record the long outstanding payments.

2026. The Statement also reflects receipts in the Bank Statement not recorded in the Cashbook amounting to Kshs.29,867,477.20, which includes an amount of Kshs.28,814,008.60 relating to year 2009/2010 and earlier years. Similarly, no reasons have been given for failure to record the long outstanding receipts.

2027. The Statement further reflects payments in the Bank Statement not in the Cashbook amounting to Kshs.1,869,591.00, which includes an amount of Kshs.1,867,871.00 relating to the year 2009/2010 and earlier years. The Statement also shows receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.43,339,772.35, which includes an amount of Kshs.16,446,457.30 relating to 2009/2010 and earlier years. No explanation has been given for failure to record the long outstanding payments in the Cashbook or to post the receipts in the Bank Statement.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.59

2028. The Statement of Assets and Liabilities for Vote R.59 as at 30 June 2011 reflects an Exchequer Account debit balance of Kshs.640,512,389.00 out of which an amount of Kshs.369,350,100.00 relating to 2009/2010 and earlier years has not been cleared. The balance also includes an amount of Kshs.271,162,289.00 relating to 2010/2011 which, however, differs with the figure of Kshs.88,938,400.00 reflected in the Treasury records. The difference of Kshs.182,223,889.00 between the two sets of records has not been reconciled or explained.

2029. The Statement further reflects a Paymaster General Account debit balance of Kshs.144,955,399.30 which differs with the Cashbook and Board of Survey Report balance of Kshs.87,509,941.65. The resulting difference of Kshs.57,445,457.65 has not been reconciled or explained.

2030. The Statement also reflects a Temporary Imprests Account debit balance of Kshs.1,455,320.45 which also differs with the Imprests Register figure of Kshs.1,138,477.40 by Kshs.316,843.05. As in the previous instance, the difference has not been reconciled or explained.

2031. The Statement further shows a District Suspense Account debit balance of Kshs.12,626,194.95 brought forward which besides being analysed, has not been cleared for unexplained reasons.

2032. The Statement also reflects a General Account of Vote balance of Kshs.974,316,961.95 which includes an amount of Kshs.430,590,558.95 relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding amount of Kshs.430,590,558.95.

2033. The Trial Balance as at 30 June 2011 and the Ledger for the period then ended were not provided for audit review. As a result, it has not been possible to ascertain the completeness and accuracy of the balances reflected in the statement or confirm that proper books of account were kept during the period.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.59

2034. The Statement of Assets and Liabilities for Vote D.59 as at 30 June 2011 reflects brought forward Temporary Imprests Account and General Account of Vote debit and credit balances of Kshs.158,500.00 and Kshs.162,240,239.05, respectively which differs with the related closing balances of Kshs.nil and Kshs.964,258,516.45 as at 30 June 2010. In addition, the District Suspense Account closing debit balance of Kshs.802,134,777.40 as at 30 June 2010 has not been included in the statement as a brought forward balance. No explanation has been provided for these omissions and anomalies.

2035. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.367,908,098.10 which differs with the Board of Survey Report and Cashbook balance of Kshs.41,234,785.35 as at 30 June 2011 . The resultant difference of Kshs.326,673,312.75 has not been reconciled or explained.

2036. The Statement also reflects an Imprests Account debit balance of Kshs.317,000.00 which has not been analysed. It has not been possible to ascertain in the circumstances what the balance represents.

2037. The Statement reflects an Exchequer Account debit balance of Kshs.92,997,235.95 out of which an amount of Kshs.12,888,000.00 relates to 2009/2010 and earlier years, and Kshs.80,109,235.95 to the current year under review. No reason has been provided for failure to clear the long outstanding balance for the prior years. In addition, the balance of Kshs.80,109,235.95 for the year 2010/2011 differs with the Treasury records, which show a balance of Kshs.749,458,000.00. The resultant difference of Kshs.669,348,764.05 between the two sets of records has not been reconciled or explained.

2038. The Statement further reflects a General Account of Vote (GAV) balance of Kshs.461,222,334.05 out of which an amount of Kshs.162,240,239.05 relates to prior years and Kshs.298,982,095.00 to the year under review. However, the balance of Kshs.298,982,095.00 for the year 2010/2011 differs with the Net Surplus of Kshs.298,940,095.00 shown in the Appropriation Account for Vote D.59 for the year ended 30 June 2011. No explanation has been provided for this anomaly.

2039. The Trial Balance as at 30 June 2011 and the Ledgers for the period then ended were not provided for audit purposes. As a result, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSIT 59

2040. The Statement of Assets and Liabilities for Deposit 59 as at 30 June 2011 reflects a Paymaster General Account (PMG) debit balance of Kshs.1,240,280,220.35 while the Board of Survey Report and the Cashbook shows a balance of Kshs.721,792,568.80 as at 30 June 2011. The resultant difference of Kshs.518,487,651.55 has not been reconciled or explained.

2041. The Statement also reflects a Departmental Representative (DR) Accounts brought forward credit balance of Kshs.19,204,846.05 which differs with the closing balance of Kshs.11,710,000.00 as at 30 June 2010. The resultant difference of Kshs.7,494,846.05 has not been reconciled or explained. In addition, no analysis has been provided for the figure of Kshs.19,204,846.05.

2042. The Statement further reflects Other Deposits brought forward balance of Kshs.506,777,651.55 which has not been analysed. As a result, the validity and accuracy of the balance could not be ascertained.

MINISTRY OF INDUSTRIALIZATION

APPROPRIATION ACCOUNT FOR VOTE R.60

Excluded Expenditure

2043. The Appropriation Account for Vote R.60 for the year ended 30 June 2011 reflects total expenditure of Kshs.6,405,369.00 and Kshs.3,075,786.00 incurred under Head 600101, Item 2210200 -Communication, Supplies and Services and Item 2210400 - Foreign Travel and Subsistence and Other Transportation Costs. Examination of supporting payment vouchers however revealed that a total of Kshs.7,102,088.96 and Kshs.3,361,618.76 was incurred on Items 2210200 and 2210400, respectively. The resultant differences totalling Kshs.982,552.72 apparently represents expenditure excluded from the Appropriation Account. No reason has been provided for the omission.

Difference between the Appropriation Account and Payroll Records

2044. The Appropriation Account also reflects gross expenditure of Kshs.1,526,973,972.40 which includes an amount of Kshs.206,040,788.00 incurred on Items 2110100-Basic Salaries - Permanent Employees and 2110300- Personal Allowances paid as part of Salary against various Heads. Examination of monthly payroll and other related records however revealed that Salaries and Allowances payments amounted to Kshs.197,017,220.00. The difference of Kshs.9,023,568.00 between the two sets of records has not been reconciled or explained.

APPROPRIATION ACCOUNT FOR VOTE D.60

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

2045. The Appropriation Account for Vote D.60 for the year ended 30 June 2011 reflects gross under-expenditure of Kshs.990,695,356.25, representing approximately 31% of the gross estimates of Kshs.3,241,904,000.00. The under-expenditure occurred mainly under Sub-Vote 6001 - General Administration and Planning and Sub-Vote 6003-Industrial Training Services. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.141,300,000.00, representing 100% of the estimated receipts. The reasons provided in the footnotes to the Account for the under- expenditure and under-collection of Appropriations-In-Aid, mainly include non- release of funds by various Development Partners during the year. However, no indication has been seen of the action being taken to address the underlying causes of under-expenditure and under-collection of Appropriations-In-Aid.

Grants to Government Agencies

2046. The Appropriation Account also reflects grants totalling Kshs.316,000,000.00 under Head 600201, Item 2630100 –Capital Grants to Semi-Autonomous Government Agencies and Other Levels of Government, which represents grants disbursed to Kenya Industrial Research and Development Institute (KIRDI). However, the Institute's financial statements for the year ended 30 June 2011 show grants of Kshs.232,550,897.00. The difference of Kshs.83,449,103.00 between the two sets of records has not been reconciled or explained.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

2047. Section 4 (2) (b) of the Public Audit Act, 2003 and the Government Financial Regulations and Procedures require each Accounting Officer to prepare and submit for audit, a Statement of Outstanding Loans within three months after the end of the financial year.

2048. The Ministry has however not submitted such a Statement for audit, although records maintained at the Treasury show that loans amounting to Kshs.846,059,107.00 were due and outstanding as at 30 June 2011 against various organizations under the Ministry of Industrialization. No reasons have been given for not complying with the law.

PENDING BILLS

2049. Records maintained at the Ministry's Headquarters indicate that bills totalling Kshs.60,273,584.00 relating to 2010/2011 were not settled during the year, but were instead carried forward to 2011/2012. Out of the total, an amount of Kshs.969,954.00 was chargeable to the Recurrent Vote while the balance of Kshs.59,303,630.00 related to the Development Vote. Further, the figure of Kshs.969,954.00 includes two bills amounting to Kshs.218,050.00 which could not be ascertained as they were not supported with Local Purchase Orders, Local Service Order or Invoices.

2050. Had the bills been paid and the expenditure charged to the accounts for 2010/2011, the Appropriation Account for Vote R.60 for the year would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.41,044,918.10 instead of Kshs.42,014,872.10 now shown. Similarly, the Appropriation Account for Vote D.60 for the period would have reflected a reduced Net Surplus of Kshs.790,091,726.25 instead of Kshs.849,395,356.25 now recorded.

OUTSTANDING IMPRESTS

2051. Examination of imprest records maintained at the Ministry's Headquarters revealed that imprests totalling Kshs.247,000.00, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2011, were still outstanding as at that date. Out of the total, an amount of Kshs.40,000.00 was owing from an officer on Job Group 'M', while the balance of Kshs.207,000.00 was owed by officers on Job Group 'L' and below.

2052. It was further observed that one officer was issued with an additional imprest of Kshs.64,000.00 on 16 May 2011, before having accounted for amount previously issued.

2053. A review of the position as at 30 September 2011 revealed that out of the total outstanding imprest of Kshs.247,000.00 as at 30 June 2011, an amount of Kshs.70,000.00 had been surrendered, leaving a balance of Kshs.177,00.00 outstanding.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

2054. The Statement of Outstanding Obligations Guaranteed by the Government of Kenya as at 30 June 2011 reflects an outstanding contingent liability of Japanese Yen 3,287,880,000.00 (Kshs.3,667,630,140.00) in respect of a loan lent by the Japanese Government to the East African Portland Cement Company, for rehabilitation of the factory's plant. However, and as reported in 2009/2010, the Ministry has not maintained the relevant records for the loan, including a Loan Register, and as a result, the completeness and accuracy of the Statement could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.60

2055. The Statement of Assets and Liabilities for Vote R.60 as at 30 June 2011 reflects various debit and credit balances amounting to Kshs.66,697,735.50 and Kshs.102,902,828.65 respectively, against Paymaster General Account (PMG), General Account of Vote (GAV), Advance, Temporary Imprest, Standing Imprest, Provincial/District Suspense, General Suspense, Exchequer, R/D Cheques, Excess A.I.A., Insurances/Welfare/Saccos & Others and Inter-Bank Transfers Accounts relating to 2009/2010 and earlier years. No reason has been given for not clearing the above amounts from the books of account.

2056. The Statement also reflects a nil balance against General Account of Vote Account relating to 2010/2011, while the Appropriation Account for Vote R.60 for the same period shows a Net Surplus to be Surrendered to the Exchequer of Kshs.42,014,872.10. The difference of Kshs.42,014,872.10 has not been reconciled or explained.

2057. The Statement further shows an Exchequer Account credit balance of Kshs.35,602,372.10 for the year ended 30 June 2011, which differs with the Treasury records figure of Kshs.6,412,500.00. The difference of Kshs.42,014,872.10 between the two sets of records has not been reconciled or explained.

2058. The Statement in addition reflects a Paymaster General (PMG) Account debit balance of Kshs.25,870,840.24, while the Cashbook and the Board of Survey Report reflect a balance of Kshs.9,778,143.45 and Kshs.10,061,438.85, respectively. The difference among the three sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.60

2059. The Statement of Assets and Liabilities for Vote D.60 as at 30 June 2011 reflects various debit and credit balances totalling Kshs.628,673,855.70 and Kshs.2,267,271,753.15 respectively, against Exchequer, Temporary Imprest, Exchequer Releases/Provincial, General Account of Vote (GAV), Provincial/District Suspense and Vote Control Accounts relating to 2009/2010 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of account.

2060. The Statement further reflects an Exchequer Account debit balance of Kshs.2,359,246,190.00 for the year ended 30 June 2011, while records held at the Treasury reflect Kshs.741,357,810.00 against the same Account. The difference of Kshs.1,617,888,380.00 between the two sets of records has not been reconciled or explained.

2061. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.1,644,120,014.65, while the Cashbook and the Board of Survey report show a balance of Kshs.5,522,117.20. The difference of Kshs.1,638,597,897.45 between the two sets of records has not been reconciled or explained.

2062. The Statement also reflects a General Account of Vote Account balance of Kshs.235,293,795.25 for 2010/2011, while the Appropriation Account for Vote D.60 for the year ended 30 June 2011 shows a Net Surplus to be Surrendered to the Exchequer of Kshs.849,395,356.25. The difference of Kshs.614,101,561.00 between the two sets of records has not been reconciled or explained.

2063. The Statement in addition reflects an account described as Vote Control Account with a balance of Kshs.5,139,920,000.00. Besides the fact that the account has not been analysed, there is no account described as Vote Control Account according to the Government Financial Regulations.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 60

2064. The Statement of Assets and Liabilities for Deposits 60 as at 30 June 2011 reflects a Paymaster General (PMG) Account debit balance of Kshs.705,411.20 and an equivalent amount under Retention Money Account. However, an amount of Kshs.112,819.10 received from a firm through miscellaneous receipt No. A1867830 dated 15 February 2011 has been omitted in the PMG Account and Retention Money Account. The amount was however recorded in the Deposits Cashbook on 17 February 2011.

2065. In addition, both the Trial Balance as at 30 June 2011 and the Ledger for the period then ended were not availed for audit review, as a result the source, completeness and accuracy of the balance of Kshs.705,411.20 could not be confirmed.

STAFF

I wish to sincerely thank the entire staff of the Office of the Auditor-General for the great effort and hard work they have put in during the year.



Edward R. O. Ouko
AUDITOR-GENERAL

Nairobi

13 April 2012

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2011

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2011 which are listed in Appendices A and B, in accordance with Section 229(4) 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 from the financial statements listed in Appendix A.

Management's Responsibility for the Financial Statements

The Permanent Secretary, Treasury and the respective Accounting Officers are responsible for the preparation and fair presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence obtained is sufficient and appropriate to provide a reasonable basis for my qualified audit opinion.

Basis for Qualified Opinion

Details of the basis for qualified opinion are as per the accompanying detailed audit Report. These include various unexplained discrepancies and omission of expenditure from the Accounts.

Qualified Opinion

In my opinion, except for the reservations set out in the accompanying Report, the financial statements fairly present the financial position of the Government of Kenya and its funds as at 30 June 2011, and of its operations for the year then ended. On the basis of the audit tests performed, the monies shown as expended have been applied for the purposes authorized by Parliament.

Further, I was not able to fully comply with the constitutional provision of Article 229 (6) requiring that I confirm whether or not the public money has been applied lawfully and in an effective way. Under the current audit set up, the office was unable to undertake a continuous audit throughout the financial year that would have enabled me to fully comply with Article 229(6) of the new constitution.



Edward R. O. Ouko
AUDITOR-GENERAL

NAIROBI

13 April 2012

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2011

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2011 which are listed in Appendices A and B, in accordance with Section 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

The Permanent Secretary, Treasury and the respective Accounting Officers are responsible for the preparation and fair presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4, 5, 6 and 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 8 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the detailed Report for the financial statements contained in Appendix B, I was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

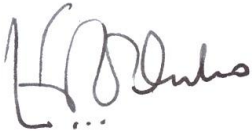
Basis for Qualified Opinion

Details of the basis for qualified opinion are as per the accompanying detailed audit Report. These include 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.

Disclaimer of Opinion

Because of the significance of the matters described in the the accompanying Report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements contained in Appendix B.

Further, I was not able to fully comply with the constitutional provision of Article 229 (6) requiring that I confirm whether or not the public money has been applied lawfully and in an effective way. Under the current audit set up, the office was unable to undertake a continuous audit throughout the financial year that would have enabled me to fully comply with Article 229(6) of the new constitution.



Edward R. O. Ouko
AUDITOR-GENERAL

NAIROBI

13 April 2012

APPENDIX A

The following is a list of Financial Statements for which I was able to express an opinion:

1. Exchequer Account. Page 1 Paragraphs 1 - 4

CONSOLIDATED FUND SERVICES:

	Page	Para.
1. Statement of Public Debt.	14	36 – 39
2. Public Debt – Statement of Expenditure.	17	53 - 56
3. Pensions and Gratuities – Statement of Expenditure.	23	88
4. Subscriptions to International Organisations - Statement of Expenditure.		

APPROPRIATION ACCOUNTS – RECURRENT:

Votes	Page
1. R.02 State House	74
2. R.08 Ministry of State for Defence	129
3. R.12 Office of the Deputy Prime Minister and Ministry of Local Government	159
4. R.17 Ministry of Justice, National Cohesion and Constitutional Affairs	196
5. R.20 Ministry of Water and Irrigation	218
6. R.21 Ministry of Environment and Mineral Resources	225
7. R.22 Ministry of Co-operative and Marketing	230
8. R.23 Cabinet Office	237
9. R.24 Ministry of East African Community	241
10. R.25 State Law Office	244
11. R.27 Public Service Commission	254
12. R.29 National Assembly	255
13. R.36 Ministry of Lands	293
14. R.40 Ministry of State for Immigration and Registration of Persons	299
15. R.41 Office of the Vice President and Ministry of State for National Heritage & Culture	304
16. R.45 National Security Intelligence Service	333
17. R.46 Ministry of Tourism	334
18. R.48 Office of the Prime Minister	337
19. R.57 Ministry of Nairobi Metropolitan Development	357
20. R.58. Ministry of Development of Northern Kenya and Other Arid Lands	359

APPROPRIATION ACCOUNTS – DEVELOPMENT:

Votes	Page
1. D.03 Office of the Prime Minister and Ministry of State for Public Service	77
2. D.05 Office of the Vice President and Ministry of Home Affairs	87
3. D.10 Ministry of Agriculture	137
4. D.11 Ministry of Medical Services	148
5. D.25 State Law Office	244
6. D.32 Ministry of Information and Communications	275
7. D.36 Ministry of Lands	293
8. D.40 Ministry of State for Immigration and Registration of Persons	299
9. D.41 Office of the Vice President and Ministry of State for National Heritage & Culture	304
10. D.46 Ministry of Tourism	334

11. D.48 Office of the Prime Minister	337
12. D.55 Ministry of Forestry and Wildlife	348
13. D.56 Ministry of Fisheries Development	352
14. D.57 Ministry of Nairobi Metropolitan Development	354

STATEMENTS OF REVENUE:

1410000 – 1410100 - Loan Interest Receipts	page 39	para.	168-172
--	---------	-------	---------

STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA:

Ministry of Agriculture.	Page 140	Para. 725
--------------------------	----------	-----------

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

Ministry of Finance.	Page 20	Para. 72 - 75
----------------------	---------	---------------

FUND ACCOUNTS:

	Page	Paragraphs
1. Civil Contingencies Fund.		
2. Exchange Risk Assumption Fund.		
3. Government Press Fund.		
4. Hides and Skins Cess Fund.	215	1146 – 1147
5. National Assembly Car Loan Fund.	280	1486 – 1489
6. Parliamentary Mortgage Scheme Fund.	255	1356 – 1357
7. Political Parties Fund.	280	1483 – 1485
8. Intelligence Service Development Fund.	333	
9. Water Towers Conservation Trust Fund.	337	

APPENDIX B

The following is a list of Financial Statements for which I was unable to express an opinion due to lack of sufficient information and explanations.

CONSOLIDATED FUND SERVICES:

Salaries, Allowances and Miscellaneous Services – Statement of Expenditure
Page 23 Paragraph 85 - 87

SUMMARY STATEMENTS:

Summary statement of Payments Made out of Issues from Exchequer.
Summary of Statements of Investments by the Government of Kenya in Local Companies.

APPROPRIATION ACCOUNTS – RECURRENT:

Votes	Page	Paragraphs
1. R.01 Ministry of state for Provincial Admin. & Internal Security	63	300 – 303
2. R.03 Office of the Prime Minister & Ministry of State for Public Service	77	378 – 379
3. R.04 Ministry of Foreign Affairs	81	397 – 401
4. R.05 Office of the Vice President & Ministry of Home Affairs	87	434 – 436
5. R.06 Ministry of State for Planning, National Dev. & Vision 2030	98	498 – 501
6. R.07 Ministry of Finance	11	22 – 29
7. R.09 Ministry of Regional Development Authorities	132	684
8. R.10 Ministry of Agriculture	137	710 – 715
9. R.11 Ministry of Medical Services	147	766 – 770
10. R.13 Ministry of Roads	167	879 – 883
11. R.14 Ministry of Transport	177	936 – 938
12. R.15 Ministry of Labour and Human Resource Development	182	958 – 962
13. R.16 Ministry of Trade	190	1004 – 1008
14. R.18 Ministry of Gender, Children and Social Development	200	1055 – 1060
15. R.19 Ministry of Livestock Development	208	1099 – 1107
16. R.26 Judiciary	249	1322 – 1323
17. R.30 Ministry of Energy	257	1364 – 1367
18. R.31 Ministry of Education	268	1421 – 1425
19. R.32 Ministry of Information and Communications	275	1459 – 1462
20. R.33 Interim Independent Electoral Commission	279	1477 – 1478
21. R.35 Ministry of State for Special Programmes	284	1500 – 1505
22. R.42 Ministry of Youth Affairs and Sports	311	1642 – 1647
23. R.43 Ministry of Higher Education, Science & Technology	321	1699 – 1704
24. R.44 Ministry of Housing	327	1730 – 1732
25. R.49 Ministry of Public Health and Sanitation	339	1797 – 1800
26. R.55 Ministry of Forestry and Wildlife	348	1850 – 1853
27. R.56 Ministry of Fisheries Development	352	1868
28. R.59 Ministry of Public Works	365	1932 – 1934
29. R.60 Ministry of Industrialization	384	2043 – 2044
30. Summary Statement of Appropriation Accounts (Recurrent)		

APPROPRIATION ACCOUNTS – DEVELOPMENT:

	Votes	Page	Paragraphs
1.	D.01 Ministry of State for Provincial Admin. & Internal Security	64	304 – 308
2.	D.02 State House	74	362 – 365
3.	D.04 Ministry of Foreign Affairs	82	402 – 405
4.	D.06 Ministry of State for Planning, National Dev. & Vision 2030	98	502
5.	D.07 Ministry of Finance	12	30 - 35
6.	D.09 Ministry of Regional Development Authorities	132	685 – 691
7.	D.12 Office of the Deputy Prime Minister & Min. of Local Government	160	835 – 836
8.	D.13 Ministry of Roads	168	884 – 888
9.	D.14 Ministry of Transport	177	939 – 943
10.	D.15 Ministry of Labour and Human Resource Development	183	963 – 966
11.	D.16 Ministry of Trade	191	1009 – 1013
12.	D.17 Ministry of Justice, National Cohesion & Constitutional Affairs	196	1038 – 1041
13.	D.18 Ministry of Gender, Children and Social Development	201	1061 – 1066
14.	D.19 Ministry of Livestock Development	209	1108 – 1112
15.	D.20 Ministry of Water and Irrigation	218	1163 – 1168
16.	D.21 Ministry of Environment and Mineral Resources	225	1198 – 1205
17.	D.22 Ministry of Co-operative Development & Marketing	230	1224 – 1226
18.	D.23 Cabinet Office	237	1261 – 1265
19.	D.24 Ministry of East African Community	241	1282
20.	D.26 Judiciary	249	1324 – 1326
21.	D.30 Ministry of Energy	258	1368 – 1376
22.	D.31 Ministry of Education	269	1426 – 1430
23.	D.35 Ministry of State for Special Programmes	285	1506 – 1509
24.	D.42 Ministry of Youth Affairs and Sports	312	1648 – 1656
25.	D.43 Ministry of Higher Education, Science & Technology	322	1706 – 1711
26.	D.44 Ministry of Housing	327	1733 – 1734
27.	D.49 Ministry of Public Health and Sanitation	339	1801 – 1809
28.	D.58 Ministry of Development of Northern Kenya & Other Arid Lands	359	1901 – 1904
29.	D.59 Ministry of Public Works	365	
30.	D.60 Ministry of Industrialization	384	2045 - 2047
31.	Summary Statements of Appropriation Accounts (Development)		

STATEMENTS OF REVENUE:

	Page	Paragraph
1110000 Taxes on Income, Profits and Capital Gains	36	148 -155
1140000 Taxes on Goods and Services	37	156 -159
1150000 Taxes on International Trade and Transactions	38	160 -164
1160000 Other Taxes not classified elsewhere	39	165 - 167
1410000 Rent of Land	41	179 - 178
1420000 Sale of Goods and Services	41	179 - 182
Development Revenue – Head DR.1	19	65 – 69
145000 Other Receipts not classified elsewhere	42	183 – 184
451000 Redemption Receipts from Domestic Lending	43	185 - 189
Summary Statements of Revenue (Recurrent)		
Summary Statement of Revenue (Development)		

STATEMENTS OF OUTSTANDING LOANS:

	Ministry	Page	Paragraph
1.	Ministry of Finance.	17	57 – 59
2.	Ministry of Agriculture.	139	721– 722
3.	Ministry of Energy.	261	1384 - 1386
4.	Ministry of Lands.	295	1557
5.	Summary Statement of Outstanding Loans		

STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA:

		Page	Paragraph
1.	Ministry of Finance.	20	70 - 71
2.	Ministry of Transport.	179	948
3.	Ministry of Energy.	260	1382 – 1382
4.	Ministry of Information and Communications	277	1470 – 1471
5.	Ministry of Industrialization.	386	2054
6.	Summary of Statement of Obligation Guaranteed by the Government of Kenya		

STATEMENTS OF INVESTMENTS BY THE GOVERNMENT OF KENYA IN LOCAL COMPANIES:

		Page	Paragraph
1.	Ministry of Finance.	21	76 - 83
2.	Ministry of Agriculture.	139	723 – 724
3.	Summary Statement of Investments by the Government of Kenya in Local Companies		

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

		Page	Paragraph
1.	Ministry of Agriculture.	140	725
2.	Ministry of Energy.	261	1387 – 1390
3.	Summary Statement of Participation by the Government of Kenya in Local Companies		

**STATEMENT OF SUBSCRIPTIONS BY THE GOVERNMENT OF KENYA TO
INTERNATIONAL ORGANIZATIONS**

Ministry of Finance.

Page 22 Paragraph 84

FUND ACCOUNTS:

	Page	Paragraphs
Agriculture Information Centre Revolving Fund.	141	733 – 737
Asians Officers Family Pensions Fund.	49	220 – 226
Asiatic Widows and Orphans Pensions Fund.	48	219
Civil Servants Housing Scheme Fund.	330	1745 – 1750
Demonstration Farm Fund.	140	729 – 732
Electoral Commission Car Loan Scheme Fund.	280	1486 – 1489
European Widows and Orphans Pension Scheme Fund	50	227 – 231
FAZA Fire Disaster Fund.	289	1526 – 1528
Health Care Services Fund	155	809 – 813
National – Humanitarian Fund.	287	1515 – 1522
Kenya Local Loans Support Fund	46	205 – 207
Kenya Slums Upgrading Fund	328	1739 – 1744
Management of Supervision and Liquidation Fund.	231	1229 – 1234
Mechanical and Transport Fund.	171	901 – 904
Mechanical Transport and Plant Maintenance Fund	316	1669 – 1675
Mechanical Transport and Plant Renewals Fund.	317	1676 – 1682
Medical Supplies Fund.	377	2010 2017
Nakumatt/Molo Fire Victims Fund.	288	1523 – 1525
Petroleum Development Levy Fund (Ministry of Energy).	262	1391 – 1394
Petroleum Development Levy Fund (Ministry of Finance).	44	191
Prison Industries Fund.	94	477 – 482
Prisons Farm Fund.	93	471 – 476
Provident Fund.	47	208 – 218
Rural Enterprise Fund.	45	200 – 204
Strategic Grain Reserve Trust Fund.	289	1529 – 1537
Township and Roads Drain Fund.	296	1563
Training Fund.	263	1395 – 1396
Treasury's Main Clearance Fund.	45	196 – 199
Veterinary Services Development Fund.	214	1137 – 1141
Women Enterprise Fund.	203	1073 – 1077