



**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 2011/2012**

REPORT OF THE AUDITOR- GENERAL ON THE APPROPRIATION ACCOUNTS, OTHER PUBLIC ACCOUNTS AND ACCOUNTS OF THE FUNDS OF THE REPUBLIC OF KENYA FOR THE YEAR ENDED 30 JUNE 2012

EXECUTIVE SUMMARY

1. Legal Mandate of the Office of the Auditor-General

1.1. General

- Office of the Auditor General is established as an Independent Office under Article 248(3) of the New Constitution.
- The Auditor-General is appointed in accordance with Article 229 of the New Constitution.
- The statutory duties and responsibilities of the Auditor-General are given in Article 229(4) of the New Constitution and Public Audit Act (2003).

I have already issued my audit reports to the respective accounting officers for the financial statements for 2011/2012 of their respective ministries, agencies, departments and funds.

This report provides a Summary of my audit findings of the financial statements of Central Government of the Republic of Kenya for the financial year ended 30 June 2012.

The scope of the audit in Central Government includes Ministries, Government Departments, Agencies and Funds.

1.2. The audit

I carried out my audits in accordance with International Standards on auditing. Those Standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on attest basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

I also considered the public entities' internal control systems to determine my auditing procedures for the purpose of expressing an opinion on their financial statements.

To ensure that the execution of the National budget was in conformity with the provisions of existing laws, regulations and prescribed procedure, the audits essentially covered authorization and approval of expenditure, budget procedures, management of bank accounts and a review of the internal control systems set up by the audited entities.

The sections below highlight key findings noted during the audits of the financial statements for the year ended 30 June 2012.

2. Summary of Budgetary Performance for 2011/2012

2.1 Expenditure Accounts

2.1.1 In 2011/2012 the Approved Estimate Gross Expenditure was Kshs.1,170,478,418,074 and Appropriations-In-Aid (AIA) of Kshs.213,846,548,582 resulting to Net Approved Expenditure of Kshs.956,631,869,492 as shown below:-

	Gross Expenditure Kshs	AIA Kshs	Approved Net Expenditure Kshs
Recurrent Vote	578,394,336,704	74,452,067,201	503,942,269,503
Development Vote	382,614,041,792	139,394,481,381	243,219,560,411
Consolidated Fund Services	209,470,039,578	0	209,470,039,578
Total	1,170,478,418,074	213,846,548,582	956,631,869,492

2.1.2 The Actual Total Appropriations-In-Aid realized during the year under review however amounted to Kshs.146,811,089,141, against estimated receipts of Kshs.213,846,548,582 resulting in a deficiency of Kshs.67,035,459,441. The deficiency represented approximately 31% of the estimated collections and was mainly recorded under the Development Votes, where collections of Kshs.84,690,284,111 were realized against estimated receipts of Kshs.139,394,481,381. The reasons for the under- collection of AIA are provided under the respective Appropriation Accounts.

2.1.3 Summary of expenditure accounts for the year 2011/2012 shows total Actual Expenditure of Kshs.920,024,249,603 compared to Actual Expenditure of Kshs.807,228,599,517 for 2010/2011 as shown below, representing an increase of Kshs.112,795,650,086 or 14% over previous year.

Votes	Net Estimates of Expenditure 2011/2012 Kshs	Actual Expenditure 2011/2012 Kshs	Net Estimates of Expenditure 2010/2011 Kshs	Actual Expenditure 2010/2011 Kshs
Recurrent	503,942,269,503	492,770,309,152	437,397,181,196	424,590,007,087
Development	243,219,560,411	211,956,549,840	208,623,477,194	165,113,396,308
Consolidated Fund	209,470,039,578	215,297,390,611	187,733,513,379	217,525,196,122
Totals	956,631,869,492	920,024,249,603	833,754,171,769	807,228,599,517

2.1.4 The Actual Net Expenditure of Kshs.920,024,249,603 comprised expenditure amounting to Kshs.492,770,309,152, Kshs.211,956,549,840 and Kshs.215,297,390,611 under Recurrent, Development and Consolidated Fund Services respectively.

2.1.5 There was a net under-expenditure of Kshs.36,661,330,507 made up of under-expenditure of Kshs.11,171,960,351 and Kshs.31,263,010,571 under Recurrent Vote and Development Vote respectively and an over expenditure of Kshs.5,827,351,033 under consolidated Fund Services as shown below:-

	Approved Net Estimated Expenditure Kshs	Actual Expenditure Kshs	Under/(Over) Expenditure Kshs
Recurrent Vote	503,942,269,503	492,770,309,152	11,171,960,351
Development Vote	243,219,560,411	211,956,549,840	31,263,010,571
Consolidated Fund Services	209,470,039,578	215,297,390,611	(5,827,351,033)
Total	956,631,869,492	920,024,249,603	36,661,330,507

2.1.6 The under-expenditure of Kshs.11,171,960,351 under Recurrent Vote was attributed mainly to inadequate exchequer issues while the under-expenditure of Kshs.31,263,010,571 under Development Vote was attributed to delayed disbursement of donor funds. The over-expenditure of Kshs.5,827,351,033 under Consolidated Fund Services is explained as due to excess exchequer releases during the year. Reasons for the under/over-expenditure are provided in the respective Appropriation Accounts and the Exchequer Account for 2011/2012.

2.2 Revenue Accounts

2.2.1 Total revenue recorded as received during the financial year ended 30 June 2012 totalled Kshs.761,682,773,420 against estimated total receipts of Kshs.765,833,207,143 resulting in an under-collection of Kshs.4,150,433,723 or 0.54%. The total revenue collected of Kshs.761,682,773,420 comprised of Kshs.735,052,725,367 and Kshs.26,630,048,053 relating to Recurrent and Development votes respectively. However actual Recurrent Revenue collected during the year reflected excess collection of Kshs.21,437,485,937 or 3% while there was a shortfall of Development Revenue collected of Kshs.25,587,919,660 or 49% as follows:-

Details	Estimated Receipts Kshs	Actual Receipts Kshs	Excess/(Shortfall) Kshs	Percentage %
Recurrent Revenue	713,615,239,430	735,052,725,367	21,437,485,937	3%
Development Revenue	52,217,967,713	26,630,048,053	(25,587,919,660)	49%
Total	765,833,207,143	761,682,773,420	(4,150,433,723)	0.54%

2.2.2 The reasons for the under-collection of Development Revenue as provided in the respective Statements include, among others, the following:

- Non release of funds by development partners
- Low absorption of funds by projects and programmes

2.2.3 Most of the Revenue Accounts prepared by the Ministry of Finance had qualified audit opinions mainly due to material differences between the statements' balances and KRA records. Examples are as follows:-

Ministry of Finance - Revenue Statement Ref	Amount per Statement Kshs	Amount per KRA Records Kshs	Difference Kshs
Revenue Head Dev DR.1	26,630,048,053	27,107,919,707	(477,871,654)
Revenue Head 4510000	1,812,913,337	1,442,053,020	370,860,317
Revenue Head 1420000	1,904,120,077	2,506,995,038	(602,874,960)
Revenue Head 1150000	76,473,854,367	76,759,346,345	(285,491,978)
Revenue Head 1410200	12,693,335,549	11,504,347,952	1,188,987,596
Revenue Head 1140000	255,270,372,624	253,993,293,060	1,277,034,564
Revenue Head 1410000	1,627,482,108	1,122,913,947	504,568,161
Revenue Head 1410000 sub head 1410100	1,138,934,040	338,871,240	800,062,700
Revenue Head 1160000	7,857,096,516	7,890,998,836	(33,902,319)
Revenue Head 1450000	53,380,242,736	53,429,522,091	(49,279,354)
Revenue Head 1110000	312,463,343,618	312,664,131,464	(200,787,845)

- 2.2.4 Most of the statements' revenue balances also differed with the exchequer records kept by the ministry. Similarly balances reflected as remitted to the exchequer differed with those recorded at the ministry's exchequer section.
- 2.2.5 Statement of Revenue Head DR.1 also reflected revenue amounting to Kshs.584,650,885 which was not supported with receipt vouchers.
- 2.2.6 Statement of Revenue for vote R.01 – Ministry of State for Provincial Administration and Internal Security – showed un-accounted for revenue of Kshs.19,902,229 between revenue recorded as collected of Kshs.882,349,033 and the amount reflected in the statement of Kshs.862,446,804.
- 2.2.7 The Summary Revenue Statements reflects substantial balances of revenue not remitted to the Exchequer amounting to Kshs.2,060,819,622 as follows:-

Details	Revenue balance B/fwd Kshs	Revenue Collection 2011/2012 Kshs	Total Revenue Available Kshs	Amount Paid to Exch. Kshs	Balance C/fwd Kshs
Recurrent	1,630,245,164	735,052,725,367	736,682,970,531	734,622,245,013	2,060,725,517
Development	94,104	26,630,048,053	26,630,142,158	26,630,048,053	94,104
Total	1,630,339,268	761,682,773,420	763,313,112,688	761,252,293,067	2,060,819,622

- 2.2.8 The total actual revenue reflected as having been paid to the Exchequer Account of Kshs.761,252,293,067 during the year however differs from the total revenue reflected as having been received in the Exchequer Account of Kshs.762,163,158,239 by Kshs.910,865,172. As reported in the respective revenue statement's audit reports, the discrepancies are mainly due to unexplained and unreconciled differences between statements balances and the exchequer records maintained at Treasury.
- 2.2.9 From the above reasons it is apparent that there are persistent problems in accounting for revenue which has therefore, resulted in most of the Statements of Revenue for 2011/2012 having qualified audit opinions.

2.3 The Exchequer Account as at 30 June 2012

2.3.1 The Statement of Receipts into and Issues from the Exchequer Account for the year ended 30 June 2012 reflects an overall net surplus of Kshs.1,159,431,088 compared to a net surplus of Kshs.64,321,964 posted in the previous year. The total issues from the Consolidated Fund for both Recurrent and Development Services during the year 2011/2012 amounted to Kshs.912,182,711,625 against total receipts of Kshs.913,277,820,749 resulting in a surplus of Kshs.1,095,109,124 as at 30 June 2012. However, when added to the Exchequer balance of Kshs.64,321,964 brought forward from 2010/2011, the result is an overall net surplus of Kshs.1,159,431,088 as at 30 June 2012 compared to previous year closing balance of Kshs.64,321,964 as shown below:

	2011/2012 Kshs	2010/2011 Kshs
Total Receipts	913,277,820,749	828,355,598,036
Total Issues	<u>912,182,711,625</u>	<u>830,960,838,366</u>
Surplus/(Deficit) for the year	1,095,109,124	(2,605,240,329)
Exchequer balance brought forward	64,321,964	2,673,967,668
Post year adjustment	<u>-</u>	<u>(4,405,375)</u>
Exchequer Account balance as at 30 June	<u><u>1,159,431,088</u></u>	<u><u>64,321,964</u></u>

2.3.2 Receipts into the Exchequer Account during the year of Kshs.913,277,820,749 comprised of Ordinary Revenue and Other receipts as follows:-

Source of Revenue	Kshs
(i) Ordinary Revenue receipts (Recurrent and Development Votes)	762,163,158,239
Other Receipts:	
ii) Recoveries over issue -Recurrent	5,185,428,526
iii) Recoveries over issue- Development	11,311,755,948
iv) Treasury Bonds	<u>134,681,800,000</u>
Total receipts into Exchequer Account	<u>913,342,142,713</u>

2.3.3 The Exchequer Account reflects total Revenue Receipts from both Recurrent and Development votes during the year figure of Kshs.762,163,158,239 while the Recurrent and Development revenue summary statements show a total of Kshs.761,252,293,067 occasioning a difference of Kshs.910,865,172. However, the discrepancy is due to unexplained differences between statements balances and the Exchequer Records maintained at the Treasury which have also not been reconciled.

2.3.4 The Exchequer Account also reflect Kshs.39,981,000,000 Exchequer Issues under the Ministry of Education (Recurrent Vote), against the approved appropriated amount of Kshs.33,928,337,251 resulting in an over issue of Kshs.6,052,662,749 from the Exchequer Account during the year. The over issue arose from a withdrawal of a sum of Kshs.7 billion from the Consolidated Fund on 21 June 2012, to cater for the Free Primary and Free Day Secondary Education. However, no evidence has been provided for audit confirmation that Parliamentary approval for the additional expenditure was granted as required under Article 223 of the Constitution.

3. Summary of the Audit Results

3.1 The audit of the financial statements for the year ended 30 June 2012, indicates that out of the audited 252 financial statements only 6% had a clean (unqualified) audit reports while 51%, 10% and 33% had qualified, adverse and disclaimer of opinion reports respectively as detailed below:

	2011/2012		2010/2011	
	No. of Financial Statements	Percentage %	No. of Financial Statements	%
Unqualified Opinion	15	6%	-	-
Qualified Opinion	130	51%	60	33%
Adverse Opinion	24	10%	-	-
Disclaimer of Opinion	83	33%	121	67%
Total	252	100%	181	100%

3.2 From the table above, the trend shows that financial statements with unqualified opinions improved from nil statement in 2010/2011 to 15 statements in 2011/2012. However, statements with qualified opinions rose from 60 to 130 statements or 51% while statements with adverse and disclaimer of opinions (combined) declined from 121 in 2010/2011 to 107 statements in 2011/2012 or from 67% in 2010/2011 to 43% in 2011/2012.

3.3 Further, out of 252 financial statements audited, I was unable to arrive at any meaningful opinion on 33% or 83 financial statements, hence disclaimer of my opinion. Consequently I was not able to establish whether expenditures reflected in these statements were incurred lawfully and in an effective way as required by Article 229(6) of the Constitution. Were the accounts with disclaimer of opinion be treated as accounts with no proper justification, then by implication 33% of the total actual expenditure for 2011/2012 of Kshs.920,024,249,603 or Kshs.303,608,023,369 can be regarded as having not been properly accounted for.

The main issues forming the basis of qualifications of the audit opinion on the financial statements includes:-

- 3.4 For statements with Qualified Opinion
- Unsupported expenditures
 - Non surrender of imprests

- Unauthorized expenditures
- Uncleared balances reflected in the Statement of Assets and Liabilities
- Long outstanding reconciling items in bank reconciliation statements
- Excess expenditure
- Misallocation of expenditure items
- Lack of adequate disclosures

3.5 For statements with Adverse Opinion

- Discrepancies between the Appropriation Accounts and the respective Ledgers and the trial balance
- Differences between 2010/2011 closing audited balances and opening balances for 2011/2012
- Unsupported balances in the financial statements
- Failure to prepare financial statements in accordance to Treasury instructions

3.6 For statements with Disclaimer of Opinion

- Failure to produce trial balance as at 30 June 2012
- Exclusion of expenditures from the Appropriation Accounts
- Unexplained balances in the financial statements
- Unreconciled / unsupported balances
- Book keeping errors among other issues as illustrated below.

Whereas the reasons cited above generally influenced my opinion on the financial statements, I would like to detail out the following issues prevalent in the accounts:-

- Unsupported Expenditure
- Excess Expenditure
- Pending Bills
- Management of Imprests
- Maintenance of Bank and Cash Accounts
- Maintenance of Accounting Records

3.7 Unsupported Expenditure

3.7.1 During 2011/2012, a number of Ministries and Departments failed to avail documents in support of various expenditure totalling Kshs.5,214,321,544 appearing in the respective Appropriation Accounts, as summarized below:-

Vote	Ministry/Department	Unsupported Expenditure Kshs.
01	Internal Security	548,757,270
02	State House	46,990,908
05	Home Affairs	124,380,805
06	Planning and National Development	24,023,560
15	Labour	22,085,420
16	Trade	236,777,935
17	Justice, National Cohesion and Constitutional Affairs	697,783,597
23	Cabinet Office	42,200,000
31	Education	17,848,293
35	Special Programmes	709,898,240
36	Lands	54,653,475
40	Immigration and Registration of Persons	337,235,255
41	National Heritage and Culture	3,216,740
42	Youth Affairs and Sports	178,307,216
44	Housing	22,403,051
46	Tourism	1,574,810
49	Public Health and Sanitation	1,920,758,130
58	Development of Northern Kenya and Other Arid Lands	42,415,716
59	Public Works	40,043,516
60	Industrialization	<u>142,967,618</u>
	Total	<u>5,214,321,544</u>

In absence of the records and documentation, the propriety of the expenditure of Kshs.5,214,321,544 could not therefore be ascertained.

3.8 Excess Expenditure

3.8.1 Excess Expenditure incurred during 2011/2012 without Parliamentary approval totalled Kshs.7,048,222,153 compared to Kshs.362,357,466 recorded in the previous year. The Excess Expenditure of Kshs.7,048,222,153 was incurred under Recurrent Expenditure in five (5) Ministries/Department as follows:-

Vote	Ministry	Excess Vote (Kshs.)
13	Roads	67,918,413
17	Justice, National Cohesion and Constitutional Affairs	1,064,927,340
31	Education	5,509,953,008
47	Teachers Service Commission	403,668,065
55	Forestry and Wildlife	1,755,327
	Total	<u>7,048,222,153</u>

The Excess Expenditure of Kshs.7,048,222,153 does not however include pending bills amounting to Kshs.4,476,921,844 which, though relating to 2011/2012 were not settled during the year, but were instead carried forward to 2012/2013, as discussed in the ensuing paragraph.

3.7.3 Pending Bills

During the year ended 30 June 2012, a number of Ministries and Departments did not settle bills amounting to Kshs.4,476,921,844 comprising Kshs.3,135,726,929 and Kshs.1,341,194,915 under Recurrent and Development Votes respectively, but instead carried forward such bills to 2012/2013, as indicated below:-

Vote	Ministry/ Department	Recurrent Kshs	Development Kshs	Total Kshs
01	Provincial Administration and Internal Security	1,250,614,630	336,537,807	1,587,152,437
04	Foreign Affairs	79,073,453	-	79,073,453
05	Home Affairs	213,697,420	-	213,697,420

06	Planning, National Development & Vision 2030	17,038,369	-	17,038,369
07	Finance	90,739,630	-	90,739,630
09	Regional Development Authorities	13,457,223	-	13,457,223
10	Agriculture	18,246,448	-	18,246,448
11	Medical Services	279,241,276	-	279,241,276
13	Roads	30,793,912	-	30,793,912
14	Transport	13,820,070	-	13,820,070
18	Gender and Children Development	25,510,728	-	25,510,728
20	Water and Irrigation	90,162,800	-	90,162,800
22	Ministry of Cooperative and Marketing	5,752,214	-	5,752,214
23	Cabinet Office	1,016,528	-	1,016,528
24	Eastern African Community	34,603,205	-	34,603,205
25	State Law office	4,433,687	-	4,433,687
29	National Assembly	43,205,755	-	43,205,755
31	Education	2,272,720	-	2,272,720
35	Special Programmes	538,164,502	-	538,164,502
36	Lands	773,425	-	773,425
40	Immigration and Registration of Persons	239,938,182	-	239,938,182
41	National Heritage and Culture	4,818,210	-	4,818,210
42	Youth Affairs and Sports	32,736,447	-	32,736,447
43	Higher Education Science and Technology	45,475,610	-	45,475,610
44	Housing	54,643,188	-	54,643,188

46	Tourism	4,980,040	-	4,980,040
48	Office of the Prime Minister	6,931,060	-	6,931,060
49	Public Health and Sanitation	19,683,802	-	19,683,802
57	Nairobi Metropolitan Development	17,108,149	-	17,108,149
58	Development of Northern Kenya and Other Arid Lands	-	12,530,949	12,530,949
59	Public works	-	960,220,948	960,220,948
60	Industrialization	-	31,905,210	31,905,210
	Total	3,135,726,929	1,341,194,915	4,476,921,844

Had the bills totaling Kshs.4,476,921,844 been settled during the period and the expenditure charged to the accounts for 2011/2012,nine (9) additional Ministries and Departments would have recorded Excess Expenditure against Recurrent and/or Development Votes, as shown hereunder:-

3.8.2 Excess Expenditure Had the Bills Been Paid - Recurrent Vote

Vote	Ministry/Department	Net Surplus Kshs	Pending Bills Kshs	Excess Expenditure Kshs
11	Medical Services	106,155,743	279,241,277	173,085,533
30	East African Community	16,612,509	34,603,205	17,990,696
35	Special Programmes	112,476,199	538,164,502	425,688,303
40	Immigration	214,863,693	239,938,182	25,074,490
41	National Heritage	788,969	4,818,210	4,029,241
46	Tourism	1,542,993	4,980,040	3,437,048
49	Public Health	4,658,198	19,683,802	15,025,604

3.8.3 Excess Expenditure Had the Bills Been Paid - Development Vote

Vote	Ministry/Department	Net Surplus Kshs.	Pending Bills Kshs	Excess Expenditure Kshs.
59	Public Works	297,066,317	960,220,948	663,154,632
60	Industrialization	31,527,148	31,905,210	378,062

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

3.9 Management of Imprests

3.9.1 The audit of imprests accounts across the ministries revealed major weaknesses in the management and accounting for imprests as summarized below:-

- Imprest balances reflected in the statements of assets and liabilities could not agree with the respective imprest registers or the ledgers and there were no reconciliations made.
- Lack of supporting documentation and evidence of material imprest balances relating to previous years but purported to have been cleared during the year 2011/2012.
- Long outstanding imprests not cleared, some of which is held by deceased, officers who have left service or retirees.

- Lack of analysis making it impossible to determine the holders of these balances

3.9.2 The audit also revealed huge imprest balances which ought to have been recovered or otherwise accounted for on or before 30 June 2012 but was still outstanding as that date amounted to Kshs.2,142,569,431.65 as shown below:-

Vote	Ministry/Department	Recurrent Vote Imprest Kshs	Development Vote Imprest Kshs	Total Outstanding Imprest Kshs
01	Provincial administration & Internal Security	152,797,403		152,797,403
02	State House	1,191,004		1,191,004
04	Public Service	38,053,160	33,646,358	71,699,518
05	VP and Home Affairs	52,931,891		52,931,891
07	Finance	265,376,621	225,309,822	490,686,443
08	Defense	4,475,000		4,475,000
09	Regional Development	369,599		369,599
10	Agriculture	523,863,840	249,442,769	773,306,609
11	Medical Services	15,741,485	109,293,300	125,034,785
12	Local Government	6,443,086		6,443,086
14	Transport	777,818		777,818
15	Labour & Human Resource Dev	6,113,426	5,817,666	11,931,092
16	Trade	2,200,591	250,000	2,450,591
18	Gender, Children & Social Development	4,485,835		4,485,835
19	Livestock Development	90,177,006	20,660,273	110,837,279
20	Water & Irrigation	5,454,018	2,727,009	8,181,026

21	Environment & Natural Resources	10,219,481	171,810,904	182,030,385
23	Cabinet Office	944,635	251,187	1,195,822
24	East African Community	2,100,894		2,100,894
25	State Law Office	2,679,564		2,679,564
26	The Judiciary	2,583,104		2,583,104
31	Education	17,317,388	5,022,678	22,340,065
36	Lands	2,106,279		2,106,279
40	Immigration & Registration of Persons	1,376,946		1,376,945
41	VP, National Heritage & Culture	163,140		163,140
42	Youth Affairs & Sports	81,790,342		81,790,342
43	Higher Education, Science & Technology	30,500	38,000	68,500
44	Housing	2,492,086		2,492,086
45	NSIS	16,739,939		16,739,939
46	Tourism	2,518,740		2,518,740
49	Public Health & Sanitation	1,982,456		1,982,456
58	North Eastern Kenya and other Arid Areas	1,067,054		1,067,054
59	Public Works	6,730,437	216,824,598	223,555,035
60	Industrialization	3,489,924		3,489,924
	Total	1,101,474,868	1,041,094,563	2,142,569,432

3.10 Maintenance of Bank and Cash Accounts

- 3.10.1 Maintenance of Cashbooks across the ministries during 2011/2012 was noted to be weak. As reported in the previous years, the Bank Reconciliation Statements for Recurrent, Development, Deposits and Fund Cashbooks as at 30 June 2012 for several ministries and departments continued to reflect material receipts and payments in the Cashbooks not reflected in the Bank Statements and also receipts and payments in the Bank Statements not reflected in the Cashbooks. Several entries in the Bank Statements were not analyzed while others have been outstanding for a very long period of time. Most of the ministries' Cashbooks' balances as at 30 June 2012 have not been reconciled with Paymaster General Account (PMG) in the ledger.
- 3.10.2 As a result the accuracy and validity as at 30 June 2012 of most of the PMG balances, which is equivalent to Bank and Cash account balances, could not be ascertained. Detailed observations on the statements are covered under the respective Ministries and Departments reports.

3.11 Maintenance of Accounting Records

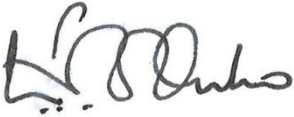
- 3.11.1 As in the previous years and as also indicated above, there is weak and inadequate maintenance of accounting records observed across a number of ministries and departments during the year. A number of financial statements differed materially with the Ledgers and Trial Balances from where ideally they ought to have been derived.
- 3.11.2 In addition, the ministries and departments continued to prepare their respective financial statements on Cash Basis of accounting as instructed by Treasury. This implies that capital assets are expensed as a result of which Statements of Assets and Liabilities as at the end of each financial year do not show a complete and true and fair view of the ministry's or department's assets and liabilities. As at 30 June 2012 we do not, as such, know what each ministry/department owns and consequently the net worth of the Government of Kenya as a whole cannot be determined. The situation will definitely be more complicated and intricate when County Governments come on board as this problem will be devolved to all the 47 of them.

It is my recommendation that the Government adopts either Accrual or Modified Accrual Basis of International Public Sector Accounting Standards (IPSAS).

Conclusion

Detailed report for the Public Accounts for the year ended 30 June 2012 is contained in the combined report. Specific reports together with my opinions for each financial statement are contained in each respective ministry's audited financial statements for the year ended 30 June 2012 already issued to each Accounting Officer. I appeal to each Accounting Officer to address all the issues pertaining to their respective ministry/department as detailed in my combined report for 2011/2012.

My report has been posted on Office of the Auditor General Website: www.kenao.go.ke



Edward R. O. Ouko, CBS
AUDITOR GENERAL

Date 23 May 2013

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 2011/2012

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MINISTRY OF FINANCE

EXCHEQUER ACCOUNT

STATEMENT OF RECEIPTS INTO AND ISSUES FROM THE EXCHEQUER ACCOUNT

Basis for Qualified Opinion

Exchequer Over-Issue

1. The Statement of Receipts into and Issues from the Exchequer Account for the year ended 30 June 2012 reflects Kshs.39,981,000,000.00 Exchequer issues under the Ministry of Education (Recurrent Vote), against the approved appropriated amount of Kshs.33,928,337,251.00, resulting in an over issue of Kshs.6,052,662,749.00 from the Exchequer Account during the year. The over issue arose from a withdrawal of a sum of Kshs.7 Billion from the Consolidated Fund on 21 June 2012, to cater for the Free Primary and Free Day Secondary Education. However, no evidence has been provided for audit confirmation that Parliamentary approval for the additional expenditure was granted as required under Article 223 of the Constitution.

FINANCIAL STATEMENTS FOR VOTE R.07

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Accuracy of the Appropriation Account

Discrepancies between the Appropriation Account and the Ledger

2. The Appropriation Account for Vote R.07 for the year ended 30 June 2012 reflects balances under various Heads in respect of Item 2110100 – Basic Salaries – Permanent Employees and Item 2110300 – Personal Allowances paid as part of Salary, which do not agree with the corresponding amounts appearing in the Ledger for the month of June 2012 as summarized below:-

Item	Expenditure as per Appropriation Kshs	Expenditure as per the Ledger Account Kshs	Difference Kshs
2110100	1,033,519,075.00	1,089,441,391.00	(55,922,316.00)
2110300	<u>529,328,150.00</u>	<u>558,988,548.00</u>	<u>(29,660,398.00)</u>
Total	<u>1,562,847,225.00</u>	<u>1,648,429,939.00</u>	<u>(85,582,714.00)</u>

The difference of Kshs.85,582,714.00 representing expenditure excluded from the Appropriation Account under the expenditure items has not been clarified.

Misallocation of Expenditure

3. The Appropriation Account also reflects expenditure of Kshs.740,559,756.60 under Head 070101, Sub-Item 2211308 – Legal Dues/Fees Arbitration and Compensation payments. The expenditure includes Kshs.244,068,499.00 incurred on meals, training, transport and procurement of goods and services. No Treasury authority approving re-allocation of the funds was availed for audit review.

Unbudgeted Expenditure

4. The Appropriation Account also reflects expenditure totalling Kshs.50,000,000.00 incurred under Head 070201, Item 2810100 – Budget Reserves against which no provision had been made in the budget. The expenditure of Kshs.50,000,000.00, which was to cater for the Sinai slums fire tragedy, was not authorized by Parliament as it was not regularized during the 2011/2012 Supplementary Budget as required and was therefore illegally incurred.

Over Expenditure

5. The Appropriation Account reflects expenditures of Kshs.246,114,045.00 and Kshs.501,775,770.00 incurred under Head 070305, Item 2211300 – Other Operating Expenses and Head 070306, Item 2210900 – Insurance Costs respectively, against which only provisions of Kshs.232,000,000.00 and Kshs.480,000,000.00 respectively had been made in the budget. However, details of how the Ministry financed the over expenditures of Kshs.14,144,045.00 and Kshs.21,775,770.00 respectively incurred under the two Heads were not availed for audit review.

Grants to Government Agencies and Other Levels of Government

6. The Appropriation Account further shows expenditure totalling Kshs.11,618,563,773.00 under Head 070101, Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, which includes an amount of Kshs.11,593,331,407.00 disbursed to the Kenya Revenue Authority during the year. However, the audited financial statements of the Authority for 2011/2012 reflect a figure

of Kshs.11,560,271,000.00 in respect of the grants, occasioning a difference of Kshs.33,060,407.00 which has not been reconciled or explained.

Failure to provide Footnotes to the Accounts

7. Although Section 11.7.2 (a) of the Government Financial Regulations and Procedures requires that footnotes be provided to explain variances of over Kshs.1,000,000.00 above and below between 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.

Pending Bills

8. Examination of records maintained at the Ministry's Headquarters revealed that bills totalling Kshs.90,739,630.10 chargeable to the Recurrent Vote were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for Vote R.07 for the year ended 30 June 2012 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.1,184,098,198.80 instead of Kshs.1,274,837,828.90 now shown.

STATEMENT OF ASSETS AND LIABILITIES

Paymaster General Account

9. The Statement of Assets and Liabilities for Vote R.07 as at 30 June 2012 reflects a Paymaster General (PMG) Account credit balance of Kshs.115,644,700,927.59, while the Cashbook as at the same date show an amount of Kshs.442,230,410.60. The difference between the two sets of records has not been reconciled. In the circumstances, the accuracy of this particular balance could not be confirmed.

Recurrent Cashbook Bank Reconciliation Statement

10. The Ministry did not submit the bank reconciliation statement for the Recurrent Cashbook as at 30 June 2012, contrary to Section 5.9.2.1 of the Government Financial Regulations and Procedures. No reason has been provided for failure to prepare and submit the reconciliation statement for audit. Under the circumstances, the accuracy of the cashbook balance as at 30 June, 2012 of Kshs.442,230,410.60 could not be ascertained.

Unsupported Accounts Movements

11. The Statement further reflects Accounts movements during 2011/2012 under various items as shown below:-

Account Description	Amount (Kshs)
Standing Imprests	359,649.70 CR
Special Imprest	17,048,523.10 CR
Temporary Imprests	1,222,480.80 CR
Advance of Salary	6,909.25 CR
Items Awaiting Clearance	1,016,154.85 CR
Provincial/District Suspense	4,222,101.10 CR
PMG balances	670,906,478.20 DR
RD/Stale Cheques	525,014.00 CR

These movements were however not supported with relevant analyses or documents, and as a result, the validity and accuracy of such movements could not be confirmed.

Temporary Imprests Account

12. The Statement in addition reflects Temporary Imprest Account balance of Kshs.263,408,427.50 relating to 2010/2011 and earlier years. No reasons have however been provided for failure to have the imprests surrendered or accounted for as at 30 June 2012. Further, the balance of Kshs.263,408,427.50 differs from the balance of Kshs.60,365,218.90 reflected in the Imprest Registers maintained by the Ministry. The difference of Kshs.203,043,208.60 has also not been reconciled or explained.

Outstanding Temporary Imprests

13. Examination of Imprests records maintained at the Ministry's Headquarters indicated that temporary imprests totalling Kshs.60,365,218.90, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2012, were still outstanding as at that date.

14. Out of the total, imprests amounting to Kshs.21,847,930.25 were owed by officers on Job Group 'M' and above, Kshs.32,655,065.90 by officers on Job Group 'L' and below, Kshs.1,807,508.60 by Politicians, Kshs.1,948,467.50 by individuals who are no longer working in the Ministry and whose contacts are yet to be established, Kshs.338,845.00 by deceased officers, Kshs.1,155,960.40 by officers who had been transferred to other Ministries/Departments, while the balance of Kshs.611,441.25 was indicated as being under investigations.

Standing Imprest Account

15. The Statement further reflects Standing Imprest Account debit balance of Kshs.9,018,753.15 relating to 2010/2011 and earlier years. Further, the balance of Kshs.9,018,753.15 also differs from the balance of Kshs.1,968,193.15 reflected in the Imprest Register maintained by the Ministry. The difference of Kshs.7,050,560.00 has not been reconciled or explained.

Outstanding Standing Imprests

16. Examination of imprests records maintained at Ministry's Headquarters indicated that Standing Imprests totalling Kshs.1,968,193.15, which ought to have been surrendered or otherwise accounted for, on or before 30 June 2012 were still outstanding as at that date. Out of this total, imprests amounting to Kshs.1,153,528.55 were owed by various officers in the Ministry, Kshs.814,589.60 by deceased officers, while the balance of Kshs.75.00 was due from an ex-employee. No reason has been provided for failure to adhere to the Government financial regulations and procedures governing issue and surrender of imprests.

Special Imprest Account

17. The Statement reflects Special Imprest Account unusual credit balance of Kshs.15,903,523.10 which has not been supported with analysis and as a result, it has not been possible to confirm what the balance as at 30 June, 2012 represents.

Long Outstanding Balances

18. The Statement further reflects balances brought forward from 2010/2011 and earlier years under Training – DPM, Items Awaiting Clearance, Provincial/District Suspense Account, General Account on Vote Excess Appropriation In Aid, R/D Stale cheques and Returned Salary of Kshs.2,587,481,838.95, Kshs.12,511,206,126.95, Kshs.106,682,946,242.53, Kshs.12,380,717,596.39, Kshs.38,717,321.25, Kshs.29,269,608.35 and Kshs.3,363,203.75 respectively which had not been cleared as at 30 June 2012. No reasons have been given for failure to clear the long outstanding balances from the books of account.

Unanalysed Balances

19. The Statement also reflects various balances against Items Awaiting Clearance, Provincial/District Suspense Account, Training DPM Account, Net Salary Advance and Advance of Salary Accounts which have not been supported with relevant analyses. In the absence of the analyses, accuracy and completeness of the balances could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.07

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Accuracy of the Appropriation Account

Discrepancies between the Appropriation Account and the Ledger

20. The Appropriation Account for Vote D. 07 for the year ended 30 June 2012 reflects various balances under Heads 070202, 070203 and 070311, which do not agree with the corresponding amounts appearing in the Ledger for the month of June 2012, as follows:-

Head	Expenditure as per Appropriation Account Kshs.	Expenditure as per Ledger Kshs.	Difference Kshs.
070202	936,452,001.00	935,536,993.35	915,007.65
070203	20,557,553.00	69,271,882.80	(48,714,329.80)
070311	345,263,351.00	346,238,350.50	(974,999.50)
Total	<u>1,302,272,905.00</u>	<u>1,351,047,226.65</u>	<u>(48,774,321.65)</u>

No reconciliation or explanation has been provided for the discrepancies between the two sets of records.

Discrepancies between the Appropriation Account and Payment Vouchers

21. The Appropriation Account also reflects balances under Head 070401, which do not agree with the supporting payment vouchers as detailed below:-

Head	Item Account	Expenditure as per Appropriation Vouchers Kshs.	Expenditure as per Payment Kshs.	Difference Kshs.
070401	2630200	5,700,000,000.00	6,050,000,000.00	(50,000,000.00)
070401	3110500	<u>3,393,686,208.00</u>	<u>2,076,086,260.00</u>	<u>1,317,599,948.00</u>
Total		<u>9,093,686,208.00</u>	<u>8,126,086,260.00</u>	<u>967,599,948.00</u>

As in the previous instance, no clarification has been made for these discrepancies.

Omission of a Head in the Appropriation Account

22. 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 2011/2012, as shown below:-

	Original Estimates Kshs.	Supplementary Estimates Kshs.	Approved Estimates Kshs.
Expenditure			
Item 2630200	60,000,000.00	-	60,000,000.00
Appropriations-In-Aid			
Item 1320200	60,000,000.00	-	60,000,000.00

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

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

23. The Appropriation Account further reflects gross under – expenditure of Kshs.5,805,841,707.35, representing approximately 21% of the approved estimates of Kshs.27,380,866,169.00. The Account also reflects under collection of Appropriations–In–Aid of Kshs.3,738,013,727.65 or about 92% of the estimated receipts of Kshs.4,080,896,269.00. 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.

Over Expenditure

24. The Appropriation Account further reflects a total over-expenditure of Kshs.496,406,208.00 incurred under various items against which only a provision of Kshs.3,400,500,000.00 had been made in the budget as shown below:-

Head	Item	Actual Expenditure Kshs.	Voted Provision Kshs.	Over Expenditure Kshs.
070101	2630200	500,000,000.00	450,000,000.00	50,000,000.00
070302	3111100	2,320,000.00	-	2,320,000.00
070311	2211200	900,000.00	500,000.00	400,000.00
070401	3110500	<u>3,393,686,208.00</u>	<u>2,950,000,000.00</u>	<u>443,686,208.00</u>
Total		<u>3,896,906,208.00</u>	<u>3,400,500,000.00</u>	<u>496,406,208.00</u>

No clarification has been provided on how the Ministry financed the huge over expenditure of Kshs.496,406,208.00 during the year. It is also not clear how the Integrated Financial Management System (IFMIS), a management control tool, allowed an over expenditure of this magnitude to occur.

Omission of Footnotes to the Account

25. All Items with material variations between Approved and Actual expenditure and Appropriations-In-Aid under Heads 070101, 070201,070202,070302 and 070312, have not been matched with corresponding footnotes to the Accounts, contrary to Section 11.7.2 (a) of the Government Financial Regulations and Procedures. No reason has been provided for the omission.

STATEMENT OF ASSETS AND LIABILITIES

Uncleared balances

26. The Statement of Assets and Liabilities for Vote D.07 as at 30 June 2012 reflects long outstanding debit and credit balances against various account items amounting to Kshs.47,649,833,227.40 and Kshs.31,987,622,318.55 respectively, as shown below:-

Account Particulars	Debit Balances Kshs.	Credit Balances Kshs.
Exchequer Account	31,956,000,616.30	-
Temporary Imprests	225,309,822.10	-
Items Awaiting Clearance	15,442,100,147.30	-
Provincial/District Suspense	26,422,641.70	-
GAV	-	31,967,539,583.95
Non-Existing Account	-	6,018,112.00
Standing Imprests	-	<u>14,987,622,318.55</u>
Total	<u>47,649,833,227.40</u>	<u>31,987,622,318.55</u>

No reasons have been provided for failure to have the long outstanding balances cleared from the books of account.

Unanalyzed balances

27. The Statement further reflects balances as at 30 June, 2012 which have not been supported with analyses as shown below:-

Account Particulars	Debit Balances Kshs.	Credit Balances Kshs.
Temporary Imprests	225,862,818.10	
Training – DPM	554,642,720.50	
Items Awaiting Clearance	15,442,117,156.30	
Provincial/District Suspense	43,070,132.30	
RD/Stale Cheques	169,468,841.45	
Standing Imprest		14,014,622.60
Non-Existing Account		<u>6,018,112.00</u>
Total	<u>16,435,161,668.65</u>	<u>20,032,734.60</u>

In the absence of analyses, the completeness and accuracy of the balances could not be ascertained.

Unsupported Accounts Movements

28. The Statement also reflects movements of various Accounts balances during 2011/2012 under Temporary Imprests, Standing Imprests, Training-DPM, Items Awaiting Clearance, Provincial/District Suspense, RD/Stale Cheques and Paymaster General Account as shown below:-

Account Description	Amount (Kshs.)
Temporary Imprest	552,996.00 DR
Standing Imprest	50,000.00 DR
Items Awaiting Clearance	17,009.00 DR
Provincial/District Suspense	16,647,483.60 DR
Paymaster General	26,816,203.75 CR

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.

Paymaster General (PMG) Account

29. The Statement of Assets and Liabilities for Vote D.07 as at 30 June 2012 reflects a Paymaster General (PMG) Account credit balance of Kshs.17,419,130,979.55, while the Cashbook and the Ledger for the month of June show amounts of Kshs.614,959,057.85 and Kshs.13,295,928,830.00 respectively. The resultant differences among the three sets of records have not been reconciled or explained. In the circumstances, the accuracy of the PMG balance could not be confirmed.

BANK RECONCILIATION STATEMENT FOR DEVELOPMENT CASHBOOK

Examination of the bank reconciliation statement for Development cashbook as at 30 June, 2012 revealed the following unsatisfactory matters:-

Payments in Cashbook not recorded in bank statement

30. The Bank Reconciliation Statement for Vote D.07 as at 30 June 2012 reflects payments totalling Kshs.9,141,712,236.80 in the cashbook not recorded in the bank statement, out of which an amount of Kshs.1,627,567,617.65 relates to 2010/2011 and earlier years. No reason has been provided for the inordinate delay in clearing the payments by the bank.

Payments in Bank Statement not recorded in Cashbook

31. The Statement also reflects payments of Kshs.6,894,714,629.70 in the bank statement not recorded in the cashbook, which include an amount of Kshs.1,387,116,501.00 relating to 2010/2011 and earlier years. No explanation has been provided for failure to record the payments, most of which are described as "CBK Debits", in the Cashbook.

Receipts in Bank Statement not recorded in Cashbook

32. The Statement further reflects receipts totalling Kshs.276,192,220.45 in the bank statement not recorded in the cashbook, out of which an amount of Kshs.64,414,873.00 relates to 2010/2011 and earlier years. No reason has been provided for failure to update the cashbook with the long outstanding receipts described as CBK Direct Credits.

Receipts in Cashbook not recorded in Bank Statement

33. The Statement in addition reflects receipts of Kshs.1,742,393,161.95 in the cashbook not recorded in the bank statement, which include an amount of Kshs.306,113,223.50 relating to 2010/2011 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 2012.

Overdrawn Cashbook

34. The Statement reflects a cashbook debit balance of Kshs.614,959,057.85 indicating that the Ministry had overdrawn the cashbook by a similar amount. There is however no evidence that the overdraft had been authorized by the Treasury.

THE STATEMENT OF ASSETS AND LIABILITIES FOR THE CONSOLIDATED FUND SERVICES (CFS)

Basis for Qualified Opinion

35. The Statement of Assets and Liabilities for Consolidated Fund Services (CFS) as at 30 June, 2012 reflects a Paymaster General (PMG) Account credit balance of Kshs.104,235,474,849.75 which has not been supported with verifiable documents. Further, it has not been clarified as to what the PMG credit balance represents.

In addition, bank reconciliation statements as at 30 June, 2012 for Public Debt (Vote R 50), Salaries, Allowances and Miscellaneous Services (Vote R52) and Subscriptions to International Organizations (Vote R53) cashbooks were not submitted for audit. As a result, accuracy of the PMG credit balance of Kshs.104,235,474,849.75 could not be ascertained.

36. The Statement also reflects Items Awaiting Clearance and Sinking Fund balances of Kshs.4,799,955,126.25 and Kshs.2,093,437.50 respectively, relating to 2010/2011 and earlier years. No reason has been provided for failure to clear these long outstanding balances from the books of Account. Further, the balances have not been supported with verifiable documents. It has therefore not been possible to confirm completeness and accuracy of these balances.

THE FINANCIAL STATEMENTS OF THE SUBSCRIPTIONS BY THE KENYA GOVERNMENT TO INTERNATIONAL ORGANIZATIONS

Basis for Qualified Opinion

37. The Statement of Subscriptions by the Kenya Government to International Organizations as at 30 June, 2012 reflects local value of subscriptions totalling Kshs.107,294,116,022.00 against Kshs.2,417,701,553.45 paid by the Government to various International Organizations as at that date. However, the entire subscriptions of Kshs.107,294,116,022.00 in respect to six (6) organizations had not been confirmed by these Organizations as at 30 June, 2012. Consequently, and in the absence of the confirmations, accuracy of the subscriptions value of Kshs.107,294,116,022.00 as at 30 June, 2012 could not be ascertained.

**THE FINANCIAL STATEMENT FOR CONSOLIDATED FUND SERVICES (CFS) -
PUBLIC DEBT - STATEMENT OF EXPENDITURE**

Basis for Qualified opinion

Ken-Ren Chemical and Fertilizer's Company – Loan Repayments

38. The Statement of Expenditure for Public Debt for the year ended 30 June 2012 reflects actual expenditure of Kshs.187,686,281,189.70 compared to the previous year's figure of Kshs.190,334,479,452.15 as summarized below:-

Sub Vote	Item	Item Description	Amount (Kshs.) 2011/2012	Amount (Kshs.) 2010/2011
501	2420000	External Debt Interest	85,151,678,967.45	60,394,009,811.85
	2410100	External Debt Interest	10,039,435,424.35	8,283,812,232.85
502	5210000	Internal Debt Redemptions	66,829,089,487.75	98,134,915,138.45
	5210600	External Debt Redemptions	<u>25,666,077,310.15</u>	<u>23,521,742,269.00</u>
Total			<u>187,686,281,189.70</u>	<u>190,334,479,542.15</u>

As similarly observed in the previous year, the expenditure of Kshs.10,039,435,424.35 and Kshs.25,666,077,310.15 incurred on External Debt Interest and External Debt Redemptions respectively, include amounts of Kshs.49,857,397.80 and Kshs.640,596,103.20 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. Although the Government continues to service these debts, it is a matter of concern that expenditure totalling Kshs.690,453,501.00 was incurred during the year on a project which did not take off and against which no value for money was realized.

**THE FINANCIAL STATEMENT FOR CONSOLIDATED FUND SERVICES (CFS) -
STATEMENT OF OUTSTANDING PUBLIC DEBT**

Emphasis of Matter

39. The Statement of Public Debt as at 30 June 2012 reflects outstanding public debt of Kshs.1,495,956,531,695.00, representing an increase of Kshs.113,574,336,820.00 or about 8% of public debt balance as at 30 June 2011 of Kshs.1,382,382,194,875.00 as shown below:-

Loans Description	Amount Outstanding As at 30 June 2011 Kshs	Amount outstanding as at 30 June 2012 Kshs	Increase/Decrease Kshs
Sterling Loans	2,328,000,783.00	1,936,868,403.00	(391,132,380.00)
Dollar Loans	396,364,064,959.00	438,570,138,338.00	42,206,073,379.00
Euro Loans	101,347,124,355.00	92,516,302,769.00	(8,830,821,586.00)
Other Currency Loans	104,252,671,375.00	99,340,256,263.00	(4,912,415,112.00)
Security Related Contracts	25,040,883,403.00	14,811,513,988.00	(10,229,369,415.00)
Kenya Currency Loans	30,783,000,000.00	29,783,000,000.00	(1,000,000,000.00)
Treasury Bonds	595,661,350,000.00	696,950,901,934.00	91,289,551,934.00
Short Term Borrowings	<u>126,605,100,000.00</u>	<u>132,047,550,000.00</u>	<u>5,442,450,000.00</u>
Total	<u>1,382,382,194,875.00</u>	<u>1,495,956,531,695.00</u>	<u>113,574,336,820.00</u>

40. As reported in the previous year, the net increase of Kshs.113,574,336,820.00 during 2011/2012 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 and Treasury Bills. My opinion is not qualified in respect of this matter.

THE STATEMENT OF ASSETS AND LIABILITIES OF THE GOVERNMENT CLEARING AGENCY FUND

Basis for adverse opinion

Unsupported Sundry Debtors and Creditors Balances

41. The Statement of Assets and Liabilities as at 30 June 2012 for the Government Clearing Agency Fund reflects balances of Kshs.363,908,438.00 under 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.

42. The Sundry Debtors balance of Kshs.363,908,438.00 increased by Kshs.29,980,032.30 from a balance of Kshs.333,928,405.70 as at 30 June 2011. However, the increase of Kshs.29,980,032.30 has not been supported with any verifiable documents.

Unsupported/Unreconciled Paymaster General Account Balance

43. The Statement also reflects a Paymaster General (PMG) overdraft balance of Kshs.284,787,049.15 compared to Kshs.254,807,016.85 reported as at 30 June 2011. The balance of Kshs.284,807,016.85 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.284,787,049.15 differs by Kshs.1,355,042,838.70 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 2012. The difference has not been reconciled or explained.

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

Basis for qualified opinion

44. The Statement of Expenditure for the Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services for the year ended 30 June 2012 reflects under Sub-Vote 522, Item 980 – Payments Under Loan Guarantee Act – Interest and Item 982 – Payments Under Loan Guarantee Act – Redemption, expenditure balances of Kshs.241,239,915.30 and Kshs.1,244,780,988.80 respectively, relating to loans the Government had guaranteed on behalf of two (2) Parastatals and a Local Authority as shown below:-

Organization	Principal Amount Kshs	Interest Amount Kshs	Total Kshs.
Kenya Broadcasting Corporation	827,633,313.00	161,973,630.15	989,606,943.15
Tana and Athi River Development Authority	339,835,925.80	75,891,493.15	415,727,418.95
Nairobi City Council	<u>77,311,750.00</u>	<u>3,373,792.00</u>	<u>80,686,542.00</u>
Total	<u>1,244,780,988.80</u>	<u>241,239,915.30</u>	<u>1,486,020,704.10</u>

As similarly reported in 2010/2011, 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. The Accounting Officer - Ministry of Finance informed the Public Accounts Committee that the debtors had requested the Government, as a guarantor, to meet their obligations after they experienced liquidity constraints and that the Ministry of Finance made the payments after obtaining the guarantee certificates from the Office of the Attorney General. The Accounting Officer further informed PAC that the amounts paid on behalf of the Institutions will be repaid to the Government once their financial situation improves. However, the certificates of guarantees from the Office of the Attorney General have not been made available for audit verification. Consequently, it has not been possible to ascertain whether or not the repayments of the loan and interest had complied with the terms and conditions of the take-over.

45. The Statement further reflects under Sub-Vote 521, Item 979 – Former President’s Retirements Benefits, an expenditure balance of Kshs.17,700,000.00 incurred during the year. However, payment vouchers and other supporting documents held by the Ministry show an expenditure of Kshs.18,000,000.00 as having been incurred against the Item during the year. The difference of Kshs.300,000.00 representing expenditure excluded from the Statement has not been clarified.

STATEMENTS OF REVENUE

Basis for qualified opinion

STATEMENT OF DEVELOPMENT REVENUE – HEAD DR .1

46. The Statement of Development Revenue Head DR. 1 for the year ended 30 June 2012 reflects total actual receipts of Kshs.26,630,048,053.20 against estimated collections of Kshs.52,217,967,713.00, resulting in an under-collection of Kshs.25,587,919,659.80 or approximately 49% of the estimated amount. However, no receipts were recorded during the year in respect of sixty (60) projects/programmes against which collections totalling Kshs.8,891,156,826.00 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.

47. Further, reasons for material deviations between the estimated and actual receipts of Kshs.52,217,967,713.00 and Kshs.26,630,048,053.20 respectively, have not been provided as a footnote to the Statement, contrary to Section 11.9.2 (c) of the Government Financial Regulations and Procedures.

48. The Statement shows an amount of Kshs.26,630,048,053.20 as having been paid to the Exchequer Account during 2011/2012. The records maintained at the Exchequer Section in Treasury reflect that an amount of Kshs.27,107,919,707.55 was received against Development Revenue. The difference of Kshs.477,871,654.35 between the two sets of records has not been reconciled or explained.

49. The actual receipts figure of Kshs.26,630,048,053.20 has also not been supported with a Ledger or Trial Balance as at 30 June 2012, consequent upon which accuracy of the receipts could not be ascertained.

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

50. The Statement of Revenue Head 4510000- Redemption Receipts from Domestic Lending and On-Lending for the year ended 30 June 2012 reflects actual receipts of Kshs.1,812,913,337.03 against estimated collections of Kshs.1,556,807,769.00, resulting in an over-collection of Kshs.256,105,568.03 representing approximately 16% of the estimated receipts. No reason has however been provided for the material over-collection. Further, the actual receipts figure of Kshs.1,812,913,327.03 differs from the amount of Kshs.1,442,053,020.30 reflected in the Ministry's Ledger for the month of June 2012, by Kshs.370,860,316.73. The difference has not been reconciled or explained.

51. The Statement also reflects payments to the Exchequer Account totaling Kshs.1,812,913,337.03 during the year ended 30 June 2012, while records maintained at the Exchequer Section in Treasury show receipts of Kshs.1,609,937,541.25. The

difference of Kshs.202,975,795.78 between the two sets of records has not been reconciled or explained.

52. The Statement further reflects nil cash balance as at 30 June 2012, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.3,217,569,271.05 against the Head. No reconciliation or explanation has been provided for the discrepancy.

53. The Statement of Arrears of Revenue due and uncollected as at 30 June 2012 indicates that arrears of revenue increased by an amount of Kshs.306,697,084.88 from Kshs.15,950,980,632.23 as at 30 June 2011 to Kshs.16,257,677,708.11 as at 30 June 2012. The increase is mainly attributed to arrears due from five (5) organizations/Institutions including Moi University, Coffee Board of Kenya, Horticultural Crop Development Authority (HCDA), Pyrethrum Board of Kenya and Co-operative Bank of Kenya. No proper explanation has been provided for the huge balances although some of the organizations were indicated to be experiencing financial problems during the year.

54. Further, the total Arrears of Revenue of Kshs.16,257,677,708.11 includes substantial balances amounting to Kshs.12,685,903,851.65 owed by six (6) organizations/institutions as indicated below:-

Organization	Amount as at 30/06/2011 Kshs.	Amount as at 30/06/2012 Kshs.
Nairobi City Council	4,550,785,854.00	4,550,785,854.00
Agricultural Finance Corporation	551,619,163.00	551,619,163.00
Kenya-Railways Corporation	2,058,303,911.10	2,058,303,911.10
Agro-Chemical and Food Co. Ltd	2,401,241,486.00	2,401,241,486.00
National Water Conservation/ Mombasa Pipeline	1,262,386,657.85	1,262,386,657.85
Horticultural-Crop Development Authority	<u>1,737,928,994.48</u>	<u>1,862,066,779.70</u>
Total	<u>12,562,266,066.43</u>	<u>12,686,403,851.65</u>

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.

STATEMENT OF REVENUE HEAD 1420000 - SALES OF GOODS AND SERVICES

55. The Statement of Revenue for Head 1420000-Sale of Goods and Services for the year ended 30 June 2012, reflects actual receipts totaling Kshs.1,904,120,077.70 in respect of Fees Under Traffic Act. Records maintained by the Kenya Revenue Authority however show total receipts of Kshs.2,506,995,038.00 during the period. The resultant difference of Kshs.602,874,960.30 between the two sets of records has not been reconciled or explained.

56. The Statement also reflects payments to the Exchequer Account figure of Kshs.1,904,120,077.70 as at 30 June 2012, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.2,276,826,986.15 against the item. The resultant difference of Kshs.372,706,908.45 has not been reconciled or explained. Further, the actual receipts figure of Kshs.1,904,120,077.70 differs from the amount of Kshs.2,218,041,701.55 reflected in the Ministry's Ledger for the month of June 2012, by Kshs.313,921,623.85. Again, the difference has not been reconciled or explained.

57. The Statement in addition reflects a carried forward balance of Kshs.192,239.40 which however differs by Kshs.1,124,355,345.55 from the figure of Kshs.1,124,547,584.95 shown against Traffic Revenue in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012. As in the previous instances, the difference between the two sets of records has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1210000 – SOCIAL SECURITY CONTRIBUTIONS

58. The Statement of Revenue Head 1210000 – Social Security Contributions for the year ended 30 June 2012 reflects payments to the Exchequer Account totaling Kshs.110,867,213.00, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.46,035,360.10 against the item. The resultant difference of Kshs.64,831,852.90 between the two sets of records has not been reconciled or explained. The payments made to the Exchequer of Kshs.110,867,213.00 were also not supported with any verifiable documentation.

STATEMENT OF REVENUE HEAD 1150000-TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS

59. The Statement of Revenue Head 1150000-Taxes on International Trade and Transactions for the year ended 30 June 2012 reflects receipts totaling Kshs.76,473,854,366.85, which include Customs Duties and Other Taxes on International Trade and Transactions balances of Kshs.51,711,783,271.85 and Kshs.24,762,071,095.00 respectively. However, records maintained in respect of the Revenue Head by the Kenya Revenue Authority show receipts of Kshs.76,759,346,345.00, resulting in a difference of Kshs.285,491,978.15 which has not been reconciled or explained. Further, the actual receipts figure of Kshs.76,473,854,366.85 also differs from the amount of Kshs.73,212,517,495.35 reflected in the Ministry's Ledger for the month of June 2012, by Kshs.3,261,336,871.50. Again, the difference has not been reconciled or explained.

60. The Statement also reflects a carried forward balance of Kshs.129,630,984.75, which however differs by Kshs.124,383,737,150.65 from the figure of Kshs.124,513,368,135.40 shown against Customs and Excise in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012. The difference has not been reconciled or explained. In addition, and as in previous years, no reason has been

provided for failure to remit to the Exchequer the significant balance of Kshs.129,630,984.75 as at 30 June 2012.

STATEMENT OF REVENUE HEAD 1410000 - SUB HEAD 1410200 - PROPERTY INCOME

61. The Statement of Revenue Head 1410000-Sub-Head 1410200-Property Income for the year ended 30 June 2012, reflects actual receipts of Kshs.12,693,335,549.35 comprising of Profit and Dividends from Central Bank of Kenya of Kshs.980,000,000.00 and Other Profits and Dividends of Kshs.11,713,335,549.35. However, the Ministry's Ledger as at the same date shows that an amount of Kshs.11,504,347,952.55 in respect of Other Profits and Dividends was collected during the period. The difference of Kshs.208,987,596.80 between the two sets of records has not been reconciled or explained. In addition, actual receipts of Kshs.980,000,000.00 in respect of Profit and Dividends from Central Bank of Kenya was not recorded in the Ministry's Ledgers.

62. The Statement also reflects payments to the Exchequer totalling Kshs.12,693,335,549.35 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.14,131,540,979.95 against the item. As in the previous instance, the difference of Kshs.1,438,205,430.60 has not been reconciled or explained. Also, the payments to the Exchequer of Kshs.12,693,335,549.35 were not supported.

63. 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 2012. Again, the difference between the two sets of records has not been reconciled or explained.

STATEMENT OF REVENUE HEAD 1140000 – TAXES ON GOODS AND SERVICES

64. The Statement of Revenue for Head 1140000 – Taxes on Goods and Services for the year ended 30 June 2012 reflects total actual receipts of Kshs.255,270,327,624.05, made up of amounts of Kshs.81,495,507,406.95, Kshs.94,890,564,084.35 and Kshs.78,884,256,132.75 under VAT – Local, VAT - Imports and Excise Taxes respectively. Records maintained at the Kenya Revenue Authority however show total receipts of Kshs.253,993,293,060.00 during the period. The resultant difference of Kshs.1,277,034,564.05 between the two sets of records has not been reconciled or explained.

65. The Statement also reflects a Revenue on Hand balance of Kshs.1,256,052,388.15 as at 30 June 2012 while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.431,733,930,514.75 against the item. The resultant difference of Kshs.430,477,878,126.60 between the two sets of records has not been reconciled or explained.

66. The Statement of Arrears of Revenue reflects a balance of Kshs.5,145,240,234.00 in respect of Arrears of Revenue due as at 30 April 2012 and uncollected as at 30 June 2012, comprising VAT on Domestic Goods and Services and Excise Tax arrears of Kshs.4,845,580,380.00 and Kshs.299,659,854.00 respectively. No reasons have been provided for failure to collect the arrears. Further, and as similarly noted in 2010/2011, the Statement does not separately show arrears in respect of 2010/2011 and earlier years, contrary to the requirement of Section 11.9.2 (a) of Government Financial Regulations and Procedures.

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

67. The Statement of Revenue Head 1410000 - Sub Head 1410401, Rent of Land for the year ended 30 June 2012 reflects actual receipts of Kshs.1,627,482,108.80 realized during the year, while records maintained at the Kenya Revenue Authority show collections of Kshs.1,122,913,947.00 against the Revenue item. The resultant difference of Kshs.504,568,161.80 between the two sets of records has not been supported, reconciled or explained.

68. The Statement also reflects a balance carried forward of Kshs.41.20, which however differs from the figure of Kshs.1,786,675,321.55 shown against Land Rent in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012. As in the previous instance, the huge difference of Kshs.1,786,675,280.35 between the two sets of records has not been reconciled or explained.

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

69. The Statement of Revenue Head 1410000, Sub-Head 1410100 – Loan Interest Receipts for the year ended 30 June 2012 reflects actual receipts of Kshs.1,138,934,040.19 against estimated receipts of Kshs.877,046,182.37, resulting in an over collection of Kshs.261,887,857.82 or approximately 30% of the estimated amount. However, the figure of Kshs.1,138,934,040.19 differs from the amount of Kshs.338,871,240.35 reflected in the Ministry's ledger for the month of June 2012, by Kshs.800,062,799.84. The difference has not been reconciled or explained.

70. The Statement also reflects payments to the Exchequer Account totaling Kshs.1,138,934,040.19 for the year ended 30 June 2012, while Exchequer records maintained at the Treasury show a figure of Kshs.1,235,816,306.15 against the item. The difference of Kshs.96,882,265.96 between the two sets of records has not been reconciled or explained.

71. The Statement does not reflect any balance on hand as at 30 June 2012, while the Statement of Assets and Liabilities for Deposits 07 as at same date shows an amount of Kshs.2,892,862,051.95 against the item. No explanation has been provided for the discrepancy.

72. The Statement of Arrears of Revenue as at 30 June, 2012 indicates that during the year, arrears of revenue increased by an amount of Kshs.610,515,979.99 from Kshs.39,005,830,806.40 as at 30 June 2011 to Kshs.39,616,346,789.39 as at 30 June 2012. The increase was mainly attributed to substantial arrears not having been received from Horticultural Crop Development Authority (HCDA), Pyrethrum Board of Kenya and Halal Meat Products. 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, Kshs.2,712,569,978.44 and Kshs.2,020,291,782.89 brought forward from 2010/2011 and earlier years against Nairobi City Council, Kenya Railways Corporation, Agro-Chemical and Food Co. Ltd, Horticultural Crop Development Authority (HCDA) and Halal Meat Products, respectively amongst others were not recovered during the year.

It has not however been indicated how the Ministry is addressing the above challenges.

REVENUE HEAD 1160000 – OTHER TAXES (NOT ELSEWHERE CLASSIFIED)

73. The Statement of Revenue Head 1160000 – Other Taxes (Not Elsewhere Classified) for the year ended 30 June 2012, reflects actual receipts totalling Kshs.7,857,096,516.55 realized during the year, while records maintained by the Kenya Revenue Authority show receipts of Kshs.7,890,998,836.00 against the Revenue Head. The resultant difference of Kshs.33,902,319.45 between the two sets of records has not been reconciled or explained.

74. The Statement further shows Revenue on Hand balance of Kshs.75.70 as at 30 June 2012, while the Statement of Assets and Liabilities for Deposits 07 as at the same date reflects a figure of Kshs.12,476,389,679.45 against the same item. As in the previous instance, the difference of Kshs.12,476,389,603.75 has not been reconciled or explained.

REVENUE HEAD 1450000 – OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

75. The Statement of Revenue Head 1450000 – Other Receipts Not Classified Elsewhere for the year ended 30 June 2012 reflects payments to Exchequer totalling Kshs.53,380,242,736.90 during the year, while records maintained at Exchequer Section at the Treasury show amount of Kshs.53,429,522,091.10 against the item. The difference of Kshs.49,279,354.20 between the two sets of records has not been reconciled or explained. Further, the Statement's figure of Kshs.53,380,242,736.90 has not been supported with any verifiable documentation.

76. The Statement also reflects a carried forward balance of Kshs.221,410,195.70, which however differs from the figure of Kshs.645,405,280.70 shown against

Miscellaneous Revenue in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012. As in the previous instance, the difference of Kshs.423,995,085.00 has not been reconciled or explained. Further, and as in previous years, no reason has been provided for the continued failure to remit to the Exchequer Account, the significant balance of Kshs.221,410,195.70 as at 30 June 2012.

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

77. The Statement of Revenue for Head 1110000 – Taxes on Income, Profits and Capital Gains for the year ended 30 June 2012, reflects actual receipts of Kshs.312,463,343,618.85 made up of Kshs.166,035,968,438.30 in respect of Income Tax from Individuals (PAYE) and Kshs.146,427,375,180.55 under Income Tax from Corporations (Other Income Tax). Records maintained by the Kenya Revenue Authority however show total receipts of Kshs.312,664,131,464.80, comprising Kshs.166,383,936,978.35 and Kshs.146,280,194,486.45 relating to PAYE and Other Income Tax, respectively. The resultant difference of Kshs.200,787, 845.95 between the two sets of records has not been reconciled or explained.

78. The Statement of Revenue also reflects Income Share of Local Authority Transfer Fund (LATF) actual receipts of Kshs.16,346,342,557.04, while records maintained by the Kenya Revenue Authority show receipts of Kshs.16,456,006,919.20. The difference of Kshs.109,664,362.16 has not been reconciled or explained. The actual receipts of Kshs.16,346,342,557.04 also differs from the amount of Kshs.5,231,592,165.25 appearing in the Ledger for the month of June 2012 by Kshs.11,114,750,391.79. As in the previous instance, the difference has not been reconciled or explained.

79. The Statement further reflects payments totaling Kshs.17,171,685,651.00 made to various Local Authorities in respect of LATF during the year. However, records maintained by Ministries of Finance, Local Government and other information available at the Central Bank of Kenya (CBK) on the other hand, indicate that such payments totalled Kshs.17,088,244,232.00, Kshs.16,413,757,246.75 and Kshs.17,323,635,657.00 respectively, during the period. As in the previous instance, the differences have not been reconciled or explained.

80. The Statement also reflects a carried forward balance of Kshs.22,826,891.75 in respect of PAYE and Other Income Tax, while the Statement of Assets and Liabilities for Deposits 07 as at June 2012 reflects a balance of Kshs.419,494,618,223.46. The difference of Kshs.419,471,791,331.71 between the two sets of record has not been reconciled or explained.

81. The Statement in addition, shows a carried forward balance of Kshs.3,655,015,500.38 in respect of Income Share of LATF, while the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012 reflects a figure of Kshs.16,974,848,797.60 against the item. The difference of Kshs.13,319,833,297.22,

as in the previous instance, has not been reconciled or explained. The balance of Kshs.3,655,015,500.38 further differs by Kshs.757,674,283.18 with the reconciled LATF Cashbook balance of Kshs.4,412,689,783.56 as at 30 June 2012.

82. The Statement of Arrears of Revenue due and uncollected as at 30 June 2012 reflects a balance of Kshs.93,494,435,553.00, made up of arrears of PAYE and Other Income Tax of Kshs.3,782,061,233.00 and Kshs.89,712,374,320.00 respectively. Besides failure to collect the arrears, the two 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 OUTSTANDING LOANS

Emphasis of Matter

83. The Consolidated Statement of Outstanding Loans as at 30 June 2012 reflects total loans lent balance of Kshs.94,635,188,960.28, out of which an amount of Kshs.6,658,055,688.14 has been repaid, leaving a balance of Kshs.87,977,133,272.14 outstanding as at that date. The balance of loans lent of Kshs.94,635,188,960.28 was recorded against various organizations among them eleven (11) Ministries as shown below:-

Ministry	Amount Lent Kshs.	Amount Repaid Kshs.	Amount Outstanding Kshs.
Finance	1,728,931,769.43	358,586,584.26	1,370,345,185.17
Trade and Industry	967,933,020.00	203,273,913.00	764,659,107.00
Environment and Natural Resources	2,528,492,217.13	41,843,740.00	2,486,648,477.13
Energy	34,882,566,759.73	5,252,606,288.69	29,629,960,471.04
Agriculture and Rural Development	6,172,651,446.20	497,403,617.00	5,657,247,829.20
Tourism and Information	188,000,000.00	-	188,000,000.00
Water and Irrigation	22,497,961,222.79	171,251,227.60	22,326,709,995.19
Lands and Settlement (SFT)	126,326,880.00	38,571,557.59	87,755,322.41
Local Government	7,729,498,620.00	94,518,760.00	7,634,979,860.00
Transport and Communication	6,705,206,369.00	-	6,705,206,369.00
Education	11,107,620,656.00	-	11,107,620,656.00
Total	<u>94,635,188,960.28</u>	<u>6,658,055,688.14</u>	<u>87,977,133,272.14</u>

The total outstanding loans balance of Kshs.87,977,133,272.14 as at 30 June 2012 represents an increase of Kshs.21,977,768,789.89 or approximately 33% of the total amount of Kshs.65,999,364,482.25 reported as at 30 June 2011.

84. As indicated in the report for 2010/2011, the Statement shows under the Ministry of Transport and Communication, outstanding loan balance of Kshs.6,705,206,369.00 as at 30 June 2012, which includes an amount of Kshs.2,065,555,780.00 lent to the Kenya Railways Corporation (KRC), but which had not been repaid as at 30 June 2012.

The Corporation has since been put under concession and the Ministry has explained that the responsibility of repaying the loans, interest and arrears thereon still rests with the Corporation. The Accounting Officer further informed the Public Accounts Committee that the liability would be dealt with through restructuring of the Corporation's Balance Sheet as the Ministry was still waiting for Cabinet authority to convert the KRC loan to equity. The foregoing notwithstanding, no information has been made available for confirmation of any progress made towards this matter as at 30 June, 2012. My opinion is not qualified in respect of this matter.

STATEMENTS OF THE PROVIDENT FUND

Basis for qualified opinion

Income and Expenditure Account

85. The Income and Expenditure Account for the Provident Fund for the year ended 30 June 2012 reflects nil income against nil expenditure. However, records available indicate that dividend income from Kenya Power and Lighting Company Limited and East African Breweries Limited totalling kshs.69,551,148.00 was received at the Treasury and transferred to the Exchequer Account instead of receipting the same under the Fund. No explanation has been provided as to why this income was not paid into the Fund Account in 2011/2012. Had this income been paid into the Fund Account, the Income and Expenditure Account would have reflected Surplus Income over Expenditure of Kshs.69,551,148.00.

Investment

86. The Fund Balance Sheet as at 30 June 2012 reflects a total investment balance of Kshs. 45,860,477.45. However, records available indicate that the investment with Kenya Power and Lighting Company Limited (KPLC) as at 30 June 2012 stood at 12,352,743 Ordinary Shares of Kshs.20.00 each valued at Kshs.247,054,860.00. The difference of Kshs.201,194,382.55 has not been reconciled or explained.

Preference Shares Omitted From Fund Account

87. Records held at the Ministry show that the Fund has invested in 8,066 4% and 500 7% Preference Shares with Kenya Power and Lighting Company Limited of Kshs. 20.00 each all valued at Kshs Kshs.171,320.00 which have not been reflected in the Balance Sheet as at 30 June 2012. No explanation has been provided on this omission.

Investment Certificates Not Availed

88. Records available indicate that the Fund Investment certificates for shares invested in East African Breweries Company Limited in which dividends totalling Kshs.65,975,425.00 were received in 2011/2012, were not availed for audit review. In

the absence of the investment certificates, it was not possible to ascertain the number of shares held with East African Breweries Company Limited as at 30 June 2012.

Cash on Deposit - Joint Consolidated Fund (JCF)

89. The balance sheet further reflects Cash on Deposit Joint Consolidated Fund (JCF) balance of Kshs.997,655.80. However, deposit certificates were not provided for audit review and the Organizations/Institutions in which the investment was placed were also not identified. In the absence of deposit certificates and identity of the Institutions/Organizations in which the investment was placed, ownership, existence and valuation of the investment of Ksh. 997,655.80 could not be confirmed.

Cash on Deposit - Cereals and Sugar Finance Corporation (C&SF Corp.)

90. The balance sheet also reflects Kshs.3,796,226.25 Cash on Deposit in respect of Cereals and Sugar Finance Corporation. Available information however indicates that the Cabinet approved winding up of Cereals and Sugar Finance Corporation on 13 September 2007. Among the recommendations contained in the Memorandum is that the Ministry of Finance takes over assets and liabilities of the Corporation. Although it has been explained that a liquidator has been appointed to wind up the Corporation, no information has been provided to show the progress made on the winding – up process as at 30 June, 2012. The investment balance of Kshs.3,796,226.25 may not be realized.

Unanalyzed Balances

91. The Balance Sheet also reflects credit and debit balances totalling Kshs.27,932,166.80 and Kshs.482,046.55 respectively, against the following items which were brought forward from previous years' Fund Accounts without supporting analyses.

Particulars	Amount (Kshs.)
Credits	
Capital Account	18,217,055.15
Surplus Cash Remitted By Departments.	9,622,726.15
Interest due from GOK	<u>92,385.50</u>
Total -Kshs.	<u>27,932,166.80</u>
Debits	
Provision on Investments	<u>482,046.55</u>

Although it has been explained that the supporting documents for these balances were lost in early 1970s, no Loss Report was availed for audit review. In the absence of the analyses and the Loss Report, completeness and accuracy of the balances could not be ascertained

Sundry Debtors

92. The balance sheet reflects Sundry Debtors (Dividends Receivable) balance of Kshs.99,541,079.10 expected from the Permanent Secretary, Treasury and relating to the period 2006/2007 to 2009/2010. However, income from Kenya Power and Lighting Company Limited and East African Breweries Limited totalling Kshs.92,627,483.60 received at the Treasury in 2011/2012, was not included in the sundry debtors balance of Kshs.99,541,079.10 as at 30 June, 2012. Had this income been included, the total sundry debtors (dividends receivable) from Treasury would have been Kshs.192,168,562.70. No explanation has been provided for the omission. Further, the Ministry has not given any indication as to when this amount will be paid into the Fund.

Paymaster General (PMG) Account

93. The balance sheet also reflects a balance of Kshs.224,946,058.30 against the Paymaster General Account, which excludes income totalling Kshs.192,168,562.70 receivable from the Permanent Secretary, Treasury in respect of dividends paid into the Exchequer Account as at 30 June, 2012. Had this income been taken into account, the PMG Account would have reflected a balance of Kshs.417,114,621.00 as at 30 June 2012.

STATEMENTS OF THE ASIAN OFFICERS FAMILY PENSION FUND

Basis for Qualified opinion

Income and Expenditure Account

94. The income and expenditure account for Asian Officers' Family Pension Fund for the year ended 30 June 2012 reflects nil income against an expenditure of Kshs.1,349,196.00, resulting in excess expenditure over income of a similar amount. However, records available indicate that income totalling Kshs.3,063,441.60 in respect of dividends received from Kenya Power and Lighting Company Limited in 2011/2012, was paid into the Exchequer Account instead of the Fund Account. No explanation has been provided for not paying receipts of Kshs.3,063,441.60 into the Fund Account.

Unsupported Balances

95. The Fund balance sheet as at 30 June 2012 reflects various credit and debit balances brought forward from 2010/2011 and earlier years, totaling Kshs.135,774,463.90 and Kshs.1,982,243.50 respectively, as follows:-

Particulars	Amount (Kshs.)
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Credits

Capital Account	98,093,684.95
Personal Contributions- Government Departments	1,449,677.35
Personal Contributions- E.A. Community	530,609.85
Personal Contributions- E.A. Customs	5,005.95
Government Contributions	1,219,565.05
Fines	1,082,904.45
Profits on Realization of Investments	33,393,016.30
Total	<u>135,774,463.90</u>

Debits

Provision on Investments	<u>1,982,243.50</u>
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As similarly reported in 2010/2011, 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.

Investments

96. The balance sheet also reflects an investment portfolio balance of Kshs.297,460,671.45 as at 30 June, 2012 as shown below:-

Accounts Description	Amount (Kshs.)
Investments	34,238,980.00
Cash on Deposit (JCF)	248,021,691.45
Cash on Deposit (C&SF Corp.)	<u>15,200,000.00</u>
Total	<u>297,460,671.45</u>

The investment figure of Kshs.34,238,980.00 representing shares held in Kenya Power and Lighting Company Limited is understated by an amount of kshs.177,430,220.00. Although it has been explained that the difference of Kshs.177,430,220.00 represents bonus shares earned on the investment over the years, the bonus share certificates were however not availed for audit review. As a result, it has not been possible to confirm the validity of the figure of Kshs.177,430,220.00, and accuracy of investment balance of Kshs. 34,238,980.00 as at 30 June, 2012.

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

identified. Consequently, existence of the investments and accuracy of the balance of Kshs.248,021,691.45 could not be ascertained.

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

99. 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 2011/2012 disclosed that the proceeds had not been reinvested as at 30 June 2012, and no reason has been given for the omission.

Paymaster General Account

100. The balance sheet further reflects a figure of Ksh.161,565,198.50 against the Paymaster General Account but which excludes income totalling Kshs.40,611,913.20 receivable from the Permanent Secretary/Treasury. Had this income been taken into account, the Paymaster General Account would have reflected a balance of Kshs.202,177,111.70 as at 30 June, 2012. The omission has not been explained.

Sundry Debtors

101. The balance sheet also reflects a balance of Kshs.17,777,685.10 against Sundry Debtors – Interest Receivable from Treasury. However, the balance excludes income in form of dividends received from Kenya Power and Lighting Company Limited during 2011/2012 totalling Kshs.22,834,227.60 and accounted for at the Treasury. Had this income been accounted for under the Fund, Sundry Debtors would have reflected a balance of Kshs.40,611,913.20 as at 30 June, 2012. No explanation has been provided for the omission.

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

Basis for Qualified opinion

Special Funds European Widows and Orphans Pension Scheme

102. The Statement of Assets and Liabilities for Pensions and Gratuities-Funds and Deposits as at 30 June 2012, reflects a balance of Kshs.82,287,412.35 in respect of Special Funds for European Widows and Orphans Pension Scheme. However, dividend income totalling Kshs.26,410,477.50 received by the Treasury from Kenya Power and

lighting Company Limited for the period 2011/2012 and earlier years, was excluded from the Account. Had the income been paid into the Fund Account, the Statement would have reflected a balance of Kshs.108,697,889.85 in respect of the Special Funds - European Widows and Orphans Pension Scheme as at 30 June, 2012.

Deposits - Asian Officers Family Pension Fund

103. The Statement further reflects a balance of Kshs.161,565,198.50 in respect of Deposit for Asian Officers Family Pension Fund. However, dividend income totalling Kshs.40,614,913.20 received by Treasury from Kenya Power and Lighting Company Limited for the period 2011/2012 and earlier years, was excluded from the Fund Account, thereby understating the Fund balance by the same amount. Had the income been paid into the Fund Account, the Statement would have reflected a balance of Kshs.202,180,110.50 in respect of the Deposits for Asian Officers Family Pension Fund as at 30 June, 2012.

Provident Fund

104. The Statement also reflects a balance of Kshs.224,946,058.30 in respect of the Provident Fund. However, dividend income totaling Kshs.192,168,562.70 from East African Breweries Limited and Kenya Power and Lighting Company Limited, received by Treasury for the period 2011/2012 and earlier years, was excluded from the Fund Account. Had the income been paid into the Fund Account, the Statement would have reflected a balance of Kshs.417,114,621.00 in respect of the Provident Fund as at 30 June, 2012.

Revenue Contributions

105. The Statement reflects a balance of Kshs.229,002,072.94 in respect of 2% Revenue contributions for Widows and Children Pension Scheme (W.C.P.S). However, analyses provided in support of the balances did not indicate miscellaneous receipt numbers which would have been used to verify and confirm receipts of Kshs.12,846,208.69 during the year.

106. The Statement further reflects a balance of Kshs.318,192,672.36 under 31% Revenue Contribution. However, the balance of Kshs.318,192,672.36 could not be confirmed since analysis provided did not include receipt numbers to facilitate verification of the details of receipts of Kshs.69,295,699.85 for 2011/2012.

107. No explanation has been provided as to why complete analyses were not provided for audit review of the 2% and 31% Revenue Contributions. Further, no reason has been given as to why the accumulated revenue contributions of 2% and 31% of Kshs.229,002,072.94 and Kshs.318,192,672.36 respectively, were not paid into the Exchequer Account as at 30 June 2012, as required by Government Financial Regulations and Procedures.

Suspense Abatement

108. The Statement reflects a balance of Kshs.55,586,969.03 against Suspense Abatement as at 30 June, 2012 which includes Kshs.30,566,063.33 for 2011/2012. However, accuracy and completeness of the balance of Kshs.55,586,969.03 could not be confirmed in the absence of a complete analysis. Further, no explanation has been provided as to why the accumulated balance was not paid to the Ministries/Departments where the liabilities had been incurred.

Paymaster General (PMG) Account

109. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.1,084,607,362.58 as at 30 June 2012, which includes a balance of Kshs.121,397,065.42 for the year. However, Fund Accounts for European Widows and Orphans Pension Scheme, Asian Officers Family Pension Fund and Provident Fund for the year ended 30 June 2012, excluded dividend income totalling Kshs.259,193,952.20 received by Treasury as indicated under paragraphs 1.1, 1.2 and 1.3 of this report

Had the income been paid into the respective Fund Accounts, the Statement of Assets and Liabilities as at 30 June 2012 would have reflected a PMG balance of Kshs.1,343,801,315.98. No explanation has been provided for this omission.

Bank Reconciliation Statements for Deposits Account Number 01-010-E040

Payments in Cashbook not in Bank Statement

110. The bank reconciliation statement for the Deposits Cashbook as at 30 June 2012, reflects payments totalling Kshs.234,456.40 in the cashbook not recorded in the bank statement in respect of a Stale Cheque No.392149 dated 30 June 2009. However, in the report for 2010/2011, the bank reconciliation statement contained stale cheques totalling Kshs.564,043.95 for the period February 2005 to June 2009. No evidence has however been availed to confirm replacement or reversal of the cheques in the cashbook. Further, no explanation has also been provided as to how stale cheques totalling Kshs.329,587.55 were cleared from the books during the year under review.

Receipts in bank statement not recorded in cashbook

111. The statement also reflects receipts totalling Kshs.122,722,813.20 in bank statement not recorded in the cashbook. Most of these receipts represent EFT deposits from Ministries or other Government Departments/Institutions. No explanation has been provided as to why these receipts, some of which dated as far back as 2009/2010, have not been posted into the cashbook.

Payments in Bank Statement not recorded in Cashbook

112. The Statement reflects payments totalling Kshs.10,199,429.90 in the bank Statement not recorded in the cashbook for the period April 2004 to February 2011. However, the correct amount ought to have been Kshs.10,204,182.15 brought forward on 1 July 2011. The balance of Kshs.4,752.25 was irregularly cleared from the books during the year under review as the physical dishonoured cheques and the cashbook confirming reversal of the cheques were not availed for audit review. Further, no reason has been given for failure to record the payments described as RD Cheques in the cashbook as at 30 June, 2012.

Receipts in Cashbook not recorded in Bank Statement

113. The Statement reflects receipts totalling Kshs.200,518,116.80 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 2012. 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.

THE CONSOLIDATED FUND SERVICES (CFS) – PENSIONS AND GRATUITIES – STATEMENT OF EXPENDITURE

Basis for Qualified opinion

Payments to Crown Agents Bank

114. The Statement of Expenditure for the Consolidated Fund Services – Pensions and Gratuities for the year ended 30 June, 2012 reflects expenditure totaling Kshs.24,280,061,882.25, which includes an amount of Kshs.39,661,380.00 equivalent to Sterling UK £ 300,000.00 at an exchange rate of Ksh.132.2046/Sterling UK Pound, remitted to Crown Agents Bank in the United Kingdom during the year, for payment to pensioners residing in that country. In addition, Transaction Account No.33160050 with Crown Agents was credited with an equivalent amount from the Asian Officers Family Pension Fund on 1 November 2011. The amount was to cater for payment of pensions to Asian Officers' Widows during 2011/2012. This brings the total money paid to the Bank to Sterling UK Pounds 600,000.00 equivalent to Ksh.79,322,760.00 as at 30 June, 2012. However, propriety of the total expenditure of Sterling UK Pounds 600,000.00 (Ksh.79,322,760.00) could not be confirmed as pensioners' records, including life certificates are said to be in the United Kingdom.

Irregular Payments

In the report for 2010/2011, reference was made to the following irregular payments made to the Crown Agents Bank in the United Kingdom:

Payments to Pensioners' Widows

115. A total of Sterling UK £1,031,317.56 (Ksh.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 their respective Pension Schemes.

116. A review of the position in 2011/2012 revealed that a sum of Sterling UK £300,000.00 (Kshs.39,661,380.00) was transferred from the investment of Asian Officers Family Pension Fund (AOFPF) on 1 November 2011 to cater for pension payments for the Asian Officers' Widows in 2011/2012.

117. However, European officers' widows continued to be paid their Pensions from the Consolidated Fund and a total of Sterling UK £.26,937.84 (Ksh.3,798,235.44) was paid to them during the year under review.

Further, no evidence has been provided to show that the irregular pension payments made to Asian and European widows reported in 2010/2011, totalling Sterling UK£.1,031,317.56 (Ksh.145,415,775.96) had been repaid as at 30 June 2012. Therefore, total pension payments made in contravention of the provisions of the Agreement of 1977 between the two Governments amounts to Sterling UK£.1,058,255.40 (Ksh.149,214,011.40) as at 30 June 2012. No explanation has been provided for the anomaly.

Payment of Administrative Charges to Crown Agents Bank

118. In 2010/2011, it was reported that administrative charges totalling Sterling UK Pounds 536,500.00 (Ksh.75,646,500.00) had been paid to the Crown Agents Bank, in the United Kingdom as at 30 September 2011. No evidence has however been provided to show that these charges had been agreed upon by the two Governments as stipulated in the Agreement of 1977.

119. A review of the position in 2011/2012 revealed that the Ministry continued to pay the quarterly administrative charges of Sterling UK £4,292.00 (Ksh.605,172.00), at an exchange rate of Kshs.141.00/STG UK Pound, during the year under review and as at 30 June 2012, a total of Sterling UK £.12,876.00 (Ksh.1,815,516.00) had been paid, bringing the total administrative charges irregularly paid to the Bank to Sterling UK £.549,376.00 (Kshs.77,462,016.00).

No explanation has been provided for the anomaly.

Pension Payments through the Department For International Development (DFID)

120. During 2010/2011 and earlier years, a total of Sterling UK Pounds 469,891.58 (Ksh.66,254,716.78) was paid to 957 pensioners residing in the United Kingdom through the Department For International Development (DFID), although the Ministry apparently did not have records of these pensioners.

121. A review of the position in 2011/2012 revealed that the Ministry continued to pay pensions to these pensioners and a total of Sterling UK Pounds 143,198.21 (Kshs.20,190,951.61) was paid to them during the year under review, bringing the total pensions paid through DFID to Sterling UK £ 563,776.08 (Ksh.79,492,435.28) as at 30 June 2012.

122. No explanation has been provided as to why the Ministry continued to pay pensions to pensioners residing in the United Kingdom through DFID, yet their existence is doubtful.

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

123. During 2010/2011, it was reported that a total of Sterling UK Pounds 420,577.87 (Ksh.59,301,483.67) was paid through the Department For International Development (DFID) from 1 July 2008 to 4 November 2011. However, the pensions paid were not taxed contrary to the provisions of Article 4(2) of the Agreement of 1977 between the two Governments which stated 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.”

124. A review of the position in 2011/2012 revealed that the tax payable to the Government of Kenya on pensions paid in 2010/2011 was not paid. Further, Pay As You Earn tax on pensions totalling STG UK Pounds 143,198.21 (Kshs.20,190,951.61) paid in 2011/2012, was also not paid, bringing the total untaxed pensions paid through DFID to Sterling UK£.563,776.08 (Ksh.79,486,435.28) as at 30 June 2012. No explanation has been provided for the omission.

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

125. During 2010/2011 and earlier years, administrative charges totaling Sterling UK £746,750.00 (Ksh.105,291,750.000) was irregularly paid to the Department for International Development (DFID).

126. A review of the position in 2011/2012 revealed that the Ministry continued to pay the irregular quarterly administrative charges of Sterling UK Pounds 4,525.00 equivalent to Ksh.638,025.00 at an exchange rate of Ksh.141.00/STG UK Pound. As a

result, a total of Sterling UK Pounds 18,100.00 (Kshs.2,552,100.000) was paid; bringing the total administrative charges paid, irregularly to DFID to Sterling UK £760,325.00 (Ksh.107,205,825.000) as at 30 June 2012.

No explanation has been provided for the irregular payments.

Investment of Kenya European Widows and Orphans Pension Fund – 414B – A/C NO. 33160095/GBP

127. During 2010/2011, it was reported that the Kenya European Widows and Orphans Pension Fund – 414B – A/C No. 33160095/GBP was operating as a non-discretionary investment and a credit balance of Sterling UK £379,539.36 was held in Cash Deposits at the Bank of Scotland in the United Kingdom as at 30 June 2011. The deposit also attracted an annual fixed charge of Sterling UK £ 5,000.00 which was lower than the average interest income of Sterling UK £ 3,128.88 per annum. This resulted in a net loss of Sterling UK £1,871.12 or about Ksh.263,827.92 annually.

128. It was however recommended that the non-discretionary investment of Sterling UK £379,539.36 be changed to a full discretionary investment to enable the Fund Manager to have a free hand to invest the funds in a more lucrative investment.

129. A review of the position in 2011/2012 revealed that the Fund was irregularly closed down on 21 September 2012 and the funds which had reduced to Sterling UK £376,266.77 transferred to a new Transaction Account No.33160952 for payment of pensions to Kenya European Widows and Orphans (KWOPS) in future.

130. However, the investment of Sterling UK Pounds 376,366.77 may be depleted/exhausted faster in paying pensions to the European Widows than if the funds were re-invested in more lucrative investments. The decision to close the Fund Account and re-invest the funds in a more lucrative investment should be reconsidered to allow the Fund to grow.

131. It is however not clear why the Ministry decided to close the Fund, yet the Fund belongs to active/live European Widows with a specific purpose to pay their pensions as agreed between the two Governments in 1977.

Fraudulent Encashment of Cancelled Cheques – C.F.S Cashbook -2008/2009

132. As reported in 2010/2011, a sum of Kshs.15,442,681.70 was lost through fraudulent encashment of cheques which had been cancelled, or through various irregularities. A review of the position in 2011/2012 revealed that an amount of Kshs.15,442,681.70 lost had not been recovered as at 30 June 2012. No explanation has been given for the omission.

Pension Payroll

Examination of payroll records at the Pensions Department during the year 2011/2012 revealed the following unsatisfactory matters:-

Irregular/Double Payments of Lump Sum Pensions

133. In the report for 2010/2011, it was indicated that lump sum pensions totaling KShs.4,219,319,738.65 were paid to pensioners operating accounts in various banks between February 2009 and February 2010, when the Pension Management Information System (PMIS) was operated without an audit trail at the back end of the system. Out of this amount, propriety of lump sum pensions totalling Kshs.1,914,419,101.75 or about 46% could not be confirmed.

134. A review of the position in 2011/2012 revealed that expenditure of Kshs.1,657,400,132.50 or about 54% of lump sum pensions totaling Kshs.3,076,087,179.80 could still not be confirmed, as at 30 June, 2012.

Bank Account Details and Duplicate Bank Accounts

135. In the report for 2010/2011 and earlier years, reference was made to a number of cases where several pensioners appeared in the payroll, but their bank details including the accounts into which their dues were paid were missing. In other instances, and for unclear reasons, more than one pensioner shared the same bank account, resulting in pension dues totaling Kshs.22,087,819.90 being paid into these accounts.

136. A review of the position in 2011/2012 revealed that the Ministry obtained correct details for some of the duplicate bank accounts and deleted all the joint accounts held by couples/spouses. As a result, a sum of KShs.11,885,608.90 was cleared from the payroll, leaving a balance of KShs.10,202,211.00 still outstanding as at 30 June 2012.

137. Separately, and the foregoing notwithstanding, additional payments totalling Kshs.2,147,937.00 were made to duplicate bank accounts during 2011/2012, bringing the total payments made in respect to irregular accounts to Kshs.12,350,148.00 as at 30 June 2012.

138. Further, during 2011/2012 three pensioners were paid monthly pensions twice, under the dependants and main payroll of Kshs.2,549,505.00 during the year. This brings total irregular payments made as at 30 June 2012 to Kshs.14,899,653.00.

Pensioners' Personal Files

139. During the year under review, seventeen (17) pensioners' personal files were not made available for audit review. Although it had been stated in the past that the underlying causes of persistent misplacement of pension files has been addressed, the measures undertaken to solve the problem appear inadequate.

Parliamentary Pension Contributions

140. A review of pension contributions made by the current Members of Parliament revealed that a total of Kshs.304,425,805.90 was received by Treasury between 1 October 2009 and 30 June 2012, in respect of the contributions. However, details of contributions made by Members of Parliament for the period 1 January 2008 to 30 September 2009 were not made available for audit review. Further, according to Section 4(4) of the Parliamentary Pensions Act, Cap 196 Treasury is required to maintain individual accounts of all contributions deducted from the members' pensionable emoluments and notionally credit interest in respect of each member's contributions. However, Treasury did not avail for audit review, the individual accounts of all contributions totalling Kshs.304,425,805.90 deducted from the members' pensionable emoluments, and the accrued interests notionally credited in respect of each member's contributions from 1 October 2009 to 30 December 2011. In the absence of individual accounts, it was not possible to ascertain the true position of individual member's of parliament contributions as at 31 December 2011 as required by the provisions of Section 21(1) of the Parliamentary Pensions Act, Cap 196.

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

Basis for Qualified opinion

Paymaster General (PMG) Account

141. The Statement of Assets and Liabilities for C.F.S. Pensions and Gratuities for the year ended 30 June, 2012 reflects a balance of Kshs.198,626,946.40 against Paymaster General (PMG) Account, while cashbook balance as at the same date show a figure of Kshs.135,928,213.75. The resultant difference of Kshs.62,698,732.65 has not been reconciled or explained. Consequently, the completeness and accuracy of the PMG balance of Kshs.198,626,946.40 as at 30 June, 2012 could not be confirmed.

Advances to Postbank

142. The Statement also reflects a credit balance of Kshs.381,075,297.75 in respect of Advance Payment to Postbank, which relate 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 Postbank paid a total of Kshs.270,291,431.65 to pensioners on behalf of the Ministry of Finance, Pensions Department, an amount which has not been refunded to the bank to date. The figure of Kshs.381,075,297.75 reflected in the Statement is therefore overstated by Kshs.110,783,866.10.

Re-credited cheques

143. The Statement further reflects a balance of Kshs.1,575,125,545.81 against the Re-credited Cheques Account, compared to the figure of Kshs.1,413,985,544.74 recorded in 2010/2011, indicating an increase of Kshs.161,140,001.07 during the year. According to information available, the balance of Kshs.1,575,125,545.81 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 years, it has not been indicated how Pensions Department is addressing the underlying causes of non-payment of pensioner's benefits which has caused re-credited cheques to increase significantly every year.

Amount paid to Ministry of Finance not Refunded

144. As reported in 2010/2011, 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 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.1,575,125,545.81 appearing against the Account as at 30 June 2012, has been understated by Kshs.270,000,000.00. Further, verification of returned cheques records revealed that cheques totalling Kshs.75,945,924.54 reported in 2008/2009 had not been reversed in the cashbook as at 30 June 2012. No reason has been given for this anomaly.

Stale Cheques

145. The Statement further shows a Stale Cheques Account debit balance of Kshs.2,360,628.20 brought forward from 2010/2011 and earlier years. No explanation has been provided as to why replacement cheques have not been issued to the payees. Further, no evidence has been provided to show efforts made to clear this amount over the years. Furthermore, no explanation has been given for the omission.

Bank Reconciliation Statement for CFS Cashbook – Account Number 01-010-R051

Payments in Cashbook not in Bank Statement

146. The bank reconciliation statement for the Consolidated Fund Services (CFS) Cashbook as at 30 June 2012, reflects payments totaling Kshs.670,192,433.75 in the cashbook not recorded in the bank statement, which includes Stale cheques amounting to Kshs.340,572,364.85 relating to the period between July 2006 to January 2011. The figure of Kshs.670, 192,433.75 also includes cheques amounting to Kshs.41,248,755.85 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.

Receipts in Bank Statement not in Cashbook

147. The Statement also reflects receipts in the bank statement not in the cashbook totaling Kshs.207,624,229.60 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 the cashbook as at 30 June, 2012.

Payments in Bank Statement not in Cashbook

148. The Statement further reflects payments amounting to Kshs.56,155,968.05 in the bank statement not recorded in the cashbook which includes eight (8) cheques totaling 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 2012.

Receipts in Cashbook not in Bank Statement

149. The Statement in addition reflects receipts of Kshs.928,497,279.15 in the cashbook not recorded in the bank statement, out of which an amount of Kshs.598,237,392.10 relates to 2010/2011 and earlier years. In addition, the figure of Kshs.928,497,279.15 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 2012. It has also not been clarified what the CBK Reversal Entry of Kshs.543,325,872.65 represents.

STATEMENTS OF THE EUROPEAN WIDOWS AND ORPHANS PENSION SCHEME FUND

Basis for Qualified opinion

Income and Expenditure Statement

150. The Fund's Income and Expenditure Account for the year ended 30 June 2012 reflects nil income against an expenditure of Kshs.76,680.00. However, records available indicate that dividends totalling Kshs.9,987,962.40 in respect of the Fund's investments in Kenya Power and Lighting Company Limited was received by the Treasury during the year. No explanation has been provided as to why the income was omitted in the Fund Income and Expenditure Account for the year ended 30 June, 2012.

Investments

151. The Fund's balance sheet as at 30 June, 2012 reflects a balance of Kshs.25,516,932.75 in respect of investment with Kenya Power and Lighting Company Limited. However, documents available indicate that investments totalling Kshs.172,868,580.00 made up of 8,643,429 Ordinary Shares of Kshs.20.00 each were

held with the Kenya Power and Lighting Company Limited as at 30 June 2012. Although the difference of Kshs.147,351,647.25 appears to represent bonus shares earned on the investment over the years, no share certificates in respect thereof were however availed for audit review. Consequently, accuracy of the investment balance of Kshs.25,516,932.75 as at 30 June 2012 could not be confirmed.

Investment in Cereals and Sugar Finance Corporation

152. As Reported In 2010/2011, The investment of Kshs.16,900,000.00 reflected in the balance sheet as at 30 June, 2012 is held in the Cereals and Sugar Finance Corporation, which is technically insolvent. Although according to information available, the Government approved the winding – up of the Corporation, with a further requirement that the Ministry of Finance takes over its assets and liabilities, including loans on-lent to other organizations, no meaningful progress in this regard has been made as at 30 June, 2012, and therefore the investment of Kshs.16,900,000.00 is still outstanding.

Sundry Debtors

153. The balance sheet also reflects a balance of Kshs.16,422,515.10 in respect of Interest Sundry Debtors-Receiveable from the Department for Government Investments and Public Enterprises (DGIPE) for the period 2010/2011 and earlier years. However, income totalling Kshs.9,987,962.40 received from Kenya Power and Lighting Company Limited in 2010/2011 and 2011/2012 but accounted for at the Treasury has not been reflected in the Fund financial statements for the year ended 30 June 2012. Had this income been taken into account, the Sundry Debtors would have reflected a balance of Kshs.26,410,477.50. No satisfactory explanation has been provided for the omission. Further, no information has been provided as to when these funds shall be paid into the Fund Account.

Proceeds from Redeemed Stocks

154. In the Report for 2010/2011, reference was made to the proceeds of Kshs.9,000,000.00 realized in July 2001 upon redemption of 11% Kenya Stock 2000, 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 2012 disclosed that the amount was still being held in the Deposit Account, more than eleven (11) years after the Stock was redeemed. No reason has been given for this unsatisfactory state of affairs.

Paymaster General (PMG) Account

155. The balance sheet also reflects a balance of Kshs.82,827,412.35 in respect of the Paymaster General Account. However, the balance excludes dividends received from Kenya Power and Lighting Company Limited totalling Kshs.26,410,477.50 accounted for at the Treasury. Had this income been included in the Fund Accounts, the

Paymaster General would have reflected a balance of Kshs.108,697,889.85 as at 30 June 2012.

THE FINANCIAL STATEMENTS OF THE DISTRICT CASH FUND ACCOUNT

Basis for Qualified opinion

Opening Balances

156. The Ministry did not submit for audit the financial statements for the District Cash Fund for the year ended 30 June 2011. The opening balances reflected in the Fund financial statements as at 30 June 2012 are the closing balances for the year ended 30 June 2010. Consequently, accuracy of these balances could not be ascertained.

Dishonored Cheques

157. In the Report for 2009/2010, reference was made to outstanding dishonoured cheques totalling Kshs.19,045,362.70 under the Paymaster General Account, relating to 2005/2006 and earlier years. The cheques were outstanding against three Deposits Cashbooks maintained by the Ministry. A review of the position as at 30 June 2012 disclosed that cheques amounting to Kshs.13,149,925.75 had been replaced, leaving a balance of Kshs.5,895,436.95 outstanding. No reason has however been provided for failure to have the remaining cheques replaced.

Outstanding Imprests and I.O.Us

158. In the report for 2009/2010, reference was made to Outstanding Imprest and I.O.Us totalling Kshs.2,082,689.85, comprising Kshs.1,033,806.00 and Kshs.1,048,883.85 and owing from various officers at the Mombasa and Murang'a District Treasuries respectively. Records available indicate that an amount of Kshs.483,749.85 had been recovered as at 30 June 2012. However, no reason has been provided for failure to recover the balance of Kshs.1,598,940.00.

Cash Shortage

159. As similarly reported in the previous years, a cash shortage of Kshs.3,040,274.00 recorded at the Kirinyaga District Treasury had not been made good as at 30 June 2012, apparently because outcome of a court case in respect thereof had not been formally communicated to the Ministry.

OUTSTANDING IMPRESTS – BAHARI DISTRICT TREASURY

160. Examination of Imprest records maintained at the District Treasury, Bahari indicated that Imprests totaling Kshs.4,065,838.75, which ought to have been

surrendered or otherwise accounted for, on or before 30 June 2012 were still outstanding as at that date. The imprest were owing from various officers in thirteen Ministries as summarized below:-

Ministry/Department	Amount (Kshs.)
Ministry of Health	1,341,221.95
Office of the President	1,025,906.00
Ministry of Planning & National Development	742,027.80
Ministry of Livestock & Fisheries	234,840.00
Ministry of Education	190,000.00
Ministry of Lands	153,800.00
Vice President & Ministry of Home Affairs	117,376.00
Ministry of Finance	97,210.00
Ministry of Public Works	50,000.00
Ministry of Agriculture	37,050.00
Ministry of Gender & Children	28,700.00
Ministry of Youth Affairs	24,707.00
Ministry of Water	<u>23,000.00</u>
Total	<u>4,065,838.75</u>

161. No reason has been provided for failure to have the imprests, some of which date as far back as the year 2001, surrendered or recovered from the officer's salaries, as provided by Section 5.6.5 of the Government Financial Regulation and Procedures.

KIPKELION DISTRICT TREASURY

Irregular Advances from Revenue Collection

162. Review of bank and cash balances at Kipkelion District Treasury during the year revealed that an amount of Kshs.1,628,795.00 was irregularly advanced to various officers in the District and held in form of 'I Owe You' (IOUs) by the cashier at Treasury.

163. Evidence available indicates that some of the IOUs were issued as soft loans to officers who signed chits of paper as acknowledgement of receipt of cash without indicating the purpose for which the cash was advanced. In other cases the purpose of the IOUs were indicated as for purchase of goods and services.

164. Besides being irregular advances, it has not been clarified why the amount of Kshs.1,628,795.00 has not been recovered from the officers or otherwise surrendered.

DISTRICT TREASURY- MERU SOUTH

Examination of records maintained at the District Treasury, Meru South disclosed the following unsatisfactory matters:-

Loss of Cash

165. A cash survey conducted at the Meru South District Treasury on 27 April 2012 disclosed a cash shortage of Kshs.2,736,280.90 related to thirteen (13) Ministry's cashbooks. The cash shortage was as a result of outright defalcation of cash meant for snake bite victims by the cashier.

166. Information available indicates that the shortage was discovered by the District Accountant who reported the matter to the police and Treasury. The reports implicated the cashier who went ahead and refunded Kshs.654,370.00 leaving a balance of Kshs.2,081,910.90 outstanding. Additional information indicates that the implicated cashier passed away before clearing the balance. However, no action appears to have been taken against the senior officer who was supposed to check the cashbooks at the time the loss occurred.

Outstanding Imprests

167. Examination of imprest records maintained at the Treasury, indicated that imprests totalling Kshs.930,000.00 which ought to have been surrendered or otherwise accounted for on or before 30 June 2012 were still outstanding as at that date. The imprests were due from officers in three (3) Ministries at the District.

168. 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.

169. No reason has been provided for failure to have the imprests, some of which were carried forward from 2010/2011 surrendered or recovered from the officer's salaries, as provided by the Government Financial Regulations and Procedures.

THE FINANCIAL STATEMENTS OF THE CIVIL CONTINGENCIES FUND

Basis for Qualified opinion

Statement of Advances and Repayments

170. The statement of advances and repayments for the Civil Contingencies Fund for the year ended 30 June 2012 reflects nil transactions during the year. This apparently was occasioned by the removal from the printed estimates for the year 2011/2012,

Kshs.2 billion initially budgeted against Item 2810200 – Civil Contingencies Reserves under Vote R.07.

171. Article 208 of the Constitution established the Contingencies Fund mainly to facilitate release of advances to meet urgent and unforeseen need for expenditure for which there is no other authority. It is therefore not clear the circumstances under which the provision for Civil Contingencies Fund of Kshs.2 billion was removed in the amended Recurrent Expenditure estimates for 2011/2012, thereby putting the Country at risk in case of any emergencies.

THE FINANCIAL STATEMENTS OF THE RURAL ENTERPRISE FUND

Basis for Qualified opinion

In the Reports for 2010/2011 and earlier years, 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 2011/2012 revealed that no meaningful improvement in this regard had been recorded as at 30 June 2012, as summarized in the ensuing paragraphs:

Loan Beneficiaries

172. The Statement of Assets and Liabilities as at 30 June 2012 reflects a loan balance of Kshs.394,559,879.30, which includes an amount of Kshs.220,013,036.70 that has not been analyzed to show the names of borrowers, amounts borrowed and amounts outstanding as at 30 June 2012. Consequently, and in absence of the analysis, the completeness and correctness of the balance of Kshs.394,559,879.30 as at 30 June 2012 could not be ascertained.

Further, no interest on the loans outstanding as at 30 June 2012 was accrued in the Accounts and no reason has been provided for the anomaly.

Unbanked Cash

173. The Statement also reflects unbanked cash balances totalling Kshs.3,348,895.00, brought forward from 2010/2011 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 the DC's Miscellaneous Deposit Account. Further, and besides failure to clarify why the balances had not been banked as at 30 June 2012, there was no evidence to confirm actual existence of the amount of Kshs.3,348,895.00 at the DC's Offices.

174. 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 however not been cleared as at 30 June, 2012.

Unreconciled Balance

175. The Statement of Assets and Liabilities for Deposits 07 as at 30 June, 2012 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.

THE FINANCIAL STATEMENTS OF THE KENYA LOCAL LOAN SUPPORT FUND

Basis for Qualified opinion

176. The Fund balance sheet as at 30 June, 2012 reflects investment at a cost of Kshs.10,410,373.50. However, the schedule for redeemed and unredeemed stocks valued at Ksh.10,430,700.00 shows that all the stocks are past redemption dates with the last redemption date for a sum of Ksh.17,400.00 being indicated as 6 February 2010. However, no reasons have been provided for failure to adjust the stock records to incorporate all the redemptions.

177. In the reports for 2010/2011 and earlier years, concern was raised about 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 2011. This investment has yet again been omitted in the balance sheet as at 30 June 2012 though accrued interest income receivable of Kshs.660,000.00 for 2011/2012 has been disclosed in the financial statements for the year. Further, and as similarly observed in 2010/2011, no reason has been provided for the inconsistency of omitting from the balance sheet as at 30 June 2012, the investment and accrued interest of Kshs.4,000,000.00 and Kshs.11,880,000.00 respectively, while continuing to recognize interest in the income statement.

178. 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 2012.

FINANCIAL STATEMENTS OF THE ASIATIC WIDOWS AND ORPHANS PENSION FUND

Basis for Qualified opinion

Unaudited Balances Brought Forward

179. As in the previous years, the Ministry has failed to prepare and submit for audit financial statements for the Asiatic Widows and Orphans Pension Fund for the period between 1973/1974 and 1995/1996. Consequently, the accounts for the subsequent periods, including the ones for 2011/2012, were prepared on the basis of unaudited brought forward balances, which could not be confirmed. These balances include amounts of Ksh.1,616,270.20, Kshs.200.00, Ksh.8,113.00 and Ksh.1,608,357.20 reflected in the statement of financial position as at 30 June 2012; under Government Contribution, Personal Contribution, Over Contribution to Fund and Accumulated Excess Expenditure over Income, respectively.

Winding Up of the Fund

180. Although information available is that the Fund is in the process of being wound up in line with Public Accounts Committee recommendations and Treasury instructions on the requirement to wind up dormant funds, no evidence was made available to the effect that issues outstanding in respect to the Fund have been addressed.

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

Opinion

181. The Statement presents fairly, in all material respects, the financial position of the Government participation in Quasi Government and other statutory organization under the Ministry of Finance as at 30 June 2012, in accordance with Government Financial Regulations and Procedures and the Public Finance Management Act, 2012

FINANCIAL STATEMENTS OF THE TREASURY MAIN CLEARANCE FUND

Basis for Adverse Opinion

Sundry Debtors

182. The Treasury Main Clearance Fund Balance Sheet as at 30 June 2012 reflects a Sundry Debtors balance of Kshs.3,713,791,260.45, out of which only an amount of Kshs.1,381,620,866.20 has been supported with an analysis. The balance of Kshs.2,332,170,394.25 has not been analyzed, with the result that its completeness and

accuracy could not be ascertained. Further, most of the debts have been outstanding for several years and no reason has been provided for the inordinate delay in recovery of the debts.

Sundry Creditors

183. The Balance Sheet also reflects a Sundry Creditors balance of Kshs.3,703,941,709.85, which includes an amount of Kshs.523,686.45 under PMG Special Account, Kshs.2,285,511,054.15 under Advances Deposits, Kshs.29,963,830.85 under Advance Deposits –Ministry of Information and Communications and Kshs.93,454.55 under JCF Interest, all brought forward from 2010/2011 and earlier years. However, and as in the previous instance, these amounts have not been analyzed or supported with the relevant documents, and also no reason has been given for not clearing the liabilities. Consequently, the completeness and accuracy of the Sundry Creditors balance of Kshs.3,703,941,709.85 as at 30 June 2012 could not be ascertained.

Excess Income Over Expenditure

184. The Balance Sheet further reflects an Excess Income Over Expenditure figure of Kshs.4,150,449.40, 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. In addition, the balance of Kshs.4,150,449.40 differs from the calculated balance of Kshs.6,228,817.25 between the amount received of Kshs.1,387,849,683.85 and payments made of Kshs.1,381,620,866.20 during the year. The resultant differences have not been reconciled or explained, casting doubt on the accuracy of the Fund Account. In addition, no income and expenditure account was submitted for audit review.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

Basis for Adverse Opinion

Paymaster General Account

185. The Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012 reflects a Paymaster General (PMG) Account debit balance of Kshs.16,296,281,319.30, while the Cashbook as at 30 June 2012 shows an amount of Kshs.731,202,258.50. The difference of Kshs.15,565,079,060.80 between the two sets of records has not been reconciled or explained.

Balances not Surrendered to Exchequer

186. The Statement also reflects cash balances totaling Kshs.445,491,633,007.90 in respect of six (6) Statements of Revenue as indicated below, which had not been surrendered to the Exchequer as at 30 June 2012:-

Account Description	Amount (Kshs)
Customs and Excise	124,513,368,135.40
Traffic Revenue	1,124,547,584.95
Development Revenue	94,104.35
Other Taxes	156,671,124.40
Value Added Tax	307,220,562,379.35
Stamp Duty	<u>12,476,389,679.45</u>
	<u>445,491,633,007.90</u>

No reason has been provided for failure to remit to the Exchequer, the substantial balance of Kshs.445,491,633,007.90 as required.

Overpayments to Exchequer

187. The Statement further reflects overpayments to the Exchequer totaling Kshs.488,728,680,016.43 under seven(7) Accounts, as shown below:-

Item	Amount (Kshs.)
Income Tax	419,494,618,223.46
Loan Interest Receipts	2,892,862,051.95
Loan Redemption Receipts	3,217,569,271.05
Pre-shipment	55,902,162,535.90
Investment Revenue	4,789,387,331.82
Miscellaneous Revenue	645,405,280.70
Land Rent	<u>1,786,675,321.55</u>
Total	<u>488,728,680,016.43</u>

These balances have not however been supported with relevant documents. Consequently, it has not been possible to ascertain their origin or accuracy.

Unsupported Balances

188. The Statement in addition reflects various movements of balances during 2011/2012 against the following Accounts:

Account Description	Amount (Kshs.)
VAT- Local and Import	323,007,777,450.25 Cr
Stamp Duty & Insurance Premiums	13,660,282,332.35 Cr
RD/Stale Cheque A/c	58,125,220,975.00 Cr
Customs and Excise	127,403,070,463.35 Cr

Income Tax-PAYE/OIT	471,714,594,548.40 Dr
Loan Interest Receipts	2,231,446,284.65 Dr
Loan Redemption Receipts	2,056,659,896.10 Dr
Traffic Revenue	1,122,956,610.70 Dr
Miscellaneous Revenue	7,397,685,510.40 Dr
Pre-shipment	35,723,919,249.80 Dr
Land Rent	1,949,089,120.80 Dr

Besides lack of analyses and document to support the movements, it has not been possible to confirm the completeness and accuracy of the amounts.

Erroneous Balances Brought Forward

189. As reported in 2010/2011, the brought forward balance of Kshs.70,042,400.25 under the Provincial/District Suspense Account includes various erroneous amounts as shown below, brought forward from 2004/2005:-

	Statement for 2011/2012 Kshs.	Financial Year 2004/2005 Kshs.	Difference Kshs.
Narok	64,200.00	537,046.15	472,846.15
Samburu	13,692.00	44,150.25	30,458.25
Uasin Gishu	409,684.00	3,076,550.65	2,666,866.65
Mombasa	6,999,531.00	8,339,079.15	1,339,547.65
Embu	151,603.00	1,586,552.80	1,434,949.80
Isiolo	22,844.00	157,213.00	134,369.00

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 2012.

Unidentified/unanalyzed balances

190. The Statement shows various balances under Non-existing Other Funds and Non-Existing Annual Revenue Accounts and other unidentified items as indicated below, which have not been analyzed.

Item	Amount (Kshs)
Non-existing Other Fund A/Cs	63,218,723.35 Cr
Non-Existing Annual Rev A/cs	2,780,986,871.35 Dr

2-210-8070-1140501	6,341,468.00 Dr
9-125-0000-9910210	2,682,800.00 Dr
9-125-0000-9910217	5,058.00 Dr
9-128-0000-9910101	20,000.00 Dr
9-128-0000-9910209	180.00 Dr

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.

Trial Balance as at 30 June, 2012

191. Further, balances in the Statement have not been supported with a Trial Balance as at 30 June 2012 or Ledger for the period then ended, with the result that the accuracy and completeness of the Statement as a whole could not be ascertained.

Bank Reconciliation Statements - Account No.01-010-E007

192. The bank reconciliation statement for Deposits Account No. 01-010-E007 as at 30 June 2012 reflects payments totaling Kshs.3,183,708,641.60 in the cashbook not recorded in the bank statement. The figure includes payments amounting to Kshs.3,295,360.00 referred to as stale cheques. No reason has been provided for failure to replace the cheques or to have them credited back in the cashbook.

193. The amount of Kshs.3,183,708,641.60 also includes other balances totaling Kshs.633,016,005.85 relating to 2010/2011 and earlier years. No reason has been provided for non clearance of the long outstanding balance.

194. The Statement also reflects payments of Kshs.2,757,187,374.80 in the bank statement not recorded in the cashbook, out of which Kshs.1,846,867,904.95 relates to 2010/2011 and earlier years. No reason has been provided for the long delay in recording the amounts in the cashbook; most of which are described as 'CBK Direct Debits' and "P.A. Differences".

195. The Statement further reflects receipts in the bank statement not recorded in the cashbook totaling Kshs.9,208,852,884.50, mostly described as CBK Direct Credits, and out of which an amount of Kshs.7,709,840,813.65 relates to 2010/2011 and earlier years. It has not however been clarified why the entries have not been recorded in the cashbook as at 30 June 2012 given that the relevant credit notes can be easily obtained from the Central Bank of Kenya.

196. The Statement in addition reflects receipts totaling Kshs.9,103,231,348.45 in the cashbook not recorded in the bank statement, out of which a sum of Kshs.3,423,323,190.30 relates to 2010/2011 and earlier years. No reason has been provided for failure to have the long outstanding receipts of Kshs.3,423,323,190.30 banked as at 30 June 2012.

Bank Reconciliation Statement – Account No.01-010-E312

197. The bank reconciliation statement for Deposits Account No. 01-010-312 as at 30 June 2012 reflects payments totalling Kshs.7,440,657,561.50 in the cashbook not recorded in the bank statement. The amount includes uncleared items totalling Kshs.7,418,144,700.85 payable to the Financial Secretary. No reason has however been provided for failure to clear the items or to have them credited back in the cashbook.

198. The amount of Kshs.7,440,657,561.50 also includes another figure of Kshs.22,510,477.00 dated 4 September 2006 described as “Cashbook Overcast”. No reason has been provided for non clearance of the long outstanding balance.

199. The Statement also reflect payments of Kshs.15,905,296,040.78 in the bank statement not recorded in the cashbook out of which Kshs.14,609,661,840.15 relates to 2010/2011 and earlier years. No reason has been provided for the long delay in entering the amounts in the cashbook. The payments of Kshs.15,905,296,040.78 in the Statement include a balance of Kshs.4,379,260,744.73 described as “CBK Direct Debits” and, another balance of Kshs.2,118,902,420.00 transacted in September 1997 described as “Recurrent Exchequer” with no further clarification as to what it represents.

200. Other items in the Statement totalling Kshs.9,407,131,872.35 have no particulars or narrations, and as a result, it has not been possible to establish what they represent.

201. The Statement further reflects receipts in the bank statement not recorded in the cashbook totaling Kshs.33,919,010,551.57, mostly described as “CBK Direct Credits”, and out of which an amount of Kshs.23,591,857,231.62 relates to 2010/2011 and earlier years. It has not however been clarified why the figure of Kshs.23,591,857,231.62 had not been recorded in the cashbook as at 30 June 2012.

202. The Statement in addition reflects receipts totalling Kshs.22,734,652,698.25 in the cashbook not recorded in the bank statement, out of which a sum of Kshs.9,104,910,339.47 relates to 2010/2011 and earlier years. No reason has been provided for failure to have the long outstanding receipts of Kshs.9,104,910,339.47 banked as at 30 June 2012.

STATEMENTS OF THE PETROLEUM DEVELOPMENT LEVY FUND

Basis for Qualified opinion

Income and Expenditure Account

203. The Fund Income and Expenditure Account for the year ended 30 June 2012 reflects receipts of Kshs.1,841,212,116.50 from oil marketers which differ from the amount of Kshs.1,562,991,051.44 shown in the Kenya Revenue Authority records, by Kshs.278,221,065.06. The actual receipts of Kshs.1,841,212,116.50 also differ from the

amount of Kshs.1,515,089,210.65 appearing in the Ministry's Ledger for the month of June 2012 by Kshs.326,122,905.85. In addition, the actual receipts of Kshs.1,841,212,116.50 differ from an amount of Kshs.1,831,537,253.60 supported with receipt vouchers, by Kshs.9,674,862.90. The above differences have not been explained or reconciled.

Balance Sheet

204. The Fund Balance Sheet as at 30 June 2012 reflects a Paymaster General (PMG) Account balance of Kshs.1,893,205,415.45, while the Fund Cashbook as at the same date shows an amount of Kshs.537,172,588.10. Further, the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2012 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.

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

Basis for Qualified Opinion

205. The Statement of Investments by the Permanent Secretary/Treasury in Various Companies as at 30 June 2012 reflects total Government shareholding of Kshs.22,566,775,518.30 which includes investments in twenty three (23) companies in which the Government holds 189,274,161 shares with a nominal value of Kshs.6,372,335,563.80. These companies did not remit any dividends to the Government during the year although it was clear that some were not experiencing financial difficulties.

206. The Statement also includes nine (9) other companies in which the Government holds 30,020,307 shares with a nominal value of Kshs.600,406,080.00. These companies are either dormant or under receivership and as a result, the value of the investments in these companies is doubtful and may not therefore be realized.

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

208. The Statement reflects Government shareholding of 21,602,061 shares in three (3) companies which do not agree with the number of shares reflected in the share certificates supporting the Government shareholding in these companies as shown below:-

Company	No. of shares per Statement	No. of shares per share certificates	Difference
Kenya Petroleum Refineries Ltd	2,400,000	7,500,000	5,100,000
Kenya Pipeline Co. Ltd	18,173,061	18,173,299	238
Miwani Sugar Co.	<u>1,029,000</u>	<u>2,058,000</u>	<u>1,029,000</u>
Total	<u>21,602,061</u>	<u>27,731,299</u>	<u>6,129,238</u>

No explanation has been provided for the discrepancies between the two sets of records.

THE STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT CONTINGENT LIABILITIES OUTSTANDING

Basis for adverse opinion

Statement of Outstanding Obligations Guaranteed by the Government

209. The Statement of Outstanding Obligations Guaranteed by the Kenya Government reflects nil contingent liability outstanding as at 30 June 2012. However, and as reported in 2010/2011, relevant records have not been availed for audit confirmation of 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 Corporations respectively, totalling Kshs.164,286,742.00, were cleared in 2010/2011. Under the circumstances, and in the absence of relevant supporting records, the accuracy of the Statement of Outstanding Obligations Guaranteed by the Government as at 30 June 2012 could not be ascertained.

MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY

FINANCIAL STATEMENTS FOR VOTE R.01

Basis of Disclaimer of Opinion

APPROPRIATION ACCOUNT

Statement of Accounting Officer's Responsibilities

210. The Appropriation Account for Vote R.01 for the year ended 30 June 2012, which was submitted for audit, did not include the statement of accounting officer's responsibilities contrary to the requirements under Treasury Circular No. 8/2012 dated 5 September 2012. No reason has been provided for this omission.

Pending Bills

211. Bills amounting to Kshs.1,250,614,629.90 chargeable to Vote R.01 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Had these bills been paid and the expenditure charged to the accounts for 2011/2012 the Appropriation Account would have recorded a reduced net surplus to be surrendered to the Exchequer of Kshs.2,168,277,778.55 instead of Kshs.3,418,892,408.45 now shown.

Discrepancies between the Appropriation Account and the Trial Balance

212. The Appropriation Account for Vote R.01 for the year ended 30 June 2012 includes expenditure figures under various heads and items which do not agree with the corresponding amounts appearing in the trial balance as at 30 June 2012. No explanation has been provided for the discrepancies between the two sets of records.

Omission of Footnotes

213. Material variations in excess of kshs.1,000,000.00 on each item within various heads between the approved estimates and actual expenditure or collection of Appropriation in Aid have not been explained in the footnotes to the Account contrary to the requirements of Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures.

Unaccounted for Funds

214. Records available indicate that Authority to Incur Expenditure (AIEs) totalling Kshs.60,722,762.00 were issued by the Ministry to various District and Provincial

Officers across the country during the year under review. However, expenditure returns for these AIEs were not provided for verification but the whole amount has been captured in the Appropriation Account as an expenditure. Consequently, the propriety of expenditure of Kshs.60,722,762.00 could not be ascertained.

Legal Dues, Arbitration and Compensation Payments

215. During the year under review, expenditure totalling Kshs.79,940,293.20 was incurred under Account No.0-001-000-2211308 in respect of a number of awards relating to various court cases involving the Ministry and other parties. However, the above payments included an amount of Kshs.19,366,289.96 representing interest charges on delayed payments. No reasons have been provided for not settling the court awards on time. Further, payment vouchers and relevant supporting documents relating to three awards amounting to Kshs.1,230,116.40 were not provided for audit review. Consequently, the propriety of the expenditure could not be ascertained.

Unvouched Expenditure

216. Expenditure totalling Kshs.304,123,447.65 incurred on purchase of motor vehicles and other transport equipment charged to various heads and items under Vote R.01 was not supported by payment vouchers and other related documents. Consequently, the propriety of Kshs.304,123,447.65 could not be ascertained.

Purchase of Vehicles and Motor Cycles

217. During the year under review, the Ministry purchased 365 vehicles and 45 motor cycles at a total cost of Kshs.1,279,468,279.00. However, the logbooks and distribution list for these vehicles and motor cycles were not made available for audit review. As a result it has not been possible to ascertain the ownership of the vehicles and motor cycles. The expenditure of Kshs.1,279,468,279.00 includes an amount of Kshs.187,191,071.00 for the purchase of sixty three vehicles which was charged to Deposits Account No.4-001-0000-6780101 instead of the Recurrent Vote. No reason has been provided for this irregularity.

Irregular Payment of Overtime Allowances

218. Documents and records made available for audit show that, during the year under review, the Ministry made payments totalling Kshs.91,279,003.50 in respect of overtime allowance to telephone operators at the Headquarters and staff working at the Government Press. However, the Ministry has not provided minutes of the Ministerial Human Resource Advisory Committee and the Authorized Officer's approval in respect of the overtime allowances.

Unsupported Expenditure - District Commissioner Office –Garissa

219. Examination of records maintained at the District Commissioner's Office, Garissa, disclosed that expenditure funded by the Ministry of Special Programmes amounting to Kshs.1,736,000.00 was incurred during 2011/2012. The expenditure was in respect of procurement of 11,869.98 litres of diesel worth Kshs.1,430,000.00 mainly for the transportation of relief food in Garissa and also for office use. An amount of Kshs.150,000.00 was in respect of payment of allowances to loaders hired to load the relief food while Kshs.156,000.00 was in respect of repair of motor vehicles.

220. However, it was noted that the expenditure was not properly accounted for as no records were maintained to show the quantity of relief food loaded, transported or its destination. The fuel was also neither entered in the bulk fuel register nor supported by delivery notes from the supplier. Further, work tickets together with detailed orders of the vehicles fuelled were not made available for audit review. Inspection reports from the Ministry of Public Works in support of repairs carried out on the respective motor vehicles were also not available. It has not been possible to therefore ascertain the propriety of the expenditure of Kshs.1,736,000.00.

Irregular Procurement of Meals – Officer Commanding Police Division - Garissa

221. A supplier based in Garissa, received payments totalling Kshs.2,844,135.00 for supplying meals to inmates at Garissa Police Cells and also to officers participating in Inter-Divisional Athletics Competition held in Garissa.

222. However, the supplier was single sourced as no bids were floated to ensure fair competition as required. It was also observed that no Local Service Orders were used in the procurement of the services contrary to Section 5.5.14(C) of the Government Financial Regulations and Procedures. In the circumstances, it has not been possible to confirm that value for money was obtained for the Kshs.2,844,135.00 expenditure.

Officer Commanding Police Division (OCPD) - Wajir

Pending Bills

223. Examination of records maintained by the Officer Commanding Police Division (OCPD), Wajir, disclosed that pending bills totalling Kshs.782,800.00 relating to year 2011/2012 and earlier years and chargeable to domestic travel item were not settled during the year, but were instead carried forward to 2012/2013.

Failure to settle the bills during the year to which they relate adversely affects the budgetary provision for the subsequent year.

So far it has not been explained why the bills were not settled in the year they relate.

DISTRICT COMMISSIONER - BUNA

224. Fuel records maintained at the District Commissioner, Buna indicate that 7,916.40 litres of diesel worth Kshs.1,121,390.00 procured mainly from two (2) Wajir based merchants was not posted in bulk fuel register nor supported by delivery notes from the suppliers. Further, detail orders and work tickets of the vehicles that consumed the fuel were not made available for audit review. In the circumstances it has not been possible to ascertain receipt and usage of the 7,916.40 litres of the diesel, hence the propriety of the Kshs.1,121,390.00 expenditure.

District Commissioner's Office - Gem

225. I was unable to confirm propriety of expenditure totalling Kshs.601,449.00 relating to imprest surrenders in the absence of supporting documentary evidence.

226. Imprest totalling Kshs.438,775.00 issued to various officers between October, 2010 and June, 2012, which ought to have been surrendered or otherwise accounted for, on or before 30 June, 2012 was still outstanding as at that date.

Mathira East District Treasury

Loss of Cash

Examination of financial records maintained at the Mathira East District Treasury during the year under review revealed a loss of Kshs.2,351,427.25 which was perpetuated through falsified entries in the cashbooks and bank statements of various Ministries and Departments as follows:-

227. Receipts totalling Kshs.1,945,087.25 were indicated in the cashbook as having been banked but the relevant banking slips were not availed for audit and the corresponding bank statements did not reflect the amounts.

228. Two cheques of Kshs.150,000.00 each both amounting to Kshs.300,000.00 were prepared without any supporting documents and cashed over the counter by the District cashier. The cheques were also not entered in the respective cashbooks while in the bank reconciliation statements the amounts were reflected as payment in bank statements not yet recorded in cashbooks.

229. Payments totalling Kshs.106,340.00 were reflected in the cashbook of the Ministry of Medical Services as having been paid over to the beneficiaries but the respective payment vouchers did not reflect such payments and as a result Kshs.106,340.00 remained unaccounted for.

230. Despite the fact that the transactions were fraudulent, no cash has been refunded and information available indicate that the Officer held responsible for the loss of Kshs.2,351,427.25 has written a letter of resignation as a civil servant.

Nyamira South District

Outstanding Imprests

231. Records maintained at the Nyamira South District reflect temporary imprests totalling Kshs.899,406.85 that were outstanding as at 30 June 2012 with some dating as far back as 2001.

232. No reason has been given for the failure to have the imprests surrendered or recovered from the respective officer's salary as required by the financial regulations governing the issuance of temporary imprests.

STATEMENT OF ASSETS AND LIABILITIES

233. The Statement of Assets and Liabilities for Vote R.01 as at 30 June 2012 reflects various account balances which differ with the corresponding balances shown in the trial balance as at the same date as follows:-

Account	Balance as per statement Kshs.	Balance as per trial balance Kshs.
Imprests	152,797,402.90 Dr	178,788,634.90Dr
Clearance	259,959,705.40Cr	6,441,520,320.85Cr
Paymaster General	13,605,417,441.85Dr	124,552,147,301.90Dr
District Suspense	1,610,184,834.00Cr	5,961,023,800.50Dr
General Suspense	147,040,255.55Cr	144,853,705.55Cr

The discrepancies have not been reconciled or explained.

234. The Statement further reflects one debit and four credit account balances totalling Kshs.75,646.70 and Kshs.2,047,763,363.90 respectively as indicated below which have not been analysed.

Account	Debit Balances Kshs.	Credit Balances Kshs.
Salary Advance	75,646.70	
Agency		30,578,560.00
District Suspense		1,610,184,843.00
Clearance		259,959,705.40

General Suspense		<u>147,040,255.50</u>
Total	<u>75,646.70</u>	<u>2,047,763,363.90</u>

Consequently, the validity and accuracy of these balances could not be ascertained.

235. The Statement shows Paymaster General Account debit balances totalling Kshs.13,605,417,441.85 while the Board of Survey report as at 30 June 2012 reflects an amount of Kshs.37,462,863.95. The resultant difference of Kshs.13,567,954,577.90 has not been explained or reconciled.

236. The Statement further shows an Imprests Account debit balance of Kshs.152,797,402.90 while the imprest registers shows a debit balance of Kshs.9,242,076.75. Similarly, no reconciliation or explanation has been provided for the difference of Kshs.143,555,326.15 between the two sets of records.

237. The Statement also shows an Exchequer Account debit balance of Kshs.226,156,482.75 which includes an amount of Kshs.170,969,032.75 relating to the year 2011/2012. However, the amount of Kshs.170,969,032.75 shown under 2011/2012 differs with the balance of Kshs.165,192,541.75 reflected in the Treasury records. The difference of Kshs.5,776,491.00 has not been reconciled or explained.

238. The Bank Reconciliation Statement for Vote R.01 as at 30 June 2012 reflects the following uncleared items:

	Item Amount (Kshs.)
Payments in cash book not in bank statement	2,349,938,865.20
Receipts in bank statement not in cash book	115,017,244.20
Payment in bank statement not in cash book	1,491,639,172.55
Receipts in cash book not in bank statement	938,389,298.30

No reason has been provided for failure to clear these items some of which have been outstanding for a considerable period.

STATEMENT OF CONFIDENTIAL EXPENDITURE

Misallocation Expenditure

239. The Statement of Confidential Expenditure in respect of Vote R.01 as at 30 June 2012 reflects expenditure totalling Kshs.1,094,126,431.00 under various Heads. However, a review of records available revealed that an amount Kshs. Kshs.372,000,000.00 included in the above total expenditure relates to security operations item 2211313. No reason has been given for the unauthorised reallocation.

Discrepancies between the Confidential Expenditure Statement and Trial Balance

240. The Statement of Confidential Expenditure as at 30 June 2012 reflects expenditure totalling Kshs.574,386,000.00 against item 2211312 – Confidential Expenditure under five heads while the trial balance as at 30 June 2012 shows expenditure totalling Kshs.566,130,814.80 against the same heads. The resultant difference of Kshs.8,255,185.20 has not been reconciled or explained.

Unposted Expenditure

241. Payment Vouchers for expenditure amounting to Kshs.12,500,000.00, Kshs.8,315,100.00 and Kshs.2,500,000.00 in respect of Director of Criminal Investigation Department for the months of April, May and June 2012, respectively had no payment voucher numbers and were, therefore, not posted in the cash book.

Weaknesses in Controls

242. The audit revealed that the management of the Ministry has no controls to mitigate against risks arising from using confidential expenditure funds to supplement any officer's emoluments in that once a payment has been made there are no documents to show how the money was spent. In addition, sample of vouchers tested indicate that there is lack of segregation of duties. It was observed that in some instances the person examining the payment voucher was the same person authorizing the payment while in other cases, there was no examination of the voucher.

FINANCIAL STATEMENTS FOR VOTE D.01

Basis of Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

243. In addition, bills amounting to Kshs.336,537,807.15 chargeable to Vote D 01 and relating to 2011/2012 were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote D.01, would have recorded a reduced Net Surplus of Kshs.875,807,942.30 instead of Kshs.1,212,345,749.45 now shown.

244. The Appropriation Account for the year ended 30 June 2012 reflects expenditure figures under various items which do not agree with corresponding amounts reflected in the trial balance as at 30 June 2012. No explanation has been provided for the discrepancies between the two sets of records.

245. Footnotes were not provided in the Appropriation Account under Head 010 – General Administration and Planning in respect of Items 3110500 – Construction of Civil Works and 3110700 – Purchase of Vehicles and Other Transportation Equipment with Material Variations of Kshs.28,600,000.00 and Kshs.10,000,000.00, respectively between the approved estimates and actual expenditure. Failure to provide footnotes contravenes provisions of Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures.

246. The Appropriation Account reflects under Sub-Vote 010, Head 001- OOP Headquarters, Item 1320200 Appropriations-In-Aid of Kshs.86,500,000.00 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.

247. The Appropriation Account for Vote D.01 for the year ended 30 June 2012 reflects a gross under – expenditure of Kshs.1,297,645,749.45 or about 29% of the gross estimated provision of Kshs.4,472,565,000.00. The Account also reflects a deficiency in Appropriations-In-Aid of Kshs.85,300,000.00 or about 50% of estimated receipts of Kshs.171,800,000.00. The ministry has not however explained how these challenges are being addressed besides giving reasons in footnotes to the account for the under expenditure and under collection of Appropriations-in-Aid in respect of various items.

Review of Procurement of Residential Houses

Review of procurement of residential houses by the Ministry revealed the following unsatisfactory matters:

Use of Inappropriate Procurement Method

248. The Ministry prepared a notice inviting expression of interest to people willing to sell residential houses to the Government which appeared in the Daily Nation and the Standard on 20 January 2012 and fifteen (15) bidders responded. However, invitation for expression of interest used by the Ministry in accordance with Section 78 (1) of the Public Procurement and Disposal Act, 2005 is a procedure under the Request for Proposal Method. Section 76 (1) (a) and (b) of the Act allows a procuring entity to use a request for proposals if the procurement is of services or a combination of goods and services. The Act further specifies that a service being procured should be advisory or predominantly of intellectual nature. Procurement of houses was neither a service nor a combination of goods and services. The Ministry was, therefore, in violation of the Act.

Invitation to Tender

249. According to the minutes of Tender Evaluation Committee held on 28 March 2012, indications are that the Ministry invited sealed bids from a pre-qualified bidder for

procurement of Housing Units which was received and opened on 22 March 2012. However, invitations of sealed bids from a single supplier confirms that the procurement was single sourced, which contravenes Sections 52 (1), 54 (1) and (2) of the Public Procurement and Disposal Act, 2005 and Section 227(1) of the Constitution.

Valuation and Pricing of Houses

250. The Ministry procured the houses without a market survey, which would have served as a benchmark against payment in excess of the prevailing market price as required by Section 8 (3) (z) and Section 10 (2) (e) of the Public Procurement and Disposal Regulations (2006). The sole bidder, through a letter dated 1 February 2012 offered to sell the houses to the Ministry as follows:

Administration Police

Type	Area Square Metres	No. of Units	Unit Cost Kshs.	Total Cost Kshs.
2 Bedroom House	100	140	5,800,000.00	821,000,000.00
3 Bedroom House	115	40	6,800,000.00	272,000,000.00
3 Bedroom House	140	20	7,500,000.00	<u>150,000,000.00</u>
Total		200		<u>1,243,000,000.00</u>

Kenya Police

2 Bedroom House	100	75	5,800,000.00	435,000,000.00
3 Bedroom House	115	19	6,800,000.00	129,200,000.00
4 Bedroom House	140	6	7,500,000.00	45,000,000.00
Total		100		<u>609,200,000.00</u>
Grand Total				<u>1,852,200,000.00</u>

251. Subsequent to the above offer, the Ministry had written a letter Ref. No.OOP/PA/PROC./24/1 (2) A/3 dated 5 April 2012, to the Ministry of Housing requesting for the valuation of the houses. The Ministry of Housing also wrote to the Ministry of Lands requesting that a Government Valuer should inspect and value the property in question. The Ministry of Lands wrote a letter Ref.VAL.852/XII/VOL.IV/118 dated 13 April 2012 confirming the prices which were offered by the vendor.

252. However, in the absence of priced bills of quantities and a technical report to confirm that tests were done on the foundations and slabs including materials used to determine the quality of the houses, it has not been possible to ascertain how the valuation team arrived at the value of Kshs.1,852,200,000.00, the same selling price offered by the vendor.

253. Under the circumstances, it has not been possible to ascertain whether the government has obtained value for money in respect of seven payments totalling Kshs.1,308,450,000.00 made to the firm for the houses between 15 June 2012 and 23 November 2012. It was also noted that some houses are occupied by civilians and not police officers.

STATEMENT OF ASSETS AND LIABILITIES

254. The Statement of Assets and Liabilities for Vote D.01 as at 30 June 2012 reflects balances which differ with the corresponding figures in the trial balance of the same date as follows:

Account	Balance as per	Balance as per
	Statement	trial balance
	Kshs.	Kshs.
2010-2012 Exchequer Under Issue	1,010,579,476.10Dr	16,200,616,802.15Cr
Paymaster General	2,155,898,922.50Dr	2,825,580,214.85Dr
GAV 2009-2010 & Earlier	1,505,909,101.50Cr	9,656,848,699.10Cr
GAV 2010-2011	795,918,728.70Cr	0.00
GAV 2011-2012	1,212,345,749.41Cr	0.00

The above differences have not been reconciled or explained.

255. The Statement also reflects Contractor's Retention Money balance of Kshs.37,346,083.90. No reason has been provided for the inclusion of this account in the Statement for Vote D.01 instead of the statement for Deposits.

256. The Statement reflects General Account of Vote and Exchequer Account debit and credit balances totalling Kshs.1,010,474,000.00 and Kshs.2,301,827,830.20, respectively relating to 2010/2011 and earlier years. No reason has been given for failure to clear these long outstanding balances.

257. The Statement also reflects a Paymaster General Account debit balance of Kshs.2,155,898,922.50 while the cash book and board of survey report as at 30 June 2012 shows a balance of Kshs.526,143.85. No explanation or reconciliation has been provided for the difference of Kshs.2,155,372,778.65 among the three sets of records.

258. The Bank Reconciliation Statement for Vote D.01 as at 30 June 2012, reflects receipts in the bank statement not in the cash book totalling Kshs.9,104,410.00, relating to the period between 30 December 2011 and 22 May 2012. The Statement further reflects payments in bank statement not in the cash book totalling Kshs.137,633,740.55

which relate to the period between November 2011 and June 2012. The Statement also reflects receipts in the cash book not in the bank statement totalling Kshs.23,622,491.90, relating to the period between September 2011 and June 2012. No explanation has been given for failure to update the records with the receipts and payments for a long period.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 01

Basis of Disclaimer of Opinion

259. The statement of Assets and Liabilities as at 30 June 2012 reflects the following balances which differ with the corresponding account balances in the trial balance as at 30 June 2012.

Account Statement	Balance Kshs.	Trial Balance Kshs.	Figure Difference Kshs.
Assets			
Paymaster General	272,077,732.35	578,065,042.40	305,987,310.05
Liabilities			
Government Press Fund	219,655,191.15	(219,655,191.15)	439,310,382.30
District Cash Fund	150,672,788.90	0.00	150,672,788.90

No reconciliation or explanation has been provided for these differences.

260. Contrary to the requirements under chapter 8, paragraph, 8.9.2 of the Government Financial Regulations and Procedures, the Ministry did not maintain Deposits Registers or analysis to support deposits amounting to Kshs.(465,112,022.70) shown in the statement. Consequently, the completeness and accuracy of the General deposits credit figure of Kshs.465,112,022.70 reflected in the statement could not be confirmed.

261. The Statement reflects a District Suspense debit balance of Kshs.25,036,299.05 which was not supported with analysis and documentation. In addition, the General Suspense and Contractors Retention Money Accounts balances of Kshs.317,704,213.45 and Kshs.94,784,042.65 includes debit and credit balances of Kshs.4,903,142.45 and Kshs.16,393,271.90 respectively which were also not supported with analysis. As a result, it has not been possible to ascertain the validity and accuracy of these balances.

262. The Statement's Paymaster General Account balance of Kshs.272,077,732.35 differs with the Cash book balance of Kshs.282,826,071.15 by Kshs.10,748,338.80. No explanation or reconciliation has been provided for the difference.

263. The Ministry's Statement of Revenue as at 30 June 2012 indicate that an amount of Kshs.92,109,332.05 was remitted to the exchequer. However, the Statement of Assets and Liabilities for Deposits as at the same period does not reflect this remitted amount. No explanation has been provided for this omission.

264. The Statement reflects a credit balance of Kshs.219,655,191.15 against Government Press Fund while the Fund's financial statements for the year ended 30 June 2012 reflects a cash and cash equivalents (PMG) balance of Kshs.38,219,004.85. The resulting difference of Kshs.181,436,186.30 has not been reconciled or explained.

265. Expenditure totalling Kshs.610,000.00 in respect of meal allowances and settlement of court orders were charged to the Deposits Account instead of the Ministry's Recurrent Vote R. 01 Account. No explanation has been given for this irregularity.

266. The bank reconciliation statement for Deposits 01 Cash book as at 30 June 2012 reflects unpresented cheques totalling to Kshs.147,429,002.55, out of which, an amount of Kshs.144,281,128.45 relates to stale cheques. No reasons have been provided for failure to reverse the stale cheques in the Ministry's books of account.

REVENUE STATEMENT FOR VOTE R.01

Basis Qualified opinion

267. The Recurrent Revenue Statement for the year ended 30 June 2012 shows that revenue totalling Kshs.92,109,332.05 was not remitted to the Exchequer. Failure to pay the amount to the Exchequer has not been explained.

268. Although the statement reflects total revenue collected during the year as Kshs.862,446,803.55, the revenue records indicate that an amount of Kshs.882,349,032.85 was actually collected. No explanation has been provided for failure to account for the resultant difference of Kshs.19,902,229.30. In addition, receipt vouchers for transactions totalling Kshs.584,650,884.95 were not provided for audit review.

269. The Ministry maintains a bank account No.1119759730 at Kenya Commercial Bank, Moi Avenue Branch, for the purpose of collecting revenue. Examination of the bank statements revealed that the account earned interest of Kshs.9,864,170.90 which was credited to the account on 7 February 2012 but later reversed. Further, revenue cheque deposits amounting to Kshs.9,847,491.05 were also reversed on various occasions. No explanation has been provided for such reversals.

Uncollected Revenue - Hire of Police Officers

Examination of financial records maintained by the Officer Commanding Police Division, Garissa (OCPD) disclosed the following unsatisfactory matters:-

270. In the previous Report, reference was made to uncollected revenue relating to hire of police officers to provide security services to a bank based in Garissa totalling Kshs.3,214,150.00 as at 30 June 2011. A review of the position during 2011/2012 revealed that the position did not improve as the uncollected revenue had accumulated to Kshs.4,315,750.00. As previously stated, it is not clear why the security services have continued to be provided even after prolonged default in payment.

THE FINANCIAL STATEMENTS FOR THE GOVERNMENT PRESS FUND

Opinion

271. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government Press Fund of the Ministry of State for Provincial Administration and Internal Security as at 30 June 2012 and of its operations for the year then ended in accordance with the Government Financial regulations and Procedures and Public Finance Management Act, 2012 of the Laws of Kenya.

THE DISTRICT CASH FUND ACCOUNT

Basis for Qualified Opinion

272. The District Cash Fund Account as at 30 June 2012 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.

273. The Fund Account also reflects a balance carried forward of Kshs.150,672,788.90 as at 30 June 2012 and held in a Deposit Account. As indicated in the previous reports, this amount ought to have been remitted to the Exchequer.

274. The balances reflected in the Fund Account were not supported by a trial balance as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be ascertained.

STATE HOUSE

FINANCIAL STATEMENTS FOR VOTE R.02

Basis For Qualified Opinion

APPROPRIATION ACCOUNT

Misallocation of Expenditure

275. The Appropriation Account for Vote R.02 for the year ended 30 June, 2012 reflects expenditure totalling Kshs.145,435,676.00 incurred under Item 2211200-Fuel, Oil and Lubricants. Examination of supporting documents revealed that the amount includes expenditure of Kshs.1,287,701.00 in respect to payment of subsistence allowances to State House employees.

276. The Account in addition reflects an amount of Kshs.44,909,616.00 incurred under Item 3110700-Purchase of Motor Vehicles which includes an amount of Kshs. 13,575,804.00 relating to repair of motor vehicles and which ought to have been charged to Item 2220100-Routine Maintenance of Motor Vehicles and Other Transport Equipment.

No explanation has been given for the unauthorized reallocation of funds.

Unsupported Expenditure

277. The Appropriation Account also reflects an expenditure of Kshs.181,250,065.00 under Item 2211300-Other Operating Expenses, Head 020101- State House Nairobi. However, only an expenditure of Kshs.134,259,156.70 was supported with payment vouchers, leaving a balance of Kshs.46,990,908.30 unsupported. Further, out of the amount of Kshs.134,259,156.70 supported with payment vouchers, expenditure of Kshs.84,075,615.95 was not adequately supported by relevant documents such as supplier's invoices. Consequently, expenditure totalling Kshs.131,066,524.25 out of Kshs.181,250,065.00 incurred on Other Operating Expenses could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES

278. The Statement of Assets and Liabilities for Vote R.02 as at 30 June 2012 reflects various long outstanding debit and credit balances totalling Kshs.48,007,208.85 and Kshs.61,116,860.50 respectively, relating to 2010/2011 and earlier years as shown below:-

Debits	Amounts Kshs.
Exchequer under Issue Account	39,728,108.00
Imprests Account	1,191,004.25
Advance Account	5,214,137.25
Suspense Account	<u>1,873,959.35</u>
	<u>48,007,208.85</u>
Credits	
General Account of Vote	50,629,660.25
Clearance Account	4,380,369.50
Excess AIA	<u>6,106,830.75</u>
	<u>61,116,860.50</u>

No explanation has been provided for failure to clear the long outstanding balances from the Department's records.

279. The balances reflected in the Statement of Assets and Liabilities for Vote R.02 have not been supported with a Trial Balance as at 30 June, 2012. No explanation has been provided for the omission.

280. The Statements reflects under Clearance Account, an unusual debit balance of Kshs.3,461,750.55 as at 30 June 2012, while under normal circumstances, the item should reflect a credit or nil balance. No explanation has been provided for the unusual balance.

281. The Statement reflects Exchequer under issues for 2011/2012 of Kshs.5,996,250.00, which differ with the figure of Kshs.3,996,250.00 reflected in the Exchequer records at the Treasury. The difference of Kshs. 2,000,000.00 has not been reconciled or explained.

282. The Statement shows Advances Account balance of Kshs.5, 216,068.95 as at 30 June 2012, which differs with the analysed figure of Kshs.119,959.00. The difference of Kshs.5,096,109.95 has not been reconciled or explained.

283. Further, the Statement reflects Suspense Account balance of Kshs.5,757,446.80 out of which only a balance of Kshs.3,269,980.00 has been analysed. The difference of Kshs.2,487,466.80 has not been explained or reconciled.

FINANCIAL STATEMENTS FOR VOTE D.02

Basis For Qualified Opinion

APPROPRIATION ACCOUNT

Omission of Footnotes

284. Contrary to Government Financial Regulations, the Appropriation Account reflects variances between estimated amounts and actual expenditure in excess of Kshs.1,000,000.00 in respect to various items which have not been explained by way of footnotes to the Account as shown below:-

Head	Item	Budget	Actual Expenditure	Variance
020101-State House Nairobi	3110500-Construction and Civil Works	70,000,000.00	68,354,471.00	1,645,529.00
020102- State House Mombasa	3110300 Refurbishment of Buildings	30,000,000.00	28,644,502.00	1,355,498.00
020104 State Lodges	3110500 Construction and Civil Works	51,000,000.00	49,948,618.00	1,151,382.00

No explanation has been provided for the omission.

STATEMENT OF ASSETS AND LIABILITIES

285. The Statement of Assets and Liabilities for Vote D.02 as at 30 June, 2012 reflects a bank balance of Kshs.1,385,072.00 which is in agreement with the cashbook balance as at the same date but has not been supported with a Trial Balance or Ledger.

286. The Statement further reflects a Suspense Account credit balance of Kshs.122,956,415.45 which has not been supported with analysis for confirmation of account movement of Kshs.129,473,265.95 during the year. Consequently, accuracy of the Suspense Account balance of Kshs.122,956,415.45 as at 30 June, 2012 could not be confirmed.

287. The Statement of Assets and Liabilities also reflects various long outstanding debit and credit balances totalling Kshs.254,223,631.95 and Kshs.383,528,187.90 respectively, relating to 2010/2011 and earlier years as shown below:-

Debits	Amounts Kshs.
Exchequer under Issue Account	254,213,675.50
Advance Account	<u>9,956.45</u>
	<u>254,223,631.95</u>
Credits	
General Account of Vote	377,011,337.40
Suspense Account	<u>6,516,850.00</u>
	<u>383,528,187.90</u>

No explanation has been provided for failure to clear the long outstanding balances from the Department's records.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 02

Basis For Qualified Opinion

288. The Statement of Assets and Liabilities as at 30 June, 2012 reflects balances in respect of Bank Balance, Deposits and Suspense Account which are not derived from the Trial Balance as required by the Government Financial Regulations and Procedures. The accuracy of the statement's balances as at 30 June 2012 could therefore not be ascertained.

289. The bank reconciliation statement for the Deposits cashbook reflects reconciled cashbook balance as at 30 June 2012 of Kshs.42,673,642.50. The amount includes receipts totalling Kshs.3,715,228.70 recorded in the Cashbook between November 2011 and April 2012 but not banked as at 30 June, 2012. No explanation has been provided for not banking the receipts upon recording them in the cashbook, as required by the Government Financial Regulations and Procedures.

290. The Statement further shows clearance of a Suspense Account debit balance of Kshs.228,349.75, brought forward from 2010/2011 financial year. However, no supporting documents were availed for confirmation of the nature of the transaction. Under the circumstances, validity and propriety of the transaction could not be confirmed.

MINISTRY OF STATE FOR PUBLIC SERVICE

FINANCIAL STATEMENTS FOR VOTE R.03

Basis for Qualified Opinion

STATEMENT OF ASSETS AND LIABILITIES

291. The Statement of Assets and Liabilities for Vote R.03 as at 30 June, 2012 reflects a balance of Kshs.221,344,475.60 under assets and a similar amount under liabilities. However, no trial balance as at the same date or ledger has been provided to support the balances, contrary to requirements of Government Financial Regulations and Procedures. No explanation has been provided for the omission.

292. The Statement also reflects balances cleared during the year made up of Exchequer under Issues (2008/2009) of Kshs.22,910,320.00, GAV (2009/2010) of Kshs.20,865,313.00, District Suspense Account balance of Kshs.17,974,514.82, General Suspense Account of Kshs.39,697,662.20 and Excess Appropriations-In-Aid for 2008/2009 and 2009/2010 totalling Kshs.13,956,049.13, which have not been supported by verifiable documents.

293. The Statement also reflects under General Suspense Account a balance of Kshs.36,655,228.20 which has not been analyzed, explained or supported. Accordingly, accuracy of the figure reflected in the Statement cannot be ascertained.

294. The Statement of Assets and Liabilities reflects Exchequer under issue debit balance of Kshs.123,867,100.00 relating to 2010/2011 still outstanding. The Statement also reflects under General Account on Vote and Excess Appropriation in Aid long outstanding account balances relating to 2010/2011 and earlier years of Kshs.115,357,625.40 and Kshs.28,109,036.85, respectively which had not been cleared as at 30 June, 2012. No explanation has been provided for failure to clear the long outstanding balances from the Ministry's records.

FINANCIAL STATEMENTS FOR VOTE D.03

Basis For Qualified Opinion

STATEMENT OF ASSETS AND LIABILITIES

295. The Statement of Assets and Liabilities for Vote D.03 as at 30 June 2012 reflects various debit and credit balances under Exchequer Under Issues, Non Receipt of

IDF/AADLC Grant and Excess Appropriation-In-Aid of Kshs.37,124,773.00, Kshs.12,620,000.00 and Kshs.12,434,400.00 respectively, all relating to 2010/2011 and previous years which have not been cleared. No reason has been provided for failure to clear the long outstanding balances from the books of account.

296. The Statement also reflects balances cleared during the year in respect of District Suspense Account of Kshs.32,920,101.15, General Suspense Account of Kshs.567,010.90, Inter Ministerial Agency Account (KDLC) of Kshs.1,435,180.95 and General Account of Vote of Kshs.1,307,703.45, which have not been supported with verifiable documents.

297. All balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2012 or Ledger for the same period. Consequently, the basis of preparation of the statement under review could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 03

Basis For Qualified Opinion

298. The Statement of Assets and Liabilities for Deposits as at 30 June 2012 reflects General Deposit Account debit balance of Kshs.2,346,380.00 which has not been analyzed with the result that, it has not been possible to ascertain the source, validity, completeness and accuracy of the amount.

299. The Statement further reflects a debit balance of Kshs.2,346,380.00 and a similar credit balance which have not been supported with a Ledger or Trial Balance as at 30 June 2012, contrary to requirements of Government Financial Regulations and Procedures. Consequently, accuracy of the figures reflected in the Statement could not be ascertained.

MINISTRY OF FOREIGN AFFAIRS

FINANCIAL STATEMENTS FOR VOTE R.04

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Pending Bills

300. Records maintained in the Ministry indicate that bills amounting to Kshs.79,073,452.90 chargeable to Vote R.04 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Had these bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account would have recorded a reduced net surplus of Kshs.122,283,888.45 instead of an amount of Kshs.201,357,341.35 now shown.

Irregular Procurement for Goods and Services

301. The Ministry procured goods and services, specifically supply of fresh flowers and maintenance of indoor potted plants, gardening and courier services using contracts that had lapsed on 30 June, 2011. As a result, payments amounting to Kshs.10,652,644.90 were made to three firms and the expenditure charged to items 2211300 - Other Operating Expenses and 2210200 - Communication Supplies and Services under Head 040101 – Headquarters Administrative Services. No reason has been given for using lapsed contracts.

Unreconciled Expenditure Difference

302. The expenditure returns from the Kenyan Missions abroad reflect total expenditure of Kshs.6,836,988,560.20 for 2011/2012 which differ with the corresponding expenditure amounting to Kshs.7,532,725,554.00 recorded in the appropriation account for the year ended 30 June 2012. The resultant difference of Kshs.695,736,993.80 has not been reconciled or explained.

Lack of Proper Foot Notes

303. The Appropriation Account for Vote R.04 reflects variances in excess of Kshs.1,000,000.00 between the approved and actual expenditure under four Missions for which no proper foot notes have been provided as required by Government Financial Regulations and Procedures as shown below.

Embassy	Expenditure Item	Variance (Kshs)
Washington	2110300- Personal Allowances Paid as Part of Salary	4,763,353.00
	2120200- Employer Contribution to Insurance. Health Scheme	4,110,615.00
	2210600- Rental of Produced Assets	1,408,740.00
Moscow	2640100- Scholarships & Other Educational Benefits	1,478,332.00
The Hague	1140100-Recpt from VAT on Domestic goods & Services	1,077,205.00
Doha	2110100- Basic Salary-Permanent Employees	1,591,761.00
	2210600—Rental of Produced Assets	6,030,137.00

STATEMENT OF ASSETS AND LIABILITIES

304. The Statement of Assets and Liabilities for Vote R.04 as at 30 June 2012 shows the following debit and credit balances which differed with those reflected in the Trial Balance as at 30 June 2012:

Account	Statement (Kshs)	Trial Balance (Kshs)	Difference (Kshs)
Debits			
Advances	1,030,765.30	16,539,796.65	15,509,031.35
Exchequer	316,605,500.00	9,409,336,724.90	9,092,731,224.90
GAV (Excess)	449,541,250.15	5,023,839,079.90	4,574,297,829.75
Temporary Imp	37,863,307.05	283,876,442.45	246,013,135.40
Standing Imp	189,853.25	12,187,363.90	11,997,510.65
PMG	587,034,089.75	289,913,237.60	297,120,852.20
Credits			
GAV (Surplus)	478,569,235.15	-	478,569,235.15
Salary Clearance	4,920,269.45	56,283,381.10	51,363,111.65
Excess AIA	908,345,523.75	1,150,568,522.25	242,222,998.50

No explanation or reconciliations have been provided to support the differences between the two sets of records.

305. The Statement also shows the following balances relating to 2010/2011 and earlier years as having been cleared. However, no documents have been provided to show how these balances were cleared from the Ministry's records.

Account	Amount Cleared (Kshs)
Exchequer	61,387,957.00
General Suspense	1,301,891,696.15
GAV Surplus	1,181,909,084.45

In the absence of supporting documentation, it has not been possible to confirm the correctness of the adjustments.

306. The Statement reflects a Paymaster General Account balance of Kshs.587,034,089.75 which differs with the Trial Balance figure of Kshs.289,913,237.60 and the Cash Book figure of Kshs.3,503,883.85. The resultant difference among the three sets of records has not been reconciled or explained.

307. The Statement also shows Salary Clearance Account balance of Kshs.4,920,269.45 relating to 2010/2011 and earlier years and which has not been cleared. No reason has been given for the non-clearance.

308. The Statement further shows Excess Appropriations-In-Aid amounting to Kshs.908,345,523.55 out of which an amount of Kshs.729,166,883.30 relating to 2010/2011 and previous years was not surrendered to the Treasury during the year under review. Failure to surrender the amount has not been explained.

309. The Statement further shows GAV Excess Vote balance of Kshs.449,541,250.15 relating to the years between 1989/1990 and 2002/2003 which has not been regularised.

310. The Statement shows Temporary Imprest balance of Kshs.37,433,569.95 while the Ministry's registers show a balance of Kshs.40,909,044.45. The resultant difference of Kshs.3,475,474.50 has not been reconciled or explained. The imprests were owed by various categories of officers as follows:

Category	Amount (Kshs)
Job Group L and below	12,109,101.70
Job Group M and above	3,911,964.60
Ministers and Assistant Minister	2,843,407.95
Transferred to Other Ministries	7,054,600.05
Retired Officers	11,507,689.80
Deceased Officers	3,482,280.35

311. Besides lack of explanation for failure by the officers to surrender or account for the imprests on or before 30 June 2012, evidence of recovery of the imprests from the defaulters has not been seen.

FINANCIAL STATEMENTS FOR VOTE D.04

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

312. The Appropriation Account for Vote D.04 reflects under Head 040205 – Addis Ababa - an expenditure totalling Kshs.28,915,768.00 which includes an amount of Kshs.26,651,218.60 relating to rent and refurbishment of buildings that was incurred and paid before authorization by the Authority to Incur Expenditure (AIE) holder. No explanation has been provided for this irregularity.

313. Expenditure totalling Kshs.12,292,697.17 relating to refurbishment of buildings in Stockholm, Paris and Dar-es-Salaam was not captured in the Ministry's ledger or accounted for in the Appropriation Account for Vote D.04 for the year ended 30 June 2012. No reasons have been given for this omission.

Inadequately Supported Expenditure

314. Expenditure in respect of refurbishment of buildings amounting to Kshs.29,484,181.58 charged to Vote D.04, relating to the missions in Rome, the Hague, Tokyo, New York, and Headquarters was not accompanied by adequate supporting documents such as invoices, quotations/tender documents and certificate of completion. In the circumstances, the propriety of the expenditure of Kshs.29,484,181.58 could not be ascertained.

315. Contract Agreement in support of expenditure totalling Kshs.8,271,820.00 in respect of renovation of the leaking roof at the Ministry Headquarters was not made available for audit review. In the absence of a contract agreement, the validity and propriety of the expenditure could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES

316. The Statement of Assets and Liabilities for Vote D. 04 as at 30 June 2012 reflects various debit and credit balances totalling Kshs.163,678,358.10 and Kshs.291,922,618.75, respectively relating to 2010/2011 and earlier years as detailed below:

Details	Debit Balances (Kshs.)	Credit Balance (Kshs.)
Exchequer(under Issues)	130,032,000.00	-
Imprest Clearance	33,646,358.10	-
G.A.V(Under Expenditure)	-	<u>291,922,618.75</u>
Total	<u>163,678,358.10</u>	<u>291,922,618.75</u>

317. No reasons have been provided for not clearing these long outstanding balances. Further, the ministry did not provide details of Imprest Clearance balance of Kshs.33,646,358.10 cleared during the year

318. The Statement also reflects various account balances which differ with corresponding account balances shown in the Trial balance as at 30 June 2012 as detailed below:

Particulars	Statement (Kshs)	Trial Balance (Kshs)
Exchequer	130,032,000.00 DR	153,559,287.10 CR
Imprest Clearance	33,646,358.10 DR	-
Cash & Bank (P.M.G)	128,244,260.65 DR	3,134,703,290.40 DR
G.A.V	291,922,618.75 CR	1,682,659,031.45 CR
R/D Cheques	-	1,496,790.00 CR
Standing Imprest	-	1,075,410.00 DR
General Suspense	-	1,838,347,284.75 CR
Cash Clearing	-	2,753,328,780.30 CR

No explanations have been provided for these anomalies.

319. The Statement further reflects a General Account of Vote (G.A.V) debit balance of Kshs.272,364,265.15 in respect of 2011/2012 while the Appropriation Account for Vote D. 04 for the same period recorded a net surplus of Ksh.107,506,947.50. No explanation or reconciliation has been provided for the difference between the two sets of records.

320. The Statement in addition reflects a Paymaster General (PMG) Account balance of Kshs.128,244,260.55 while the Ministry's Cash book as at 30 June 2012 shows a balance of Kshs.7,250,118.35. The resultant difference of Kshs.120,994,142.20 has not been reconciled or explained.

321. The Statement shows that various account balances brought forward in respect of Exchequer Under Issues, G.A.V (Excess Votes) and A.I.A. (Over Collection) of Kshs.20,262,253.85, Kshs.57,618,127.60 and Kshs.5,239,500.00, respectively were cleared during the year under review. However, no documentation was provided in support of these clearances. Consequently, the validity of the clearances could not be ascertained.

322. The Bank Reconciliation Statement for Vote D.04 as at 30 June 2012 reflects receipts in the bank statement not in the cash book totalling Kshs.1,289,536.45, which were not supported by any documents. Further, the statement includes payment in the bank statement not in the cash book of Kshs.300,000.00 for which payee details were not provided.

STATEMENT OF ASSETS AND LIABILITIES DEPOSITS 04

Basis for Disclaimer of Opinion

323. The Statement of Assets and Liabilities Deposits 04 reflects balances under the following accounts which differ with the corresponding figures shown in the Trial Balance as at 30 June 2012:

Account	Statement Balance (Kshs.)	Trial Balance (Kshs.)	Difference (Kshs.)
Suspense account	163,200,033.55DR	149,889,584.25CR	313,089,617.80 DR
Deposit Clearance	427,159.30DR	Nil	427,159.30 DR
Cash & Bank (P.M.G)	494,584,713.45DR	145,224,891.15DR	349,359,822.30 DR
Agency A/c	442,729,926.00CR	345,444,609.55CR	97,285,316.45 CR
Miscellaneous deposit	215,481,980.30CR	Nil	215,481,980.30 CR

No reconciliation or explanation has been provided for these differences.

324. The following account balances, although reflected in the Trial Balance as at 30 June 2012 have been excluded from the Statement.

Details	Balances (Kshs.)
General Deposit	272,631,036.25 DR
Cash Clearing A/c	186,769,896.00 CR
H/Q Recurrent Cash	969,931,564.85 DR
RTD salary	59,730.75 CR

No plausible reason has been provided for the omission.

325. The Statements Suspense and Miscellaneous Deposit Accounts balances as at 30 June, 2012 of Kshs.178,841,215.55 and nil have been adjusted by Kshs.88,592,725.80 and Kshs.5,505,152.75, respectively during the year under review. The adjusting amounts have not been supported with any documentary evidence. Consequently, the accuracy and validity of the closing statements and closing balances could not be ascertained.

326. The Bank Reconciliation Statement for Deposits Cash book as at 30 June 2012 reflects payments totalling Kshs.81,841,794.25 in the bank statement not recorded in cashbook and receipts totalling Kshs.72,088,201.10 in the bank and not recorded in the cash book. In the circumstances, accuracy of the accounts balances reflected in the statement of Assets and Liabilities for deposits as at 30 June, 2012 could not be ascertained.

327. The statement also reflects Kshs.494,584,713.45 PMG balance which differs with reconciled cash book balance of Kshs.193,382,873.05 as at 30 June, 2012. The resultant difference of Kshs.301,201,840.40 has not been reconciled or explained.

OFFICE OF THE VICE-PRESIDENT AND MINISTRY OF HOME AFFAIRS

FINANCIAL STATEMENTS FOR VOTE R.05

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

Failure to provide Footnotes to the Account

328. The Government Financial Regulations and Procedures require that explanations be provided in form of footnotes to the Account for variances over Kshs.1,000,000.00 above or below the approved estimates and the actual expenditures or actual collection of Appropriations-In-Aid. However, the Appropriation Account for Vote R.05 for the year ended 30 June, 2012 reflects under-expenditure of Kshs.1,324,874.95 under Item 2210200 – Communication, Supplies and Services and over-collection of Appropriations-In-Aid of Kshs.3,795,500.00 under Item 3520300- Receipts from Sale of Inventories, Stocks and Commodities for which no footnotes were provided. No explanation was given for the omission.

Compensation and Ex-Gratia Payments

329. The Appropriation Account also reflects expenditure totalling Kshs.8,010,371.75 under Items 2110402 - Medical Compensation - Inpatient, 2110403 - Ex-Gratia Payments and 2211308-Legal Dues, Arbitration and Compensation Payments of Kshs.640,065.50, Kshs.4,792,076.25 and Kshs.2,578,230.00 respectively. However, payment vouchers and other supporting documents were not availed for confirmation of propriety of the expenditure. Further, details of the Ex-Gratia payments have not been disclosed as a footnote to the Account as required by Government Financial Regulations and Procedures. No explanation was provided for the omission.

Pending Bills as at 30 June 2012

330. Records maintained by the Ministry indicate that bills amounting to Kshs.213,697,420.05 relating to Vote R.05 had not been settled during the year but were instead carried forward to the financial year 2012/2013. Had the bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for the year would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.207,378,302.96 instead of Kshs.421,075,723.01 now shown.

Personnel Expenses – Kshs.8,780,423,017.55

331. The Appropriation Account reflects expenditure amounting to Kshs.8,780,423,017.55 on personnel emoluments, while the Ministry's Integrated Payroll and Personnel Data (IPPD) records reflect an amount of Kshs.8,722,576,986.05 against the same item. The resultant difference of Kshs.57,846,031.50 between the two sets of records has not been reconciled or explained.

332. The Ministry incurred expenditure on personnel emoluments totalling Kshs.8,780,423,017.55 against a budget of Kshs.8,981,740,003.00, resulting to a net under expenditure of Kshs.201,316,985.45 during the year. However, the net under-expenditure comprises under-expenditure totalling Kshs.547,624,823.20 and over-expenditure amounting to Kshs.346,307,837.75. The over-expenditure mainly occurred under Sub-Votes 053 – Prisons Services, 055- Probation and Aftercare Services and 057- Betting Control and Licensing Board against which Kshs.283,782,318.40, Kshs.32,135,199.75 and Kshs.28,940,758.50 respectively were overspent.

333. The explanations given in the footnotes to the Account for the over-expenditure on personnel emoluments include interdictions, dismissals, transfers and errors in IPPD. However, these explanations are not satisfactory since estimated expenditure on personnel emoluments are always based on reliable data and therefore no significant deviations should arise.

Irregular Payment of Meal Allowances – Kshs.1,435,500.00

334. The Appropriation Account reflects an expenditure of Kshs.348,033,864.45 under Item 2210300– Domestic Travels & Subsistence and Other Transportation Costs. Included under the item is expenditure of Kshs.1,435,500.00 in respect of meal allowances paid to various Ministry officials. Available documents show that the payments were in respect of lunches and suppers for officers working over lunch time and late in the evening. Besides the fact that the officers were carrying out normal duties for which they are paid salaries on monthly basis, no approval appears to have been obtained from the Accounting Officer for these payments. In addition, no explanation has been provided for charging the expenditure incurred on meal allowances to Domestic Travels & Subsistence and Other Transportation Costs.

Irregular Procurement of Air Tickets - Kshs.29,664,824.00

335. The Appropriation Account reflects an expenditure of Kshs.348,033,864.45 under Item 2210400–Foreign Travel & Subsistence and Other Transportation Costs. Included under this expenditure is an amount of Kshs.29,664,824.00 in respect of air tickets for Vice- President and his entourage while on official duties outside the country between 17 May to 3 June 2012. The Ministerial Tender Committee held a special meeting on 7 June 2012 and awarded the contract to the lowest bidding firm at a cost of Kshs.19,339,052.00. Available information however indicate that, by the time of awarding the contract, the services had already been rendered.

336. It was further noted that there was a significant cost variation of Kshs.10,325,772.00 between the original awarded price of Kshs.19,339,052.00 and Kshs.29,664,824.00 actual payment. This was mainly due to cancellation of tickets, change of routes and dates and upgrades of classes resulting in avoidable expenditure of Kshs.10,325,772.00. No approval appears to have been obtained from the Ministerial Tender Committee for the price variation. It was also not possible to verify and confirm whether the officials actually travelled to the intended destinations since no supporting documents were produced for audit review.

Unvouched Expenditure

337. The Appropriation Account also reflects expenditure totalling Kshs.2,520,415,311.49 under Item 2211000 - Specialised Materials and Supplies. Payment vouchers and other related records for expenditure totalling Kshs.124,380,805.80 charged against this expenditure item and paid at the headquarters during the year were not availed for audit review. Consequently, the propriety of the expenditure of Kshs.124,380,805.80 could not be ascertained.

Pending bills - Kilifi GK Prison

338. Audit of expenditure records maintained at the Kilifi GK Prison, indicate that bills totalling Kshs.5,152,322.10 were outstanding as at 30 June 2012. The bills were mainly in respect of utility bills and consumable items such as prisoner's food and ration and firewood supplied to the Prison during 2011/2012.

339. The failure to settle the bills was attributed to inadequate funding by the parent Ministry and rising commodity prices. The issue of pending bills has been recurring every year contrary to Treasury Circular No.22/04 which prohibited incurring of new pending bills. Pending bills also distort the budget for the following year to which they have to be charged.

Pending bills - Eldoret Main Prison

340. Examination of records maintained by the Officer-In-Charge of Eldoret Main Prison revealed that pending bills totalling Kshs.37,639,169.65 relating to 2011/2012 were not settled during the year but carried forward to 2012/2013 financial year.

341. Out of the total, bills amounting to Kshs.28,066,500.00 related to food and ration, Kshs.5,934,663.65 was in respect of water bills, Kshs.3,250,000.00 was in respect of purchase of firewood while the balance of Kshs.388,006.00 was in respect of unpaid staff travel and accommodation allowances and purchase of stationery and computer accessories.

342. Further, no evidence was presented to show that the pending bills were submitted to the Director, Budgetary Supply Department for authentication and issue of an exchequer as required.

343. The validity of the pending bills could also not be confirmed as they were not supported by the necessary documents such as LPO's/LSO's, invoices, delivery notes, stores receipt and issue records.

344. Failure to settle the bills further contravenes Treasury Circular No.22/04 which prohibits incurring of new pending bills and also distorts the budget for the following year to which they have to be charged.

Unaccounted for Food and Ration – GK Prison Garissa

345. The Officer – in – Charge Garissa Main Prison, procured food and ration items worth Kshs.1,671,500.00 that were not recorded in the stores records as required by Section 18.2 of the Government Financial Regulations and Procedures and therefore, it was not possible to confirm that the food items were received and consumed by the prisoners.

STATEMENT OF ASSETS AND LIABILITIES

346. The Statement shows a Paymaster General (PMG) Account credit balance of Kshs.2,247,761,553.19 which differs with the Cashbook debit balance of Kshs.1,662,746.30. The difference between the two sets of records has not been reconciled or explained. Further, no explanation has been provided for the credit balance under the PMG Account which under normal circumstances should show a debit balance. Also, verification of the Recurrent Cashbook bank reconciliation statement revealed the following:-

347. The statement reflects payments in cashbook not in the bank totalling Kshs.191,530,415.90, which includes an amount of Kshs.51,399,966.75 in respect of unrepresented cheques that are stale. However, the physical cheques were not made available for audit confirmation.

348. The statement also reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.79,649,632.40 which includes an amount of Kshs.63,767,397.65 relating to 2010/2011 financial year.

349. The Statement in addition reflects payments in the bank statement not recorded in the cashbook amounting to Kshs.134,299,865.95. This figure includes an amount of Kshs.59,507,175.40 representing payments relating to 2010/2011 and earlier years.

350. The statement further reflects receipts in the cashbook not in the bank statement totalling Kshs.476,729.60, out of which an amount of Kshs.420,926.60 is indicated as banked according to the Ministry's paying-in-slips. However, it is not clear why the receipts have not been captured in the bank statement as at 30 June, 2012.

351. The Statement reflects an Exchequer Account over issue of Kshs.158,998,305.10 while Exchequer records maintained at the Treasury reflect Exchequer under issue of Kshs.103,824,548.10 during the year. No explanation has been provided for the difference between the two sets of records and as a result, the Kshs.145,349,062.68 Exchequer over issue balance as at 30 June, 2012 could not be confirmed.

352. The Statement also reflects a credit balance of Kshs.564,339,500.63 under General Account of Vote. The figure includes a debit balance of Kshs.589,719,777.94 for 2011/2012 which differs with the Net Surplus to be surrendered to the Exchequer of Kshs.421,075,723.01 as per the Appropriation Account. In the absence of a reconciliation for the difference, the accuracy of Kshs.564,339,500.63 General Account of Vote balance as at 30 June, 2012 could not be confirmed.

353. The Statement also reflects a credit balance of Kshs.17,225,432.35 in respect of Excess Appropriations-In Aid, which includes an amount of Kshs.6,579,605.35 for the year under review. The balance of Kshs.6,579,605.35 differs with the Excess AIA balance of Kshs.6,292,750.35 shown in the Appropriation Account for the year ended 30 June, 2012 by Kshs.286,855.00. No reconciliation or explanation has been provided for the difference.

354. The Statement reflects a debit balance of Kshs.3,087,413,351.55 in respect of District Suspense Account which differs with the ledger balance of Kshs.3,090,985,563.50 by Kshs.3,572,211.95. In addition, the amount of Kshs.3,087,413,351.55 differs with the analysed figure of Kshs.2,986,498,207.35 by Kshs.100,915,144.20. No explanation or reconciliation has been provided for the discrepancies among the three sets of records. Consequently, the accuracy of the District Suspense Account balance of Kshs.3,087,413,351.55 could not be ascertained.

355. The Statement also reflects an Imprest Account balance of Kshs.52,931,891.70 which is not supported with an analysis. In addition, the balance of Kshs.52,931,891.70 differs with the balance of Kshs.82,121,403.45 shown in the imprest records maintained at the Ministry Headquarters. The difference of Kshs.29,189,511.75 between the two set of records has not been reconciled or explained.

356. The Statement of Assets and Liabilities further reflects various debit and credit balances totalling Kshs.1,219,345,246.65 and Kshs.1,311,205,877.97 respectively, relating to 2010/2011 and earlier years as shown below:

Debits Balances	Amounts (Kshs.)
Exchequer Account	13,649,242.42
Advances Account	484,149.15
District Suspense Account	1,205,164,455.48
District General Suspense	<u>47,399.60</u>
Total	<u>1,219,345,246.65</u>
Credit Balances	Amount (Kshs.)
General Account on Vote	1,154,059,278.57
Excess AIA	10,645,827.00
Agency Account	177,723.00
General Suspense	<u>146,323,049.40</u>
Total	<u>1,311,205,877.97</u>

No reason has been provided for failure to clear these balances.

357. The Statement further reflects Kshs.1,512,993.25 and Kshs.18,414,886.75 under Agency and Clearance Accounts respectively which have not been analysed. No reasons have been given for failure to analyse the balances.

FINANCIAL STATEMENTS FOR VOTE D.05

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

Pending Bills as at 30 June, 2012

358. Records maintained by the Ministry indicate that bills amounting to Kshs.87,798,481.70 relating to Vote D.05 had not been settled during the year but were instead carried forward to the year 2012/2013. Had the bills been settled, and the expenditure charged to the account for 2011/2012, the Appropriation Account for the year ended 30 June, 2012 would have reflected an Excess Vote of Kshs.38,996,485.89, instead of the Net Surplus to be surrendered to the Exchequer of Kshs.48,801,995.81 now shown.

Construction and Completion of Proposed Prisons Staff Housing at Nakuru and Eldoret GK Prisons

359. Audit of expenditure records revealed that Kshs.182,665,531.79 had been incurred for the construction of prison staff houses at Nakuru and Eldoret GK Prisons since inception of the project in September, 2006.

360. Although the original contract's duration was 52 weeks, available information indicates that the contract duration was extended to 222 weeks to a new completion date of 30 November 2010. However, as at 21 May 2012 the project had surpassed the extended completion date of 30 November, 2010 by about 75 weeks and was still not completed.

361. Further, the original contract sum of Kshs.102,385,587.50 was varied by Kshs.95,773,772.89 to Kshs.198,159,360.39, or about 94% of Kshs.102,385,587.50. However, details of the contract variations and Ministerial Tender Committee approval were not made available for audit verification. In addition, the contract variation was not executed within the contract period, contrary to Section 31(c) and (d) of the Public Procurement and Disposal Regulation, 2006 which provides for a variation not exceeding 15% of the original contract sum for works and that such contract variation be executed within the period of the contract.

362. As at 30 June, 2012 a total sum of Kshs.182,665,531.79 had been paid out of the revised contract sum of Kshs.198,159,360.39, representing about 92% of the contract sum. The expenditure of Kshs.182,665,531.79 comprises of Kshs.167,046,891.74 relating to 2010/2011 and earlier years and Kshs.15,618,640.05 for the year under review. However, expenditure documents supporting an amount of Kshs.11,230,089.40 for certificate No.25 were not made available for audit review. As a result, propriety of the expenditure could not be ascertained.

Proposed Security Enhancement to the Vice-President Residences

363. The Office of the Vice President and Ministry of Home Affairs Ministerial Tender Committee during its meeting held on 25 September 2009 considered enhancement of security in the Vice President's residences at Karen, Yatta and Tseikuru.

364. The Ministry of Public Works on behalf of the Office of the Vice President and Ministry of Home Affairs invited tenders on 5 October 2009 from ten (10) firms through restrictive tendering and seven firms responded. The Ministerial Tender Committee awarded the contract to the lowest bidder at a contract sum of Kshs.102,731,311.00. The contract period was to run for 34 weeks commencing 24 January, 2010 and ending on 20 October 2010.

365. Available records indicate that the original contract sum of Kshs.102,731,311.00 was varied by Kshs.11,721,092.45 to Kshs.114,452,403.45 representing about 11% of the contract sum. However, details of variations and approval by the Ministerial Tender Committee were not available for audit verification. Information made available further indicate that the contractor abandoned the project and moved out of the site on 26 December, 2010 after payment of a total of Kshs.93,774,252.49 vide the 5th certificate. No explanation has been provided for the abandonment of the project and how the contract has been handled after the contractor breached the contract.

STATEMENT OF ASSETS AND LIABILITIES

366. The Statement reflects Exchequer Account balance of Kshs.4,940,221.15 which includes Kshs.106,961,080.80 for 2011/2012. However, Exchequer records maintained at Treasury reflect a debit balance of Kshs.411,334.65. The difference between the two sets of records has not been reconciled or explained.

367. The Statement reflects a credit balance of Kshs.1,314,958.50 under Imprest Account which under normal circumstances should reflect nil or debit balance. No explanation has been provided for the unusual credit balance. Further, no analysis was provided for the credit balance of Kshs.1,314,958.50. It was therefore not possible to ascertain what it represents.

368. The Statement also reflects a debit balance of Kshs.1,632,267,602.94 in respect of District Suspense Account which differs with the ledger balance of Kshs.1,412,883,678.14 by Kshs.219,383,924.80. In addition, the balance of Kshs.1,632,267,602.94 differs with the analysed figure of Kshs.1,524,894,727.14 by Kshs.107,372,875.80. No explanation or reconciliation has been provided for the discrepancies among the three sets of records. Consequently, the accuracy of the District Suspense Account balance of Kshs.1,632,267,602.94 could not be confirmed.

369. The Statement reflects a Paymaster General (PMG) Account credit balance of Kshs.861,411,303.43 which differs with the Cashbook debit balance of Kshs.493,531.80 as at 30 June, 2012. The difference between the two sets of records has not been reconciled or explained. Further, no explanation has been provided for the credit balance under PMG Account which under normal circumstances should show a debit balance.

Further, the following unsatisfactory matters have been noted in the bank reconciliation statement for Development cashbook for the month of June, 2012:-

370. The Statement reflects payments in the Cashbook not in the Bank statement totalling Kshs.116,310,789.55, which include stale unrepresented cheques amounting to Kshs.4,846,235.25. No reason has been provided for failure to reverse the cheques in the Cashbook.

371. The Statement also reflects receipts in the Bank statement not recorded in the Cashbook amounting to Kshs.48,310,331.65 out of which an amount of Kshs.17,665,391.95 relates to 2010/2011 and earlier years. No explanation has been given for failure to update the Cashbook.

372. The Statement in addition reflects payments in the Bank statement not recorded in the Cashbook totaling Kshs.4,199,925.85 which includes an amount of Kshs.3,811,989.85 relating to 2010/2011 and earlier years. No explanation has been given why these receipts have remained outstanding for long.

373. The statement in addition reflects receipts in the Cashbook not recorded in the Bank statement totaling Kshs.8,741,414.95. No reason has been given as to why the receipts have not been banked.

374. The Statement also reflects a credit balance of Kshs.719,790,759.06 under the General Account of Vote (GAV). The figure includes a debit balance of Kshs.58,570,419.19 for 2011/2012 which differs with the Net Surplus to be surrendered to the Exchequer of Kshs.48,801,995.81 in the Appropriation Account. No explanation or reconciliation has been provided for the difference and as a result, the completeness and accuracy of the GAV Account balance of Kshs.19,790,759.06 as at 30 June, 2012 could not be confirmed.

375. The Statement reflects a balance of Kshs.54,727,803.50 under General Suspense Account which includes Kshs.26,259,358.10 for 2011/2012. No analysis was provided in support of the balance and consequently, the validity of the balance of Kshs.54,727,803.50 as at 30 June, 2012 could not be ascertained.

376. The Statement reflects Kshs.324,235,963.36, Kshs.37,000.00 and Kshs.28,468,445.40 under District Suspense, District General Suspense and General Suspense Accounts respectively, relating to 2010/2011 and earlier years. No reason has been provided for failure to clear these balances from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS AND DEPOSITS FOR VOTE 05

Basis for qualified Opinion

377. The Statement of Assets and Liabilities as at 30 June, 2012 reflects Bank Paymaster General Account debit balance of Kshs.289,886,522.46. The balance however differs with the reconciled cashbook balance of Kshs.74,166,868.42 as at the same date. No reconciliation or explanation has been provided for the variation between the two sets of records.

378. The Statement of Assets and Liabilities also reflects a balance of Kshs.135,808,430.57 under District Suspense Account. The figure represents Authorities to Incur Expenditure (AIEs) issued to various Districts but which had not been cleared as at 30 June, 2012 due to non-submission of expenditure returns. No explanation was provided for the delay in submitting the expenditure returns to facilitate clearance of these balances.

379. The Statement also reflects outstanding temporary imprest balance of Kshs.1,634,261.50 as at 30 June 2012 which differs with temporary imprest records figure of Kshs.1,751,483.20. The difference of Kshs.117,221.70 between these records has not been reconciled or explained.

380. In addition, the statement reflects a credit balance of Kshs.221,095,499.18 under Prison Industries. The figure differs with the PMG balance reflected in the Prison Industries Revolving Fund balance sheet as at 30 June, 2012 of Kshs.211,841,394.81. The difference of Kshs.9,254,104.37 has not been reconciled or explained.

381. The Statement further reflects Prison Farm debit balance of Kshs.27,586,053.60 which differs with the corresponding PMG balance of Kshs.11,807,179.32 reflected in the Prison Farms Revolving Fund balance sheet as at 30 June 2012. The difference of Kshs.39,393,232.92 between the two sets of records has not been reconciled or explained.

382. The Statement also reflects a balance of Kshs.160,028,629.95 in respect of Agency/HQ Deposit Account as at 30 June 2012. However, the deposits analysis includes various items totalling Kshs.372,620.00 described as Non-Existing Accounts. It is not clear why the deposits had not been identified as at 30 June, 2012.

383. The Statement also reflects Kshs.73,791,139.00 under Suspense Account as at 30 June 2012 but which has not been supported with an analysis. Under the circumstances, it has not been possible to confirm what the balances relate to.

KENYA PRISONS INDUSTRIES REVOLVING FUND

Basis for qualified Opinion

384. As reported in 2010/2011 and earlier years, the Prisons Industries Revolving Fund financial statements for the year ended 30 June, 2012 have been prepared from manual schedules and other records instead of the Trial Balance or Ledger. Consequently, the completeness and accuracy of the financial statement's balances for the year could not be confirmed.

385. The statement of financial position as at 30 June 2012 reflects a Paymaster General Account balance of Kshs.211,668,784.81 which differs from the balance of Kshs.221,095,499.18 reflected in the Ministry's Statement of Assets and Liabilities for Deposits and Funds as at the same date. The resultant difference of Kshs.9,426,714.37 between the two sets of records has not been reconciled or explained.

386. The statement of financial position in addition reflects total fixed assets valued at Kshs.58,554,920.91 as at 30 June, 2012, which includes an amount of Kshs.2,926,440.00 in respect of Scrap Machinery. The machinery has however not

been depreciated over the years and as a result, accuracy of the scrap machinery value reflected in the statement of financial position could not be confirmed. Further, no explanation was given for failure to dispose the scrap machinery which under normal circumstances could have been fully depreciated.

387. The statement of financial position also reflects a debtors balance of Kshs.36,916,444.25 as at 30 June, 2012, which includes Kshs.5,848,744.25 relating to 2010/2011 and earlier years. No explanation was given for failure to collect the long outstanding debts. Further, although some of the debts relate to earlier years dating as far back as 1970, no provision for bad and doubtful debts has been made in the financial statements. Under the circumstances, accuracy of Kshs.36,916,444.25 debtors could not be confirmed.

388. As reported in 2010/2011, the balance of Accumulated Revenue for 2007/2008 had been understated by an amount of Kshs.1,759,541.20 which had not been adjusted or reconciled. The statement of financial position as at 30 June 2012 reflects Accumulated Revenue balance of Kshs.297,808,131.13 which includes the unreconciled amount of Kshs.1,759,541.20 brought forward from previous years. Under the circumstances, the accuracy of Kshs.297,808,131.13 accumulated revenue balance could not be ascertained.

389. Further, the statement of financial position reflects a Suspense Account balance of Kshs.74,820,325.59 which includes Kshs.73,171,427.59 brought forward from 2010/2011. However, the suspense account balance has not been supported with an analysis and as a result, its accuracy could not be confirmed.

KENYA PRISONS FARMS REVOLVING FUND

Basis for qualified Opinion

390. The Fund's Balance Sheet as at 30 June, 2012 and Profit and Loss Account for the year reflects balances not reflected in the Ministry's Trial Balance or Ledger for the month of June 2012, but which appear to have been derived from manual records maintained by the Prisons Department. Consequently, the accuracy of the Fund's financial statements for the year ended 30 June, 2012 could not be ascertained.

391. The Fund's balance sheet as at 30 June, 2012 reflects a Paymaster General Account debit balance of Kshs.11,807,179.32 as at 30 June 2012. The Statement of Assets and Liabilities for Funds and Deposits as at the same date shows a debit balance of Kshs.27,586,053.60 against the same item. The difference of Kshs.39,393,432.98 between the two sets of records has not been reconciled or explained.

392. The Fund's balance sheet further reflects debtors balance of Kshs.135,736,223.93 as at 30 June, 2012 (2010/2011-Kshs.67,547,424.81), representing an increase of Kshs.68,188,799.12 or approximately 101% of the previous year's balance. As reported in 2010/2011, the continued increase in debtors is indicative of the Ministry's inability to collect debts as and when they fall due. No explanation was given for the continued failure to collect the long outstanding debts.

393. 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 2012.

394. The balance sheet also shows a Suspense Account balance of Kshs.38,346,155.27. As was reported in the previous year, no analysis has been provided for the Suspense Account balance and as a result, it has not been possible to confirm what it represents.

395. The balance sheet also reflects creditors balance of Kshs.1,254,256.30 which according to Note 10 is due to various suppliers of farm inputs. However, the balance has been outstanding for a long period of time with one dated July, 2005. As reported in the previous year, no explanation has been given for the undue delay in settling the payables.

STATEMENT OF REVENUE

Opinion

396. In my opinion, the Statement of Revenue for the year ended 30 June, 2012 presents fairly, in all material respects, the revenue received by Office of the Vice President and Ministry of Home Affairs during the year then ended in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

MINISTRY OF PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

FINANCIAL STATEMENTS FOR VOTE R.06

Basis for qualified Opinion

APPROPRIATION ACCOUNT

Variations between Appropriation Account and Trial Balance

397. The Appropriation Account for Vote R.06 reflects under Head 060205, Item 3111400-Research Feasibility Studies, Project Preparation and Design an expenditure of Kshs.5,534,465.00 while the trial balance as at 30 June, 2012 reflects a figure of Kshs.4,558,639.00. The difference of Kshs. 975,826.00 has not been explained.

Variations between Appropriation Account and Payroll

398. The Appropriation Account further reflects expenditure on Salaries and Allowances totalling Kshs.476,331,523.00, while the Ministry's monthly payroll records reflect payments amounting to Kshs.495,200,663.55 during 2011/2012 financial year. No explanation or reconciliation has been provided for the difference of Kshs.18,869,140.55 between the two sets of records.

Under-collection of Appropriations-in-Aid

399. The Account also reflects under-collection of Appropriations-in-Aid of Kshs.71,950,575.60 or about 99.9% of estimated receipts of Kshs.72,000,000.00. According to the footnotes to the Account, the under-collection of Appropriation-in-Aid was caused by lack of data from Kenya National Bureau of Statistics (KNBS) to enable the Ministry capture the figures. It is not clear how the problem has been addressed.

Pending Bills

400. Records maintained by the Ministry indicate that bills totalling Kshs.17,038,368.80 relating to 2011/2012 financial year and chargeable to the Recurrent Vote were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for the year ended 30 June, 2012 would have reflected a reduced Net surplus to be surrendered to the Exchequer of Kshs.37,753,397.05 instead of the Kshs.54,791,765.85 now shown.

STATEMENT OF ASSETS AND LIABILITIES

401. The Statement of Assets and Liabilities as at 30 June, 2012 reflects a General Account Vote (GAV) credit balance of Kshs.938,877,504.93 which includes an amount of Kshs.884,085,739.08 relating to 2010/2011 and earlier years. No reason has been provided for failure to clear the long outstanding balance from the books of account.

402. The Statement also reflects 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.

403. The Statement also reflects credit balances of Kshs.3,696,038.00, Kshs.11,332,067.60 and Kshs.53,712.00 brought forward from 2010/2011 against Appropriations-In-Aid, Re-credited cheques and Returned Salaries respectively which have not been cleared from the records as at 30 June 2012.

404. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June, 2012 or Ledger for the month of June 2012. Consequently, the source, accuracy and completeness of the Statement balances could not be ascertained.

FINANCIAL STATEMENT FOR VOTE D.06

Basis for qualified Opinion

APPROPRIATION ACCOUNT

Variations between Appropriation Account and Trial Balance

405. The Appropriation Account for the year ended 30 June, 2012 reflects gross total expenditure of Kshs.24,819,071,299.00, while the Trial Balance as at 30 June 2012 reflects a figure of Kshs.2,315,721,710.95. The difference of Kshs.22,503,349,588.05 between the two sets of records has not been reconciled or explained.

Community Empowerment and Institutional Support Project

406. The Appropriation Account reflects expenditure under Community Empowerment and Institutional Support Project of Kshs.377,191,976.00 while the Projects' financial statements for the year ended 30 June, 2012 show expenditure of Kshs.375,991,975.43. The difference of Kshs.1,200,000.00 between the two sets of statements has not been reconciled or explained.

Central Kenya Dry Areas Smallholders and Community Services Project

407. The Appropriation Account also reflects under Head 060252 – Central Kenya Dry Areas Smallholders and Community Services Project - a gross expenditure of Kshs.6,328,428.00, whereas available information indicate that the Project was closed during 2010/2011. Further, expenditure returns in respect to the project indicate that a total of Kshs.9,405,246.30 was spent on the Project during 2011/2012. The difference of Kshs.3,076,818.30 between the Appropriation Account figure of Kshs.6,328,428.00 and project returns figure of Kshs.9,405,246.30 has not been reconciled or explained. In addition, authority to spend funds on the closed project was not made available for audit review.

408. The audited financial statements of the Central Kenya Dry Areas Project for the year ended 30 June, 2011, reflected a cash balance carried forward of Kshs.2,091,000.90 as at that date. The Ministry has however not availed documents for audit confirmation of how the unspent cash balance was surrendered or utilized.

Under-Collection of Appropriations-In-Aid

409. Further, the Appropriation Account reflects under-collection of Appropriation-in-Aid of Kshs.1,126,764,412.00 or about 48% of estimated receipts of Kshs.2,314,862,409.00. According to the footnotes to the Account, the under-collection of Appropriation-in-Aid was mainly caused by non-receipt of documents from the donors to capture the collections. It is not clear how the problem has been addressed.

Pending Bills

410. Records maintained by the Ministry indicate that bills totaling Kshs.7,274,057.00 relating 2011/2012 financial year and chargeable to the Development Vote were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the Account for 2011/2012, the Appropriation Account for the year ended 30 June 2012 would have reflected a reduced Net surplus to be surrendered to the Exchequer of Kshs.868,298,237.45 instead of Kshs.875,572,294.45 now shown.

STATEMENT OF ASSETS AND LIABILITIES

411. The Statement of Assets and Liabilities as at 30 June, 2012 reflects balances of Kshs.3,700,499,615.47 (Cr), Kshs.2,588,204,317.60 (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 2010/2011 and earlier years. No reason has been provided for non-clearance of the long outstanding balances.

412. 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 available information indicates that the amount was refunded to the Bureau on 30 June, 2010, it is not clear why the balance brought forward from 2010/2011 has not been cleared from the Ministry's records.

413. The Statement reflects a Paymaster General Account debit balance of Kshs.742,785.50 while the Cash book reflects an overdrawn balance of Kshs.6,299,257,214.50 as at 30 June, 2012. No reconciliation or explanation has been provided for the difference between the two sets of records.

414. The Statement also reflects total assets of Kshs.10,876,071,909.92 and total liabilities of an equal amount. However, the balances were not supported with a Trial Balance as at 30 June, 2012 or Ledger for the year then ended. As a result, the accuracy of the balances in the Statement could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 06

Basis for qualified Opinion

415. The Statement of Assets and Liabilities for Deposits as at 30 June, 2012 reflects PMG Account debit balance of Kshs.5,656,735.25. The bank reconciliation statement for Deposits cashbook as at 30 June 2012 reflects payments amounting to Kshs.1,257,899.60 in the bank statement not yet recorded in the cashbook as at that date. The amount 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.

416. The Statement further reflects a Paymaster General Account debit balance of Kshs.5,656,735.25 and a similar credit balance under other three items which have not been supported with a Ledger or Trial Balance as at 30 June, 2012, contrary to requirements of Government Financial Regulations and Procedures. Consequently, accuracy of the balances reflected in the Statement as at 30 June, 2012 could not be ascertained.

417. The Statement also reflects General Deposit Account debit balance of Kshs.5,343,657.85 which has not been analyzed with the result that, it has not been possible to ascertain the source, validity, completeness and accuracy of the General Deposit Account balance as at 30 June, 2012.

BARINGO CENTRAL DISTRICT

Outstanding Poverty Eradication Loans

418. The Poverty Eradication Commission (PEC) was set up as a pilot project to provide access to affordable credit to the poor/non salaried persons who could not fit in formal banking or afford collateral and other stringent conditions attached to loans.

419. Examination of the loan records maintained at the District Development Office, Baringo Central revealed that loans amounting to Kshs.2,310,000.00 were due and outstanding as at 30 June, 2012.

420. According to other information available the outstanding loans were advanced to self-help groups in the year 2001 to facilitate self employment through setting up of community based poverty eradication projects aimed at improving their livelihoods.

421. PEC Circular of February 2011 addressed to District Poverty Eradication Committees (DPECs) and other Financial Intermediaries (FIs), on repayment guidelines stipulated that the loans disbursed were payable with an interest of not more than 10% and in a period of not more than one (1) year from the end of the grace period which was to be determined by the Groups/DPEC/FIs but in any case was to range between 1-3 months. Installments due after three (3) months were to be considered as default and recoverable with interest. However, no mechanism appears to have been put in place by the Ministry to recover outstanding loans as they fall due.

MINISTRY OF STATE FOR DEFENCE

FINANCIAL STATEMENTS FOR VOTE R.08

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Compensation and Ex-Gratia Payments

422. Examination of payment vouchers revealed that during the year 2011/2012 compensation and ex-gratia payments totalling Kshs.13,152,153.00 were made in respect of claims arising from court cases following accidents involving the Ministry's vehicles. The total payments include an amount of Kshs.2,745,649.05 in respect of court charges and interest for late settlement of third party claims against the Ministry of State for Defence. Had the Ministry settled those claims on time, such interests and court charges could have been avoided.

STATEMENT OF ASSETS AND LIABILITIES

423. The Statement of Assets and Liabilities for Vote R.08 as at 30 June 2012 reflects an Exchequer Account debit balance of Kshs.3,495,232,681,500.00 which includes an amount of Kshs.258,661,500.00 relating to 2010/2011. No explanation has been provided for failure to clear the preceding years balance.

424. The Statement reflects a Paymaster General Account debit balance of Kshs.201,531,950.05 which differs with Cash book credit balance of Kshs.974,997,024.45. The resultant difference of Kshs.1,176,528,974.50 has not been reconciled or explained.

425. The Statement also reflects a Temporary Imprest Account debit balance of Kshs.4,475,000.00. No explanation has been given for failure by the officers to account for or otherwise surrender the imprests on or before 30 June 2012.

426. The Statement also reflects a General Account of Vote credit balance of Kshs.3,298,006,264.05 which includes an amount of Kshs.66,067,898.00 relating to 2010/2011 that was not cleared during the year under review.

427. The Statement further reflects Suspense, Clearance and Excess Appropriation-In-Aid Account credit balances of Kshs.189,735,030.25, Kshs.22,204,409.80 and Kshs.132,550,650.50, respectively relating to 2010/2011 and earlier years which were similarly not cleared in 2011/2012 for unexplained reasons.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 08

Basis for Qualified Opinion

428. The Statement of Assets and Liabilities for Deposit 08 reflects Paymaster General Account balance of Kshs.320,731,875.85 which differs with the Cash Book balance of Kshs.372,649,672.20 as at 30 June 2012. The resultant difference of Kshs.51,917,795.35 has not been reconciled or explained.

STATEMENT OF REVENUE FOR REVENUE HEAD 2-554-0395-1420202

Opinion

429. In my opinion, the Statement of Revenue for Revenue Head 2-554-0395-1420202 of the Ministry of State for Defence for the year ended 30 June 2012 fairly present in all material respects the receipts and remittance of revenue for the year then ended in accordance with the Government Financial Regulations and Procedures, and the Public Finance Management Act, 2012 of the Laws of Kenya.

MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES

FINANCIAL STATEMENTS FOR RECURRENT VOTE 09

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Rentals of Produced Assets

430. The Appropriation Account for Vote R.09 for the year ended 30 June, 2012 reflects an expenditure of Kshs.34,649,994.00 under Head 523-General Administration Services, Item 2210600 – Rentals of Produced Assets. The amount includes Kshs.10,000,070.00 spent on renting offices at Chester House – Nairobi. Available information indicates that as at 30 June, 2012, a total of Kshs.26,562,669.80 had been spent on the rented offices comprising Kshs.14,514,324.00 (2009/2010), Kshs.2,048,275.80 (2010/2011) and Kshs.10,000,070.00 (2011/2012).

431. Physical verification of the rented premises and information made available indicated that the Ministry officials moved to the premises during the month of August 2012, resulting in a total expenditure of Kshs.26,562,669.80 being incurred on services not rendered and therefore, no value for money was realized. No explanation has been provided for the irregularity.

Expenditure Omitted from the Account

432. The Ministry paid rent amounting to Kshs.5,666,162.00 on 17 November, 2011 to Chester House Limited. However, although the amount was captured in the bank statement and the cashbook, the same was not captured in the ledger, and therefore omitted from the Appropriation Account for the year under review. Under the circumstances, the gross expenditure of Kshs.728,685,882.00 reflected in the Appropriation Account is understated by Kshs.5,666,162.00. No explanation has been provided for the omission.

Pending Bills

433. Records held by the Ministry indicate that as at 30 June 2012, bills amounting to Kshs.13,457,222.75 chargeable to the Recurrent vote had not been settled but were carried forward to the financial year 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Appropriation Account for the year would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.20,156,595.25, instead of Kshs.33,613,818.00 now shown.

STATEMENT OF ASSETS & LIABILITIES

434. The Statement of Assets and Liabilities for Vote R.09 as at 30 June 2012 reflects Assets and Liabilities balances each totalling Kshs.219,194,588.75. However, although the balances were traced to the source documents like the cashbooks and registers, the balances were not reflected in the Trial Balance and the ledger as at 30 June 2012. In the circumstances, the completeness and accuracy of the Statements balances as at 30 June 2012 could not be ascertained.

435. The Statement of Assets and Liabilities also reflects two debit balances of Kshs.39,420,396.55 and Kshs.49,909.25 against Exchequer Under Issues and Salary Advance Accounts respectively, and a credit balance of Kshs.185,135,797.05 against General Account of Vote relating to 2010/2011 and earlier years which have been long outstanding. However, no reasons have been given for failure to clear the long outstanding balances from the books of account.

436. The Statement also reflects Paymaster General Account debit balance of Kshs.178,970,460.50 as at 30 June, 2012 while the Cashbook on the other hand reflects a balance of Kshs.5,229,401.00 as at the same date. No reconciliation has been provided for the difference between the two sets of records.

437. The Statement also reflects Temporary Imprests balance of Kshs.369,599.40 as at 30 June 2012 while the Imprests Register maintained, reflects a balance of Kshs.1,216,083.40 as at the same date. The difference of Kshs.846,484.00 between the two sets of records has not been reconciled or explained.

438. The Statement also reflects General Account of Vote and Excess A.I.A Accounts balances of Kshs.949,026.30 and Kshs.1,605,720.00 respectively, brought forward from 2010/2011. Although the balances were cleared during 2011/2012, no Treasury Authority or any other documentary evidence has been provided to support the clearance of these balances. Under the circumstances, it has not been possible to ascertain the validity of the clearances.

FINANCIAL STATEMENTS FOR DEVELOPMENT VOTE 09

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Under-Expenditure and Under-Collection of Appropriation-in-Aid

439. The Appropriation Account for Vote D.09 for the year ended 30 June, 2012 reflects gross under-expenditure of 714,045,048.10 or 14% of the Approved Estimates

of Kshs.5,118,516,700.00. Similarly, the Account reflects under collection of Appropriation-in-Aid of Kshs.579,333,744.00 or approximately 32% of the Approved Estimates of Kshs.1,784,516,700.00. The reasons given in the footnotes to the Accounts for the under-expenditure and under-collection of Appropriation-in-Aid include inadequate Exchequer issues, non-remittance of funds by the donors, adverse weather conditions, non-submission of interim certificates for the projects, amongst others. However, no measures appear to have been put in place to address the underlying causes of the under-expenditure and under-collection of Appropriation-in-Aid.

Grants to Government Agencies and Other Levels of Government

440. The Appropriation Account also reflects grants totalling Kshs.1,169,615,479.70 disbursed to five (5) Regional Development Authorities during the year. However, financial statements for the year 2011/2012 for these Authorities reflect grants totalling Kshs.1,116,884,638.00 received as analysed below:

Authority	Disbursements as per Appropriation Account (Kshs)	Disbursements as per Financial Statements (Kshs)	Difference (Kshs)
Kerio Valley	195,047,936.00	175,047,742.00	20,000,194.00
Lake Basin	316,696,986.70	312,697,302.00	3,999,684.70
Ewaso Ngiro South	106,973,770.00	106,507,546.00	466,224.00
Coast	231,085,550.00	230,788,946.00	296,604.00
Ewaso Ngiro North	<u>319,811,237.00</u>	<u>291,843,102.00</u>	<u>27,968,135.00</u>
Total	<u>1,169,615,479.70</u>	<u>1,116,884,638.00</u>	<u>52,730,841.70</u>

The resultant difference of Kshs.52,730,841.70 between these records has not been reconciled or explained.

Irregular Re-allocation of Funds

441. The Appropriation Account reflects actual expenditure of Kshs.1,191,291,449.90 under Head 636 item 3111400- Research, Feasibility Studies, Project Preparation and Project Design. However, expenditure documents made available for audit review showed that the figure includes an amount of Kshs.24,212,221.00 relating to expenditure of recurrent nature such as meal allowances, repair of GK vehicles, subsistence allowances and purchase of news papers, amongst others, and which

therefore do not relate to Research, Feasibility Studies, Project Preparation and Project Design charged. No explanation was provided for the irregular re-allocation of funds.

Pending Bills

442. Records held by the Ministry indicate that as at 30 June 2012, bills totalling Kshs.375,406,543.79 chargeable to the Development vote had not been settled but were instead carried forward to the financial year 2012/2013. Had these bills been paid and charged to the account during 2011/2012, the Appropriation Account would have reflected Excess Vote of Kshs.240,695,239.69, instead of a net surplus of Kshs.134,711,304.10 now reported.

STATEMENT OF ASSETS AND LIABILITIES

Accuracy of the Statement

443. The Statement of Assets and Liabilities reflects assets and liabilities balances each totalling Kshs.630,348,376.60 as at 30 June 2012. Although, the balances were traced to source documents like cashbooks and registers, they were not reflected in the Trial Balance as at the same date. Under the circumstances, the completeness and accuracy of the Statement balances as at 30 June 2012 could not be ascertained.

Paymaster General Account

444. The Statement of Assets and Liabilities reflects Paymaster General Account balance of 30,376,717.65 as at 30 June 2012 and which includes Kshs.5,818,807.50 for the year under review. However, the Cashbook reflects a balance of Kshs.172,719.50 as at the same date. The difference of Ksh.5,646,088.00 represents transactions for 2011/2012 not accounted for. No explanation has been provided for the anomaly.

Long Outstanding Balances

445. The Statement of Assets and Liabilities reflects various long outstanding debit and credit balances totalling Kshs.318,450,216.50 and Kshs.551,428,333.80 respectively, relating to 2010/2011 and earlier years as shown below:-

Debit Balances	Amounts (Kshs.)
Over Expenditure 2004/2005	120,785,279.50
Exchequer under Issue Account	<u>197,664,937.00</u>
	<u>318,450,216.50</u>

Credit Balances

GAV Recovery for 2009/2010	430,643,049.80
Exchequer over Issue 2004/2005	<u>120,785,284.00</u>
	<u>551,428,333.80</u>

No reasons have been given for failure to clear the above long outstanding balances from the Ministry's books of account.

FINANCIAL STATEMENTS FOR DEPOSITS 09

Basis for Qualified Opinion

Unsupported Balances

446. The Statement of Assets and Liabilities for Deposits as at 30 June, 2012 reflects PMG, Retention Monies and Staff Contribution to Disaster Funds accounts debit and credit balances of Kshs.1,171,256.10 (DR), Kshs.971,256.10 (CR) and Kshs.200,000.00 (CR) respectively, which have not been supported by a Trial Balance as at that date, contrary to requirements of Government Financial Regulations and Procedures. Consequently, the accuracy of the balances reflected in the Statement could therefore not be confirmed.

Unreconciled Balances

447. The Statement also shows a credit balance of Kshs.971,256.10 under Retention Monies Account while analysis for the balance reflects an amount of Kshs.1,053,981.80. The difference of Kshs.82,725.10 between the two sets of records has not been reconciled or explained.

Uncleared Balance

448. The Statement further shows a credit balance of Kshs.200,000.00 in respect of staff contributions to Disaster Funds during 2010/2011. The money which ought to have been remitted to the Disaster Fund has not been paid to the Fund, as at 30 June, 2012. No explanation has been given for failure to remit the above amount to the disaster fund.

THE MINISTRY OF AGRICULTURE
FINANCIAL STATEMENTS FOR VOTE R.10

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

449. Records maintained at the Ministry Headquarters indicate that recurrent bills totalling Kshs.18,246,447.95 were not settled during the year but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account, the Recurrent Appropriation Account for Vote R. 10 for the year 2011/2012 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs. 270,917,221.58 instead of the Kshs. 289,163,669.53 now shown.

Unexplained Expenditure Difference

450. The Appropriation Account for Vote R.10 for the year ended 30 June 2012 reflects against four expenditure Heads a total of Kshs.1,437,393,093.00 while the trial balance as at 30 June 2012 shows a total amount of Kshs.4,973,523,028.80 against the same Heads. The difference of Kshs.3,536,129,935.80 between the two sets of records has not been satisfactorily reconciled or explained as detailed:

Head	Expenditure as per Appropriation Account Kshs	Expenditure as per Ledger Kshs.	Unexplained Difference Kshs.
100101	689,563,580.00	4,225,465,946.10	3,535,902,366.10
100211	128,413,547.00	128,598,416.75	184,869.75
100302	565,198,022.00	565,207,221.50	9,199.50
100319	<u>54,217,944.00</u>	<u>54,251,444.45</u>	<u>33,500.45</u>
TOTAL	<u>1,437,393,093.00</u>	<u>4,973,523,028.80</u>	<u>3,536,129,935.80</u>

Statement of Arrears of Appropriations-in-Aid

451. The Statement of Arrears of Appropriations-In-Aid as at 30 June 2012 reflects an amount of Kshs.43,214,187.40 relating to debts owing and due from various institutions and individuals. No meaningful progress appears to have been made as at 30 June 2012 in the collection of the debts which apparently relate to 2010/2011 and earlier years.

Agricultural Mechanization Services (AMS) - Nakuru

Arrears of Revenue

452. Debtors records held at Agricultural Mechanization Services (AMS), Nakuru indicate that revenue in respect of hire of machinery relating to the period 1996 to 1999 amounting to Kshs.2,412,738.00 due from prominent personality's, a construction company and other large firms have not been collected as at 30 June, 2012.

453. Through recommendations of the Public Accounts Committee (PAC), all the debtors of AMS stations in Kenya – Nakuru Station included were listed in the Daily Nation of 29 July 2009 demanding payment. The advertisement further indicated that legal action was to be taken against the non-compliant debtors. However, despite the advertisement and the failure by the debtors to pay Kshs.2,412,738.00, no legal action had been taken as at 30 June 2012.

Agricultural Mechanisation Services (AMS) Eldoret

Un-collected Revenue

454. Records held at Agricultural Mechanisation Services, Eldoret similarly indicate that revenue amounting to Kshs.8,936,718.15 was in arrears as at 30 June 2012. Part of the uncollected revenue has been outstanding for a long time with some dating as far back as 1970. Among the main debtors are prominent personalities such as Members of Parliament, Permanent Secretaries, large scale farmers, public universities and several construction companies. There was no evidence of any effort being made to recover the debts.

STATEMENT OF ASSETS AND LIABILITIES

Long Outstanding Balances

455. The Statement of Assets and Liabilities for Vote R.10 as at 30 June 2012 reflects debit and credit balances totalling Kshs.4,602,398,463.78 and Kshs.2,973,340,527.08 respectively relating to 2010/2011 and earlier years which have not been cleared from the books as shown below:

Account	DR (Kshs.)	CR (Kshs.)
Exchequer Balance	1,296,277,101.05	-
Advances Account	1,337,707.20	-
Imprests Accounts Standing & Temporary	526,271,312.30	-
Agency Account	85,957,838.75	-
Clearance Account	686,068,446.33	-
District Suspense	1,880,793,062.24	-

Suspense Account	125,692,995.89	-
Excess AIA	-	8,263,029.70
GAV	-	<u>2,965,077,497.38</u>
Totals	<u>4,602,398,463.78</u>	<u>2,973,340,527.08</u>

No reason has been provided for failure to clear these long outstanding balances.

Temporary Imprests

456. The statement further reflects a Temporary Imprests balance of Kshs.523,863,840.15 out of which Kshs.523,641,047.20 relating to 2010/2011 and earlier years has not been analysed. The validity and accuracy of the balance could not be confirmed.

Paymaster General (PMG) Account

457. The Statement in addition reflects a Paymaster General Account Credit balance of Kshs.1,596,116,544.25 while the cash book and board of survey report shows a debit balance of Kshs.32,941,392.45 as at 30 June 2012. No reconciliation or explanation has been provided for the difference of Kshs.1,629,057,057,936.70 between the two sets of records.

Failure to Provide a Reliable Trial Balance

458. The account balances reflected in the Statement were not supported by figures in the Trial Balance as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.10

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under-Collection of AIA

459. The Development Appropriation Account for Vote D.10 as at 30 June 2012 reflects gross under expenditure of Kshs.5,398,144,108.25 or approximately 33.8% of the Approved Estimate of Kshs.15, 980,192,543.00. The Account also reflects under-collection of Appropriations–In-Aid of Kshs.2,339,743,605.80 or approximately 62% of the estimated receipts of Kshs.3,767,485,903.00.

460. The under expenditure and under-collection of Appropriations–In-Aid has been explained in the footnotes as due to lack of liquidity, government embargo on recruitment of new staff, delayed disbursement and delay in release of documents by donors and non-payment of subsidy on fertilizer . These reasons have, however, been provided repeatedly over the years for this recurring situation.

Pending Bills

461. Bills amounting to Kshs.1,948,899,080.10 in respect of Development Vote D.10 were not paid during the year 2011/2012 but were instead carried forward to 2012/2013. The bills include an amount of Kshs.1,538,000,000.00 payable to the National Cereals and Produce Board and which was cited as due to delay in finalization of the report of the audit initiated by the Ministry of Finance. Had these bills been paid and the expenditure charged to the Development Appropriation Account for Vote D.10, the Appropriation Account would have recorded a reduced net surplus of Kshs.1,109,501,422.35 instead of Kshs.3,058,400,502.45 now shown. This situation adversely affects operations of the Ministry for the subsequent year as such bills form the first charge on the budgetary provisions.

District Agriculture Office – Nakuru

Loss of Cash

462. Three imprests cheque withdrawals totalling Kshs.2,565,000.00 payable to National Agriculture and Livestock Extension Program (NALEP) field officers were cashed by the District Accountant on 1 September, 2011. An amount of Kshs.61,750.00 was paid leaving a balance of Kshs.2,503,250.00 unaccounted for. The officer disappeared with the entire Kshs.2,503,250.00 cash and on 6 September, 2011 declared that the amount was missing from the safe.

District Agriculture Office - Manga District

Stalled construction of an Office Block

463. In 2010/2011, the District Agriculture Officer (DAO), Manga received a total of Kshs.3,200,000.00 for the construction of a 'low-land type' office block. A contract was awarded to a Kisii based firm for a sum of Kshs.5,360,990.00 despite the fact that only Kshs.3,200,000.00 had been allocated and received. Tender advertisements and bids received from participating firms together with the Ministry of Public Works estimates and tender committee minutes awarding the contract were not however produced for audit review.

464. The contractor had by October 2011 been paid a total of Kshs.3,145,070.00 which constituted 59% of the total project cost. However, analyses of works done were estimated at 44% of the total cost implying that 15% or Kshs.786,234.00 was paid for work not done.

465. A site visit carried out in March 2012 revealed that the construction had stalled at the lintel level and the contractor had abandoned the site. No further funding was received for the project in year 2011/2012 or factored in the subsequent years budgets.

466. It has not been explained why a contract worth Kshs.5,360,990.00 was entered into when clearly only Kshs.3,200,000.00 was available or the actions intended to be taken to complete the project. The Ministry has not produced justification for the Kshs.3,145,700.00 expenditure charged to public funds.

STATEMENT OF ASSETS AND LIABILITIES

467. The Statement of Assets and Liabilities for Vote D.10 as at 30 June 2012 reflects brought forward debit balances totalling Kshs.15,177,704,813.65 and GAV credit balance of Kshs.13,544,514,180.85 relating to 2010/2011 and prior years as shown below, which remained un-cleared without any proper justification during the year under review.

Account Detail	Debits (Kshs)	Credits (Kshs)
Exchequer Account	12,372,727,127.35	-
Imprest and Advances	249,442,769.25	-
Agency Account	36,523,449.20	-
Provincial/District Suspense	2,437,647,549.67	-
General Suspense Account	81,363,918.18	-
General Account of Votes (GAV)	-	13,544,514,180.85
	<u>15,177,704,813.65</u>	<u>13,544,514,180.85</u>

468. The Statement also reflects a Paymaster General (PMG) Account credit balance of Kshs.1,801,642,617.35 while the cash book shows a debit balance of Kshs.107,967,224.55. The resultant difference of Kshs.1,909,609,841.90 apparently relates to cumulative brought forward PMG credit balance which has not been cleared over the years for unexplained reasons.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 10

Basis for Qualified Opinion

469. The Statement of Assets and Liabilities for Deposits 10 and Funds account balances were not supported with the trial balance as at 30 June 2012. Consequently, the completeness and accuracy of the balances reflected in the statement could not be ascertained.

470. The Statement reflects Demonstration Farm Fund (DFF) Capital and Reserves and Agricultural Information Centre Revolving Fund (AIRC) Capital Reserves of Kshs.199,060,871.00 and Kshs.14,122,776.50 which differ with the book balances of Kshs.154,303,191.00 and Kshs.157,651,481.00 respectively, shown in the respective Fund Accounts. No explanation has been provided for these anomalies.

471. The Statement further reflects a Sundry Deposits Suspense Account credit balance of Kshs.55,813,029.25 which has not been analysed. Consequently, the validity and accuracy of the balance could not be ascertained.

STATEMENT OF INVESTMENT BY THE KENYAN GOVERNMENT IN LOCAL COMPANIES

Basis for Disclaimer of Opinion

472. As similarly reported in 2010/2011, the Statement of Investment by the Kenyan Government in Local Companies through the Ministry of Agriculture as at 30 June 2012 continue 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 availed for audit verification.

473. The statement also continues like in the previous year to reflect investments of 12,459 shares valued at Kshs.248,890.00 in Uplands Bacon Factory, Galana Game Ranching, Nkuene Coffee Growers Ltd and Ilera Co-operative Society. These companies have, however, been either liquidated or wound-up. No explanation has again been provided for failure to write-off these investments.

474. The Ministry did not maintain proper records of the investments during 2011/2012 but instead relied on information provided by Treasury. No justification has been provided for this omission.

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

Basis for Disclaimer of Opinion

475. The Statement of Participation by the Government of Kenya in Quasi-Government and Other Statutory Organisations as at 30 June 2012 reflects investments amounting to Kshs.381,470,520.00 made in various companies through the Agricultural Development Corporation. The balance like in the previous year was not supported by proper records and other related documentation.

STATEMENT OF OUTSTANDING LOANS

Basis for Disclaimer of Opinion

476. The Statement of Outstanding Loans as at 30 June 2012 reflects a balance of Kshs.5,675,247,829.20 in respect of loans issued to various organisations, groups and individual farmers through the Ministry. However, the Ministry did not maintain proper records of the loans during the year 2011/2012 but instead relied on information provided by Treasury. No justification has been provided for this omission. The accuracy and completeness of the figures and information contained in the statement could not be ascertained.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT

Basis for Disclaimer of Opinion

477. The Statement of Outstanding Obligations Guaranteed by the Government of Kenya reflects a balance of Kshs.2,492,737,180.80 as at 30 June 2012. As reported similarly in the previous year, the Ministry did not maintain proper records of loans but relied on the information extracted from the statement prepared by the Treasury. The accuracy and completeness of the figures and other information in the statement could not be ascertained.

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND

Basis for Adverse Opinion

478. In the report for the previous year, it was indicated that Funds 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. A review of the position disclosed that the financial statements for 2011/2012 were similarly not derived from the Ministry's records and ledgers.

479. Contrary to the provisions of Treasury Circular Ref: AG.3/088/Vol.6(19) of 27 May 2011, the management did not prepare and submit a statement of cash flows together with other financial statements for audit purposes. No reason has been provided for the omission.

480. The Income and Expenditure Account for the year ended 30 June 2012 reflects revenue amounting to Kshs.24,576,840.65 which, however, differs with the total amount of Kshs.25,518,792.55 recorded in the miscellaneous receipts issued in the year 2011/2012. The reason for not capturing the resultant difference of Kshs.941,951.90 in

the Account has not been provided. In addition, out of the total receipts of Kshs.25,518,792.55, an amount of Kshs.10,757,840.65 was not banked. No reason has been provided for not banking the collection intact as required by financial regulations.

481. The Revenue arising from the commercial jobs of Kshs.24,576,840.65 reflected in the Income and Expenditure Account excludes credit sales totalling Kshs.4,480,340.00. No explanation has been given for the exclusion of the credit sales from the Account.

482. The Balance Sheet as at 30 June 2012 reflects Debtors' Account balance of Kshs.10,973,684.35 which includes an amount of Kshs.6,493,341.35 relating to 2010/2011 and earlier years. No effort appears to have been made to recover or write off these debts. Further, the debtors figure of Kshs.10,973,684.35 includes an amount of Kshs.519,258.85 which was cleared during the year.

483. Further, as was reported in the previous year, the Fund's Balance Sheet still does not reflect non-current assets despite the Fund owning various plant, machinery, motor vehicles and other pieces of equipment with indeterminate value as at 30 June 2012. Consequently, the total assets balance of Kshs.27,091,016.65 reflected in the Balance sheet as at 30 June 2012 is not fairly stated.

STATEMENTS FOR DEMONSTRATION FARMS FUND

Basis for Disclaimer of Opinion

484. Contrary to the requirements of Treasury Circular Ref: AG: 3/088/VOL. 6(19) dated May, 2011 and International Financial Reporting Standards (IFRS), the Demonstration Farms Fund financial statements submitted for audit do not include a statement of cash flows, statement of non-current assets and notes to the financial statements that provide a summary of significant accounting policies and additional information that is relevant to the understanding of the amounts presented in the financial statements. Consequently, the financial statements do not provide relevant, reliable, comparable and understandable information.

485. In the Report for 2010/2011 and prior years, 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 again were not included in the Fund Accounts for the year ended 30 June 2012.

486. The Fund Statement of comprehensive Income (Income and Expenditure Account) for the year ended 30 June 2012 reflects total expenditures of Kshs. 96,198,402.05 (2010/2011 Kshs.65,477,933.00) while the returns from various Agricultural Training Centres (ATCs) show expenditures of Kshs.99,665,151.70

(2010/2011 – Kshs.74,503,423.00). Similarly, the financial statements reflect total income of Kshs.153,409,357.05 (2010/2011 Kshs.96,819,418.15) while the related returns from ATCs reflect total revenues of Kshs.158,737,086.60 (2010/2011 Kshs.99,053,152.05) as at 30 June, 2012. The funds management has not provided justification for these anomalies.

487. The Fund's statement of financial position (Balance Sheet) as at 30 June 2012 Cash balance of Kshs.199,060,873.18 differs with the cash book balance figure of Kshs.154,303,191.00 by Kshs.44,575,682.18. No reconciliation or explanation has been provided for the difference.

488. The Fund's statement of financial position also reflects Non-Current Assets and Biological Assets balances totalling Kshs.1,316,245,819.00 and Kshs.118,878,865.00, respectively. However, the Ministry did not provide valuation reports and assets register to confirm the asset balances. Consequently, the existence, ownership and valuation of the Funds total Assets as reflected in the statement as at 30 June, 2012 could not be ascertained.

MINISTRY OF MEDICAL SERVICES

FINANCIAL STATEMENTS FOR VOTE R.11

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under Collection of Appropriation-In-aid

489. The Appropriation Account for Vote R.11 for the year ended 30 June 2012 reflects under-expenditure of Kshs.3,904,825,235.70 or approximately 12 % of approved estimates of Kshs.31,510,205,897.00. The Appropriation Account also reflects under-collection of Appropriation-In-Aid (AIA) of Kshs.3,798,669,492.40 representing about 99% of the estimated receipts of Kshs.3,824,000,000.00. The reasons given in the footnotes to the Account for the under-expenditure and under-collection of AIA include; cost cutting measures undertaken by the Ministry, lack of time to formalize procurement process, and AIA collected by the hospitals being included in the budget. No indication has however been provided on the action being taken by the Ministry to address the underlying causes of the under-expenditure and under-collection of Appropriations-In-Aid.

Difference between Appropriation Account and Payroll Records

490. The Appropriation Account also reflects expenditure amounting to Kshs.15,463,389,232.00 under various Sub-Votes and Heads, Item 2210100 - Basic Salaries, Item 2110300 - Personal Allowances paid as part of salary and Item 2110400- Personal Allowances paid as Reimbursements. However, Integrated Payroll and Personnel Data (IPPD) and other payroll records for the same period indicate expenditure of Kshs.15,419,942,634.30. The difference of Kshs.43,446,597.70 between the two sets of records has not been reconciled or explained.

Current Grants to Government Agencies

491. The Appropriation Account reflects an amount of Kshs.4,361,010,052.00 under Head 110701, Item 2630100- Capital Grants to Government Agencies, being disbursements to Kenyatta National Hospital. However, the financial statements of the Hospital indicate receipts of Kshs.4,162,359,318.00 during the year. The resultant difference of Kshs.198,650,734.00 has not been reconciled or explained.

Pending Bills

492. Records maintained by the Ministry indicate that bills totalling Kshs.279,241,276.50 relating 2011/2012 financial year and chargeable to Vote R.11

were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for Vote R.11 for the year ended 30 June 2012 would have reflected an Excess Vote of Kshs.173,085,533.20, instead of the Net surplus to be surrendered to the Exchequer of Kshs.106,155,743.30 now shown

KABARNET DISTRICT HOSPITAL

Pending Bills

493. Records maintained at the District Hospital, Kabarnet indicated that bills totalling Kshs.5,718,349.00 relating to 2011/2012 were not settled during the year, but were instead carried forward to 2012/2013. Out of the total, bills amounting to Kshs.4,737,074.00 were in respect of utility bills and supply of goods and services, while the balance of Kshs.981,275.00 was in respect of supply of food items for the Hospital.

494. 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 purchase on credit. Further, incurring of new pending bills was contrary to Treasury Circular No.22/04.

Failure to follow procurement procedures

495. Further, the Hospital procured goods worth Kshs.513,009.00 which were however not entered in the stores records showing quantities received, issued and the current balances. Again the Hospital also made various cash purchases worth Kshs.279,745.00 which exceeded the limit of Kshs.10,000.00 allowed for low value procurements. Consequently, it was not possible to confirm that goods and services worth Kshs.792,754.00 were received, recorded and used for the intended purposes.

DISTRICT HOSPITAL - WEBUYE

Pending Bills

496. Audit of records maintained at the Webuye District Hospital indicated that the Hospital had accumulated pending bills totalling Kshs.11,819,322.50 as at 30 June 2012. Out of this amount, Kshs.890,000.00 were bills carried forward from 2008/2009, Kshs.3,900,066.90 from 2010/2011 while the balance of Kshs.7,028,854.60 were bills incurred in 2011/2012. The bills were mainly in respect of supply of consumable items such as food and ration, firewood and others were for general office supplies such as computers, office stationery and pharmaceutical and non-pharmaceutical goods and general repair works.

It has not been explained why the pending bills have remained unsettled for many years. In addition, it is not clear what section the hospital management is taking to clear the debts.

UNACCOUNTED FOR COST SHARING REVENUE – ISHIARA SUB-DISTRICT HOSPITAL

497. Examination of records held at Ishiara Sub – District Hospital, showed that cost sharing revenue totalling Kshs.2,501,251.00 was collected at the Hospital vide various receipt books as at 30 June 2012. Out of this amount, Kshs.1,451,448.00 was surrendered to the District Treasury leaving a balance of Kshs.1,049,803.00 outstanding out of which Kshs.848,233.00 was held in form of cash sale receipts while Kshs.201,070.00 was held as “I Owe You’s” (IOU’s) by the Hospital cashier. It was also observed that some of these cash sale receipts and IOU’s have been outstanding since 2009. Spending of cost sharing revenue before banking is contrary to paragraph 7.6 of the facility Improvement Fund Guideline which require that all money’s collected in respect of the fund be banked intact. No explanation has been given for spending the cost sharing revenue before banking.

KAJIADO DISTRICT HOSPITAL

Pending Bills

498. Records maintained at Kajiado district Hospital indicate that bills totalling Kshs.5,482,601.92 relating to the period between 2005 and 2012 were not settled as at 30 June 2012. The pending bills were on purchase of goods and services required in the hospital. It has not been explained why the pending bills have remained unsettled for many years. In addition it is not clear what action the hospital management is taking to clear the debts.

Unaccounted for Bulk fuel Purchases

499. During the year under review the Kajiado District Hospital purchased 5220.79 litres of bulk diesel at a total cost of kshs.510,016.00 from various suppliers. Although the payments of the bulk fuel were supported by local purchase orders, cash sale receipts and counter receipt vouchers, the fuel was not entered in the fuel register. In the circumstance it has not been possible to ascertain whether the fuel was received and used for the intended purpose.

PORT REITZ DISTRICT HOSPITAL-MOMBASA

Pending Bills

500. In the Report for 2010/2011, it was stated that Port Reitz District Hospital had incurred pending bills totaling Kshs.11,552,509.00 which were carried forward to the year under review. A review of the position in 2011/2012 revealed that the situation had

not improved and the bills had accumulated to Kshs.13,184,028.80 out of which Kshs.1,851,312.00 was settled during the year leaving a balance of Kshs.11,332,716.80. The hospital administration attributed the situation to inadequate funding in comparison to the extent of services offered. However, it was not clear what action was being taken to clear the debts.

STATEMENT OF ASSETS AND LIABILITIES

501. The Statement of Assets and Liabilities for Vote R.11 as at 30 June 2012 reflects total assets of Kshs.5,761,081,732.40 and similar liabilities in respect of 2010/2011 and earlier years. However, the audited Statement of Assets and Liabilities as at 30 June 2011 reflected total assets and total liabilities of Kshs.12,248,625,971.31. In the absence of correct opening balances, accuracy and completeness of the statement of assets and liabilities cannot be confirmed.

502. The account balances reflected in the Statement were not fully supported by the figures in the trial balance as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be ascertained.

503. The Statement of Assets and Liabilities for Vote R. 11 as at 30 June 2012 reflects Exchequer Account debit and credit balances of Kshs.2,221,299,292.00 and Kshs.1,195,324,320.00 respectively, relating to 2010/2011 and earlier years. The Statement also reflects GAV debit and credit balances of Kshs.293,012,081.05 and Kshs.4,442,834,431.84 respectively, relating to 2010/2011 and earlier years. As in the previous year, no reason has been provided for failure to clear the long outstanding balances from the books of Account.

504. The Statement also reflects various debit and credit balances which have not been analyzed as shown below:-

Debits	Amount (Ksh)
Temporary Imprest Account	4,481,801.90
Advances Account	11,259,684.00
Provincial Suspense Account	2,426,501,126.04
Credits	
Clearance Account	21,411,017.50
Agency Account	8,736,983.60

In the absence of the analyses, the completeness and accuracy of the balances could not be ascertained.

505. The Statement further reflects movements of Account balances during 2011/2012 under Temporary Imprests, Advances, Provincial/District Suspense, Suspense Account, Clearance and Agency Accounts. The movements were however not supported with relevant documents, and as a result, the validity and accuracy of such movements could not be confirmed.

506. The bank reconciliation statement for Vote R.11 as at 30 June 2012 reflects payments in the cashbook not recorded in the bank statement totalling Kshs.310,818,776.05, which includes stale cheques of Kshs.97,752,823.95. No reason has been given for failure to replace the cheques or reverse the payments in the cashbook.

507. The Statement also reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.267,704,623.75, which include amounts totalling Kshs.106,288,956.40 relating to 2010/2011 and earlier years. No reasons have been given for failure to record the receipts in the cashbook.

508. The Statement further reflects payments in the bank statement not recorded in the cashbook totalling Kshs.344,130,539.05, which includes amounts totalling Kshs.224,534,023.45 relating to 2010/2011 and earlier years. No reason has been given for failure to record payments in the cash book.

509. The bank reconciliation statement in addition reflects receipts in the cashbook not recorded in the bank statement totalling Kshs.132,306,915.75, out of which an amount of Kshs.71,043,204.90 relates to 2010/2011 and earlier years. No reason has been given for failure to bank the receipts as at 30 June, 2012.

FINANCIAL STATEMENTS FOR VOTE D.11

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

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

510. The Appropriation Account for Vote D 11 for the year ended 30 June 2012 reflects gross under – expenditure of Kshs.1,519,995,819.65, representing approximately 39% of the approved estimates of Kshs.3,915,119,960.00. The Account also reflects nil collection of Appropriations–In–Aid against estimated receipts of Kshs.1,352,360,250.00. 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.

Un-vouched Expenditures

511. The Appropriation Account further reflects expenditure totalling Kshs.1,093,495,988.15 charged under Heads 3111100, 3110200 and 3111200 relating to purchase of Specialized Plant, Equipment and machinery, Construction of Buildings and Rehabilitation and Renovation of Plant. However, no documentary evidence was provided to support the expenditure. Consequently, the propriety of the expenditure of Kshs.1,093,495,988.15 could not be ascertained.

Pending Bills

512. Records maintained by the Ministry indicate that bills totaling Kshs.14,344,303.00 relating 2011/2012 financial year and chargeable to the Vote D.11 were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for D.11 for the year ended 30 June 2012 would have reflected reduced Net surplus to be surrendered to the Exchequer of Kshs.153,291,266.65 instead of the net surplus of Kshs.167,635,569.65 now shown.

Supply of a Malfunctioning Fully Automated Bio-Chemistry Analyzer Machine

513. A Nairobi based distributor of Diagnostic and Scientific Products was through request for quotations contracted by Webuye District Hospital to supply a fully automated Bio-Chemistry Analyzer Machine at a cost of Kshs.2,450,000.00. Although the machine was acquired through the floatation of quotations the item was above the threshold of Kshs.500,000.00 for class 'C' entities where the Hospital falls and would have necessitated floatation of open tenders.

514. By 9 May, 2012 the supplier had been paid a total of Kshs.2,000,000.00 with Ministry paying Kshs.1,000,000.00 on 23 January 2012 while a Non Governmental Organization (NGO) by the name AMPATH- MTRH wired on 9 May, 2012 their contribution of Kshs.1,000,000.00 leaving a balance of Kshs.450,000.00. However, contract agreement between the Hospital, the NGO and the supplier was not availed for audit review.

515. According to Minutes of the Webuye District Hospital Executive Committee meeting of 19 March, the machine supplied was at the time of delivery partially working and the Medical Officer in Charge at the Hospital was to follow up with the suppliers.

516. Physical verification carried out on in October 2012 disclosed that the machine had malfunctioned and was therefore not working and patients were being referred to other Hospitals in the District for urea tests which the Machine was to have offered. Information obtained indicated that at the point of delivery, the Analyser Machine was not inspected by the inspection and acceptance committee to ensure technical

standards were met as required by Section 17 of the Public Procurement and Disposal Regulation 2006.

517. Apart from not following proper procurement procedures, it was also not clear why the Hospital management accepted a partially working Analyser and no effort seems to have been made to have the machine replaced.

STATEMENT OF ASSETS AND LIABILITIES

518. The statement of Assets and Liabilities for D.11 as at 30 June 2012 reflects total assets of Kshs.12,837,025,337.90 and similar liabilities in respect of 2010/2011 and earlier years. However, the audited Statement of Assets and Liabilities as at 30 June 2011 reflected total assets and total liabilities of Kshs.16,311,499,373.65. In the absence of correct opening balances, accuracy and completeness of the statement of assets and liabilities as at 30 June, 2012 could not be confirmed.

519. The Statement also reflects various debit and credit balances totalling Kshs.12,840,406,081.70 and Kshs.13,941,328,183.50 respectively, relating to 2010/2011 and earlier years as shown below;

Debit Balances

Description	Amount in Kshs
GAV Account	245,574,568.00
Exchequer Account	11,248,864,486.20
Agency Account	190,372.20
Temporary Imprest	109,324,300.00
Suspense Account	3,455,319.30
Provincial/District Suspense	<u>1,232,997,036.25</u>
Total	<u>12,840,406,081.95</u>

Credit Balances

GAV Account	13,334,495,819.40
Advances Account	3,468,019.25
PMG Account	9,562,317.55
Excess AIA	51,212,922.00
Clearance Account	<u>542,589,105.45</u>
	<u>13,941,328,183.65</u>

No reason has been provided for failure to clear the long outstanding balances from the books of account.

520. The Statement further reflects debit and credit balances totalling Kshs.2,117,493,422.50 and Kshs.2,528,470.00 respectively which have not been analysed as shown below:-

Debit Balances

Description	Amount (Kshs)
Agency Account	190,372.20
Temporary Imprest Account	109,293,300.00
Suspense Account	3,455,319.30
Provincial/District Suspense Account	<u>2,004,554,431.00</u>
Total	<u>2,117,493,422.50</u>

Credit Balances

Description	Amount (Kshs)
Clearance	<u>2,528,470.00</u>
Total	<u>2,528,470.00</u>

The accuracy and completeness of the balances could not be confirmed in the absence of supporting analyses.

521. The Statement reflects a Paymaster General (PMG) Account credit balance of Kshs.29,352,336.75 as at 30 June, 2012 while the cashbook reflects a debit balance of a similar amount as at that date. No reconciliations or explanation has been given for the difference between the two sets of records.

522. The bank reconciliation statement for Development Cashbook as at 30 June, 2012 reflects a reconciled cashbook bank balance of Kshs.29,704,079.25, while the Cashbook indicates a bank balance of Kshs.29,343,390.25 as at the same date. The difference of Kshs.360,689.00 has not been supported or reconciled.

523. The bank reconciliation statement also reflects payments totalling Kshs.253,541,820.10 in the cashbook not recorded in the bank statement, which includes stale cheques totalling Kshs.87,543,743.45. No reason was given for failure to reverse these cheques in the cashbook.

524. The Statement further reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.14,370,146.25, which includes Kshs.14,036,120.40 relating to the period before 30 March, 2012. No explanation was given as to why the receipts had not been posted to the cashbook as at 30 June, 2012.

525. The Statement also reflects payments in the bank statement not recorded in cashbook totalling Kshs.114,790,265.90, which includes a significant balance of Kshs.111,774,176.15 relating to 2010/2011 and earlier years. No reason was provided for failure to update the cashbook as at 30 June, 2012 with these payments.

526. The Statement also reflects receipts in cashbook totalling Kshs.155,316,118.70 not recorded the bank statement, which includes a balance of Kshs.5,316,117.90 relating to 2010/2011 and earlier years. No reason has been given for failure to bank these receipts as at 30 June, 2012.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 11

Basis for Qualified Opinion

527. The Statement of Assets and Liabilities for Deposits as at 30 June, 2012 reflects opening balances for total assets of Kshs.3,443,675.96 and total liabilities of an equal amount. However, the Ministry did not submit a Statement of Assets and Liabilities for Deposits as at 30 June, 2011 for audit, contrary to statutory requirements. The opening balances at 1st July, 2011 reflected in the statement relate to the closing balances as at 30 June 2010. Consequently, the accuracy of the opening balances could not be confirmed.

528. The Statement of Assets and Liabilities also reflects various debit and credit balances under Health Services Fund, HQ Imprests, District Suspense and Clearance General Deposits Accounts and Health Care District Suspense Account amongst others, relating to 2010/2011 and earlier years. No reasons have been provided for failure to clear the long outstanding balances from the Ministry's books of account.

529. The Statement further reflects various balances under District Suspense, Agency General Deposit, Health Services Fund, General Deposits, Clearance General Deposits and Health Care District Suspense Accounts, which have not been analyzed or identified by source. In the absence of the analyses, the completeness and accuracy of the balances could not be ascertained.

530. The Statement shows a Paymaster General Account debit balance of Kshs.4,184,722,254.51, while the Cashbook as at 30 June, 2012 reflects a figure of Kshs.36,341,053.55. The difference of Kshs.4,148,381,200.96 between the two sets of records has not been reconciled or explained.

Examination of the bank reconciliation statement as at 30 June, 2012 revealed the following unsatisfactory matters:-

531. The bank reconciliation statement for Deposit as at 30 June, 2012 reflects payments totalling Kshs.3,074,941.80 in the cashbook not recorded in the bank statement, out of which an amount of Kshs.2,491,558.00 relates to 2010/2011 and earlier years. No reason has been provided for the inordinate delay in clearing the payments by the bank.

532. The Statement also reflects payments of Kshs.11,514,711.75 in the bank statement not recorded in the Cashbook, which includes an amount of Kshs.9,615,725.95 relating to 2010/2011 and earlier years. No explanation has been provided for failure to record the payments in the Cashbook.

533. The Statement further reflects receipts totaling Kshs.26,172,336.85 in the Bank Statement not recorded in the Cashbook, out of which an amount of Kshs.18,112,160.45 relates to 2010/2011 and earlier years. No reason has been provided for failure to update the Cashbook with the long outstanding receipts.

534. The Statement in addition reflects receipts of Kshs.17,598,100.15 in the Cashbook not recorded in the bank statement, which include an amount of Kshs.14,183,217.15 relating to 2010/2011 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, 2012.

STATEMENTS OF THE HEALTH CARE SERVICES FUND

Basis for Adverse Opinion

Unsupported balances

535. The Fund Accounts for the year ended 30 June 2012 have not been supported with a Trial Balance and the Ledger for the month of June 2011. The basis of preparation of the Fund Accounts for 2011/2012 is therefore not clear and hence completeness and accuracy is doubtful.

Income and Expenditure

536. The Statement of Income and Expenditure for the year ended 30 June 2012 reflects total income of Kshs.4,188,397,693.56 against total expenditure of Kshs.3,221,954,449.00 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.

Excess of Income Over Expenditure

537. The Statement further reflects an excess of income over expenditure of Kshs.966,443,244.56, which is similar to the excess of income over expenditure figures for 2008/2009, 2009/2010 and 2010/2011. The accuracy and validity of this particular balance is therefore doubtful.

Cash at Bank

538. The Fund Balance Sheet as at 30 June 2012 reflects cash at bank balance of Kshs.966,443,244.56. 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.

MEDICAL SUPPLIES FUND

Basis for Disclaimer of Opinion

STATEMENT OF ASSETS AND LIABILITIES

539. The Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2012 is a replication of the Statements for the financial years 2004/2005 to 2010/2011. Further, documentary evidence and other analyses in support of the total assets and liabilities balance of Kshs.220,021,473.35 as at 30 June, 2012 have not been provided for audit review. As similarly reported in the previous year, it has not been possible to ascertain the validity and accuracy of the Statement as drawn.

540. As mentioned during 2010/2011, Paymaster General (PMG) Account overdraft balance of Kshs.2,557,606.35 as at 30 June 2012 has not been supported with the relevant Bank Certificate. In addition, there is no evidence that the overdraft balance had been authorized by Treasury as required by the Government Financial Regulations and Procedures. Besides from lack of authority for the overdraft, the accuracy of the balance as at 30 June 2012 of Kshs.2,557,606.35 could also not be ascertained.

541. 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, no indication has been seen to the effect that measures have been put in place to address the challenges the Fund has been facing over the years, and that would ensure that reliable accounting records are maintained to facilitate take over by the Board.

MINISTRY OF LOCAL GOVERNMENT

FINANCIAL STATEMENTS FOR VOTE R.12

Basis for qualified opinion

APPROPRIATION ACCOUNT

Excess Vote

542. The Appropriation Account for Recurrent Vote (R.12) for the year ended 30 June 2012, reflects total actual expenditure of Kshs.18,476,680,781.80 against approved estimates of Kshs.18,466,546,199.00, resulting in an over expenditure (Excess Vote) of Kshs.10,134,582.80. No explanation has been provided for the expenditure of Kshs.10,134,582.80 incurred without parliamentary authority.

Contribution in Lieu of Rates (CILOR) - Kshs.2,268,814,678.00

543. Examination of records maintained by the Ministry revealed that a sum of Kshs.2,268,814,678.00 in respect of CILOR was owed by the Government to various Local Authorities as at 30 June 2012. However, and as reported in previous years, no reasons were provided for failure to remit the outstanding CILOR to the Authorities. In addition, five (5) Councils were overpaid by Kshs.225,966,519.00 during the year. No documentary evidence or explanation was provided on the measures the Ministry has taken to recover the same.

Government Motor Vehicle Register

544. The Ministry does not maintain a motor vehicle register. Physical verification of the Ministry's vehicles revealed that three vehicles could not be accounted for as at 30 June, 2012. Under the circumstances, it has not been possible to ascertain the existence, security and safe custody of motor vehicles held by the Ministry.

STATEMENT OF ASSETS AND LIABILITIES

Exchequer Account Balance

545. The Statement of Assets and Liabilities for Vote R. 12 as at 30 June 2012 reflects an Exchequer Account balance of Kshs.398,480,201.95 which includes Kshs.398,180,369.80 relating to 2010/2011 and earlier years. No reason has been given for failure to clear the long outstanding balance from the Ministry's books of account.

Irregular Transfer of Funds

546. Available information indicate that the Ministry transferred a total of Kshs.14,650,000.00 from the Deposits Account to the Recurrent Account in February 2012, to fund the National Urban Development Policy. However, this is contrary to Government Financial Regulations and Procedures Paragraph 15:12. No explanation has been provided for the anomaly.

Paymaster General (P.M.G) Account

547. The Statement of Assets and Liabilities further reflects a PMG Account balance of Kshs.182,209,735.80 which differs with the cashbook balance of Kshs.2,890,178.30 as at 30 June 2012. Further, the cashbook balance of Kshs.2,890,178.30 includes cash on hand of Kshs.2,783,296.70 as at the same date. No explanation has been provided for the huge cash balance on hand as at 30 June, 2012. Also, the resultant difference of Kshs.179,319,557.50 between the Paymaster General Account and Cashbook balances has not been reconciled or analyzed.

BANK RECONCILIATION STATEMENT

Un-Presented Cheques

548. The Bank reconciliation statement for the Recurrent Cashbook as at 30 June 2012 reflects payments in Cashbook not recorded in the Bank Statement (Unpresented Cheques) totalling Kshs.49,211,797.15, which includes overdue EFT payments amounting to Kshs.37,532,659.15. It has not been explained why the payments had not been reversed in the Cashbook as at 30 June 2012.

Receipts in Cashbook not recorded in Bank Statement

549. The Statement also reflects receipts totalling Kshs.3,015,462.90 in Cashbook not recorded in Bank Statement, which include an amount of Kshs.2,751,480.00 relating to 2010/2011 and earlier years. No explanation has been provided for not banking the receipts.

Payments in Bank Statement not recorded in Cashbook

550. The Statement further reflects payments totalling Kshs.55,032,220.75 in Bank Statement not recorded in the Cashbook, which include an amount of Kshs.48,458,895.85 relating to 2010/2011 and earlier years. Failure to update the Cashbook with the long outstanding payments has not been explained.

Receipts in Bank Statement not recorded in Cashbook

551. In addition, the Statement reflects receipts totalling Kshs.9,502,722.45 in Bank Statement not recorded in Cashbook, which include an amount of Kshs.8,539,055.20 relating to 2010/2011 and earlier years. Failure to update the Cashbook with the long outstanding receipts as at 30 June 2012 has not been explained.

Imprest Account

552. The Statement of Assets and Liabilities reflects Standing and Temporary Imprest Account balances of Kshs.1,500,942.00 and Kshs.1,550,152.00 respectively as at 30 June 2012. No explanation was provided for failure to surrender the imprests on their due dates. Further, no analysis of the Standing Imprest balance of Kshs.1,500,942.00 was provided.

District Suspense Account

553. The Statement in addition reflects an unexplained and unanalyzed District Suspense Account credit balance of Kshs.649,280.35 relating to 2010/2011 and earlier years. It has not been possible to confirm what the balance represents.

General Account of Vote

554. The Statement also reflects a General Account of Vote balance of Kshs.595,271,043.48 as at 30 June 2012, which includes a balance of Kshs.605,405,626.28 relating to 2010/11 and earlier years. No reason has been given for failure to clear the long outstanding balance from the books of account.

Clearance Account

555. The Statement also reflects a Clearance Account balance of Kshs.3,356,419.15 relating to 2010/2011 and earlier years which has not been analyzed. Further, no action appears to have been taken to clear the balance from the books of account.

FINANCIAL STATEMENTS FOR D.12

Basis for qualified opinion

APPROPRIATION ACCOUNT

Under-Expenditure and Under-Collection of Appropriation-In-Aid.

556. The Appropriation Account for Vote D.12 for the year ended 30 June 2012 reflects an under-expenditure totalling Kshs.1,090,855,540.00 or about 25% of the estimated amount and under-collection of Appropriation-In-Aid of Kshs.455,749,783.00 or about 92% of the estimated receipts. According to the footnotes provided in the

Account, the under-expenditure and under-collection of Appropriation-In-Aid was mainly due to failure to conclude negotiations with donors, non-availability of land for construction of projects, non-receipt of no objection letters from donors and late receipt of contract certificates, among others. However, the Ministry has not indicated the measures it intends to take to address the underlying causes of the under-expenditure and under-collection of Appropriation-In-Aid.

STATEMENT OF ASSETS AND LIABILITIES

Exchequer Account

557. The Statement of Assets and Liabilities for Vote D.12 reflects an Exchequer Account balance of Kshs.6,307,583,214.55 as at 30 June, 2012 which includes Kshs.5,557,811,714.55 relating to 2010/2011 and earlier years. No reason has been provided for failure to clear the long outstanding balance of Kshs.5,557,811,714.55.

General Suspense Account

558. The Statement of Assets and Liabilities also shows a balance for the General Suspense Account as at 30 June, 2012 amounting to Kshs.166,496,141.80 which includes Ksh.291,558,203.95 relating to 2010/2011 and earlier years. The balance of Kshs.166,496,141.80, including the account movement during the year has not been supported with analysis. Under the circumstances, accuracy of the General Suspense Account balance of Kshs.166,496,141.80 could not be confirmed.

Temporary Imprest

559. The Statement further shows a Temporary Imprest balance of Kshs.6,443,086.10 as at 30 June, 2012. No analyses have been provided to show what the figure represents. Further, examination of imprest records maintained by the Ministry indicated that the temporary imprest outstanding as at 30 June, 2012 amounted to Kshs.1,361,602.00. The Ministry has not explained why the imprests had not been surrendered or accounted for as at 30 June, 2012. Also, the difference of Kshs.5,081,484.10 between the two sets of figures has not been reconciled or explained.

General Account of Vote

560. The Statement of Assets and liabilities reflects a General Account of Vote balance of Ksh.6,272,428,656.95 as at 30 June 2012, which includes a long outstanding balance of Kshs.5,637,322,899.95 relating to 2010/2011 and earlier years. No reason has been given for failure to clear the long outstanding balance of Kshs.5,637,322,899.95 from the books of account.

Paymaster General Account

561. The Statement further reflects a Paymaster General Account credit balance of Kshs.208,093,785.50 as at 30 June 2012, which includes Kshs.217,128,502.65 relating to 2010/2011 and earlier years. However, it has not been explained why the PMG Account which under normal circumstances should reflect a debit balance is reflecting a credit balance of Kshs.208,093,785.50 as at 30 June, 2012.

Development Bank Reconciliation as at 30 June 2012

562. The Bank Reconciliation Statement for the development Cashbook as at 30 June 2012 reflects payments in Cashbook not in Bank Statement totalling Kshs.152,908,255.00 which includes an unanalyzed amount of Kshs.118,401,772.90 representing stale cheques. It has not been explained why the entries have not been reversed in the cashbook even though the cheques relate to the period prior to 31 December, 2011.

563. The statement also reflects receipts in Bank Statement not in Cashbook totalling Kshs.3,734,075.20. No reason has been given as to why the receipts have not been recorded in the cashbook as at 30 June, 2012.

564. The Statement further reflects payments in Bank Statement not recorded in the Cashbook totalling Kshs.120,282,349.55 which include an unanalyzed amount of Kshs.119,906,325.75 relating to periods before 31 December 2011. No reason has been provided for failure to record the payment in the cashbook.

565. The Statement also reflects receipts in Cashbook not in Bank Statement amounting to Kshs.7,369,271.10 which relate to 2010/2011 and earlier years. No explanation has been provided for failure to bank the receipts as at 30 June, 2012.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 12

Basis for qualified opinion

Local Authorities Transfer Fund

566. The Statement of Assets and Liabilities for Deposits 12 as at 30 June 2012 reflects a debit balance of Kshs.13,112,473.70 in respect of Local Authorities Transfer Fund (LATF) Deposits, which has remained constant for the last six 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 2012 could not be ascertained.

Temporary Imprests

567. The Statement further reflects a Temporary Imprest opening credit balance of Kshs.949,471.00 and closing debit balance of Kshs.180,396.00 as at 30 June 2012. However, no documents or analysis were provided in support of the clearance of the opening credit balance. As a result, accuracy of the temporary imprests balance of Kshs.180,396.00 as at 30 June 2012 could not be ascertained.

Retention Money

568. The Statement shows a Retention Money credit balance of Kshs.399,439,690.55 as at 30 June 2012. However, the retention money register was not properly maintained and updated during the year. In consequence, the accuracy and completeness of the balance of Kshs.399,439,690.55 as at 30 June 2012 could not be confirmed.

Other Deposits

569. The Statement also shows Other Deposits balance of Kshs.9,422,365.10 as at 30 June 2012. However, the Other Deposits register was not properly maintained and updated during the year. Consequently, the accuracy of the balance of Kshs.9,422,365.10 as at 30 June 2012 could not be confirmed.

General Suspense

570. The Statement shows a General Suspense closing balance of Kshs.12,724,892.30 as at 30 June 2012 which has not been analyzed. As a result, the completeness and accuracy of the General Suspense Account balance as at 30 June 2012 could not be confirmed.

BANK RECONCILIATION STATEMENT AS AT 30 JUNE, 2012

Payments in Cashbook not in Bank Statement

571. The bank reconciliation statement for Deposits cashbook as at 30 June 2012 reflects payments in cashbook not recorded in the bank statement totalling Kshs.12,856,954.60 which includes stale cheques amounting to Kshs.6,721,136.45. It has not been clarified why the cheques had not been reversed in the cashbook as at 30 June 2012.

Receipts in Cashbook not in Bank Statement

572. The Statement also reflects receipts totalling Kshs.112,784,265.80 in cashbook not recorded in bank statement, which includes an amount of Kshs.105,478,587.80 relating to 2010/2011 and earlier years. Failure to bank the long outstanding receipts of Kshs.105,478,587.80 as at 30 June 2012 has not been explained.

Payments in Bank Statement not in the Cashbook

573. The Statement further reflects payments totalling Kshs.5,323,975.60 in bank statement not recorded in the cashbook, which include an amount of Kshs.2,721,072.45 relating to 2010/2011 and earlier years. Failure to update the cashbook with the payments has not been explained.

Receipts in Bank statement not in Cashbook

574. In addition, the Statement reflects receipts totalling Kshs.40,502,747.85 in bank statement not recorded in cashbook, which include an amount of Kshs.20,218,966.60 relating to 2010/2011 and earlier years. Failure to update the cashbook with the long outstanding receipts of Kshs.20,218,966.60 as at 30 June 2012 has not been explained.

Kenya Roads Board (KRB) Fuel Levy Cashbook

Payment in Cashbook Not in Bank Statement

575. The bank reconciliation statement for KRB Fuel Levy Cashbook as at 30 June 2012 reflects payments in cashbook not recorded in the bank statement totalling Kshs.1,467,863.90 all of which had become stale cheques as at that date. It has not been clarified why the cheques had not been reversed in the cashbook as at 30 June 2012.

Receipts in Bank Statement Not in Cashbook

576. The Statement also reflects receipts totalling Kshs.654,920.00 in bank statement not recorded in cashbook, which include an amount of Kshs.650,950.00 relating to 2010/2011 and earlier years. Failure to bank the long outstanding receipts of Kshs.650,950.00 as at 30 June 2012 has not been explained.

LOCAL AUTHORITIES TRANSFER FUND (LATF)

Basis for qualified opinion

Cash on Special Accounts

577. The statement of financial position as at 30 June, 2012 reflects cash on special accounts balance of Kshs.4,264,646,448.39 compared to Kshs.5,173,634,001.64 as at 30 June 2011. However, no documentary evidence such as bank statements or a bank certificate was made available to support the balance. Under the circumstances, the accuracy, validity and existence of the cash balance could not be confirmed. Further, no explanation has been given as to why a significant amount of idle money is held in bank accounts instead of disbursing the same to the Local Authorities to enable them achieve the intended LATF objectives.

GOK - Income Share of LATF

578. The statement of financial performance for the year ended 30 June, 2012 reflects GOK- Income Share of LATF of Kshs.16,413,757,246.75 compared to Kshs.13,659,522,629.00 for 2010/2011. However, the Statement of Revenue from the Ministry of Finance indicates income of Kshs.16,346,342,557.04 as at 30 June, 2012. The resultant difference of Kshs.67,414,689.71 between the two sets of records has not been reconciled or explained. Consequently, the accuracy of the financial statements could not be confirmed.

LATF Expenditure

579. The LATF statement of financial performance for the year ended 30 June, 2012 reflects total expenditure of Kshs.17,322,744,800.00 which includes LATF disbursements of Kshs.17,261,044,800.00 as at 30 June 2012. However, the Statement of Revenue from Ministry of Finance indicates LATF Disbursement of Kshs.17,171,685,651.00. The resultant difference of Kshs.89,359,149.00 between the two sets of records has not been reconciled or explained.

Penalized Local Authorities

580. Records available indicate that during the financial year under review, one (1) Council was penalized Kshs.3,343,500.00, while another Council missed LATF totalling Kshs.35,611,706.00 for not fully meeting the conditions required to obtain the whole amount of LATF allocated. Failure to receive full LATF allocations leads to the Councils not fulfilling their set objectives as outlined under LATF Act, and further exposes them to financial difficulties.

ROADS MAINTENANCE FUEL LEVY FUND

Basis for qualified opinion

Road Rehabilitation Project – Contractors

581. The receipts and payments account of the Fund for the year ended 30 June, 2012 reflects payments of Kshs.105,252,320.60 in respect of road rehabilitation project which includes payments totalling Kshs.104,390,076.75 made to Lee Construction Ltd for repair and rehabilitation of roads in Nanyuki town. However, and as reported during 2010/2011, the Ministry did not provide contract documents for audit confirmation of how the contractor was identified for the works and the contract sum determined. Under the circumstances, propriety of the expenditure of Kshs.104,390,076.75 incurred on road rehabilitation project during the year could not be confirmed.

Road Rehabilitation Project – Consultancy

582. In the report for 2010/2011, concern was raised about the failure by the Ministry of Local Government to make available for audit review, the consultants' report for which the Ministry had paid a sum of Kshs.2,085,680.00 in respect to contract No. 50052006/MOLG/RMLF/TC/UDD-04 (Cluster 4) which had a total contract sum of Kshs.43,799,280.00. The consultants' report has not been made available for audit review as at 30 June, 2012.

Uncleared Reconciling Balances

583. The receipts and payments account reflects a cash and bank balance of Kshs.12,724,892.30 as at 30 June, 2012. However, the bank reconciliation statement as at 30 June, 2012 reflects long outstanding reconciling items, which include stale cheques amounting to Kshs.1,467,863.90 brought forward from 2010/2011 and earlier years. The validity of the cash and bank balance of Kshs.12,724,892.30 as at 30 June, 2012 could not therefore be confirmed.

MINISTRY OF ROADS

FINANCIAL STATEMENTS FOR VOTE 13

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Format of the Appropriation Account

584. Whereas the Recurrent Expenditure Estimates for Vote R.13 for the year ended 30 June 2012, show Sub-Vote headings under which respective heads, Sub-heads and items fall, the Appropriation Account for Vote R.13 for 2011/2012 does not reflect such Sub-Vote headings.

Excess Vote

585. The Appropriation Account Summary for Vote R.13 for the year ended 30 June 2012 reflects an Excess Vote of Kshs.67,918,412.45. However, an analysis of gross expenditure and Appropriations-In-Aid under various Sub-Heads reveals an Excess vote of Kshs.116,145,875.00 an indication that the Excess Vote has been understated in the Summary.

Appropriations-In-Aid

586. The actual receipts of Appropriation-In-Aid of Kshs.1,309,012,548.00 reflected in the main Account under Head 130303-Mechanical and Transport Department differs with an amount of Kshs.1,236,861,761.10 shown in the Details of Appropriations-In-Aid with an unexplained difference of Kshs.72,150,786.90. In view of this discrepancy the accuracy of the total receipts of Appropriations-In-Aid of Kshs.25,373,576,675.10 and Deficiency in Appropriations-In-Aid of Kshs.23,923,324.90 reflected in the Summary of Appropriation Account could not be confirmed.

587. Further, although the Appropriation Account summary for Vote R.13 for the year ended 30 June 2012 reflects a deficiency in Appropriations-in-Aid of Kshs.23,923,324.90, information extracted from the Account, cashbook and receipt vouchers indicates that the Ministry actually realized Excess Recurrent Appropriations-In-Aid of Kshs.283,409,943.00, collected as follows:

Head	Title	Approved Estimates Kshs	Actual receipts Kshs	Excess receipts Kshs
130303	Mechanical and Transport Department	1,280,500,000	1,309,012,548	28,512,548
130304	Materials Department	10,000,000	30,963,914.00	20,963,914
130501	Kenya Roads Board	24,100,000,000	24,332,294,481	232,294,481
130503	HQ Roads department	3,000,000	4,639,000	1,639,000
	Total	<u>25,393,500,000</u>	<u>25,676,909,943</u>	<u>283,409,943</u>

The resultant difference of Kshs.307,333,267.90 has not been clarified.

Differences between the Expenditure Appropriation Account and Trial Balance

588. The Appropriation Account reflects Total Net Expenditure balance of Kshs.1,893,550,815.65, while the Trial Balance for the Recurrent Vote as at 30 June 2012 shows related Total Net Expenditure of Kshs.1,399,019,520.00. The resulting difference of Kshs.494,531,295.65 has not been reconciled or explained.

Misallocated Expenditure

589. Expenditure totalling Kshs.29,095,315.25 relating to items 2210800 - Hospitality Supplies and Services, 2210300 - Domestic Travel and Subsistence and Other Transportation Costs, 2110200 – Basic Wages – Temporary Employees, 3111000 - Purchase of Office Furniture and General Equipment and 2211300 – Other Operating Expenses, under various Heads and Sub-Heads, was incurred and charged to incorrect items of account as follows:

Purpose of expenditure	Amount (Kshs)	Item charged	Item that should have been charged
Meal allowances	5,231,080.00	2211300 – Other Operating Expenses	2210800 - Hospitality Supplies and Services
Domestic travel	106,370.00	2211300 – Other Operating Expenses	2210300 - Domestic Travel and Subsistence and Other Transportation Costs
Wages for casuals	735,324.25	2211300 – Other Operating Expenses	2110200 – Basic Wages – Temporary Employees

Purpose of expenditure	Amount (Kshs)	Item charged	Item that should have been charged
Purchase of furniture	209,700.00	2211300 – Other Operating Expenses	3111000 - Purchase of Office Furniture and General Equipment
Security services	22,812,841.00	2210300 - Domestic Travel and Subsistence and Other Transportation Costs	2211300 – Other Operating Expenses
Total	29,095,315.25		

No reason has been provided for the misallocation of the expenditure.

Current Grants to Government Agencies

590. The Appropriation Account reflects an expenditure of Kshs.24,080,000,000.00 under Head 130501 – Major Roads, Sub-Head 0089 – Kenya Roads Board and Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, while payment vouchers and related records show that current grants charged to the same Head, Sub-head and Item, totalling Kshs.24,420,292,948.00 were disbursed to Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), Kenya Urban Roads Authority (KURA) and Kenya Wildlife Services (KWS). The resultant difference of Kshs.340,292,948.00 between the two sets of records has not been explained or reconciled.

Compensation and Ex-Gratia Payments

591. Examination of records maintained at the Ministry's Headquarters in respect of Compensation and Ex-Gratia Payments revealed the following unsatisfactory matters:

Murang'a CMCC No.245 of 2007/JR Civil Misc Application No.213 of 2011 Plaintiff vs Honourable Attorney General & Another.

592. The above case arose after the plaintiff, filed a suit in the Principal Magistrate's Court at Murang'a against Ministry of Roads and Public Works on 13 January 2000. The plaintiff claimed that her husband was a passenger traveling in the Ministry's Vehicle GK A226, Chevrolet Pickup on 10 July 1995, along Karatina – Sagana Road. The vehicle was driven carelessly and was involved in an accident in which the husband sustained fatal injuries. The plaintiff was claiming general damages, special damages and cost of the suit.

593. On 15 February 2002 the plaintiff was awarded Kshs.525,000.00, comprising general damages and special damages. The Ministry was granted authority to pay by the Treasury on 2 February 2012. The Ministry consequently paid an amount of Kshs.1,170,500.00 on 18 May 2012, comprising the amount awarded of Kshs.525,000.00 and interest thereon of Kshs.645,500.00

594. The interest of Kshs.645,500.00 constitutes a loss to the Ministry in form of nugatory expenditure which could have been avoided if the decretal sum had been paid on time.

Nairobi HC.MISC Appl. NO.238 of 2010-Plaintiff vs Attorney General

595. As reported in the previous year, the plaintiff, Mr. Antony M. Wambua, 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.

596. Further, by consent order recorded in court on 18 July 2010, the plaintiff and the Attorney General appointed a sole 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 is made in full. 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 and the Treasury granted the authority on 16 November 2011.

597. The Ministry on 1 December 2011 paid an amount of Kshs.9,000,000.00 to the Attorney General's office for onward transmission to the plaintiff, leaving a balance of Kshs.7,988,400.00 outstanding as at 30 June 2012. The Kshs.7,988,400.00 is made up of the balance of the principal sum of Kshs.3,870,000.00 and interest of Kshs.4,118,400.00. The amount of Kshs.4,118,400.00 represents a nugatory expenditure payable which the Ministry would have avoided had the claim of Kshs.12,870,000.00 been settled in time.

HCC M15C Civil Application No. 612 of 2006 between a Construction Company Vs Permanent Secretary, Ministry of Roads and Public Works and Chief Engineer, Ministry of Roads and Public Works.

598. This case arose after the claimant, the construction company entered into a contract with the Ministry on 28 November 2005 for the construction of Runda-Whispers Estates Link bridge and approach roads in Nairobi at an agreed contract sum of Kshs.124,478,017.19 with a contract period of 12 months. On 9 October 2009, the contractor was issued with a fourteen day termination notice due to slow rate of progress. At that moment, 75% of the contract period had elapsed while only 7% of the contract work had been completed.

599. On 18 October 2006, the claimant filed a suit in the High Court claiming that the Ministry terminated the contract before the determination of a request they made for the extension of contract period. After termination of the contract, the plaintiff filed a claim of Kshs.74,687,782.00 against the Ministry. The arbitrator, in the judgment delivered on 30 November 2010, awarded the claimant Kshs.35,742,450.00 which was payable within forty-five (45) days from the date of the award, failure to which a simple interest at the rate of 3.5% p.a was to be paid until the award is settled in full. The Ministry paid the amount awarded vide payment voucher No. 003002 dated 20-02-2012 of Kshs.11,000,000.00 and payment voucher No. 003450 dated 18-05-2012 of Kshs.24,742,450.00.

600. The plaintiff further filed a claim of outstanding interest of Kshs.1,587,638.40 on 11 June 2012 due to delay in settling the amount awarded. The Ministry was granted authority by Treasury on 28 August 2012 to settle the amount in order to finalize the matter. The Ministry remitted the interest amount to the Attorney General's Office on 7 September 2012 to pay to the claimant.

601. The Ministry incurred a nugatory expenditure of Kshs.1,587,634.40 on interest from 15th January 2011 to 17 May 2012 due to delay in settling the amount awarded.

Pending Bills

602. The Statement of Pending Bills as at 30 June 2012 submitted for audit shows that bills amounting to Kshs.30,793,912.23, chargeable to the Recurrent Vote R.13, were not settled during the year 2011/2012, but were instead carried forward to 2012/2013. Had the bills been paid and expenditure charged to the Appropriation Account for Vote R.13 for 2011/2012, the Account would have reflected an enhanced Excess Vote of Kshs.98,712,324.68 instead of the Kshs.67,918,412.45 shown.

603. In addition, the total bills of Kshs.30,793,912.23 include an invoice for Kshs.432,000.00 from a motor vehicle dealer, being the cost of ten (10) tyres. However, information available shows that although the Ministry had ordered ten (10) tyres of size, 265/70/R19.5 each on 15 November 2011 at a total cost of Kshs.432,000.00, the company delivered 10 smaller tyres of size 265/65R17 each on 14 December 2011 at the same cost of Kshs.432,000.00. It has not been clarified why the company delivered tyres of smaller size than what was ordered, or why the cost of the delivered tyres is the same as that of the ordered larger tyres.

STATEMENT OF ASSETS AND LIABILITIES

604. The Statement of Assets and Liabilities for the Vote R.13 as at 30 June 2012 reflects Exchequer Account net over-issues totalling Kshs.3,634,573,799.47 relating to 2010/2011 and earlier years as follows:

Financial Year	Amount (Kshs)
2010/2011	10,492,100.00
2009/2010	322,000,000.00
2009/2010	(6,317,813,363.00)
2008/2009	1,228,000,000.00
2007/2008	1,119,482,973.53
2006/2007	3,264,490.00
Net Total	<u>(3,634,573,799.47)</u>

The source of unusual exchequer under-issue and over-issue of Kshs.322,000,000.00 and Kshs.6,317,813,363.88, respectively in year 2009/2010 as reflected in the Statement has not, however, been clarified considering that the records maintained at the Treasury show that there was no over issue or under issue during the year. No reason has been given also for failure to clear these long outstanding exchequer Account balances.

605. The Statement also reflects Exchequer Account under issue of Kshs.62,889,735.60 relating to 2011/2012 while a review of the records maintained by the Ministry revealed an over issue of Kshs.331,107,530.50 during the year. No explanation has been provided for this anomaly.

606. The Statement also shows a General Account of Vote (GAV) net credit balance of Kshs.7,206,015,773.60 relating to 2010/2011 and earlier years as shown below:

Financial Year	Amount (Kshs)
2010/2011	(299,942,075.65)
2009/2010	2,416,420,107.89
2008/2009	(5,957,252,372.69)
2007/2008	1,230,125,847.80
2006/2007	3,907,665,908.41
2005/2006 and earlier years	5,908,998,357.84
Net Total	<u>7,206,015,773.60</u>

The source of General Account of Vote 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 balances.

607. The Statement, in addition reflects a General Account of Vote (GAV) debit balance of Kshs.43,995,087.55 relating to 2011/2012, while the Appropriation Account for Vote R.13 for the year ended 30 June 2012 recorded an excess vote of Kshs.67,918,412.45. The resultant difference has not been reconciled or explained.

608. The Statement shows various debit and credit account balances which have not been analysed as detailed:

Account

Debits	Balances (Kshs.)
Salary Paid in Advance Account	60,843,630.20
Salary Advance Account	1,143,599.85
R/D Cheques	23,506.20
Prepayments	1,519,050.00
Cashbook Transfer Balance	108,200,000.00
District Recurrent Bank Account	294,106,052.60
Temporary Imprest	9,581,292.95
District Unspent Balances – Kisii & Ngong	12,888,297.90
District Suspense	11,021,631,861.57
Credits	
AP Liabilities	5,632,390,368.15
R/D Cheques	88,847,169.15
VATA Withholding	8,535,803.80
Contractors Retention Money	5,938,376.95
General Deposits	18,646,387.50
General Withholding Tax	3,393,543.15
General Suspense	114,818,908.50
Standing and Special Imprests	470,934.05
District Balance Surrenders- KCB	36,312,231.55
District Balance Surrenders – Direct	1,820,028.45

In the absence of the analyses for the balances, their validity, completeness and accuracy could not be ascertained.

609. The Statement reflects Paymaster General, District Recurrent Bank Account and Recurrent Bank Account debit balances of Kshs.606,140,958.40, Kshs.294,106,052.60 and Kshs.4,574,129,155.90 respectively, all totalling Kshs.5,474,376,166.90, while the Cashbook as at 30 June 2012 shows a debit balance of Kshs.606,140,958.40. The resultant difference of Kshs.4,868,235,208.50 between the two sets of records has not been reconciled or explained.

610. The Statement reflects un-surrendered or un-accounted for Temporary Imprests Account balance of Kshs.10,337,256.75 which includes an amount of Kshs.9,581,292.95 relating to 2009/2010 and earlier years. A review of the imprest records as at 31 October 2012, however, revealed that out of the figure of Kshs.10,337,256.75, imprests amounting to Kshs.578,947.00 had been recovered or surrendered, leaving a balance of Kshs.9,758,309.75 still outstanding. No reason has been provided for failure to recovery the imprests of Kshs.9,581,292.95 that has been outstanding for long.

611. The Statement reflects Excess Appropriations-In-Aid Account balance of Kshs.46,277,680.55, while the Appropriation Account for Vote R.13 for the year ended 30 June 2012 shows a nil balance. Further, the balance of Kshs.46,277,680.55 could not be traced in the Trial Balance for Vote R.13 as at 30 June 2012.

612. The Statement in addition reflects a District Balance Surrenders-KCB and a District Balance Surrender-Direct Account balances of Kshs.36,312,231.55 and Kshs.1,820,028.45 respectively which are also not reflected in the Trial Balance.

613. The Statement reflects various accounts with debit and credit balances totalling Kshs.521,731,017.85CR, while the Trial Balance shows a net debit balance of Kshs.79,003,711,395.85 against the same accounts. The resultant difference of Kshs.79,525,442,413.70CR between the two sets of records has not been reconciled or explained.

614. Further, the Statement does not reflect the following debit and credit balances shown in the Trial Balance:

Account	Balance (Kshs)
Debits	
Ministry HQ Development Bank A/C	34,325.30
H/Q Recurrent Cash A/C	191,613,563.00
Stale Cheques (Receipts)	185,057,076.75
Fuel Levy	543,165.90
Insurances	8,884,356.75
RTD Salary - held for officer	547,340.65
Salary Overpayment Refunds	3,759,590.70
Income Tax	1,086,059.00
Employee Liabilities	39,458.45
Credits	
Ministry HQ Deposit Bank A/C	(129,463,341.55)
NSSF	(19,600.00)
District Development Fund	(2,611,686.75)
Cash Clearing A/c	(89,410,680,815.50)
Provision for Encumbrance	(20,054,875.95)

No reason has been given for not including these account balances in the Statement.

Bank Reconciliation Statement for the Recurrent Cashbook

615. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2012 reflects a Bank Balance of Kshs.2,270,457,242.45, while the Bank Certificate availed for audit review shows a balance of Kshs.2,263,387,195.00. The resultant difference of Kshs.7,070,047.00 has not been explained.

616. The Statement further reflects a Bank Balance as per Cashbook of Kshs.474,182,332.05 which differs with the adjusted balance of Kshs.606,140,958.40 reflected in the Cashbook as at 30 June 2012. The resultant difference of Kshs.131,958,626.35 has not been explained or reconciled.

617. The Statement also reflects payments in Cashbook not yet recorded in the Bank Statement, receipts in the Bank Statement not yet recorded in the Cashbook, payments in Bank Statement not yet recorded in the Cashbook and receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.247,047,681.75, Kshs.402,806,378.70, Kshs.866,144,180.85 and Kshs.356,793,044.45 respectively relating to the period between 21 July 2006 and 11 December 2011. No explanation has been provided for failure to clear these long outstanding receipts and payments from the reconciliation statement.

618. The Statement in addition reflects receipts in the Bank Statement not yet recorded in the Cashbook, payments in the Bank Statement not yet recorded in the Cashbook and receipts in the Cashbook not recorded in the Bank Statement totalling Kshs.1,516,056,834.75, Kshs.800,237,046.95, and Kshs.160,778,470.20 respectively, for which no details of the sources of the receipts or payees have been provided.

FINANCIAL STATEMENTS FOR VOTE D.13

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

619. As reported in the previous year, the Appropriation Account for Vote D.13 for the year ended 30 June 2012 similarly reflects gross under expenditure of Kshs.15,670,319,195.75 (2010/2011–18,628,747,920.65) representing approximately 20% (2010/2011–28%) of the approved gross estimates of Kshs.77,111,132,838.00 (2010/2011–66,527,787,004). The Account also reflects a deficiency in Appropriations-In-Aid of Kshs.11,050,833,542.00 (2010/2011 – 17,395,462,393.75) or about 31% (2010/2011 - 59%) of the estimated receipts of Kshs.35,830,031,048.00. This in essence has denied allocation of funds to other needy programmes in the Country.

620. The reasons provided in the footnotes to the Account for the under-expenditures and under-collections of Appropriations-In-Aid include: delay in awarding tenders and

contracts; delays in procurement processes and completion of works due to late release of revised estimates; delay in getting estimation from the technical Ministry of Works; late commencement of projects and stalling of the Merille River Road Project; delay in acquiring “no objection” letters from the donors; insufficient counterpart funding; slow progress in the construction works; delay in disbursement of donor funds; 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.

621. As reported in the previous year, the Appropriation Account for the year under review’s total Net expenditure of Kshs.36,661,616,136.25 differs with the Trial Balance figure of Kshs.312,054,975.30 as at 30 June 2012 by an unexplained difference of Kshs.36,349,561,160.95.

622. Expenditure totalling Kshs.61,005,428,784.00 reflected in the Account under Capital Grants to Government Agencies and Other levels of Government differs with the amounts of Kshs.60,749,258,565.00 recorded in the Cashbook as shown below:

Sub-Head	Expenditure As Per the Account Kshs	Expenditure In the Cash Book Kshs	Difference Kshs
0251 –KeNHA	34,393,548,325	34,578,946,018	(185,397,693)
0252 –KeRRA	15,835,890,659	14,747,322,747	1,088,567,912
0253 – KURA	<u>10,805,989,800</u>	<u>11,422,989,800</u>	<u>(617,000,000)</u>
Total	<u>61,035,428,784</u>	<u>60,749,258,565.</u>	<u>286,170,219</u>

The resultant expenditure difference of Kshs.286,170,219.00 between the two sets of records has not been reconciled or explained.

623. In the Report for 2010/2011, reference was made to an amount of Kshs.22,552,056.00 paid to suppliers and consultants through the Ministry’s Quality Assurance Department that had not been supported with adequate documentary evidence. No information or documentary evidence has been produced during the year under review.

Pending Bills

624. The Statement of Pending Bills for Vote D.13 reflects bills totalling Kshs.13,539,116,401.00 as at 30 June, 2012 that were not settled during the year 2011/2012, but were instead carried forward to 2012/2013. Also, there were additional payments made in the year 2012/2013 relating to financial year 2011/2012 amounting to

Kshs.33,150,682.00. Had the total of the above two sets of bills of Kshs.13,572,267,083.00 been settled in 2011/2012 and the expenditure charged to the Appropriation Account for Vote D.13, the Account would have reflected an illegal Excess Vote of Kshs.8,952,781,429.25 instead of Surplus to be Surrendered to the Exchequer of Kshs.4,619,485,653.75 now shown.

STATEMENT OF ASSETS AND LIABILITIES

625. The Statement of Assets and Liabilities for Vote D.13 as at 30 June 2012 reflects an Exchequer Account debit balance of Kshs.37,879,261,652.90 which, includes amounts totalling Kshs.33,251,709,192.90 relating to 2010/2011 and earlier years that have not been cleared from the books of account.

626. The Statement further reflects the following account balances relating to 2010/2011 and earlier years that have been long outstanding and not supported with analysis and documentation.

Debit Balance Accounts	Amount (Kshs)
Temporary Imprests	90,912,258.75
Prepayments	104,625.00
District Suspense	2,017,444,159.50
General Suspense	2,235,569,518.65
R/D Cheques	718,924,633.15
Ministry HQ Development	
Bank Account	24,110,391,416.85

Credit Balance Accounts

CCF 1997/1998	35,000,000.00
General Account of Vote	59,333,976,331.20
General suspense Account	1,636,602,406.30
Amount owed to Deposits Vote	1,300,000,000.00

Bank Reconciliation Statement for the Development Cash Book

627. The Bank Reconciliation Statement for the Development Cashbook as at 30 June 2012 reflects balance as per Bank Certificate of Kshs.(2,613,076.90), while the Bank Certificate shows a balance of Kshs.178,148,867.80 as at 30 June 2012. The resultant difference of Kshs.180,761,944.70 has not been explained.

628. The Statement also reflects payments in Cashbook not yet recorded in the Bank Statement (un-presented cheques) totalling Kshs.2,571,477,634.25 which includes Stale Cheques amounting to Kshs.2,523,950,357.05. No explanation has been provided for failure to replace or reverse these Stale Cheques in the Cashbook.

629. The Statement in addition reflects receipts in the Bank Statement not yet recorded in the Cashbook of Kshs.454,903,372.75 which includes an amount of Kshs.451,676,113.25 relating to 2010/2011 and earlier years. It also reflects payments in Bank Statement not yet recorded in the Cashbook of Kshs.2,488,407,219.75 that includes receipts of Kshs.2,444,857,900.40 relating to the period between 22 March, 2010 and 17 June, 2011. These have in effect understated payments and receipts in the financial records in the years to which they relate.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 13

Basis for Disclaimer of Opinion

630. The Statement of Assets and Liabilities for Deposits 13 as at 30 June 2012 reflects the following debit and credit balances relating to 2010/2011 and earlier years which, besides being un-cleared for a long time, have not been analysed or supported with documentation.

Account	Amount (Kshs)
Debits	
General Suspense	255,702,281.45
District Deposit Bank	251,227.00
Provincial Suspense	22,250,045.75
R/D Cheques	38,487.75
Fuel Levy	30,004,897.50
Credits	
Revenue Deposit	52,409,2140.20
Mechanical Branch Suspense	687,268,445.25

In the circumstances the completeness, validity and accuracy of the Statement's balances could not be ascertained.

631. The Statement also reflects a debit balance of Kshs.1,300,000,000.00 against an amount owed by the Ministry's Development Vote Account. Information available indicates that the Treasury authorized the Ministry to use retention money in the Deposits Account amounting to Kshs.2,000,000,000.00 to pay pending claims on the understanding that the amount would be included in the revised estimates for 2008/2009 and refunded. Although an amount of Kshs.700,000,000.00 was refunded during the year 2011/2012, no reason has been provided for failure to refund the outstanding balance of Kshs.1,300,000,000.00 to the Deposits Account as of 30 June 2012.

632. The Statement also reflects a Mechanical Branch Suspense brought forward credit balance of Kshs.687,341,345.25 that was reduced by Kshs.72,900.00 in the current financial year and a Temporary Imprests Account brought forward debit balance of Kshs.72,900.00 that was cleared during the year under review. However, no documentary evidence was provided to support these transactions. Consequently, the accuracy and validity of the balances as at 30 June, 2012 could not be confirmed.

633. The Statement reflects a credit balance of Kshs.719,064.00 against State Cheques Account, which according to the analyses provided, relates to the period between November 2008 and May 2009. No explanation has been given for failure to reverse these cheques in the books of account.

634. The Statement further reflects two 10% Retention Money Account credit balances totalling Kshs.1,438,823,266.35 that includes a credit balance of Kshs.1,432,739,796.85 relating to 2010/2011 and earlier years. However included in the figure of Kshs.1,438,823,266.35 is an amount of Kshs.1,431,064,185.67 relating to 2009/2010 that could not be verified from the Retention Money Registers and other documentation. It was also observed that an amount of Kshs.11,822,080.15 released to a contractor was supported with receipts not issued for use in the Ministry's cash office and which did not exist in the Ministry's records and were not posted in the Deposits Cash book. The Ministry has not provided justification for these anomalies.

635. The Statement reflects a credit balance of Kshs.298,580.50 against Material Department Deposits which differs with the supporting schedule and other documentation figure of Kshs.427,740.40 by Kshs.129,159.90. The resultant difference has not been reconciled or explained. Further, the supporting schedule includes receipts of Kshs.1,006,460.00 and Kshs.3,255,420.40 from Geothermal Investment and Kshs.659,740.00 from KMTC Embu without the Government serial numbers. Consequently, these amounts could not be traced and verified in the Ministry's Deposits cash book and records.

636. The Statement also reflects a credit balance of Kshs.1,911,588.55 against Transformative E.I. Conference Account which also, differs with ledger's credit balance of Kshs.1,511,361.00 as at 30 June 2012. The resultant difference of Kshs.400,227.55 between the two sets of records has not been explained.

637. The debit balances reflected in the Statement of Kshs.2,181,697,190.45 differs with balances of Kshs.10,288,638,370.05 shown in the Ministry's Trial balance as at 30 June, 2012 by Kshs.9,106,941,179.60. Similarly, the credit balances in the statement totalling Kshs.2,181,697,190.45 differs with the Trial balances totals of Kshs.3,335,760,495.65 by Kshs.1,154,063,305.20. Also several accounts totalling Kshs.72,528,192.23 and credit balances of Kshs.16,549,108,680.20 shown in the Trial Balance were excluded from the Statement of Assets and Liabilities for Deposits as at 30 June, 2012. In the circumstances, accuracy and validity of the balances as reflected

in the Ministry's Statement of Assets and Liabilities for Deposit as at 30 June, 2012 could not be ascertained.

Bank Reconciliation Statement for the Deposits Cash Book

638. The Bank Reconciliation Statement for the Headquarters Deposits-13 Cash book as at 30 June 2012 reflects a balance of Kshs.90,365,275.40 which differs with the Central Bank of Kenya certificate of bank balance figure of Kshs.89,588,918.25 as at 30 June 2012. The resulting difference of Kshs.806,339.15 between the two records has not been explained or reconciled.

639. The Statement further reflects payments in the cash book not recorded in the bank statement (unpresented cheques) totalling Kshs.229,591,126.00 which differ with the total amount of Kshs.146,842,570.35 shown in the supporting schedules and documentation. The difference of Kshs.82,748,555.65 has not been reconciled or explained.

640. The Statement also reflects receipts in the bank statement not recorded in the cash book of Kshs.2,084,737,480.45 and payments in bank statement not recorded in the cash book of Kshs.1,196,904,577.35. These have in effect, understated revenues and expenditures respectively, with the amounts in these financial statements.

641. The Statement in addition includes payments in the cash book not recorded in the bank statement, receipts in the bank statement not recorded in the cash book, payments in bank statement not recorded in the cash book and receipts in cash book not recorded in the bank statement amounting to Kshs.47,723,981.30, Kshs.2,044,986,332.65, Kshs.1,179,338,425.80 and Kshs.2,068,774.95 respectively, for which information, details and documents to support the receipts and payments in question were not produced for audit verification.

STATEMENTS FOR THE MECHANICAL AND TRANSPORT FUND

Basis for Qualified Opinion

Income and Expenditure Account

642. Contrary to the Fund's accounting policies, the Income and Expenditure Account for the year ended 30 June 2012 excludes income of Kshs.2,812,300.00 on hire of equipment and services rendered not collected from eight firms and two individuals who had leased the equipment for periods ranging from one to thirty eight days. In the circumstances, the completeness, accuracy and validity of income as reflected in the Income and Expenditure account could not be ascertained.

643. Information available also indicates that during the year under review, the Fund lost, through theft, 550 litres of engine oil, 430 litres of hydraulic oil and 2 tyres in

Mombasa Region and 1 Daewoo Tipper each in Nakuru and Embu Regions respectively, all valued at Kshs.6,215,195.00. However, no evidence has been produced to confirm that these losses were reported to the Treasury as required under Paragraph 12.6 (c) of the Government Financial Regulations and Procedures and appropriate action taken to recover the losses.

644. The Statement of Financial Position shows that the Fund held Debtors amounting to Kshs.56,020,962.25 contrary to Section 19.2 (c) of the Mechanical and Transport Fund Rules, Procedures and Guidelines, which requires that payments for hire of equipment and services be made in advance on the strength of pro forma invoices. In the circumstances, the recoverability of the Debtors balance was doubtful.

645. The Statement of Financial Position's Bank Balance of Kshs.295,243,864.60, differs with bank balance of Kshs.198,463,489.30 reflected in the Cash-book and Board of Survey Report as at 30 June 2012 by Kshs.96,780,375.30. This has resulted in overstatement of the Bank Balance by Kshs.96,780,375.30 based on the financial records of the Fund.

646. The Statement of Financial Position reflects a Donor-Export-Import Bank of Korea Account balance of Kshs.1,963,016,499.15 under Long Term Liabilities. However, loan agreement between the Government of Kenya and the lender, and documentary evidence to support and confirm the loan balance were not produced for audit review. Consequently, the existence and validity of Kshs.1,963,016,499.15 liability reflected in the statement as at 30 June, 2012 could not be confirmed.

Kenya Institute Of Highways And Building Technology (Kihbt)

Pending Bills

647. Records maintained at KIHBT, Kisii indicate that bills totalling Kshs.1,997,867.00 incurred by the Institute between August 2010 and September 2011 were not settled during the year under review but were instead carried forward to 2012/2013. Non payment of bills distorts the financial year to which they relate and adversely affects the expenditure provisions for the subsequent year to which they have to be charged.

MINISTRY OF TRANSPORT

FINANCIAL STATEMENTS FOR VOTE R.14

Adverse Opinion

APPROPRIATION ACCOUNT

Under Collection of Appropriations-In-Aid

648. The Recurrent Appropriation Account for Vote R.14 for the year ended 30 June 2012 reflects under-collection of Appropriations-in-Aid of Kshs.59,782,610.00 or 96.4% of the estimated receipts of Kshs.62,000,000.00. According to the foot notes to the Account, the under collection of Appropriations-In-Aid was attributed to failure by the donors to release grants and over-estimation in the budget. However, no indication has been given on how these challenges are being addressed.

Pending Bills as at 30 June, 2012

649. Records maintained by the Ministry however indicate that bills totalling Kshs.13,820,070.00 relating to 2011/2012 and chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Recurrent Appropriation Account for the year would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.72,448,885.00, instead of a net surplus of Kshs.86,268,955.00 now shown.

STATEMENT OF ASSETS AND LIABILITIES

650. The Statement of Assets and Liabilities for Vote R.14 as at 30 June, 2012 reflects a Paymaster General (PMG) Account balance of Kshs.62,286,090.65, which differs with the cash book balance of Kshs.1,110,646.70 as at the same date. The difference of Kshs.61,175,443.95 between the two set of records has not been reconciled or explained.

651. Further, the Paymaster General Account balance of Kshs.62,286,090.65 was not supported by a Trial Balance as at the same date. Under the circumstances, the completeness and accuracy of the Paymaster General Account figure of Kshs.62,286,090.65 cannot be ascertained.

652. The Statement in addition shows a debit balance of Kshs.59,782,610.00 in respect of A.I.A for the year 2011/2012. It is not clear what the debit balance represents since the Appropriation Account for the year recorded a deficit of a similar amount. No explanation has been provided for the unusual balance.

653. The Statement of Assets and Liabilities for Vote R.14 as at 30 June 2012 shows variations between the Trial Balance and the Statement figures in respect to the items indicated below:-

Account	Statement (Kshs.)	Trial Balance (Kshs)	Difference (Kshs)
Advances	278,278.75	1,100,662.25	822,383.50
Temporary	777,818.00	48,912,728.35	48,134,910.35

No explanation has been given for the above variations and as a result, the accuracy of the statement balances cannot be ascertained.

654. The Statement also reflects an outstanding temporary imprest balance of Kshs.777,817.00, while the Ministry's Temporary Imprest records show an amount of Kshs.515,705.00. The difference of Kshs.262,112.00 has not been reconciled or explained.

655. The Statement reflects a debit balance of Kshs.176,379,602.00 under Exchequer Account and credit balances of Kshs.298,177,262.40 and Kshs.1,327,137.00 under General Account of Vote and Excess A.I.A respectively, which have been outstanding for a considerable long period of time.

No reason has been provided for failure to clear the long outstanding balances from the books of account.

FINANCIAL STATEMENTS FOR VOTE D.14

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Variations between Appropriation Account and the Trial Balance

656. The Appropriation Account for Vote D.14 for the year ended 30 June 2012 reflects five account balances under various Heads, which vary with those reflected in the Trial Balance as at the same date as shown below:-

Head	Item	Appropriation Account Figure (Kshs)	Trial Balance figure (Kshs)	Difference (Kshs)
440-0000	2211300	23,862,675.00	5,000,000.00	17,862,675.00
440-0158	2630200	406,013,333.00	333,333,333.00	72,680,000.00
440-0159	2630200	462,968,680.00	Nil	462,968,680.00
440-0160	2630200	83,550,000.00	Nil	83,550,000.00
440-0000	1320200	17,585,786.00	Nil	17,585,786.00

No explanation was given for above variations.

Grants to Kenya Airports Authority (KAA)

657. The Appropriation Account also reflects grants disbursed to Kenya Airports Authority (KAA) for Airstrip Fund totalling Kshs.1,296,108,000.00 during the year. On the contrary, the financial statements as at 30 June 2012 of the Authority reflect Kshs.1,889,663,000.00 as receipts from the Ministry of Transport for the Fund. The difference of Kshs.593,555,000.00 between the two sets of records has not been reconciled or explained.

Grants to Kenya Civil Aviation Authority

658. The Account reflects Kshs.406,013,333.00 in respect of grants to Kenya Civil Aviation Authority (KCAA) while the financial statements of KCAA reflects grants received of Kshs.333,333,333.00 during the year. The difference of Kshs.72,680,000.00 between the two sets of records has not been reconciled or explained.

Unauthorized Re- Allocation of Funds

659. The Appropriation Account also reflects an expenditure of Kshs.462,868,680.00 representing funds transferred to Kenya Airports Authority (KAA) during the year. However, available expenditure documents verified indicate that only Kshs.422,868,680.00 was transferred to Kenya Airports Authority during the year. The balance of Kshs.40,000,000.00 was used for funding activities under the Northern Corridor Transport Improvement Project- MOT component, which had no budgeted provision during the year. No explanation has been given for not seeking Treasury authority to reallocate the funds.

Under Collection of Appropriations-In-Aid

660. The Appropriation Account reflects surplus of gross estimates of Kshs.9,728,176,860.00 or about 70% of the approved estimates of Kshs.13,906,281,130.00. Similarly, the Account reflects under-collection of

Appropriations-In-Aid of Kshs.17,585,786.00 or approximately 0.24% of the expected receipts of Kshs.7,241,336,000.00. The explanations given in the footnotes to the Account for the under-expenditure and under collection of A.I.A. include low absorption of project funds, delay in procurement process, delay in commencement of project works by contractors and delay in submission of returns by a parastatal, amongst others. However, no indication has been noted of measures being taken to address the challenges.

Pending Bills

661. Records maintained by the Ministry however indicate that bills totalling Kshs.50,000,000.00 relating to 2011/2012 and chargeable to the Development Vote were not settled during the year but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Development Appropriation Account for the year would have reflected a reduced net surplus to be surrendered to Exchequer of Kshs.2,454,426,646.00 instead of Kshs.2,504,426,646.00 now shown.

STATEMENT OF ASSETS AND LIABILITIES

662. The Statement of Assets and Liabilities for Vote D.14 as at 30 June 2012 reflects a balance of Kshs.67,763,414.00 against Paymaster General Account. The Cashbook on the other hand reflects a balance of Kshs.7,127,778.40 as at the same date. No reconciliation or explanation has been provided for the difference of Kshs.60,635,635.40 between the two sets of records.

663. The bank reconciliation statement as at 30 June, 2012 for the Development Cashbook reflects payments in cashbook not in bank amounting to Kshs.190,263,203.85, which includes reconciling items totalling Kshs.4,854,483.10 relating to 2010/2011 and earlier years. No explanation has been given for the failure to reverse these payments in the cashbook as at 30 June 2012.

664. The statement also reflects receipts in bank statement not in cashbook amounting to Kshs.421,115.30 as at 30 June 2012. No explanation has been given for the failure to have the receipts recorded in the cashbook.

665. The statement further reflects Kshs.5,006,264.90 as payments in bank statements not recorded in the cashbook, out of which a total of Kshs.4,403,594.90 relates to May 2012 and earlier periods, dating back to October, 2009. No reason has been given for the failure to record these payments in the cashbook as at 30 June 2012.

666. The statement also shows an amount of Kshs.153,224,513.40 receipts in cashbook not in bank, which includes a receipt of Kshs.551,724.20 dated January 2011. No explanation has been given why the receipt with specific particulars has not been banked as at 30 June, 2012.

667. The Statement of Assets and Liabilities also reflects debit and credit balances under Exchequer and GAV accounts of Kshs.2,307,843,830.00 and Kshs.1,864,438,219.60 respectively, relating to 2010/2011 and earlier years. No explanation has been given for not clearing the balances from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 14

Basis for Qualified Opinion

668. The Statement of Assets and Liabilities for Deposits reflects a Paymaster General (PMG) Account debit balance of Kshs.66,540,147.85 as at 30 June 2012, while the Deposits cashbook shows a balance of Kshs.105,967,018.00 as at the same date. The difference of Kshs.39,426,870.15 between the two sets of records has not been reconciled or explained.

669. In addition, the bank reconciliation statement for Deposits Cashbook as at 30 June, 2012 reflects a bank balance of Kshs.114,031,133.90. The bank certificate of balances reflects a balance of Kshs.113,935,888.90 as at the same date. No explanation has been given for the variance of Kshs.95,245.00.

670. The Deposits bank reconciliation statement as at 30 June, 2012 shows unrepresented cheques totalling Kshs.2,022,847.00 representing payments made during 2009/2010 and 2010/2011 financial years and are therefore stale. No explanation has been given for failure to reverse the entries in the Cashbook.

671. Further, the bank reconciliation statement reflects receipts in bank statement not in cashbook of Kshs.29,246,208.50 which relates to 2008/2009 financial year. No explanation was given for not recording the receipts in the Cashbook as at 30 June, 2012.

672. The bank reconciliation statement also shows payments in bank statement not in the cashbook amounting to Kshs.198,000.00, representing balances relating to 2010/2011 financial year. No explanation has been given for not recording the payments in the Cashbook as at 30 June, 2012.

673. The bank reconciliation statement also reflects receipts in the cashbook not in bank statement of Kshs.22,911,694.60. The figure includes Kshs.2,911,694.60 long outstanding balances and Kshs.20,000,000.00 described as transfer from D.14 on 29 June, 2012. The transfer of Kshs.20,000,000.00 to Deposits Cashbook is contrary to requirements of Government Financial Regulations and Procedures. Further, the receipt is not reflected in the Statement of Assets and Liabilities for Deposits as at 30 June, 2012.

674. The Ministry did not prepare a Trial Balance to support the balances reflected in the statement of assets and liabilities for deposits as at 30 June, 2012. Under the circumstances, the completeness and accuracy of the statement cannot be ascertained.

THE STATEMENT OF REVENUE

Basis for Disclaimer of Opinion

Non Submission of Statement of Revenue

675. The Accounting Officer, Ministry of Transport was appointed Receiver of Revenue on 5th July, 2011 in respect of aviation fees and air navigation charges totalling Kshs.2,545,000,000. However, the Accounting Officer did not prepare and submit for audit this particular Statement of Revenue for the year ended 30 June, 2012. Under the circumstances, it has not been possible to confirm total revenue collected under aviation fees and air navigation charges during the year.

THE STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT

Basis for Disclaimer of Opinion

Non submission of the Statement of Outstanding Obligations Guaranteed by the Government of Kenya

676. The financial statements for 2010/2011 financial year reflected contingent liability outstanding of Kshs.1,157,288,660.21 (JPY1,037,461,820.00) in respect of Kenya Ports Authority Mombasa Port modernization, as obligations guaranteed by the Kenya Government as at 30 June 2011. However, the Statement of Obligations Guaranteed by the Government of Kenya as at 30 June, 2012 was not submitted for audit. Consequently, the balance of contingent liabilities outstanding as at 30 June 2012 could not be confirmed.

MINISTRY OF LABOUR AND HUMAN RESOURCE DEVELOPMENT

FINANCIAL STATEMENTS FOR VOTE R.15

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

677. Records mentioned at the Ministry Headquarters indicate that bills totalling Kshs.5,158,083.20 relating to 2011/2012 and chargeable to the Recurrent vote were not settled during the year but were instead carried forward to 2012/2013 .

678. Had the bills been paid and expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote R.15 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.212,760,944.45 instead of Kshs.217,919,027.65 now shown.

STATEMENT OF ASSETS AND LIABILITIES

679. The Statement of Assets and Liabilities for Vote R.15 as at 30 June 2012 reflects the following long outstanding brought forward balances relating to 2010/2011 and earlier years;

Assets	Amount (Kshs)
Exchequer Under Issues	41,475,120.00
PMG	13,177,513.40
Temporary Imprests	5,817,666.00
Standing Imprests	297,910.00
Agency Account	97,979,263.81
Clearance Account	75,540,315.74
Advance	8,312,094.85
Liabilities	
GAV	242,599,883.80

No explanation has been provided for failure to clear these balances from the books of account.

680. The Statement also reflects debit balances of Kshs.77,552,626.64 and Kshs.25,980,080.58 against Clearance and District Suspense Accounts respectively, which are not supported with analysis and documentation. In the circumstances, it has not been possible to ascertain the validity and accuracy of these balances.

681. The Statement reflects an outstanding Temporary Imprests balance of Kshs.6,113,426.00 that is not supported with analysis and documents. The amount differs with imprests records maintained at the Ministry's Headquarters balance of Kshs.2,787,122.45 as at 30 June 2012 by Kshs.2,326,303.55. The difference has not been reconciled or explained. In addition, no reasons have been provided for failure by the imprest holders to surrender or account for the outstanding imprests on or before 30 June 2012.

682. The statement further reflects a Paymaster General Account balance of Kshs.88,553,085.60 which differs with the cash book balance of Kshs.75,374,872.15 as at 30 June 2012 by Kshs.13,178,213.45 . The difference has not been reconciled or explained.

683. The bank reconciliation statement for the Recurrent Vote R.15 cash book reflects receipts in the bank statement not in the cash book and payments in the bank statement not in the cash book of Kshs.24,578,114.55 and Kshs.22,929,020.50 respectively. This has in effect understated receipts and payments in the financial records by the amounts. Failure to update the records with these long outstanding receipts and payments has not been justified.

684. The trial balance as at 30 June 2012 and the ledgers for the year then ended to support the balances reflected in the Statement were not produced for audit review. Consequently, it has not been possible to ascertain the completeness, accuracy and validity of the balances reflected in the Statement of Assets and Liabilities for Recurrent Vote 15 as at 30 June, 2012.

FINANCIAL STATEMENTS FOR VOTE D.15

Basis for Qualified opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under Collection of Appropriations-In-Aid

685. The Appropriation Account for Vote D.15 for the year ended 30 June 2012 reflects under-expenditure of Kshs.575,583,141.00 representing approximately 54% of the estimated provision of Kshs.1,066,992,000.00. The Account also reflects under collection of Appropriations-in-Aid of Kshs.463,512,346.00 or about 76% of the estimated receipts of Kshs.611,109,000.00. The under expenditure occurred mainly under Heads 150201–Office of the Labour Commissioner, Head 150301- Office of the

Director, Head 150501-Jua Kali and Head 150601-Vocational Training Centre –Athi River. The reasons provided in the footnotes to the Account for the under expenditure includes: delay in provision of bills of quantities, delay in taking over the site by contractor and delay in submission of supporting documents. No indication has been given on how the Ministry is addressing these challenges.

Unvouched Expenditure

686. Expenditure totalling Kshs.22,085,409.90 charged to Vote D.15 for the year 2011/2012 relating to refurbishment of buildings, construction of buildings and purchase of specialized materials and supplies under Heads 150204, 150301, 150501 and 150605 was not supported by payment documents and related records. As a result the propriety of the expenditure could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES

687. The Statement of Assets and Liabilities for Vote D.15 as at 30 June 2012 reflects various account balances brought forward from the previous year which were not cleared during the year as follows:

Assets	Amount (Kshs)
Exchequer Account	56,969,000.00
Paymaster General Account	9,535,085.50
Suspense Account Headquarters	106,261,452.65
Liabilities	
General Account of Vote	172,765,538.15

688. No reason has been provided for failure to clear these balances from the Statement. In addition, no analysis was provided for the Suspense Account Headquarters brought forward credit balance of Kshs.106,261,452.65.

689. The Statement reflects a Paymaster General Account balance of Kshs.50,088,046.05 which differs with the cash book balance of Kshs.40,557,960.55 by Kshs.9,535,085.50. No explanation or reconciliation has been provided for the difference of Kshs.9,535,085.50.

690. The Bank Reconciliation Statement for the Development Vote D.15 cash book as at 30 June 2012 includes payments totalling Kshs.15,811,556.65 in the cash book not captured in the bank statement, payments totalling Kshs.30,769,653.55 in the bank statement not recorded in the cash book and receipts in the cash book not in the bank statement totalling Kshs.2,176,595.20 all of which have remained outstanding and

uncleared more than six months after the respective transaction dates. No explanation has been provided for this unsatisfactory situation.

691. The trial balance as at 30 June 2012 and the ledgers for the year then ended in support of the balances reflected in the Statement of Assets and Liabilities were not produced for audit review. Consequently, it has not been possible to confirm the completeness and accuracy of the balances reflected in the statement.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 15

Basis for Qualified opinion

692. The Statement of Assets and Liabilities as at 30 June 2012 reflects a Paymaster General Account debit balance of Kshs.269,285,315.20 which differs with the Cash book and Board of Survey Report balance of Kshs.59,660,514.55. The difference of Kshs.209,624,800.65 has not been reconciled or explained.

693. The Statement also reflects a Miscellaneous Deposits Account credit balance of Kshs.234,054,927.15 out of which an amount of Kshs.935,028.00 was not captured in the Deposits Register. The accuracy and completeness of the closing balance of Kshs.234,054,927.15 could not therefore be ascertained.

694. The Statement further reflects, like in the previous year, Lapsed Deposits and Stale Cheques credit balances of Kshs.16,051,082.90 and Kshs.86,591.00 relating to 2009/2010 and earlier years. Failure to clear these long outstanding amounts from the Statement has not been explained.

695. The Trial Balance as at 30 June 2012 and the ledgers for 2011/2012 were not available for audit review. Consequently it has not been possible to ascertain the completeness and accuracy of the balances reflected in the Statement.

696. The Bank Reconciliation Statement for the Deposits cash book as at 30 June 2012 reflects payments in the cash book not recorded in the bank Statement totalling Kshs.6,003,281.40 out of which an amount of Kshs.776,374.70 relates to 2010/2011. The Statement also reflects receipts in cash book not recorded in the bank statement totalling Kshs.19,803,660.55 which include receipts amounting to Kshs.1,078,360.05 relating to 2010/2011 and earlier years. No reason has been provided for failure to clear these long outstanding reconciliation items.

OCCUPATIONAL SAFETY AND HEALTH FUND

Basis for Qualified opinion

697. The account balances reflected in the Fund's Statement of Assets and Liabilities as at 30 June 2012 as well as in the Income and Expenditure account for the year then ended were not captured in the ledgers and trial balance. Consequently, the completeness, accuracy, and validity of the balances could not be ascertained.

698. The Statement of Assets and Liabilities as at 30 June 2012 reflects cash at bank balance of Kshs.6,250,957.30, which was not supported by a board of survey report and a bank reconciliation statement. The accuracy of the cash at bank balance could not, therefore, be ascertained.

699. The financial statements do not include a cash flow statement as required by Treasury Circular Ref AG.3/088/Vol.6 (19) dated 27 May 2011. The statement of accounting policies that were used in the preparation of the financial statements as provided for under Section 81(2) (e) of the Public Finance Management Act, 2012 were also not included in the financial statements.

700. The list of all the workplaces registered under Section 43 of the Occupational Safety and Health Act, 2007 was not provided for audit review. Consequently, it has not been possible to ascertain whether all workplaces registered under the Act paid the annual levy of Kshs.3,000.00 each to the Fund.

MINISTRY OF TRADE

FINANCIAL STATEMENTS FOR VOTE R.16

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

Un-vouched Expenditure

701. The Recurrent Appropriation Account for Vote R.16 for the year ended 30 June 2012 reflects actual expenditure of Kshs.10,836,849.00 under Head 160101, Item 2710100- Government Pension and Retirement Benefits representing funds used to pay gratuity to officers who are on contract. The expenditure was however not supported with documentary evidence for audit confirmation. In the absence of documents supporting the expenditure of Kshs.10,836,849.00, the propriety of the same could not be ascertained.

702. The Appropriation Account also reflects actual expenditure of Kshs.159,631,865.00 against Head 160201, item 2620100 - Membership Fees and Dues and Subscriptions to International organizations. However, examination of payment vouchers and other expenditure records revealed that a total of Kshs.130,008,776.90 was paid on Membership Fees and Dues and Subscriptions to International organizations during 2011/2012 financial year. The resultant difference of Kshs.29,623,088.10 between the Appropriation Account and the other related expenditure records has not been supported with verifiable documentation.

Authority to Incur Expenditure (A.I.E) Returns

703. The Appropriation Account further shows a net expenditure totalling Kshs.118,006,557.00 against various items under Head 160504 -Trade Development – Field Services. The figure includes Kshs.43,619,322.00 incurred at the Province and District levels. However, records made available indicated that a total of Kshs.36,472,417.00 was disbursed to District and Provincial Trade Development Officers as A.I.Es during 2011/2012 financial year. The difference of Kshs.7,146,905.00 between the two sets of records has not been explained or reconciled. In addition, expenditure returns from the Provinces and the Districts relating to the expenditure of Kshs.43,619,322.00 have not been availed for audit review.

704. Similarly, the Appropriation Account and the Ledger reflect a total expenditure of Kshs.252,697,284.00 under Head 160508, representing disbursements in form of A.I.Es to foreign trade officers in various overseas missions. However, the relevant journal vouchers used to capture the expenditure in the ledgers reflect a total expenditure of Kshs.252,532,799.30. The difference of Kshs.164,484.70 between the two sets of records has not been reconciled or explained. In addition, expenditure

returns and payment vouchers for the Kshs.252,697,284.00 expenditure incurred at the foreign trade offices have not been submitted for audit review. Propriety of the expenditure could not be confirmed.

Expenditure on Meal Allowances

705. The Appropriation Account further shows actual expenditure totalling Kshs.41,449,050.00 under various Heads, item 2210800 –Hospitality Supplies and Services. Included in the above amount was Kshs.3,882,250.00 paid as meal allowances to various officers during the month of June 2012. However, no authority was seen as proof that the meal allowances were approved by the Accounting officer or Directorate of Personnel Management, as required by DPM circular No.OP/CAB/12A dated 14 August, 2006.

STATEMENT OF ASSETS AND LIABILITIES

706. The Statement of Assets and Liabilities as at 30 June, 2012 reflects a Paymaster General (PMG) Account debit balance of Kshs.828,579,210.75 as at 30 June, 2012. The Cashbook on the other hand shows a balance of Kshs.456,840.55 made up of cash on hand and bank balance of Kshs.375,664.20 and Kshs.81,176.35 respectively. No reconciliation or explanation has been provided for the huge difference of Kshs.828,122,370.20 between the two sets of records. Consequently, accuracy of the Paymaster General Account debit balance of Kshs.828,579,210.75 as at 30 June 2012 could not be confirmed.

707. The Statement also reflects various debit and credit balances totalling Kshs.29,651,609.30 and Kshs.76,340,783.05 respectively brought forward from 2010/2011 and cleared during 2011/2012 as follows :-

Debits	Amount Kshs.
Cash Account	29,425,326.00
Temporary Imprest Account	223,283.30
Standing Imprest Account	<u>3,000.00</u>
	<u>29,651,609.30</u>
 Credits	
District Recurrent Bank Account	76,296,955.55
Salary Advance Account	<u>43,827.50</u>
	<u>76,340,783.05</u>

However, no Treasury Authority or any other documentary evidence has been provided to support the clearance of the above balances. Consequently, it has not been possible to ascertain the validity of the clearances.

708. The Statement further reflects balances against various account items which differ with balances reflected in the Trial Balance as at 30 June 2012 against the same items. No reconciliation or explanation has been provided for the variances between the two sets of records.

709. The Statement also reflects debit and credit balances totalling Kshs.1,671,021,822.30 and Kshs.448,965.45 relating to 2010/2011 and earlier years which have not been cleared as follows:

Debit Balances	Amount (Kshs)
Salary Paid in Advance Account	233,404.80
Stale Cheques Account	7,226,709.70
District Suspense Account	129,261,707.80
Exchequer Account	<u>1,534,300,000.00</u>
	<u>1,671,021,822.30</u>
Credit Balance	
General Suspense Account	448,965.45

No reasons have been given for failure to clear the above balances from the books of account.

FINANCIAL STATEMENT FOR VOTE D.16

Basis for qualified opinion

APPROPRIATION ACCOUNT

Unsupported Expenditure

710. The Appropriation Account for Vote D.16 for the year ended 30 June 2012 reflects actual expenditure of Kshs.231,986,648.00 incurred under Head 160503 Item 2211300 – Other Operating Expenses, and which relates to direct payments made in respect to a project. However, relevant journal vouchers used to capture the expenditure in the Ministry's ledger, payment vouchers and other supporting documents were not made available for audit review. In addition, audited financial statements of the Assistance to Micro and Small Enterprises Programme (ASMEP) and District Business Solution Centres (DBSC) against which the expenditure was incurred have not been availed for audit confirmation.

711. The Development Appropriation Account also reflects expenditure totalling Kshs.96,380,403.00 incurred under various Heads in respect to Item 3111400-Research, Feasibility Studies, Project Preparation and Design, Project Supervision. Included in the figure of Kshs.96,380,403.00 is an amount of Kshs.14,252,745.05 paid to M/s Interlink Industries of P.O. Box 45229 - 00100, Nairobi on 29 June 2012, in respect of proposed construction of a perimeter fence and three (3) gates for Athi River Tier 1 Retail Market under tender No. DWO/MOT/2/2011-2012. However, it was noted that the land measuring 149.01 hectares where the above works were to be undertaken was registered in the name of Export Processing Zones Authority (EPZA) and not Ministry of Trade. Further, no lease agreement between EPZA and the Ministry of Trade was made available for audit review. In addition, no explanation was given as to why the Ministry initiated development of a piece of land that it did not own, and how the rates used in the Bill of Quantities were determined in the absence of ownership documents.

Unsupported Grants

712. The Development Appropriation Account also reflects under Head 160504 Sub-Head 0286 –Joint Loans Board Item 4110300 – Domestic Loans to Financial Institutions, an expenditure of Kshs.49,990,000.00 representing grants disbursed to various Joint Loans Boards during the year. It was, however, observed that, out of forty nine (49) Loans Boards, thirty eight (38) have submitted financial statements for the year ended 30 June 2012 for audit. The remaining eleven (11) Loans Boards that received grants totalling Kshs.11,220,000.00 have not submitted financial statements for the year ended 30 June 2012 for audit review. It was therefore not possible to ascertain that grants totalling Kshs.11,220,000.00 were received by the Boards and spent in accordance with the requirements of Government Financial Regulations and Procedures.

Long Overdue Loans

713. Trade Development Joint Loan Boards Scheme was established in 1954 under Section 104-106 of the Local Government Act, Cap 265. The objective of the scheme was to advance loans to African entrepreneurs so as to enable them access affordable credit.

714. According to the Policy and Operations Manual of the Trade Development Loans Board Scheme (revised April 2010), the scheme was to operate as a revolving fund whereby the Principal Loan was to be repaid within a maximum period of two (2) years at an interest rate of 12% per annum.

715. However, examination of records in respect of Kipsigis Trade Development Joint Loan Board maintained at the Kericho District Trade Office, revealed a total balance of Kshs.13,014,175.00 as at 30 June 2012 comprising of the principal Kshs.9,368,343.00 and accrued interests of Kshs.3,645,832.00.

716. Out of the total loan balance of Kshs.13,014,175.00, loans totalling Kshs.6,096,409.00 or 47% of total loan were issued between 1956 and 2007 and were therefore long overdue. It is therefore a matter of concern that 47% of the total principal loans and interest was in arrears as at 30 June 2012.

Grants to Export Processing Zone Authority (EPZA)

717. The Appropriation Account for Vote D.16 reflects an expenditure of Kshs.51,000,000.00 under Head 160402, Item 2630200 – Grants to Government Agencies and Other Levels of Government. The amount represents grants disbursed to Export Processing Zones Authority during the year under review. However, the Export Processing Zones Authority's financial statements for 2011/2012 do not reflect receipts of Kshs.51,000,000.00. It was therefore not possible to ascertain that Kshs.51,000,000.00 disbursed by the Ministry was received and expended as appropriated.

Unvouched Expenditure

718. The Appropriation Account also reflects expenditure of Kshs.28,604,439.00 under Head 160701, Item 3111100 – Purchase of Specialised Equipment and Machinery during the year. However, the supporting payment vouchers indicate that expenditure of Kshs.23,813,152.00 was incurred under the item during the year. The difference of Kshs.4,791,287.00 between the two sets of records has not been supported with the relevant documents. Consequently, propriety of the expenditure of Kshs.4,791,287.00 could not be ascertained.

Misallocation of expenditure

719. The Appropriation Account also reflects expenditure of Kshs.91,574,511 under Head 160101 – Headquarters Administration Services, Sub-Head 0311 – Special Economic Zones, Item 3111400 – Research, Feasibility Studies, Project preparation and Design, project supervision.

Included in the figure of Kshs.91,574,511 is an expenditure of Kshs.6,875,795.00 which relates to the closure of the MT KEPLOTRADE project under Head 160507 – External Trade promotion services. This expenditure was charged to Head 160101 Item 3111400 Research, Feasibility Studies, project preparation and Design, project supervision instead of Head 160507 – External Trade Promotion Services.

Although it has been explained that European Union delegation delayed in approving the final Programme Estimate (PE), and eventually failed to release the funds, no Treasury authority to re-allocate funds to cover the expenditure was sought, contrary to requirement of Government Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES

720. The Statement of Assets and Liabilities Vote D.16 as at 30 June 2012 reflects Ministry Headquarter Development Bank Account credit balance of Kshs.383,627,960.70, while the Cashbook as at that date shows a balance of Kshs.10,674,018.70. The difference between the two sets of records has not been reconciled or explained. Further, no explanation has been given for the overdrawn PMG balance of Kshs.383,627,960.70 as at 30 June, 2012.

721. The Statement also reflects a Ministry Headquarter Development Bank Account debit balance of Kshs.134,152,000.00 in respect to 2010/2011 and earlier years, cleared during the financial year under review. However, no documentary evidence has been provided to support clearance of the balance. As a result, the validity of the clearance could not be ascertained.

722. The Statement reflects various balances totalling Kshs.2,483,169,406.00, while the Trial Balance as at the same date reflects a balance of Kshs.1,922,370,851.25 against the items shown below:-

Account	Statement Amount Kshs.	Trial Balance Amount Kshs.	Variance
Ministry HQ Development	0	493,166,566.30	(493,166,566.30)
Standing Imprests	250,000.00	300,000.00	(50,000.00)
Temporary Imprests	2,200,591.00	6,979,314.35	(4,778,723.35)
Exchequer Release/ Provision	1,392,924,292.15	367,924,292.15	1,025,000.000.00
Vote Control	1,087,794,522.45	1,054,000,678.45	33,793,844.00
TOTAL	<u>2,483,169,405.60</u>	<u>1,922,370,851.25</u>	<u>560,798,554.35</u>

The difference of Kshs.560,798,554.35 between the two sets of records has not been reconciled or explained.

723. The Statement of Assets and Liabilities also reflects debit and credit balances amounting to Kshs.1,094,122,483.15 and Kshs.1,074,689,566.25 relating to 2010/2011 and earlier years as follows:-

Debits	Amount (Kshs.)
Standing Imprests	250,000.00
Temporary Imprests	2,200,591.00
Exchequer Current	73,747,600.00
Exchequer Releases/provisioning	<u>1,017,924,292.15</u>
	<u>1,094,122,483.15</u>

Credits

General Account of Vote	<u>1,074,689,566.25</u>
	<u>1,074,689,566.25</u>

No reason has been provided for failure to clear the long outstanding balances from the books of account.

THE STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 16

Basis for qualified opinion

724. The Statement of Assets and Liabilities for Deposits 16 as at 30 June 2012 reflects a Cash Account balance of Kshs.18,593,618.75 which differs with the Cashbook balance of Kshs.17,612,181.95 as at the same date. The difference of Kshs.981,436.80 between the two sets of records has not been reconciled or explained.

725. The bank reconciliation statement for the Deposits cashbook as at 30 June 2012 reflects payments in the cashbook not recorded in the bank statement of Kshs.107,792.40 which includes an amount of Kshs.17,672.40 in respect of Evans Mbogo of Cooperative Bank dated 8 March 2011. As reported during 2010/2011, the figure of 17,672.40 was erroneously credited to the Deposits Account. This entry had not been corrected as at 30 June 2012. The bank reconciliation statement also reflects receipts totalling Kshs.681,392.25 in the bank statement not recorded in the Cashbook described as "CBK Direct Credits" and "Withholding Tax". No explanation has been provided as to what these receipts represent and why they have not been recorded in the cashbook as at 30 June, 2012.

726. The Statement also reflects a nil balance in respect of General Deposits Account, while the supporting schedule provided for audit shows a figure of Kshs.18,593,628.75. In addition, payments totalling Kshs.2,180,721.30 made against General Deposits Account during the year have not been recorded in the cashbook. Consequently, the completeness and accuracy of the General Deposits Account nil credit balance as at 30 June, 2012 could not be confirmed.

727. The Statement also reflects nil debit and credit balances in respect of Revenue Deposit E-312 and General Deposits Accounts respectively, after clearance of a balance brought forward of Kshs.40,679,026.10 in respect to both accounts. However, no documents were made available for confirmation of the clearance of the items. Further, the Trial Balance as at 30 June 2012 shows a balance of Kshs.48,592,325.35 against Revenue Deposit E-312 Account and a credit balance of Kshs.40,128,066.75 against General Deposits Account. The resultant discrepancies have not been reconciled or explained

MINISTRY OF JUSTICE, NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS

FINANCIAL STATEMENTS FOR VOTE R.17

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

728. Reference was made in the audit report of 2010/2011 to the pending bills totalling Kshs.1,673,408.00 chargeable to the Recurrent Vote R.17 which were not settled during the year but were instead carried forward to 2011/2012. Out of this amount, bills totalling Kshs.1,078,872.00 were settled in 2011/2012 leaving a balance of Kshs.594,536.00 which was carried forward again to 2012/2013. Had the bills of Kshs.594,536.00 been paid and expenditure charged to the account for 2011/2012, the Appropriation Account for Vote R.17 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.1,808,401.60 instead of Kshs.2,402,937.60 now shown.

STATEMENT OF ASSETS AND LIABILITIES

729. The Statement of Assets and Liabilities for Vote R.17 as at 30 June 2012 reflects the following long outstanding account balances relating to 2010/2011 and earlier years which have not been cleared:

Assets	Amount (Kshs)
Exchequer Account	60,662,519.95
Paymaster General (PMG)	138,722,919.00
Liabilities	
General Account of Vote	180,852,117.95
Suspense Account	10,036,564.60
Stale Cheques	1,970,410.00
Clearance Account	584,282.40
Excess A.I.A.	8,270,986.00

No reason has been given for failure to clear the long outstanding balances from the books of account.

730. The Statement reflects brought forward Paymaster General Account and Excess Appropriation in Aid debit and credit balances of Kshs.140,336,214.25 and Kshs.8,270,986.00 while the 2010/2011 Statement reflects balances of

Kshs.147,670,314.25 and Kshs.15,605,086.00 respectively. These anomalies have not been explained.

731. The Statement further reflects Paymaster General Account balance of Kshs.144,346,881.00 which differs with the Board of Survey and cash book balance of Kshs.67,046,269.50. The difference of Kshs.77,300,611.50 between the two set of records has not been reconciled or explained.

732. The Bank Reconciliation Statement for the Recurrent cash book as at 30 June 2012 includes payments in the cash book not in the bank statement, payments in bank statement not recorded in cash book and receipts in cash book not recorded in bank statement totalling Kshs.4,885,957.85, Kshs.5,424,225.10 and Kshs.1,413,425.10, respectively that had not been cleared for more than six months after the transaction dates. No explanation has been provided for this unsatisfactory situation.

FINANCIAL STATEMENTS FOR VOTE D.17

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Unsupported Expenditure

733. In the report for 2010/2011, reference was made to expenditure totalling Kshs.571,530,001.10 which was not supported with payment vouchers and other relevant documents. The Appropriation Account for Vote D.17 for the year ended 30 June 2012 similarly includes under Head 902 – Directorate of Legal Affairs expenditure totalling Kshs.697,783,597.30 which is also not supported. The expenditure was incurred on 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. As a result, the propriety of the amount of Kshs.571,530,001.10 for prior year and Kshs.697,783,597.30 for the current year could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES

734. The Statement of Assets and Liabilities for Vote D.17 as at 30 June 2012 reflects various long outstanding balances relating to 2010/2011 and earlier years under Exchequer Account, GAV and Stale Cheques of Kshs.286,222,758.80 (Dr), Kshs.261,875,361.80 (Cr) and Kshs.336,515.15 (Cr) respectively. No reason has been given for failure to clear the long outstanding balances from the books of account.

735. The Statement also reflects unanalyzed Suspense Account debit balance of Kshs.1,020,000.00. Consequently, the validity and accuracy of the balance could not be ascertained.

736. The Statement reflects a Paymaster General Account balance of Kshs.6,570,751.90 which differs with the Cash book balance of Kshs.13,552,967.05 as at 30 June 2012. The resultant difference of Kshs.6,982,215.15 has not been reconciled or explained.

737. The Statement further shows that the Paymaster General Account and General Account of Vote brought forward balances were adjusted by Kshs.9,557,943.85 and Kshs.101, 530,048.85, respectively during the year under review. However, no documentary evidence has been provided in support of these adjustments.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 17

Opinion

738. In my opinion, the Statement of Assets and Liabilities for Deposits 17 fairly present the financial position of the Deposits as at 30 June 2012 in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012 of the Laws of Kenya.

TRUTH, JUSTICE AND RECONCILIATION COMMISSION (TJRC)

FINANCIAL STATEMENTS

Basis for Qualified Opinion

Failure to Deduct Pay As You Earn (PAYE)

739. In the report for 2010/2011, reference was made to the Commission's failure to deduct Pay As You Earn (PAYE) from the salaries of 304 statement takers totalling Kshs.13,077,033.00 contrary to the Income Tax Act Cap. 470. A review of the position during the year under review revealed that no attempt was made to recover the amount.

MINISTRY OF GENDER, CHILDREN AND SOCIAL DEVELOPMENT

FINANCIAL STATEMENTS FOR VOTE R.18

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Discrepancies between the Appropriation Account and the Trial Balance

740. The Appropriation Account for Vote R.18 reflects net expenditure totalling Kshs.2,810,469,707.00 under Heads 180101, 180102, 180201, 180202, 180203, 180205, 180206, 180207, 180601, 180602, 180604, 180605 and 180606 while the Trial Balance as at 30 June, 2012 shows corresponding expenditure amounting to Kshs.3,037,602,395.85. In addition, the Appropriation Account reflects Appropriations-In-Aid totalling Kshs.8,658,477.00, while the Trial Balance as at 30 June, 2012 shows an amount of Kshs.7,321,701.50. The difference between the two sets of records has not been reconciled or explained.

Personal Emoluments

741. The Appropriation Account further reflects under Heads 180101, 180102, 180201 to 180207, and 180601 to 180605, Basic Salaries for Permanent Employees, Personal Allowances Paid as Part of Salary and Personal Allowances Paid as Reimbursement expenditure totalling Kshs.893,484,131.00. However, the Integrated Payroll and Personnel Database (IPPD) System for 2011/2012 shows expenditure totalling Kshs.833,641,501.60 against the items. The expenditure difference of Kshs.59,842,629.40 has not been explained or reconciled.

Pending Bills

742. Records maintained by the Ministry indicate that bills totalling Kshs.25,510,728.00 relating to the Recurrent Vote R.18 for 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Had the bills been paid and expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote R.18 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.222,991,528.00 instead of Kshs.248,502,256.00 now recorded.

Unaccounted For Revenue – Mombasa District

743. Audit of revenue collection records maintained at the District Gender and Social Development Office, Mombasa District indicate that revenue totalling Kshs.4,828,490.00

was collected from the sale of registration forms and certificates to social groups in the district for the year ended 30 June, 2012.

744. Out of the total revenue collected, Kshs.4,154,636.00 was banked, Kshs.258,000.00 was remitted to the accounting officer, Kshs.198,600.00 was surrendered to the District Treasury, while the resultant balance of Kshs.217,254.00 was not accounted for.

745. Further, the bank balances confirmation certificate reflected a credit balance of Kshs.4,183.90 indicating that Kshs.4,150,452.10 had been withdrawn and utilized for undisclosed purposes.

746. In addition, scrutiny of the receipt books which were used in the collection of this revenue revealed that they did not originate from the District Treasury Mombasa and were therefore, forged. The receipt books were also not recorded in the Counter Foil Receipt Book Register (CRB) as required. Further, no records were maintained in respect of registration forms and certificates issued to respective groups and therefore no controls existed over their usage.

747. It was also noted that although the Department operated a current bank account, no cashbook was kept to capture transactions. The approval of the Treasury for opening of the bank account was also not sought as required by Section 5.9.3.1 of Government Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES

748. The Statement of Assets and Liabilities for Vote R.18 as at 30 June 2012 reflects prior year balances under assets and liabilities which were not cleared during the year under review as follows:

Assets	Balance (Kshs.)
Exchequer Account	44,030,855.15
District Suspense	709,808,440.85
Liabilities	
General Account on Vote (GAV)	496,422,133.05
General Suspense	221,760,435.65
Inter-ministerial Agency	12,907,610.00
Miscellaneous Deposits	26,487,188.35

Besides the failure to clear these balances from the books of account, they were also not fully analysed.

749. The Statement also reflects an Imprests Account debit balance of Kshs.4,485,835.05. The imprests should have been surrendered or otherwise accounted for on or before 30 June, 2012 by the officers. No reason has been provided for failure to account for the imprests.

750. The Statement further reflects a General Account of Vote (GAV) balance of Kshs.249,091,624.00 for 2011/2012 which differs with the Net Surplus of Kshs.248,502,256.00 shown in the Appropriation Account for Vote R.18 for the year ended 30 June, 2012. The difference of Kshs.589,368.00 between the two sets of records has not been explained or reconciled.

751. The Trial Balance as at 30 June, 2012 and the ledgers for the year then ended were not provided for audit review. Consequently it has not been possible to ascertain the completeness and accuracy of the balances reflected in the Statement.

FINANCIAL STATEMENTS FOR T VOTE D.18

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under Collection of Appropriations-In-Aid

752. The Appropriation Account for Vote D.18 for the year ended 30 June, 2012 reflects a gross under-expenditure of Kshs.1,219,396,145.00 representing approximately 27% of the estimated provision of Kshs.4,500,233,902.00. The Account also reflects an under collection of Appropriations-In-Aid of Kshs.278,934,279.00 or approximately 37% of the estimated receipts of Kshs.762,087,812.00. The reasons provided in the footnotes to the Account for the under expenditure mainly include over budgeting, non-capture of data, funds not requisitioned from donors, liquidity problem and delay in execution of contracts. However, no reasons have been provided in the footnotes for the under collection of Appropriations- In-Aid and no indication has been given on how the Ministry is addressing these challenges.

Pending Bills

753. Records maintained by the Ministry indicate that bills totalling Kshs.11,801,483.70 relating to Vote D.18 for the financial year 2011/2012 were not settled during the year but were instead carried forward to 2012/2013 had the bills been paid and expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote D.18 would have reflected a Net Surplus to be surrendered to the Exchequer of Kshs.928,660,382.30 instead of Kshs.940,461,866.00 now shown.

Accuracy of the Appropriation Account

754. Expenditure amounting to Kshs.241,720,819.00 reflected in the Appropriation Account under Heads 904- Social Welfare; 122 – Children Services-Headquarters Administrative Services; 126-Street Children Rehabilitation Centre; and 794 – Gender and Development are not reflected or derived from the Ministry’s Trial Balance as at 30 June, 2012. In addition, Appropriations-In-Aid totalling Kshs.283,287,317.00 under Head 122, Sub Heads 0139-Orphans and Vulnerable Children’s Services and 000 – Headquarters Administrative Services although reflected in the Appropriation Account have not been captured in the Trial Balance as at the same date.

755. In addition, expenditure in respect of various items totalling Kshs.2,633,499.076.00 reflected in the Appropriation Account also differs with the corresponding figures of Kshs.458,788,807.10 reflected in the Trial Balance. The resultant expenditure difference of Kshs.2,174,710,268.90 was not captured in the Trial Balance.

In the circumstances, completeness and accuracy of the Appropriation Account balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES

756. The Statement of Assets and Liabilities for Vote D.18 as at 30 June, 2012 reflects the following long outstanding brought forward account balances relating to 2010/2011 and earlier years which were not cleared during the year under review.

Account	Balance Kshs.
Assets	
Exchequer Account	249,052,169.05
District Suspense	10,970,147.00
General Suspense	45,530,043.05
Paymaster General	760,144,023.55
Paymaster General	19,361,048.55
Liabilities	
District Suspense	118,252,867.65
General Account of Vote (GAV)	967,617.043.95

No explanation has been provided for failure to clear these balances from the books of account.

757. The Statement reflects two Paymaster General Account previous years' and current year's balances of Kshs.760,144,023.55 and Kshs.443,238,553.65 both totalling Kshs.1,203,382,577.20, which differ with the Cash book and Board of Survey Report balance of Kshs.423,877,504.70. The resultant difference of Kshs.779,505,072.50 has not been reconciled or explained.

758. The brought forward account balances reflected in the Statement differs with the audited closing balances shown in the statement for 2010/2011 as follows:

Account	2011/2012 Brought Forward (Kshs)	2010/2011 Closing Balance (Kshs)
Assets		
Exchequer	865,495,008.10	522,808,836.10
District Suspense	10,970,147.00	1,424,138,411.40
General Suspense	45,530,043.05	Nil
P.M.G	779,505,072.50	19,361,048.95
Liabilities		
GAV	1,602,500,846.00	1,867,308,871.80

No reasons have been provided for not bringing forward the correct balances.

759. The Statement reflects an Imprests Account debit balance of Kshs.703,656.70 which ought to have been surrendered or accounted for on or before 30 June, 2012. No reason has been provided for failure to account for the imprests.

760. The Trial Balance as at 30 June, 2012 and the ledgers for the year then ended meant to support the balances as reflected in the statement were not produced for audit. As a result, it has not been possible to ascertain the completeness and accuracy and validity of the balances reflected in the statement of Assets and Liabilities for Development Vote D.18 as at 30 June, 2013.

FINANCIAL STATEMENTS FOR DEPOSIT 18

Basis for Disclaimer of Opinion

STATEMENT OF ASSETS AND LIABILITIES

761. The Statement of Assets and Liabilities for Deposits as at 30 June, 2012 reflects an Imprests Account debit balance of Kshs.959,708.40 which includes amounts totalling Kshs.841,698.00 that have been wrongly surrendered through the Development Vote D.18 Cashbook, hence, overstating the imprest balance in these financial statements with the amount. No justification has been provided for the anomaly.

762. The Statement also reflects the following debit and credit balances which are not supported with analyses and documentation.

Assets	Amount (Kshs)
District Suspense	997,000.00
Liabilities	
General Deposits	54,063,738.65
Retention	684,089.00
General Suspense	37,430.00

763. Further, the Statements' brought forward General Deposits Account credit balance of Kshs.7,128,358.30 and Retention Account debit balance of Kshs.1,429,259.80 differs with the respective closing credit balances of Kshs.3,993,894.00 and Kshs.1,705,203.60 reflected in the audited Statement for 2010/2011. The resultant differences of Kshs.3,134,464.30 and Kshs.3,134,463.40 respectively, have not been reconciled or explained.

In the circumstances, the completeness, accuracy and validity of the account balances as reflected in the Statement of Assets and Liabilities for Deposits as at 30 June 2012 could not be ascertained.

764. The Bank Reconciliation Statement for the Deposits Cashbook as at 30 June, 2012 reflects receipts in the bank statement of Kshs.16,961,096.80 not recorded in the Cashbook, hence understating revenues amounts in these financial statements. No justification has been provided for failure to have the receipts recorded in the Cashbook as at 30 June, 2012.

765. The Trial Balance as at 30 June, 2012 and the ledgers for the period then ended were not produced for audit review. Consequently it has not been possible to ascertain the completeness, accuracy and validity of the balances reflected in the Statement of Assets and Liabilities for Deposits as at 30 June 2012.

STATEMENTS OF THE WOMEN ENTERPRISE FUND

Basis for Qualified Opinion

766. The brought forward balances which are shown as comparatives under the year 2010/2011 differ with the closing balances reflected in the financial statements for the year ended 30 June, 2011 in respect of the following accounts:-

Account	Comparative Balance Shown under 2011/2012	Audited Closing Balance 2011/2012	Difference
	Kshs.	Kshs.	Kshs.
Property Plant & Equipment	32,466,491.05	27,803,568.90	4,552,922.15
Trade & Other Receivables	1,217,341,632.61	1,220,202,452.75	(2,860,820.14)
Accumulated Fund	1,060,424,709.76	1,060,537,963.30	(113,253.54)
Surplus for the Year	57,209,952.81	57,323,206.35	(113,253.54)
Cash & Cash Equivalents	725,469,114.90	727,384,470.45	(1,915,355.55)

No explanation or reconciliation has been provided for these anomalies.

767. The statement of financial performance reflects administration expenses totalling Kshs.98,889,105.49 which includes an advance of Kshs.1,890,000.00 made to the Ministry of Gender, Children and Social Development for printing 35,000 registration certificates for self help-groups. Besides irregularly treating a receivable as an expense in the accounts, the amount had not been refunded by the Ministry as of 30 June, 2012.

768. The financial statements reflect under Note (8) Short – term investment (fixed deposits) a balance of Kshs.351,151,912.55 which, however differs with the amount of Kshs.354,622,153.25 confirmed by the bank. The resultant difference of Kshs.3,470,240.70 has not been reconciled or explained.

769. The trade and other receivables balance of Kshs.1,837,475,057.75 shown in the statement of financial position includes interest receivable amount of Kshs.775,193.55 which was not recognized as revenue in the statement of financial performance for the

year ended 30 June, 2012. Consequently, the total revenue of Kshs.327,791,201.93 has been understated by Kshs.775,193.55.

770. Note (7) to the financial statements reflects total interest receivable on fixed deposits of Kshs.7,768,526.90 which, however, differs with the amount confirmed of Kshs.7,468,526.90. The interest receivable has, therefore, been overstated in the financial statements by the difference, amounting to Kshs.300,000.00.

NATIONAL GENDER AND EQUALITY COMMISSION

FINANCIAL STATEMENTS

Opinion

771. In my opinion, the financial statements present fairly, in all respects the financial position of the Commission as at 30 June, 2012, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the National Gender and Equality Commission Act, 2011.

MINISTRY OF LIVESTOCK DEVELOPMENT

FINANCIAL STATEMENTS FOR VOTE R.19

Basis for Disclaimer of opinion

APPROPRIATION ACCOUNT

772. The Appropriation Account for Vote R.19 for the year ended 30 June 2012 submitted for audit does not disclose separately the original and supplementary estimates of expenditure despite an additional allocation of Kshs.335,516,110.00 made through the supplementary Appropriation Act 2012. No explanation has been provided for this omission.

773. The Appropriation Account for Vote R.19 reflects expenditure figures under various Heads totalling Kshs.3,691,357,399.95 which do not agree with the corresponding amounts reflected in the trial balance and the ledgers totalling Kshs.943,285,462.80 thus resulting in a Kshs.2,748,070,937.15 difference as at 30 June, 2012. No explanation has been provided for the discrepancies between these sets of records.

774. The Appropriation Account for Vote R.19 also reflects gross under-collection of A.I.A totalling Kshs.17,692,433.00 or approximately 75.8% of the estimated receipts of Kshs.23,332,300.00 mainly occasioned by drought and delay in finalizing sale of bonded animals. However, the Ministry has not indicated the action being taken to ensure that all A.I.A is in future collected.

775. Records maintained at the Ministry headquarters indicate that grants and subsidies totalling to Kshs.8,300,000.00 were disbursed to the following five collaborating institutions during the year:

Recipient Organisation	Amounts (Kshs.)
(i) Animal Production Association	650,000.00
(ii) Rabbit Development Association	1,200,000.00
(iii) Kenya Livestock Breeders Association	750,000.00
(iv) Kenya Camel Association	750,000.00
(v) Kenya Veterinary Association	<u>4,950,000.00</u>
TOTAL	<u>8,300,000.00</u>

776. However, documentary evidence in form of acknowledgement receipts and expenditure returns from these organisations were not produced to support the disbursements. Consequently it has not been possible to confirm whether the grants were received and used for the intended purposes.

777. Bills amounting to Kshs.3,776,419.40 chargeable to Vote R.19 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Failure to settle bills in the year they relate to distorts the financial statements for that year and adversely affects accounts for subsequent years to which the expenditure would have to be charged.

STATEMENT OF ASSETS AND LIABILITIES

778. The Ministry submitted for audit the Statement of Assets and Liabilities as at 30 June 2012 on 24 December 2012, three months after the statutory deadline of 30 September, 2012. In the circumstances, the Ministry was in breach of the law.

779. The Statement reflects various account balances relating to 2010/2011 and earlier years which were not cleared during the year as follows:

Account	Balance (Kshs.)
Assets	
Paymaster General	5,919,920.30
Exchequer	(131,886,769.50)
Salary Advance	706,778.70
Imprests and Advances	90,177,006.10
Agency	(482,192.00)
Clearance	120,229,048.75
District Suspense	369,936,074.00
Liabilities	
GAV	529,630,437.25
Exchequer 2007	29,537,272.50
General Suspense	29,915,078.10

780. Failure to clear these long outstanding balances has not been explained. The statement reflects a balance of Kshs.29,535,069.00 under the Paymaster General Account which differs with the cashbook and the bank reconciliation statement figure of Kshs.32,219,481.85 by Kshs.2,684,412.85. No explanation or reconciliation has been provided.

781. The Bank Reconciliation statement as at 30 June, 2012 reflects amounts of Kshs.69,371,734.00 and Kshs.128,663,770.45 under receipts and payments in the Bank Statement not in the cashbook respectively. This has in effect understated revenues and expenditures in these financial statements. It has not been explained why such huge bank transaction have not been investigated or cleared from the books.

782. The statement also reflects balances which have not been supported with analysis and documentation under Imprests account (Kshs.90,177,006.10), Clearance account (Kshs.120,299,048.75) and Agency account (Kshs.482,192.00) each of which includes a block figure as a brought forward balance. As a result, the accuracy and validity of the balances could not be ascertained.

783. The Statement in addition reflects a General Vote of Account debit balance of Kshs.22,029,189.00 for the year 2011/2012 which differs with the net surplus figure of Kshs.48,317,947.10 shown in Appropriation Account for Vote R.19 for the same period. No explanation or reconciliation has been provided for the difference of Kshs.26,288,758.10 between the two sets of records.

784. The Statement reflects an unsupported brought forward debit balance of Kshs.35,747,058.30 against the Ministry of Fisheries Development, which similarly was not cleared during the year under review. No explanation has been provided regarding what is represented by the account balance.

785. The statement's account balances were not derived and supported by ledger and trial balance. As a result, the completeness, accuracy and validity of the Statement of Assets and Liabilities balances as at 30 June, 2012, could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.19

Basis for Disclaimer of opinion

APPROPRIATION ACCOUNT

786. The Appropriation Account presented, reflects a sum (net) of the estimates without showing separately original and supplementary estimates. This creates an impression that the Vote was not affected by the Supplementary Appropriation Act 2012 yet the original estimates were reduced by Kshs.536,865,540.00 from Kshs.4,008,836,530.00 to Kshs.3,471,970,990.00 upon enactment of that law.

787. The Appropriation Account reflects expenditure figures under various Heads 190101-Headquarters Administrative and Technical Services (-18,824,999.50) 190202-District Livestock Production Services; (-1,279,650.35) 190208-Range Management and Improvement; (27,189,975.25) 190252-ASAL Development Project; (67,000,000.00) 190253-Kenya Dairy Development Programme; (19,826,190.35) and 190409-Tsetse Control Services (Kshs.39,106,417.45) which do not agree with the corresponding figures in the ledgers and trial balance as at 30 June 2012 as shown in appendix 1 attached. No explanation has been provided for these discrepancies.

788. The Appropriation Account reflects gross expenditure of Kshs.3,462,956,118.05 which includes an amount of Kshs.20,607,300.00 misallocated between various items as shown in appendix II attached. No reason has been provided for posting of expenditure to incorrect account items.

789. The Appropriation Account reflects gross under-collection of A.I.A of Kshs.192,430,954.90 or about 62.8% of the estimated receipts of Kshs. 306,457,120.00. The reason provided in the footnotes to the account for the under-collection includes non-implementation of the activities that were to be funded by the donor. It has not been explained, however, how the Ministry is addressing this challenge.

790. Bills amounting to Kshs.50,743,268.10 chargeable to Vote D.19 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Failure to settle bills in the year they relate, distorts the financial statements for that year and adversely affects the accounts for subsequent years to which expenditure would be charged.

791. Had the bills been paid and charged to the accounts, the Appropriation Account for Vote D. 19, would have recorded a reduced net surplus of Kshs.72,297,768.95 instead of Kshs.123,041,037.05 now shown.

STATEMENT OF ASSETS AND LIABILITIES

792. The Ministry submitted the Statement of Assets and Liabilities for Vote D.19 as at 30 June 2012 on 24 December 2012, three months after the statutory deadline date of 30 September. In the circumstances, the Ministry was in breach of the Provisions of Section 4 (4) of the Public Audit Act, 2003.

793. The Statement of Assets and Liabilities for Vote D. 19 as at 30 June 2012 reflects the following long outstanding brought forward balances relating to 2010/2011 and earlier years which were not cleared during the year under review.

Account	Balance (Kshs.)
Assets	
Exchequer	1,173,501,915.90
Imprests	26,993,618.45
General Suspense	603,187,550.30
District Suspense	157,076,084.35
Ministry of Fisheries Development	94,689,917.30
Liabilities	
GAV	2,174,666,120.95

No reason has been provided for failure to clear these long outstanding balances from the books of account.

794. The Statement in addition reflects various balances that have not been supported with analysis and documentation as shown below.

Ministry of Fisheries	94,699,917.30
Imprests and Advances	20,660,273.10
General Suspense Account	603,187,530.30

Consequently, the validity and accuracy of the balances could not be ascertained.

795. The brought forward General Account of Vote (GAV) balance of Kshs.2,174,666,120.95 was understated by Kshs.281,281,028.00 in the year 2010/2011 and no prior period adjustment was made in the year under review to correct the error. In the circumstances, the accuracy and validity of the GAV balance as reflected in the Statement could not be ascertained.

796. The account balances reflected in the Statement are not supported by ledgers and a trial balance for the period ended 30 June, 2012. As a result, the completeness, accuracy and validity of the balances as reflected in the Statement of Assets and Liabilities for Development D.19 as at 30 June, 2012 could not be ascertained.

THE STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 19

Basis for Qualified Opinion

Late submission of Accounts

797. The Public Audit Act, 2003 requires Appropriation Account and other financial statements to be submitted for audit on or before 30 September of every year. However, the Ministry of Livestock Development submitted its statement of Assets and Liabilities for the financial year 2011/2012 on 21 December 2012. The Ministry was therefore, in breach of the Law.

Long Outstanding Balances

798. The Statement reflects under the Imprests and Advances, Veterinary Services, District Suspense and Suspense Account balances of Kshs.2,221,364.00 (Dr), Kshs.15,114,683.85 (Dr), Kshs.4,910,088.20 (Cr) and Kshs.4,557,450.40 (Dr) in respect of 2010/2011 and earlier years which have remained uncleared. No explanation has been provided for failure to clear the balances from the books.

Un-analysed Balances

799. The Statement also reflects Veterinary Services, District Suspense and Suspense Account balances of Kshs.15,114,683.85(Dr), Kshs.4,910,088.20 (Cr) and Kshs.4,557,450.40 (Dr) respectively which have not been analysed. As a result, the validity and accuracy of these balances could not be ascertained.

Trial Balance/Ledger

800. The account balances reflected in the statement were not supported by a trial balance or ledger as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be confirmed.

STATEMENTS OF VETERINARY SERVICES DEVELOPMENT REVOLVING FUND (VSDF)

Basis for Disclaimer of opinion

Lack of a Statement of Cash Flows

801. Contrary to Treasury Circular No.AG: 3/088/VOL.6 (19) of May 2011, the financial statements submitted for audit do not include a statement of cash flows. No reason has been provided for failure to comply with this circular.

Financial Records

802. The balances reflected in the financial statements were not derived from the Ministry's records and ledgers but were instead 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.

District Veterinary Officers (DVOS) Suspense Account

803. Further, the Statement of financial position (Balance Sheet) reflects a DVOs Suspense Account balance of Kshs.2,716,327.70 which has been explained as unspent AIEs balances in various Districts. The Ministry has, however, not provided verifiable documents such as cashbooks, board of survey reports, bank statements or certificates in support of the unspent balances. Consequently, the accuracy and completeness of the balance of Kshs.2,716,327.70 could not be confirmed.

Non – Current Assets

804. The Statement of financial position reflects a Non-Current Assets balance of Kshs.101,172,279.00 while Note (2) shows a total net book value of Kshs.104,170,779.00. The resultant difference of Kshs.2,998,500.00 has not been reconciled or explained.

805. The opening balances for two classes of Non-Current Assets shown under Note (2) also differ with the closing balances reflected in the financial statements for 2010/2011 as follows:

Class of Assets	Closing Balance in 2010/2011 Kshs.	Opening Balance in 2011/2012 Kshs.
Furniture & Fittings	1,217,852.00	1,827,202.00
Computers & Accessories	6,883,116.00	6,273,766.00

These discrepancies have not been explained or reconciled.

806. The additions to Non-Current Assets during the year shown under Note (2) also differ with the expenditure reflected in the ledger for two classes of assets as follows:

Class of Assets	Additions as Per Note (2) Kshs.	Expenditure as per Ledger Kshs.
Computer & Accessories	1,928,500.00	4,169,400.00
Special Plants	23,242,531.00	30,622,131.00

807. Further, the total additions of Kshs.28,942,531.00 shown under Note (2) also differ with the additions to furniture and fittings, computer and accessories, and special plants of Kshs.776,000.00, Kshs.1,928,500.00 and Kshs.23,242,531.00, respectively all totalling kshs.25,947,031.00 shown under the same note.

No explanation has been provided for the above anomalies.

Bank Reconciliation

808. The bank reconciliation statement as at 30 June 2012 reflects payments in the bank statement not in the cash book totalling Kshs.4,832,371.61 out of which an amount of Kshs.2,554,229.60 relates to the period between 12 January 2011 and 27 December 2011. No reason has been provided for failure to clear these long outstanding items.

NON-SUBMISSION OF THE HIDES AND SKINS CESS FUND ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012

Basis for Disclaimer of Opinion

809. In the audit report for 2010/2011 it was indicated that Hides and Skins Cess Fund which was abolished in 1986 had not been wound up as required by Treasury in respect

of dormant Funds and an amount of Kshs.57,954,613.50 was still held against the Fund as at 30 June 2011. Contrary to the requirements under section 6 of the Public Audit Act 2003, and Treasury Circular No.8/2012 under Ref. No.AG.3/088 Vol.6/(58) of 5 September 2012 the Accounting Officer, the Ministry of Livestock Development, did not prepare and submit for audit the Hides and Skins Cess Fund Accounts for the year ended 30 June 2012. No explanation has been provided for this omission.

MINISTRY OF WATER AND IRRIGATION

FINANCIAL STATEMENTS FOR VOTE R.20

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

810. Bills amounting to Kshs.90,162,800.00 chargeable to Vote R.20 were not settled in 2011/2012 but were instead carried forward to 2012/2013. Had these bills been paid and the expenditure charged to the Account, the Appropriation Account for the year ended 30 June, 2012 would have recorded a reduced net Surplus to be surrendered to the Exchequer of Kshs.323,021,669.00 instead of the surplus of Kshs.413,184,469.00 now shown.

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

811. The Appropriation Account for Vote R.20 for the year ended 30 June, 2012 reflects a gross under expenditure of Kshs.760, 345,905.00 or approximately 12% of the approved estimates of Kshs.6,134,852,597.00. The Account also reflects under-collection of Appropriations–In-Aid of Kshs.347,161,436.00 or approximately 18% of the estimated receipts of Kshs.1,967,722,596.00. The under expenditure and under-collection of Appropriations–In-Aid have been explained in the footnotes as due to over estimation, late submission of invoices by suppliers and lack of liquidity. The Ministry has, however, not indicated, the measures being taken to address these challenges.

Grants to State Corporations

812. The Appropriation Account for Vote R.20 reflects grants issued to eleven State Corporations which, however, differ with the amounts reflected in the financial statements of these organisations for the year ended 30 June, 2012 as detailed below:

Head/ Sub Head	State Corporation	Appropriation Account Kshs	Corporation's Financial Statements Kshs	Difference Kshs
716/00141	Lake Victoria South Water	35,000,000.00	30,245,962.00	4,754,038.00
716/00142	Lake Victoria North Water	35,000,000.00	36,375,960.00	(1,375,960.00)
716/00143	Rift Valley Water Service Board	12,088,252.00	Nil	12,088,252.00
716/00144	Coast Water Services Board	227,577,362.00	Nil	227,577,362.00
716/00145	Tana Water Services Board	82,250,000.00	28,607,525.00	53,642,475.00
716/00146	Northern Water Services Board	50,000,000.00	55,000,000.00	(5,000,000.00)
716/0284	Tanathi Water Services Board	30,718,747.00	16,737,000.00	13,981,747.00
714	Water Services Trust Fund	20,000,000.00	30,000,000.00	(10,000,000.00)

995	National Irrigation Board	19,345,818.00	341,000,000.00	(321,654,182.00)
785	National Water Conservation & Pipeline	134,565,000.00	226,452,595.00	(91,887,595.00)
899	Kenya Water Institute	110,000,000.00	130,000,000.00	(20,000,000.00)

No explanation has been provided for the above discrepancies.

STATEMENT OF ASSETS AND LIABILITIES

813. The Statement of Assets and Liabilities for Vote R.20 as at 30 June, 2012 reflects General Account Vote balance for 2011/2012 of Kshs.37,130,001.00 while the Recurrent Appropriation Account for Vote R.20 for the year ended 30 June, 2012 shows a net surplus of Kshs.413,184,469.00. The resultant difference of Kshs.376,054,468.00 between the two records has not been explained or reconciled.

814. The Statement also reflects the following brought forward balances relating to 2010/2011 and earlier years, which were not cleared during the year under review:-

Item Description	Debit Balance Kshs.	Credit Balance Kshs.
Advances	679,985.80	-
Advance – Government Organisations	98,820,090.45	-
RD Cheques	-	2,213,859.15
Clearance Account	-	85,882,785.90
General Deposit	-	12,404,020.40
Returned Salary	-	1,453,317.30
Inter-Bank Transfers		<u>4,047,749.05</u>
	<u>99,500,076.25</u>	<u>106,001,731.80</u>

No reason has been provided for non-clearance of these long outstanding balances.

815. Further, the analyses in respect of these balances were not provided for audit review. It has therefore, not been possible to ascertain the validity and accuracy of these balances.

816. The Statement further shows the credit balances as having been cleared during the year 2011/2012 under Advance from Ministry of Rural Development 1997/1998 account Kshs.135,000,000.00 (Cr) and General Deposit account Kshs.132,818.00 (Cr) but no documentation was provided to support the clearance.

817. The Statement also reflects Imprests Account balance of Kshs.5,454,017.50 while the Ministry's Imprest Register shows a figure of Kshs.5,533,439.00. The difference of Kshs.79,421.50 has not been explained. Further no reason has been

given for failure by the officers to account for or surrender the imprests on or before 30 June, 2012.

FINANCIAL STATEMENTS FOR VOTE D.20

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

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

818. The Appropriation Account reflects Gross Under-expenditure of Kshs.5,332,857,285.00 or approximately 17% of the approved estimates of Kshs.31,072,871,838.00. The Account also reflects under-collection of Appropriations–In-Aid of Kshs.4,184,676,955.00 or approximately 36% of the estimated receipts of Kshs.11,717,801,842.00. The under-expenditure and under-collection of Appropriations–In-Aid have been explained in the footnotes as due to delayed disbursement by donors, late submission of invoices by contractors and suppliers and lack of liquidity. The Ministry has, however, not indicated the measures being taken to address these challenges.

Grants to State Corporations

819. Records maintained at the Ministry’s Headquarters indicate that grants totalling Kshs.11,954,036,204.90 were issued to thirteen (13) State Corporations during the year 2011/2012. However, the financial statements of these State Corporations for the year 2011/2012 show that they received grants totalling Kshs.3,315,252,150.00 as detailed:

State Corporation	Ministry Records (Kshs)	Corporations Financial Statements (Kshs)	Difference (Kshs)
Water Resources Management Authority	100,000,000.00	99,988,400.00	-
Athi Water Services Board	1,553,253,045.00	166,236,749.00	-1,387,016,296.00
Lake Victoria South Water Services Board	444,138,490.00	314,184,150.00	-129,954,340.00
Lake Victoria North Water Services Board	1,435,368,875.00	20,904,122.00	-1,414,464,753.00
Rift Valley Water Services Board	190,600,000.00	216,120,270.00	25,520,270.00
Coastal Water Services Board	1,592,543,097.30	170,544,766.00	-1,421,998,331.30
Tana Water			

Services Board Northern Water	486,264,500.00		-	-486,264,500.00
Services Board Tanathi Water	692,847,849.60	332,100,000.00		-360,747,849.60
Services Board Kenya Water Institute	685,005,000.00	137,500,000.00		-547,505,000.00
National Irrigation Board	70,000,000.00	105,000,000.00		35,000,000.00
National Water Conservation And Pipeline Corporation	713,839,800.00	481,000,000.00		-232,839,800.00
	<u>3,990,175,548.00</u>	<u>1,271,673,693.00</u>		<u>-2,718,501,855.00</u>
	<u>11,954,036,204.90</u>	<u>3,315,252,150.00</u>		<u>-8,638,784,054.90</u>

No reconciliation or explanations have been provided for these differences.

Net Expenditure Difference

820. The Appropriation Account further reflects total Net Expenditure of Kshs.18,206,889,666.00, while the Trial Balance as at 30 June, 2012 shows a figure of Kshs.17,295,233,065.00 resulting to a difference of Kshs.911,656,601.00. This difference has not been reconciled or explained.

Construction of Ngeria Water Supply Office – Outspan Location

821. In April 2012, quotations were invited by the District Water Officer (DWO) Wareng District from three prequalified contractors for the construction of an office block. The scope of works involved the purchase of construction materials and supply of labour for the construction of a two (2) roomed office unit, a two door VIP pit latrine and fencing works at total cost of Kshs.1,391,501.00.

822. The labour contract was competitively awarded to the lowest bidder at a contract sum of Kshs.485,176.00 while the District Water Officer bought construction materials upfront worth Kshs.906,325.00 from various suppliers through Local Purchase Orders (LPO's).

823. The Ministry of Public Works was not, however, consulted in the construction of the office as provided under Section 17.15.3 of the Government Financial Regulations and Procedures which require Accounting Officers to make use of technical services of the appropriate Ministry to plan, supervise the construction work at the site and certify the contract payment certificates. No reason was provided by the District Water Officer as to why the services of Ministry of Public Works were not sought.

824. A physical inspection carried out on 31 July, 2012 revealed that the building was estimated at 95% complete but the quality of work done could not be confirmed in the absence of completion certificates from the District Works Officer.

STATEMENT OF ASSETS AND LIABILITIES

825. The Statement of Assets and Liabilities for Vote D.20 as at 30 June, 2012 reflects a General Account of Vote balance for 2011/2012 of Kshs.639,854,246.00 while the Appropriation Account for Vote D.20 for the year then ended shows a Net Surplus to be surrendered to Exchequer of Kshs.1,148,180,330.00. The resultant difference of Kshs.508,326,084.00 between the two records has not been reconciled or explained.

826. The Statement also reflects the following brought forward balances relating to 2010/2011 and earlier years, which have not been analysed or cleared from the Ministry records.

Item Description	Debit Balances Kshs.	Credit Balances Kshs.
Advance- Mt. Kenya	153,713,516.90	-
Advance- Government Organisation	329,907,027.65	-
Imprests	2,727,008.65	-
Stale Cheques	3,385,005.90	-
General Suspense	3,278,331,199.45	-
Inter-Vote Adjustment (MENR&W)	-	1,087,784,729.85
GAV Surplus Votes	-	1,009,225,130.45
GAV Surplus Votes 2009/10	-	1,676,855,115.25
TOTAL	<u>3,768,063,758.55</u>	<u>3,773,864,975.55</u>

In the absence of the analyses, it has not been possible to ascertain the validity and accuracy of these balances

827. The Statement reflects Paymaster General (PMG) Account balance of Kshs.5,801,217.00 while the Development Cash Book shows a balance of Kshs.5,850,262.45 resulting in a difference of Kshs.49,045.15 which has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 20

Basis for Qualified Opinion

828. The Statement of Assets and Liabilities for Deposits 20 as at 30 June, 2012 reflects a Miscellaneous Deposits Account credit balance of Kshs.34,696,190.30 which was not analysed or supported with relevant records. Consequently, it has not been possible to ascertain the completeness and accuracy of the balance.

829. The Statement also reflects Retention Money Account credit balance of Kshs.16,533,643.65 while the Retentions Money register shows a balance of Kshs.13,081,378.90. No reconciliation or explanation has been provided for the difference of Kshs.3,452,264.75 between the two sets of records.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

Basis for Disclaimer of Opinion

830. In the Report for 2010/2011, it was indicated that records maintained at the Treasury showed that Loans totalling Kshs.10,638,065,599.89 issued to various Agencies under the Ministry were outstanding as at 30 June, 2011. Contrary to the requirements under Section 81 (2) (b) of the Public Finance Management Act 2012, and section 4(2) (b) of the Public Audit Act 2003, the Accounting Officer, Ministry of Water and Irrigation did not prepare and submit for audit, the statement of Outstanding Loans as at 30 June 2012. Consequently, it has not been possible to ascertain the existence of the outstanding loans as at 30 June, 2012.

ARREARS OF WATER REVENUE

Basis for Qualified Opinion

831. Examination of the records maintained at the District Water Office, Kabarnet – Baringo Central disclosed that water revenue amounting to Kshs.2,763,815.00 due from five water supply stations namely Kapkong, Seretunin, Pemwai, Kipkoech and Ng’etmoi, with some dating as far back as 1989 was in arrears at 30 June 2012. No reason has been provided for failure to collect the revenue.

832. Examination of Monthly Revenue Returns at the Wareng District Water Office disclosed that revenue amounting to Kshs.2,265,884.00 was in arrears as at 30 June, 2012. The uncollected revenue was due from the Burnt Forest area water supply consumers.

833. Failure to collect the revenue has been attributed to periodic election related violence dating back to 1992 as a result of which some of the consumers were not traceable.

834. Examination of water revenue records maintained at the District Water Office, Thika East Ithanga Water Supply disclosed that revenue totalling Kshs.1,867,601.00 was in arrears as at 30 June, 2012. Among the main debtors were a Government Dispensary and a County Council. Some of the debts have been outstanding for more than five (5) years, and therefore sustainability of the water supply to the existing and other needy consumers may be in doubt.

The failure to collect the arrears has been attributed mainly due to inadequate transport and staff to manage the five (5) schemes and consumers contesting the water consumption charges.

835. Records maintained at the Eldoret West District Water Office indicate that water revenue totalling Kshs.3,329,116.00 was in arrears as at 30 June, 2012. The amount includes Kshs.1,295,990.00 due from Government Ministries and institutions, Kshs.889,044.00 from Turbo Station, Kshs.422,904.00 from Moi's Bridge Station, Kshs.80,928.00 from Sosiani Station and the balance of Kshs.640,250.00 from Sambut Station. The failure to collect the revenue has been attributed to periodic election related violence as a result of which some of the consumers were not traceable but it has not been explained why the Government Ministries and institutions have been unable to pay.

MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES

FINANCIAL STATEMENTS FOR VOTE R.21

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

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

836. The Appropriation Account for Vote R.21 for the year ended 30 June 2012 reflects gross under expenditure of Kshs.524,170,881.50 representing approximately 18% of the approved estimates of Kshs.2,799,370,001.00 and a deficiency in Appropriations-In-Aid of Kshs.454,690,328.00 or about 97% of the estimated receipts of Kshs.470,400,000.00.

837. According to the footnotes to the Accounts, the under expenditure and under – collection of Appropriations-In- Aid were caused by none release of exchequer issues, delay in renewal of insurance policy for aircrafts and under bidding by bidders for boarded items. No explanation has however been provided on how the Ministry is addressing this unsatisfactory situation.

Omission of Footnotes

838. The Appropriation Account further reflects material variations of Kshs.1,000,000.00 and above between approved estimates and actual expenditure or Appropriations-In-Aid against four items under Head 210602 - National Environment Management Authority, Sub Head 0000- Headquarters and Sub-Head 0298- National Environment Trust Fund for which no footnotes were provided, contrary to the requirements under Paragraph 11.7 of Government Financial Regulations and Procedures

STATEMENT OF ASSETS AND LIABILITIES

839. The Statement of Assets and Liabilities for Vote R.21 as at 30 June 2012 does not reflect brought forward balances in respect of four accounts which otherwise reflected the following huge closing balances in the statement for the year 2010/2011.

Account	Total Closing Balance (Kshs)
G.A.V. Excess 1983/1984, 1994/1995 and 2000/2001	4,403,943.90 (Dr)

Exchequer Account Under Issues 1995/1996 to 2008/2009	386,865,687.00 (Dr)
Excess A.I.A.	52,224,668.50 (Cr)
G.A.V. Surplus Vote – 1995/1996 to 2002/2003	319,264,051.35 (Cr)

No reasons have been provided for failure to include the above balances in the statement for 2010/2012.

840. The statement also reflects Exchequer Account under issue – 2010/2011 and GAV Surplus – 2003/2004 brought forward balances of Kshs.796,000.000 (Dr) and Kshs.160,954,795.90 (Cr) which differs with the respective closing balances of Kshs.8,796,000.00 (Dr) and Kshs.180,375,706.95 (Cr) shown in the statement for 2010/2011. No explanation has been provided for these discrepancies.

841. The Statement also reflects five debit and three credit account balances totalling Kshs.14,549,557.05 and Kshs.568,868,716.80 respectively relating to 2010/2011 and earlier years.

No reasons have been provided for failure to clear these long outstanding balances.

842. The Statement further reflects Standing and Temporary Imprest balances of Kshs.26,102.00 and Kshs.10,193,379.25 which differs with the respective balances of Kshs.162,135,245.55 and Kshs.19,917,626.04 shown in the Imprest Registers. No reconciliations or explanation have been provided for the differences. It has not been clarified why these imprests were not surrendered or otherwise accounted for on or before 30 June 2012.

843. The Statement in addition reflects a Paymaster General (PMG) Account brought forward balance of Kshs.554,319,159.75 which differs with the closing balance of Kshs.546,319,159.75 shown in the statement for the year 2010/2011. The PMG Account closing balance of Kshs.618,868,800.50 reflected in the statement for the year 2011/2012 also differs with the Cash book balance of Kshs.1,249,146.90 as at 30 June 2012 and Board of Survey report balance of Kshs.1,125,005.20 as at the same date. No reconciliation or explanation has been provided the differences between the three sets of records.

844. The General Suspense Account credit balance of Kshs.1,244,350.00 was not analysed. Consequently, the validity and accuracy of the balance could not be ascertained.

845. The Account balances reflected in the statement were not supported by a Trial balance. In the circumstances, the completeness and accuracy of the balances could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.21

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Discrepancies between the Appropriation Account and Trial Balance

846. The Appropriation Account for Vote D.21 for the year ended 30 June 2012 reflects two expenditure items under Head 210601 – Environmental Policy Analysis and Development, Sub Head 0000 – Headquarters, which do not agree with the corresponding amounts in the Trial balance as at 30 June 2012. No explanation has been provided for the discrepancies between the two sets of records as indicated below:-

Item Description	Appropriation Account Kshs.	Trial Balance Kshs.	Variance Kshs.
Construction and Civil Works	264,949,274.00	244,674,614.90	20,274,659.10
Research Feasibility Studies	15,119,346.00	13,319,698.00	1,799,648.00

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

847. The Appropriation Account reflects gross under expenditure of Kshs.779,285,443.15 or about 21% of the estimated provision of Kshs.3,749,528,252.00 and under-collection of Appropriations-In-Aid of Kshs.154,358,747.00 or about 9.7% of the estimated receipts of Kshs.159,430,567.00.

848. The under expenditure and under collection of Appropriations –In- Aid has been explained in the footnotes as due to the long procurement process, delay in taking-off of community driven development projects and non receipt of anticipated donor funds. However, the Ministry has not indicated, how it is addressing these challenges.

Inadequately Supported Expenditure

849. Payment Vouchers for expenditure amounting to Kshs.36,888,778.00 in respect of drilling accessories, laptops, photographic powder, 100 rolls of wire, square tubes gauge 4, audio visual mixer, geo eye, spot spatial and spot mosaic were not accompanied with adequate supporting documentation such as requisitions from user departments and minutes of the tender committee. In the circumstances, the propriety of Kshs.36,888,778.00 could not be confirmed.

Mobile Phone Services

850. During the year under review, the Ministry incurred an expenditure of Kshs.1,093,683.65 in respect of mobile phone services rendered to the Honorable Minister for the month of October 2011 and charged to the Development Vote, Head 210601 – Environmental Policy Analysis and Development, Sub Head 0194 – Nairobi River Restoration & Rehabilitation Programme, Item 3110500 – Construction and Civil Works. Besides irregular charging of the expenditure which is of recurrent nature to Development Vote, the amount paid surpassed the authorized expenditure ceiling on mobile phone airtime of Kshs.20,000.00 per month stipulated in the Office of the President Circular Ref. No. OP/CAB/15 of 5 March, 2010. No explanation has been given for the over expenditure of Kshs.1,073,683.65.

STATEMENT OF ASSETS AND LIABILITIES

851. The Statement of Assets and Liabilities as at 30 June 2012 reflects General Account of Vote (GAV) Surpluses for the years 2007/2008, 2008/2009, 2009/2010 and 2010/2011 totalling Kshs.1,017,654,134.10 and Exchequer under issue for 2010/2011 of Kshs.354,299,614.00. No reason has been given for failure to clear the long outstanding balances.

852. Further, the Ministry did not provide an analysis to support the District Control debit balance of Kshs.10,725,320.10. It has not been possible, therefore, to ascertain the completeness and accuracy of this balance.

853. The Statement further reflects Standing and Temporary Imprest debit balances of Kshs.162,109,143.55 and Kshs.9,701,760.40 respectively, while records maintained at the Ministry Headquarters show Standing and Temporary Imprest balances of Kshs.162,135,245.55 and Kshs.19,917,624.04 respectively. No explanation or reconciliation have been provided for the differences of Kshs.26,102.20 and Kshs.10,215,863.64 between the two sets of records. The reasons for non surrender of these imprests before 30 June 2012 have also not been given.

854. The Statement reflects a Paymaster General Account balance of Kshs.652,735,212.75, while the cash book shows a balance of Kshs.10,509,937.00 as at 30 June 2012. The resultant difference of Kshs.642,225,275.75 has not been explained or reconciled.

855. The Statement further reflects brought forward Exchequer under issue and Paymaster General (PMG) Account debit balances of Kshs.352,299,614.00 and Kshs.506,096,177.20 respectively which differ with the closing balances shown in the audited Statement for 2010/2011 of Kshs.402,384,614.00 and Kshs.455,984,177. 20. No clarification has been made in respect of these discrepancies.

856. The Statement excludes Exchequer Account debit balances totalling Kshs.997,425,519.00 for the year 1984/1985 and years between 1994/1995 and

2002/2003; Exchequer Under Issues balances totalling Kshs.1,083,393,015.00 for the years between 2004/2005 and 2009/2010; and GAV balances totalling Kshs.2,020,408,292.95 for the years between 1993/1994 and 2001/2002 and 2003/2004 to 2006/2007, although these figures were reflected in the audited Statement for 2010/2011. No explanation has been provided for the omission.

857. The account balances reflected in the Statement have not been supported with a Trial balance as at 30 June 2012. Consequently, the source, accuracy and completeness of the balances could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 21

Basis for Qualified Opinion

858. The account balances reflected in the statement were not supported by the Trial balance as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be ascertained.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

Basis for Disclaimer of Opinion

859. In the audit Report for 2010/2011, it was indicated that records maintained at the Treasury showed that loans totalling Kshs.2,486,648.474.13 issued to various agencies under the Ministry were outstanding as at 30 June 2011. Contrary to the provisions of Section 81(2) (b) of Public Finance Management Act, 2012, and section 4(2) (b) of the Public Audit Act 2003, the Accounting Officer, Ministry of Environment and Mineral Resources, did not prepare and submit for audit the statement of outstanding loans as at 30 June 2012. Consequently, it has not been possible to ascertain the existence of the outstanding loans as at 30 June 2012.

STATEMENT OF REVENUE HEAD 160-210 - MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES

Opinion

860. In my opinion, the Statement of Revenue for Head 160-210 - Ministry of Environment and Mineral Resources for the year ended 30 June 2012 fairly present the receipts into and payments to the Exchequer of the revenue for the year then ended in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012 of the Laws of Kenya.

MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING

FINANCIAL STATEMENTS FOR VOTE R.22

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Current Grants to Government Agencies

861. The Appropriation Account for Vote R.22 for the year ended 30 June 2012 reflects, under Head 220203 – Office of the Commissioner, item 2630100 – Current grants to Government Agencies and other levels of Government, grants totalling Kshs.71,650,640.00 issued to Sacco Societies Regulatory Authority (SASRA). However, records maintained by SASRA indicate that the Authority during the year under review, received recurrent grants totalling Kshs.75,850,000.00 from the Ministry. No explanation or reconciliation has been given for the difference of Kshs.4,199,360.00 between the two sets of records.

Pending Bills

862. Records maintained by the Ministry indicate that bills totalling Kshs.5,752,214.20, relating to 2011/2012 financial year and chargeable to the Recurrent Vote 22 were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account, the Appropriation Account for Vote R.22 for the year ended 30 June 2012 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.28,913,807.25 instead of the Kshs.34,666,021.45 now shown.

STATEMENT OF ASSETS AND LIABILITIES

863. The Statement of Assets and Liabilities for Vote R.22 as at 30 June 2012 reflects a nil balance against Exchequer Account which, however, differs with the amount of Kshs.37,751,810.00 reflected in records maintained at the Treasury. No proper reconciliation or explanation has been given for the difference of Kshs.37,751,810.00 between the two sets of records.

864. The Statement's Paymaster General Account and General Account of Vote brought forward credit balances of Kshs.1,032,635.95 and Kshs.74,143,256.00 as at 30 June, 2012 include amounts of Kshs.36,825,190.35 and Kshs.37,751,810.35, respectively, being adjustments made during the year under review which have not

been supported with documentary evidence. Consequently, the existence and validity of these balances as at 30 June, 2012 could not be confirmed.

865. The Statement also reflects a balance of Kshs.107,825,674.05 against District Suspense Account out of which an amount of Kshs.57,012,020.20 has not been analyzed and supported with adequate documentation.

866. The Bank Reconciliation Statement for the Recurrent cash book as at 30 June 2012 reflects payments in bank statement not recorded in cashbook totalling Kshs.7,306,299.25 out of which, an amount of Kshs.6,270,379.25 relates to the period between 29 June 2007 and 31 May 2012. It also reflects payments in the cash book not recorded in the bank statement (unpresented cheques) totalling Kshs.17,533,633.50 which include stale cheques amounting to Kshs.1,899,722.65. In the circumstances, the accuracy of these financial statement's balances could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.22

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Capital Grants

867. The Appropriation Account for Vote D.22 for the year ended 30 June 2012 reflects, under Head 220301 – Co-operative Education and Training Programme, Item 2630200 – Capital Grants to Government Agencies and Other Levels of Government, an amount of Kshs.49,500,000.00, transferred to Co-operative College. However, accounting records and documentation maintained at the Ministry indicate that an amount of Kshs.59,500,000.00 was disbursed to the institution in the year 2011/2012. The expenditure reflected in the Appropriation Account has, therefore, been understated by Kshs.10,000,000.00.

Discrepancy between Appropriation Account and Trial Balance

868. As reported in the prior year, the Appropriation Account still reflects total net expenditure of Kshs.209,163,236.25 while the Trial Balance as at the end of June 2012 reflects total expenditure of Kshs.326,497,088.70. No explanation or reconciliation has also been provided for the difference of Kshs.117,333,852.45.

Pending Bills

869. Bills totalling Kshs.9,000,275.00 chargeable to Vote D.22 and relating to 2011/2012 were not settled during the year but carried forward to 2012/2013. Had

the bills been paid and the expenditure charged against the account, the Appropriation Account for Vote D.22 for the year ended 30 June 2012 would have reflected an unauthorized Excess Vote of Kshs.163,511.25 instead of the Net Surplus of Kshs.8,836,763.75 now shown.

STATEMENT OF ASSETS AND LIABILITIES

870. The Statement of Assets and Liabilities for Vote D.22 as at 30 June 2012, reflects a nil balance against Exchequer Account while records maintained at the Treasury reflect a corresponding balance of Kshs.3,723,362.90 for the year 2011/2012. No explanation has been provided for this anomaly.

871. The following brought forward account balances relating to 2010/2011 and earlier years were cleared or written off during the year under review:

Account	Balance (Kshs)
Exchequer - 2009/2010	15,288,400.00 Dr
Exchequer - 2010/2011	1,475,000.00 Dr
GAV - 2009/2010	28,565,637.10 Dr
PMG - 2010/2011	8,907,061.90 Dr

No documentary evidence was produced to support these clearances.

872. As pointed out in the Audit Report for 2010/2011, the Statement's District Account balance of Kshs.77,185,302.40 was written off in 2010/2011 financial year without adequate supporting documentary evidence. The Statement's current years District Suspense Account debit balance of Kshs.7,195,996.45 has not been supported with analysis and documentation, hence the completeness, validity and accuracy of the balance could not be ascertained.

873. The Statement of Assets and Liabilities reflects a Paymaster General Account Debit and Credit balances of Kshs.1,553,746.30 and 2,367,059.40 respectively, totalling Kshs.813,313.10 credit balance. This amount differs with the cash book debit balance of Kshs.828,187.20 as at 30 June, 2012 by an unreconciled and unexplained figure of Kshs.1,641,500.30.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 22

Basis for Qualified Opinion

874. The Statement of Assets and Liabilities for Deposits 22 as at 30 June 2012 reflects a Paymaster General debit balance of Kshs.28,330,544.85 which differs with the Cashbook balance of Kshs.9,939,862.35 by Kshs.18,390,682.50. Under the

circumstances, the accuracy and validity of the Paymaster General Account balance of Kshs.28,330,544.85 could not be ascertained.

875. The Statement also reflects a Registration and Miscellaneous Deposit Account credit balance of Kshs.5,492,600.50 relating to 2010/2011 that has not been supported with analysis and documentation. The balance also excludes an amount of Kshs.370,488.35 written off in the current year which has not been supported with documentary evidence.

876. The Statement's Kshs.818,507.60 balance in respect of Inquiry Fees Deposit Account has also not been supported with analysis and documentation.

877. Similarly, the Retention Monies Account credit balance of Kshs.1,092,408.10 relating to 2009/2010 and earlier years has also not been supported with analysis and documentation.

878. Under the circumstances, the accuracy and validity of above account balances could not be ascertained.

MANAGEMENT, SUPERVISION AND LIQUIDATION FUND

Basis for Qualified Opinion

Appropriations-In-Aid

879. In the Report for the year 2010/2011, it was indicated that the Fund did not remit revenue amounting to Kshs.7,259,072.25 to Treasury as Appropriations-In-Aid which is in contravention of Rule 19(1) of Co-operative Societies Rules, 2004. The Income and Expenditure Statement for the year ended 30 June 2012 reflects the same amount under Income as a balance brought forward. No explanation has been given for failure to remit the amount to Treasury.

Unsupported Paymaster General Account Balances

880. As reported in the previous year, the Balance Sheet as at 30 June 2012 similarly reflects Paymaster General Account balances of Kshs.9,705,962.50 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 statements or cash book has been provided in support of these balances.

Non-current assets

881. The Income and Expenditure Statement for the year ended 30 June 2012 reflects an expenditure of Kshs.208,885.00 under purchase of furniture and equipment (compared to Kshs.1,560,280.00 in year 2010/2011). However, the total amount of

Kshs.1,769,165.00 for the two financial years has not been reflected under assets in the Fund's Balance Sheet as at 30 June 2012.

882. Further, depreciation on the non-current assets has not been provided for in the financial statements contrary to the requirements of Chapter 11, Paragraph 11.10.3 of the Government Financial Regulations and Procedures.

Debtors

883. The Fund's Balance Sheet reflects a balance of Kshs.47,178,812.00 against debtors (year 2010/2011- Kshs.48,546,230.00). The Ministry did not make any effort during the year to recover the balances brought forward from 2010/2011. Further, the validity, accuracy and recoverability of the debtors' balance of Kshs.47,178,812.00 could not be ascertained in the absence of a provision for bad and doubtful debts.

Management and Supervision Fund (Capital)

884. The Fund's Balance Sheet reflects a balance of Kshs.56,538,971.30 against Management and Supervision Fund (Capital) as at 30 June 2012 compared to Kshs.48,964,122.65 as at 30 June 2011. The increase of Kshs.7,574,848.65 has not been supported with any documentary evidence.

Failure to prepare a Statement of Cash Flows

885. The Ministry did not prepare a Statement of cash flows contrary to the requirements of Treasury Circular No.AG.3/088/Vol.6 (19) of 27 May, 2011 on Annual Preparation of Accounts and Other Financial Statements.

Accounting Policies

886. Contrary to the provisions of Section 81 (2) (d) of the Public Finance Management Act, 2012, a statement of accounting policies and other explanatory information were not included in the financial statements. As a result it was not possible to establish the basis of preparation of the financial statements, income and expenses recognition, bad-debts provision, depreciation of and the cost of non-current assets included in the financial statements.

THE CABINET OFFICE

FINANCIAL STATEMENTS FOR VOTE R.23

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Discrepancies between Appropriation Account and Trial Balance

887. The Appropriation Account summary for Vote R. 23 for the year ended 30 June, 2012 reflects gross actual expenditure figures under sub-votes 2301 and 2303 which do not agree with the corresponding amounts in the trial balance as at 30 June, 2012 as detailed below.

Sub-Vote	Appropriation Account (Kshs.)	Trial Balance (Kshs.)	Difference (Kshs.)
2301	622,260,621.40	624,260,624.00	-2,000,002.60
2303	282,375,861.40	279,375,871.00	2,999,990.40

No explanation has been provided for the discrepancies between the two sets of records.

Pending Bills

888. Bills totalling Kshs.1,016,528.00 chargeable to the Recurrent Vote R.23 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Had these bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.98,405,639.00 instead of Kshs.99,422,167.00 now shown.

Irregular Procurement

889. Examination of records shows that contracts valued at Kshs.56,963,165.00 were awarded to various firms for hire of training facilities for officers from the Republic of Southern Sudan. The contractors were, however, single sourced and awarded without using competitive procurement procedures. Further, the payment vouchers used to effect the payments lacked important supporting documentation such as signed list of officers who attended the training, local service orders and relevant tender committee minutes. In the circumstances, it has not been possible to confirm that these services were obtained from the most competitive suppliers or service providers.

Irregular Procurement of Air Tickets

890. During the year ended 30 June 2012, the Cabinet Office incurred expenditure totalling Kshs.15,491,158.60 on purchase of air tickets for officers of the Republic of Southern Sudan and charged the expenditure to Vote R.23. Records availed, however, revealed that no quotations were placed as required by the procurement regulations but instead the Cabinet Office placed direct orders with the Travel Agents. In the absence of properly evaluated quotations, it has not been possible to establish how the agents were identified and whether the services were procured from the most competitive sources.

Unvouched Expenditure

891. The Appropriation Accounts for Vote R.23 for the year ended 30 June 2012 reflects actual expenditure amounting to Kshs.206,941,806.00 against items 2211300 – Other Operating Expenses under Head 931 – Headquarters Administrative Services. The item, however, includes an amount of Kshs.42,200,000.00 which was not supported by the relevant payment vouchers and related records. As a result, the propriety of the expenditure could not be ascertained.

Misallocation of Expenditure

892. During the year, the Cabinet Office incurred expenditure totalling Kshs.23,793,107.15 on various goods and services under Heads 741, 712, 931 and 577 which, however, was charged to incorrect accounts under Vote R.23. No explanation has been provided for this irregularity.

Expenditure on Leased Offices

893. The Cabinet Office incurred rent expenditure totalling Kshs.28,793,077.00 in respect of lease office space and parking. However, the payment vouchers were not supported with valid lease agreements and minutes of the Tender Committee approving the lease.

STATEMENT OF ASSETS AND LIABILITIES

894. The Statement of Assets and Liabilities for Vote R.23 as at 30 June 2012 reflects Imprest balances amounting to Kshs.944,635.25 which ought to have been surrendered or otherwise accounted for on or before 30 June 2012. No reason was provided for failure to account for or recover these outstanding imprests.

895. The Statement also reflects Exchequer Account balance of Kshs.89,748,633.00 for 2011/2012 while records maintained at Treasury shows a figure of Kshs.54,887,636.05. The resultant difference of Kshs.34,860,996.95 between the two sets of records has not been reconciled or explained.

896. The Statement further reflects Inter Ministerial Agency, General Suspense and General Deposits Accounts balances of Kshs.14,867,889.20, Kshs.9,518,339.95 and Kshs.1,047,050.00 respectively which however, have not been analysed. As a result, the validity and accuracy of these balances could not be ascertained.

897. The Statement in addition reflects brought forward balances of Kshs.14,867,889.20, Kshs.268,645,090.00, Kshs.5,664,194.00, Kshs.70,846,402.50, Kshs.343,514,826.45 and Kshs.11,388,145.30 under Inter Ministerial Agency, Exchequer, General Suspense, Clearance, General Account of Vote and Stale Cheques relating to 2010/2011 and earlier years. No reason has been provided for failure to clear these long outstanding balances from the books of account.

898. The Statement also shows that a General Deposits balance of Kshs.7,093,953.05 was cleared during the year under review. However, no records were provided in support of this clearance. Consequently, the validity of this clearance could not be ascertained.

899. The account balances reflected in the Statement were not supported by trial balance as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.23

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

900. The Appropriation Account for Vote D.23 for the year ended 30 June 2012 includes various expenditure totalling Kshs.2,193,259,320.50 relating to Refurbishment of Buildings; Other Operating Expenses; Domestic Travel and Subsistence and Other Transportation Costs; Foreign Travel and Subsistence and Other Transportation Costs; Purchase of Office Furniture and General Equipment and Purchase of Specialized Plant Equipment and Machinery for which payment vouchers and other related records were not provided for audit review. As a result, the propriety of the amount of Kshs.2,193,259,320.50 could not be ascertained.

Pending Bills

901. Bills totalling Kshs.50,404,573.45 chargeable to Vote D.23 and relating to 2011/2012 were not paid during the year but were instead carried to 2012/2013. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.110,242,649.95 instead of Kshs.160,647,223.40 now shown.

Excluded Expenditure

902. The Appropriation Account reflects under Head 783, Item 2211200 – Fuel Oil and Lubricants actual expenditure of Kshs.41,000.00 while payment vouchers and related supporting documents show a figure of Kshs.640,440.00. The difference of Kshs.599,440.00 has apparently been omitted from the Account.

Irregular Charge to Development Vote

903. The Appropriation Account also reflects under Head 783 Item 311100 – Purchase of Specialized Plant, Equipment and Machinery an expenditure of Kshs.465,308,202.00 which includes an amount of Kshs.3,883,148.70 incurred on settlement of electricity bill for E-Government. No explanation has been provided for charging the expenditure which is recurrent in nature to the Development Vote.

STATEMENT OF ASSETS AND LIABILITIES

904. The Statement of Assets and Liabilities for Vote D.23 as at 30 June 2012 reflects an Imprests Account balance of Kshs.251,187.00 out of which Kshs.206,000.00 relates to 2010/2011 and earlier years. Failure to recover the full amount of imprests from the salaries of the defaulters has not been explained.

905. The Statement also reflects an Exchequer Account balance of Kshs.189,684,000.00 for the year 2011/2012 while records maintained at Treasury show a figure of Kshs.183,759,248.00. The resultant difference of Kshs.5,924,752.00 between the two sets of records has not been reconciled or explained.

906. The General Deposits, Contractor's Retention Money and General Suspense Account debit balance of Kshs.1,215,819.80 and credit balances of Kshs.703,089.10 and Kshs.16,917,333.55, respectively reflected in the statement were not analysed. As a result, it has not been possible to ascertain the validity and accuracy of these balances.

907. The Statement further reflects brought forward General Account of Vote and Exchequer Account balances of Kshs.108,863,702.50 and Kshs.95,125,245.20, respectively relating to 2010/2011 and earlier years. No reason has been provided for non clearance of these long outstanding balances.

908. The account balances reflected in the Statement were not supported by a trial balance as at 30 June 2012. As a result, it has not been possible to ascertain the completeness and accuracy of the balances.

MINISTRY OF EAST AFRICAN COMMUNITY

FINANCIAL STATEMENTS FOR VOTE R.24

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

909. Pending bills amounting to Kshs.34,603,205.60 were not paid during the year but were instead carried forward to 2012/2013. Included in the pending bills total is an amount of Kshs.28,500,000.00 described as foreign exchange fluctuations which was not supported with documentary evidence. Had these bills been paid and charged to the Appropriation Account for Vote R24 for year ended 30 June 2012, the Account would have recorded an excess vote of Kshs.17,990,696.85 instead of a net surplus of Kshs.16,612,508.75 now shown. Failure to pay bills during the year they relate to distorts the financial statements for that year and adversely affects the expenditure for subsequent years to which they have to be charged.

STATEMENT OF ASSETS AND LIABILITIES

910. The Statement of Assets and Liabilities for Vote R24 as at 30 June 2012 reflects an Advances Account balance of Kshs.1,016,613.05 which differs with the Trial Balance figure of Kshs.360,485.85 by an unexplained difference of Kshs.656,127.20. Included in the advances balance of Kshs.1,016,613.05 is an amount of Kshs.501,402.45 that is not analysed and supported by documentary evidence and Kshs.138,369.80 that is due from officers who have left the Ministry. As a result it has not been possible to confirm whether the Ministry will be able to recover the total advances of Kshs.1,016,613.05.

911. The Statement reflects Temporary Imprest Account balance of Kshs.1,084,280.75 which also differs with the Trial Balance figure of Kshs.216,713.60 by Kshs.867,567.15. The outstanding imprest balance includes amounts totalling Kshs.656,134.75 that are not analysed and Kshs.178,513.00 due from officers who have since been transferred to other government departments. Consequently, it has not been possible to confirm recoverability of the imprests totalling Kshs.834,647.75 included in the total outstanding imprests figure of Kshs.1,084,280.75 as at 30 June 2012.

912. The Statement reflects PMG Account brought forward credit balance of Kshs.66,103,580.90 which had been cleared to nil balance as at 30 June, 2012. No documentary evidence or otherwise has been produced to support the clearance.

913. The following balances reflected in the Ministry records and Trial Balance were not included in the Statement of Assets and Liabilities as at 30 June 2012.

Item	Description	DR (Kshs)	CR (Kshs)
6740101	Prepayments	-	468,320.40
6740102	R/D Cheques	170,218.10	-
6780101	General Suspense A/C	573,442,899.95	-
6780104	Govt. Agency Clearance	2,584.45	-
6780105	Stale Cheques	805,006.00	-

Similarly as reported in the previous year, the Statement of Assets and Liabilities as at 30 June, 2011 reflected various account balances which were not derived from the trial balance as at that date as follows:-

Account	Balance (Kshs)
PMG Account & Earlier Periods	88,865,274.20 Dr
PMG Account – 2010/2011	12,942,259.00 Dr
PMG Account & Earlier Periods	66,103,580.90 Cr
GAV Account – 2010/2011	14,397,957.65 Cr
GAV Account & Earlier Periods	153,545,617.20 Cr

The source of these balances has not been clarified. In the circumstances, the accuracy and validity of the balances as reflected in the Statement of Assets and Liabilities as at 30 June, 2012 could not be confirmed.

FINANCIAL STATEMENTS FOR VOTE D.24

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

914. The Development Appropriation Account for the year ended 30 June 2012 reflects total expenditure of Kshs.63,328,103.40 which includes direct payments amounting to Kshs.56,911,744.40 made by a donor, Department for International Development (DFID) for various goods and services provided to the Ministry during the year. The direct payments were not supported with adequate documentary evidence including acknowledgement from the recipients confirming receipt of goods and/or services offered. Consequently, the propriety of the expenditure of Kshs.56,911,744.40 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES

915. The Statement of Assets and Liabilities for Vote D.24 as at 30 June 2012 includes account balances relating to 2010/11 and earlier years which remained uncleared as detailed:

Account	Amount (Kshs)
Exchequer Under-Issues	72,242,233.80DR
GAV	75,172,385.00CR

No reason has been given for failure to clear these balances in 2011/2012 financial year.

916. The Statement also reflects the following balances which differ with the books of account figures as follows:

Account Figure (Kshs)	Financial Statement's Figure (Kshs)	Books of Account
GAV	75,756,026.20CR	142,742,233.80CR
PMG 2010/2011	1,614,619.00DR	60,347,072.10DR

The accuracy, validity and completeness of these balances could therefore, not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 24

Basis for Disclaimer of Opinion

917. The Statement of Assets and Liabilities for Deposits as at 30 June 2012 excludes the following trial balance account balances:

Detail	Amount (Kshs.)
6550101 Ministry HQ Deposit	26,227,960.60 DR
6760103 Temporary Imprest	507,643.00 DR
7399999 Cash Clearing	21,916,870.15 CR
9910101 Provision for Encumbrances	323,150.00 CR

In the circumstances, the accuracy and validity of the balances as reflected in the Statement could not be ascertained.

918. The Statement further reflects unsupported Deposits Account balance of Kshs.3,301,397.60. Consequently, in the absence of supporting records and documentation the existence of the deposits could not be confirmed.

STATE LAW OFFICE

FINANCIAL STATEMENTS FOR VOTE R.25

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

919. Bills totalling Kshs.4,433,687.40 relating to 2011/2012 and chargeable to the Recurrent Vote R.25 were not settled during the year but were instead carried forward to 2012/2013. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provision for the subsequent year to which they have to be charged. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Recurrent Appropriation Account for the year then ended would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.3,685,491.60 instead of Kshs.8,119,179.00 now shown.

STATEMENT OF ASSETS AND LIABILITIES

920. The Statement of Assets and Liabilities for Vote R.25 reflects the following brought forward account balances which differ with the audited closing balances for 2010/2011.

Assets	Closing Balance In 2010/2011 (Kshs)	Brought forward in 2011/2012 (Kshs)	Difference Difference Kshs
Advances	14,967,367.20	Nil	14,967,367.20
District/Provincial Suspense	5,266,500.00	Nil	5,266,500.30
Temporary Imprest	13,063,128.45	1,718,684.95	11,344,443.50
Paymaster General Account	<u>40,214,341.65</u>	<u>729,670.50</u>	39,484,671.15
	<u>73,511,337.30</u>	<u>2,448,355.45</u>	
Liabilities			
General Account of Vote	35,846,338.45	Nil	35,846,338.45
Suspense Accounts	19,050,708.80	2,439,765	16,610,943.80
Excess A.I.A	3,638,332.70	Nil	3,638,332.70
Clearance Account	<u>15,069,077.65</u>	<u>101,710.45</u>	14,967,367.20
	<u>73,604,457.60</u>	<u>2,541,475.45</u>	

It is therefore not possible to confirm accuracy and validity of all the account balances reflected in the Statement of Assets and Liabilities for Vote R.25 as at 30 June, 2012.

921. The Statements' Paymaster General Account balance of Kshs.1,246,778.25 differs with the Cash book balance of Kshs.517,212.35 by an unexplained difference of Kshs.729,565.90.

922. The Paymaster General Account excludes payments made by bank of Kshs.2,709,971.55 out of which, amounts totalling Kshs.2,246,800.55 related to the period between October 2007 and September 2011. It also excludes amounts totalling Kshs.609,981.80 receipted in the bank. Consequently, accuracy of the Paymaster General Account as stated in the Statement could not be confirmed.

923. The Statement of Assets and Liabilities reflects the following balances that have not been supported with adequate documentation and analysis.

Assets	Amount (Kshs)
Clearance Account	3,062,287.90
A.I.E s to District	3,828,165.35
Liabilities	
Suspense Account	2,439,765.00
Clearance Account	101,710.45

In the circumstances and in the absence of analyses, the completeness, accuracy and validity of the balances could not be ascertained.

924. Temporary Imprest totalling Kshs.2,679,564.10, which ought to have been surrendered or otherwise accounted for, on or before 30 June, 2012 were outstanding as at that date, hence expenditure excluded from the financial statements. Out of the total, an amount of Kshs.1,191,929.25 was due from Officers on Job Group "M" and above, Kshs.1,210,662.40 from Officers on Job Group "L" and below, while the remaining balance of Kshs.276,972.45 was due from non- civil servants. In addition, the total imprests of Kshs.2,679,564.10 reflected in the imprest register differs with the balance of Kshs.1,923,654.95 shown in the Statement of Assets and Liabilities. It was further observed that ten officers and two non-civil servants had been issued with additional imprests before having surrendered or accounted for the previous amount issued. The State Law Office has not provided justification for these anomalies which are in contravention of Government Financial Regulations and Procedures.

FINANCIAL STATEMENT FOR VOTE D.25

Basis for Disclaimer of Opinion

STATEMENT OF ASSETS AND LIABILITIES

925. The Statement's Suspense Accounts debit and credit balances of Kshs.104,516.65 and Kshs.2,500,000.00 respectively have not been supported with adequate documentation and analysis, and thus, it has not been possible to verify the validity and completeness of the reported balances.

926. The Statement of Assets and Liabilities for Vote D.25 as at 30 June 2012 excludes the following brought forward balances reflected in the year 2009/2010 audited financial statements.

Assets	Kshs
Exchequer	73,856,626.60
Imprest	1,600,762.70
Agency Account	<u>75,588.20</u>
Total	<u>75,532,977.50</u>

Liabilities	Kshs
General Account of Vote	56,499,440.85
Suspense Account	5,298,773.45
District/Provision Suspense	6,279,289.40
Clearance Account	184,478.50
Excess A.I.A	1,437,924.00
PMG	<u>7,324,039.00</u>
Total	<u>77,023,945.20</u>

It is therefore not possible to verify validity of all the account balances reflected in the statements of Assets and Liabilities for Vote D.25 as at 30 June, 2012.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 25

Basis for Disclaimer of Opinion

927. As disclosed in note 2 to the financial statements, the Statement's Paymaster General's (PMG) Account debit balance of Kshs.146,244,254.20 as at 30 June 2012 includes an adjustment of Kshs.260,108,505.50 made against the opening debit balance of Kshs.405,152,558.70 to reflect an adjusted cash book balance of

Ksh.145,044,053.25. However, no documentary evidence was produced to support the adjusted figure. Consequently, the validity of the adjustment as well as the accuracy of the PMG Account balance as at 30 June, 2012 could not be ascertained.

928. The statement further reflects three account balances under liabilities as shown below which have not been supported with analysis or documentation.

Account	Amount (Kshs)
Sundry Deposits	9,222,452.30
Compensation	69,511,093.90
Retention	67,511,708.00

Consequently, the completeness and accuracy and validity of these account balances could not be ascertained.

929. The Bank Reconciliation Statement as at 30 June 2012 reflects receipts totalling Kshs.29,827,872.20 in the Bank Statement not recorded in the Cash book which includes amounts totalling Kshs.1,478,197.00 described as “credit transfers” dated 22 June 2011. No explanation has been provided on what those credit transfers relate to and why the receipts have not been recorded in the Cash book. The Statement further reflects Kshs.61,149,237.10 being payments in the Bank Statement not recorded in the Cash book which includes an amount of Kshs.46,511,861.85 relating to 2010/2011 and earlier years. Under the circumstances, accuracy of the statement of Assets and Liabilities for Deposits could not be ascertained.

STATEMENT OF REVENUE VOTE 25

Basis for Qualified Opinion

930. Out of the total Kshs.220,221,755.00 actual receipts reflected in the statement of revenue as at 30 June 2012, amounts totalling Kshs.192,325,116.10 were transferred to the Exchequer leaving a cash balance of Kshs.27,896,638.90. The State Law Office did not however prepare monthly bank reconciliation statements hence the existence and accuracy of the cash balance of Kshs.27,896,638.90 could not be confirmed.

OFFICIAL RECEIVER - STATE LAW OFFICE

FINANCIAL STATEMENTS FOR 2010/2011

Basis for Disclaimer of Opinion

931. Contrary to the requirements under Chapter 11, Paragraph 11.10 of the Government Financial Regulations and Procedures, Treasury Circular No.8/2012 of 5 September 2012 and International Financial Reporting Standards, the financial statements submitted for audit by the Official Receiver for the year ended 30 June, 2011 excludes the statement of comprehensive income, statement of changes in equity, statement of cash flows and a summary of significant accounting policies and other explanatory information used in the preparation of the financial statements. Consequently, the financial statements as presented are incomplete and do not provide relevant, reliable, comparable and understandable information.

932. The Official Receiver's financial statements for the 2010/2011 as submitted, do not have comparative balances for the previous year and no audited accounts for the previous years were submitted for audit verification.

933. The Official Receiver has taken up the balances as per the various bank statements at the year end as its book bank balances. Outstanding items from the reconciliation of the cash book and bank statements have not been adjusted in the accounting records and the balance sheet. This has resulted in the overstatement of bank balances by Kshs.2,766,328.55 in the financial statements.

934. The Balance Sheet also reflects a Bankruptcy Estate Fund balance of Kshs.16,539,158.00. However, an amount of Kshs.606,271.00 recorded in the ledger was omitted from the above balance and transactions amounting to Kshs.1,222,000.00 in respect of the Estate Fund captured in the official receivers ledgers were not recorded in the cash book. In the circumstances, the completeness, accuracy and validity of the Kshs.16,539,158.00 balance could not be ascertained.

935. The Companies Liquidation Fund balance of Kshs.96,722,268.00 reflected in the Balance Sheet excludes an amount of Kshs.88,696,514.30 recorded in the ledgers. Consequently, the accuracy of the Kshs.96,722,268.00 balance could not be ascertained.

936. It was not possible to verify the completeness and valuation of the following liabilities reflected in the Official Receivers balance sheet as at 30 June, 2011 in the absence of adequate documentation and independent confirmation from banks and institutions where the funds are held.

Account	Balance – Kshs.
Bankruptcy Contingency Fund	17,184,483.00
Companies Contingency Fund	24,258,600.00
Companies Investment Income Fund	71,956.00
Financial Institutions Fund	<u>152,221,427.00</u>
Total	<u>193,736,466.00</u>

937. The Official Receiver Accounts for 2010/2011 submitted for audit includes transactions that relate to Head Office only and thus, excludes operations of the Regional Offices in Mombasa and Kisumu. Further, the statements of affairs and the handing-over reports were not produced thus making it impossible to establish the value, existence and validity of the assets and liabilities taken over by the Official Receiver over the years. In the circumstances, it has not been possible to verify assets taken over, managed, disposed or actual amount of money realized from any disposals.

OFFICIAL RECEIVER - STATE LAW OFFICE

FINANCIAL STATEMENTS FOR THE YEAR 2011/2012

Basis for Disclaimer of Opinion

938. Contrary to the requirements under Chapter 11, Paragraph 11.10 of the Government Financial Regulations and Procedures and Treasury Circular No.8/2012 of 5 September, 2012 and International Financial Reporting Standards (IFRS), the Official Receiver financial statements for the year ended 30 June 2012 submitted for audit, excludes the statement of profit and loss and other comprehensive income, statement of changes in equity and a statement of cash flows for the year then ended. Consequently, the financial statements as presented for audit, are incomplete and do not provide relevant, reliable and understandable information.

939. The Official Receiver has taken up the balances as per the various bank statements at the year-end as its book bank balances. Outstanding items from the reconciliation of the cash book and bank statements have not been adjusted in the accounting records and the statement of assets and liabilities as at 30 June, 2012. This has resulted in the overstatement of bank balances by Kshs.3,697,258.65 in the financial statements.

940. Further, Bank Reconciliation Statements for the Mombasa and Kisumu Regional Offices in respect of Companies Liquidation Account, Companies Contingency Fund and Bankruptcy Estates Account were not produced for audit review. Under the

circumstances, accuracy of the bank balances of Kshs.14,701,059.00 as at 30 June 2012 could not be confirmed.

941. The Statement of Assets and Liabilities as at 30 June 2012 reflect under Current Assets, a Trial Balance difference amount of Kshs.121,593,526.00 that has not been supported with analysis and documentation.

942. The Statement of Assets and Liabilities reflects under liabilities as a Bankruptcy Estate Fund Balance of Kshs.76,790,431.00 held by the Official Receiver which includes an amount of Kshs.50,929,895.25 not captured in the ledgers. In addition, an amount of Kshs.549,650.00 which although captured in the ledgers has been omitted from the balance reflected in the statement of Assets and Liabilities. In the circumstances, the completeness and accuracy of the balance of Kshs.76,790,431.00 could not be ascertained.

943. Note (5) to the Statement of Assets and Liabilities reflects a Companies Liquidation Fund balance of Kshs.141,870,650.00 that includes an amount of Kshs.140,390,452.00 due to the Nairobi Office. This figure differs with the ledger balance of Kshs.111,756,693.03 by an unexplained difference of Kshs.28,633,758.97.

944. The Statement of Assets and Liabilities further reflects a Companies' Investment Income Fund balance of Kshs.72,456.00 that represents interest income from investments relating to Companies in liquidation. No documentary evidence including bank reconciliation statements and certificate of balances as at 30 June 2012 relating to the Fund were produced for audit review. Consequently, the existence and accuracy of the Fund balance as at 30 June 2012 could not be confirmed.

PUBLIC TRUSTEE

FINANCIAL STATEMENTS

Basis for Qualified Opinion

Accounting Policies and Disclosures

945. The Public Trustee financial statements for the year ended 30 June 2012 should include among others, statement of changes in the beneficiary fund, statement of cash flows and a summary of significant accounting policies and other explanatory information used and should be presented in accordance with International Financial Reporting Standards (IFRS). However, the Public Trustee failed to comply with such requirements and as such, the financial statements lack in details and contents as prescribed by the IFRS.

Public Trustee Administration Accounts

946. The Public Trustee Administration statement of financial position as at 30 June 2012 reflects Deposits totalling Kshs.145,000,000.00 held in various financial institutions, out of which an amount of Kshs.125, 000,000 .00 was not independently confirmed. Similarly, as reported in the previous period 2010/2011, investments totalling Kshs.145,000,000.00 were not confirmed.

947. The Bank Reconciliation Statement as at 30 June, 2012 for the Public Trustee Administration Consolidated Accounts for the Kisumu, Machakos, Nyeri, Mombasa, Kakamega, Eldoret, Embu, Nakuru and Kisii Regional Offices reflects long outstanding receipts in bank not recorded in the cash books of Kshs.37,262,146.70; Kshs.30,345,879.15; Kshs.17,405,925.70; Kshs.24,498,563.75; Kshs.390,851,890, Kshs.8,670,905.15; Kshs.18,539,207.25; Kshs.37,450,985.35 and Kshs.23,933,566.41 respectively. No justification for this anomaly has been provided.

948. The Bank Reconciliation Statement for the Public Trustee Administration Accounts for Nairobi Head Office reflects a cash book balance of Kshs.64,169,708.65 which differs with the Balance Sheet figure of Kshs.62,280,280.00 by an un-explained and un-reconciled difference of Kshs.1,889,428.65. The statement also reflects receipts and payments in the bank of Kshs.95, 795,334.10 and Kshs.11,349,978.10 respectively which were not recorded in the cash book, some relating to the period 2010/2011. Under the circumstances, the accuracy of the Cash and Bank balance of Kshs.62,280,280.00 as at 30 June 2012 cannot be ascertained.

949. The Balance Sheet as at 30 June, 2012 reflects an Overdrawn Estates balance of Kshs.2,158,743.00 representing overpayments made to various estates across the country. However, as reported in the previous period, no justification has been provided for the causes of the overpayments or how such overpayments will be recovered in future from the recipients.

950. Further, the Balance Sheet as at 30 June, 2012 reflects Debtors balance of Kshs.69,288,548.00 that is described under Notes to the financial statements as representing un-cleared suspense account items, un-refunded bank commissions and interest over- transferred to Public Trustee Sundry Expenses Accounts. As reported in the previous years, these balances have not been supported with analysis and documentation and as a result, the completeness and accuracy of the Kshs.69,288,548.00 debtors balance could not be confirmed.

951. In addition, the Balance Sheet as at 30 June, 2012 reflects total net current assets figure of Kshs.5,817,231,795.00 that differs with total beneficiaries funds balance of Kshs.5,807,231,795 by an unexplained and unreconciled difference of Kshs.10,000,001.00.

952. The Balance Sheet statement of financial position as at 30 June, 2012 further reflects unsupported debit and credit balances of Kshs.1,018,984.00 and Kshs.1,019,084.00 under current assets, and current liabilities respectively, which are described as "Trial Balance Difference". No reason has been provided for the failure to analyze or explain the balances.

Public Trustee Investment Income Account

953. The Public Trustee Investment Income Balance Sheet deposit balance of Kshs.398,263,204.00 as at 30 June, 2012 includes amounts totalling Kshs.148,263,204.00 held in institutions that are under liquidation. It has not been possible to confirm whether the Accounting Officer - State Law Office and the Public Trustee will be able to recover these investments. Any provision that would have been necessary in relation to these uncertainties has not been incorporated in the financial statements.

954. The Balance Sheet also reflects investment at cost balances of Kshs.82,664,861 placed in three defunct financial institutions. The values of the investment is therefore doubtful and may not be recoverable. No provision has been made for this diminution in value in the financial statements.

955. The Bank Reconciliation Statement as at 30 June 2012 reflects receipts and payments in bank statement not in cash book of Kshs.1,716,751.70 and Kshs.5,910,586.60 respectively. The payments include an amount of Kshs.5,888,004.00 described as 'cheque transaction bill 1905' dated 27.6.2011 that has not been explained. No justification has been provided for failure to record these long outstanding transactions in the cash book.

956. The Balance Sheet as at 30 June, 2012 reflects a provision for interest payable amounts of Kshs.184,000,000.00 and 20,000,000.00 totalling Kshs.204, 000,000.00 due to Public Trustee Administration Account and Public Trustee Trust Estates Account respectively. Although an amount of Kshs.20,000,000.00 has been shown in the Public Trustee Trust Estate Account as interest receivable, the balance of Kshs.184,000,000.00 has not been accrued in the Public Trustee Administration financial statements and has not been supported with documentary evidence. The completeness, accuracy and validity of the Kshs.184,000,000.00 interest payable balance could not be confirmed.

957. Further, the Balance Sheet as at 30 June, 2012 reflects a creditors' balance of Kshs.91,177,776.00 that is not supported with analysis and documentation. Consequently, the existence and validity of the liability of Kshs.91,117,776.00 as at 30 June, 2012 cannot be ascertained.

Public Trustee Trust Estate Account

958. The Public Trustee Trust Estate Balance Sheet as at 30 June, 2012 reflects a deposits brought forward balance of Kshs.5,400,000.00 that includes a deposit of Kshs.5,000,000.00 held in Imperial Bank. This amount has not been supported with documentary evidence or confirmation. The existence and validity of the amount could therefore not be ascertained.

959. The Bank Reconciliation Statement as at 30 June 2012 reflects a cash book balance of Kshs.5,931,501.02 that differs with balance sheet figure of Kshs.3,817,624.00 by unexplained difference of Kshs.2,113,877.20. It also reflects receipts totalling Kshs.7,493,793.57 that have not been recorded in the cash book. Consequently, the completeness, accuracy and validity of the balance sheet bank figure of Kshs.381,724.00 cannot be ascertained.

Public Trustee Sundry Expense Account

960. The Public Trustee Sundry Expense Balance Sheet as at 30 June, 2012 reflects a deposits balance of Kshs.26,466,904.00 that includes an amount of Kshs.20,000,000.00 that has not been supported with documentary evidence. The balance of Kshs.6,466,904.00 is represented by deposits placed in three institutions that are under liquidation. In the circumstances, the existence and valuation of the Kshs.26,466,904.00 deposits as reflected in the financial statements as at 30 June 2012 could not be confirmed.

961. The Bank Reconciliation Statement as at 30 June 2012 similarly reflects un-presented cheques totalling Kshs.6,069,357.85 that includes a stale cheque amount of Kshs.5,888,004.00 relating to Treasury bills issue 1905 paid to Public Trustee Trust Estates Account. No justification has been provided for failure to reverse these entries in the cash book.

THE JUDICIARY

FINANCIAL STATEMENTS FOR VOTE R.26

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Accuracy of Appropriation Account

962. The Appropriation Account for Vote R.26 for the year ended 30 June 2012 reflects expenditure figures which differ with the corresponding figures shown in the trial balance against specialized materials; other operating expenses; routine maintenance – motor vehicles; foreign travel; rental of produced assets; hospitality and supplies; office and general supplies; fuel, oil and lubricants; printing, advertising and information; purchase of furniture; and communication and supplies under Heads 20102, 20104, 20105, 20108 and 20109. These expenditure figures amounting to Kshs.638, 799, 590.00 differ with the respective trial balance total figures of Kshs.646,597,910.90. No reconciliation or explanation has been provided for the resultant variances amounting to Kshs.7,798,320.90.

Irregular Payment of Responsibility Allowance and Unsupported Salary Arrears

963. During the year 2011/2012, an Accountant II was paid responsibility allowance for twelve (12) months at the rate of Kshs.12,500.00 per month, amounting to Kshs.150,000.00. However, there was no authority for the officer to be paid this allowance. In addition, four officers were paid salary arrears of Kshs 1,500,000.00, 750,000.00, 750,000.00 and 400,000.00 in the month of June 2012 all totalling Kshs.3,400,000.00. However, documentation and records authorizing payment of arrears to the four officers including the reasons for the payments thereof were not provided for audit review.

Non – submission of Financial Statements for the Judiciary Staff Mortgage Scheme

964. During the year under review, the Judiciary rolled out a Staff Mortgage Scheme with an initial capital of Kshs.430, 000,000.00 and charged the expenditure to Head 260104, and Item 4110400-Domestic Loans to Individuals and Households. The amount was deposited with the Kenya Commercial Bank, the administrator of the Scheme. However, no financial statements in respect of the scheme have been prepared and submitted for audit. It has not been possible under the circumstances to ascertain the financial position of the scheme as at 30 June 2012 and its operations for the year then ended.

Irregular Splitting of Orders

965. During the year under review, the Judiciary purchased toners worth Kshs.35,850,480.00 through quotations that were split into thirty separate orders. This appears to have been a deliberate way to avoid the Kshs.5 million threshold set by the Public Procurement and Disposal Act, 2005 for an open tender. No explanation has been provided for the contravention of the procurement regulations.

Unauthorized Opening of a Bank Account

966. The Judiciary opened an account with the Kenya Commercial Bank Ltd (KCB) Milimani Branch during the year under review and deposited an amount of Kshs.13,000,000.00 as grants to be used by the Auctioneers Licensing Board. However, there was no Treasury authority to open the account as required under Section 28(1) of the Public Financial Management Act, 2012. Further, no returns have been made available for audit review to confirm the propriety of the expenditure of Kshs.13,000,000.00.

STATEMENT OF ASSETS AND LIABILITIES

967. The Statement of Assets and Liabilities for Vote R.26 as at 30 June 2012 reflects various debit and credit balances of Kshs.26,747,971.20, Kshs.95,624,132.63, Kshs.733,678,751.19, Kshs.6,670,000.00, Kshs.545,850,696.04, Kshs.306,069,466.20 and Kshs.8,285,623.08 against Exchequer, GAV (Excess Vote), Paymaster General, Agency, General Account of Vote, Excess Appropriations-In-Aid and District Suspense Accounts, respectively which are indicated as having been cleared during the year. However, no records were provided in support of these clearances. The validity of the clearances could not, therefore, be ascertained.

968. The Statement reflects an Imprests Account balance of Kshs.2,583,103.97 which differs with the total amount of Kshs.1,633,103.95 shown in the imprests registers maintained by the Judiciary as at 30 June 2012. The resultant difference of Kshs.950,000.02 has not been reconciled or explained. Failure by the officers to surrender or account for the imprests on or before 30 June 2012 has also not been clarified.

969. The Statement further reflects an Agency Account debit balance of Kshs.1,235,000.00 representing rent paid for various Judges which had not been reimbursed by the Treasury as at 30 June 2012. No reason has been given for failure to claim the reimbursement from the Treasury.

970. The Statement further shows a Suspense Account credit balance of Kshs.4,598,244.14 which has not been analyzed. As a result, the accuracy and completeness of the balance could not be ascertained.

971. The Judiciary did not provide a trial balance as at 30 June 2012 from which the Statement was drawn. Consequently, the source, completeness and accuracy of the balances reflected in the Statement could not be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.26

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Un-Vouched Expenditure

972. The Development Appropriation Account for Vote D.26 includes expenditure totalling Kshs.4,700,000.00 in respect of construction of buildings in Makadara, Keiyo, Bomet and Nandi North Districts for which payment vouchers and the supporting documents were not provided for audit review. Consequently, the propriety of the expenditure could not be ascertained.

Irregular Advance Payment – Nyeri High Court

973. The Judiciary entered into contract with M/s Sun Jua Builders on 19 June 2012 for completion of existing Nyeri High Court building, gate house, renovations on old building and supply of generator at a contract sum of Kshs.61,525,066.00. Information available shows that on 27 and 29 June 2012 the Judiciary made payments totalling Kshs.38,570,000.00 in advance to the firm before commencement of works.

974. According to Article 23.7 (a) of the bid document and contract signed between the Judiciary and M/s Sun Jua Builders, the contractor was entitled to advance payment of 10% only which is Kshs.6,152,506.60 on signing of the contract. No reason has been given for the irregular handling of this contract by paying approximately 63% of the contract sum in advance.

Irregular Charge of Expenditure

975. The Judiciary made payments totalling Kshs.7,551,691.90 in respect of subsistence allowance and irregularly charged the expenditure to Item -3111100- Purchase of Specialized Plant, Equipment and Machinery. Subsistence allowances are of recurrent nature and no reason has been given for the irregular charge of the same to Development Vote instead of Domestic Travel and Subsistence and other Transportation costs under the Recurrent Vote.

STATEMENT OF ASSETS AND LIABILITIES

Non-Submission of Trial Balance

976. The Judiciary did not provide the trial balance to support the balances reflected in the Statement of Assets and Liabilities for Vote 26 as at 30 June 2012. As a result, the completeness and accuracy of the balances could not be ascertained.

Unsupported Clearance of Old Balances

977. The Statement of Assets and Liabilities for Vote D.26 as at 30 June 2012 shows that all the brought forward balances relating to 2010/2011 and earlier years as detailed below were cleared during the year by reflecting only Exchequer, Paymaster General Account and General Vote of Account debit and credit balances for the year 2011/2012 of Kshs.366,401,580.00, Kshs.3,861,748.50 and Kshs.370,263,238.50 respectively as the closing balances:

Account	Amount (Kshs.)
Assets	
Exchequer Account	375,909,510.00
GAV Excess Vote	31,324,227.00
District Imprest	1,623,505.00
Paymaster General Account	<u>176,588,767.81</u>
	<u>585,446,009.81</u>
Liabilities	
General Account of Vote	463,327,310.05
Retention Account	27,444,207.05
Excess Appropriations-In-Aid	30,714,306.00
District Suspense Account	<u>63,960,186.71</u>
	<u>585,446,009.81</u>

No explanation or supporting documents have, however, been provided to show how these balances were cleared from the records.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 26

Basis for Qualified Opinion

978. The Statement of Assets and Liabilities for Deposits reflects a District Suspense Account debit balance of Kshs.34,848,965.10 relating to frozen deposits from 1997 and 2003. No reason has been provided for non –clearance of the balance from the books of account.

979. The Statement reflects a General Deposits Account credit balance of Kshs.927,969,553.15 out of which an amount of Kshs.45,757,574.14 was not analysed. It has not been possible therefore to ascertain the accuracy of the balance of Kshs.927,969,553.15.

980. The trial balance was not provided to support the balances reflected in the Statement. As a result, the source, completeness and accuracy of the balances could not be ascertained.

THE STATEMENT OF REVENUE HEAD 1430100 – FINES AND FORFEITURES

Basis for Disclaimer of Opinion

981. The Statement of Revenue Head 1430100 Fines and Forfeitures for the year ended 30 June 2012 reflects actual receipts totalling Kshs.1,078,882,684.55. However, no receipt vouchers and other supporting documents were provided for audit review. As a result, it has not been possible to ascertain the completeness and accuracy of the receipts.

982. Although the Statement of Arrears of Revenue as at 30 June 2011 reflects a balance of Kshs.50,853,786.00, the statement as at 30 June 2012 reflects a nil balance. However, no documents and records in support of collection or write-off of the arrears in 2011/2012 were provided for audit review.

983. The trial balance as at 30 June 2012 and the ledgers for the period then ended were not provided to support the figures reflected in the Revenue Statement. Consequently, it has not been possible to ascertain the source, completeness and accuracy of the figures shown.

ELDORET LAW COURTS

Misuse of Revenue Collected at the Eldoret Law Courts

984. In the report for 2010/2011 reference was made to the Kshs.4,254,117.00 revenue collected at the Eldoret West Law Courts not banked. A review of position during 2011/2012 revealed that the position had not changed much since as at 30 June, 2012 a total of Kshs.1,276,439.00 was not banked. Kshs.837,819.00 was held as partly paid vouchers, Kshs.327,381.00 in I Owe You's, (IOUs) Kshs.111,000.00 as stale cheques and the balance of Kshs.239.00 represented cash shortages as indicated in the cash survey certificate.

985. No satisfactory reason has been provided for the continued direct use of revenue before banking, holding of stale cheques and for failure to recover cash shortages as required by Government Financial Regulations and Procedures.

Unaccounted for Court Deposits

986. As similarly reported in the previous year, law court records indicate that deposits totalling Kshs.9,097,338.00 had been collected during the year ended 30 June 2012 while the Central Bank Statement of Account for the period ended at the same date showed a total of Kshs.3,508,437.55 as having been credited to the bank account which resulted in un-explained difference of Kshs.5,588,900.45. Indications are that court convicts' bonds and deposits are not banked intact as provided for in the Government Financial Regulations and Procedures.

THIKA LAW COURT

Unaccounted for Cash Collections

987. The audit of revenue records maintained at the Thika Law Courts revealed misappropriation and loss of revenue collections totalling to Kshs.4,702,631.95 that was not accounted for. The loss was perpetuated through use of fake pay-in-slips whereby receipts in cashbooks totalling Kshs.3,927,631.95 collected between November 2008 and December 2011 were not traced in the respective bank statements.

988. In addition, court fines totalling Kshs.775,000.00 collected between 13 to 15 July 2011 held in form of bank pay-in-slips and purportedly banked were not reflected in the bank statements as cash banked.

989. The pay-in-slips used were therefore faked to conceal the loss/misappropriation of public funds.

LAW COURTS - OGEMBO

Unaccounted for Court Fees and Deposits

990. A cash survey conducted at the Law Courts, Ogembo on 3 December 2012 revealed that court fees and deposits cash collections of Kshs.1,344,189.00 were held in form of cash sale expenditure receipts and claim vouchers while cash totalling Kshs.2,877,807.00 could not be accounted for hence, misappropriated.

991. The Kshs.1,344,189.00 cash held in form of cashsale receipts indicated direct use of revenue collections before banking contrary to Section.6.8.3 of the Government Financial Regulation and Procedures. The Registrar, High Court has not provided justification for these anomalies.

Missing Receipt Books

992. Examination of the Counter Receipt Book Register (CRBR) disclosed that fourteen (14) receipts books issued to two revenue collectors had not been surrendered as at the time of cash survey on 28 November 2012.

993. Consequently, it has not been possible to ascertain the completeness and validity of revenue collected vide these receipt books.

PUBLIC SERVICE COMMISSION

FINANCIAL STATEMENTS FOR VOTE 27

Basis for Qualified Opinion

STATEMENTS OF ASSETS AND LIABILITIES

994. The Statement of Assets and Liabilities for Vote R.27 as at 30 June 2012 reflects the following balances relating to 2010/2011 and earlier years which were not cleared in full during the year and no reason has been provided for their non-clearance:

Account	Debit Balance Kshs.	Credit Balance Kshs.
Exchequer	18,532,548.00	-
Excess AIA	-	510,240.00
General Account Of Vote (GAV)	-	15,990,369.55
Clearance	-	500.00

995. The statement further reflects a Paymaster General Account debit balance of Kshs.3,607,094.25 while the reconciled cash book and the board of survey report shows a balance of Kshs.4,182,417.95. The resultant difference of Kshs.575,323.70 has not been reconciled or explained.

NATIONAL ASSEMBLY

FINANCIAL STATEMENTS FOR VOTE R.29

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Ineligible Expenditure

996. Expenditure totalling Kshs.189,997,296.90 charged to the Recurrent Vote R.29 as summarised below could not be confirmed due to lack of adequate supporting documentation:

Item	Expenditure Description	Amount (Kshs.)
2120100	Contribution to Social Security Scheme	9,200,814.50
2210900	Insurance cost	16,977,594.00
2710100	Government Pensions & Retirement Benefits	17,933,214.00
2710300	Employer Social Benefits	5,837,493.00
2100200	Basic Wages – Temporary Employees	10,617,492.95
2210900	Insurance Costs	111,944,115.50
2211100	Specialised Materials & Supplies	1,486,572.00
2710100	Government Pensions & Retirement Benefits	<u>16,000,000.00</u>
	Total	<u>189,997,296.90</u>

Pending Bills

997. Bills amounting to Kshs.43, 205,754.65 chargeable to Vote R.29 were not paid during the year but were instead carried forward to 2012/2013. Non payment of bills in the year they relate to, distorts the financial statements for that year and adversely affects the expenditure provisions for the subsequent year to which they have to be charged. Had these bills been paid and charged to the Account, the Appropriation Account for the year ended 30 June 2012 would have recorded a reduced surplus of Kshs.112,789,883.35 instead of Kshs.155,995,638.00 now shown.

STATEMENT OF ASSETS AND LIABILITIES

998. The Statement of Assets and Liabilities as at 30 June, 2012 reflects under Imprest Account a balance of Kshs.4,755,932.20 which includes an amount of Kshs.990,056.20 due from two former Members of Parliament and a former employee relating to 2005/2006 and 2007/2008 financial years. It has not been explained how the Ministry intends to recover the amount that has been long outstanding.

999. The Statement of Assets and Liabilities' brought forward account balances differ with the statement's audited closing balances as at 30 June 2011 as indicated below.

Account	Closing Balance 2010/2011 Kshs.	Balance B/F 2011/12 Kshs.	Difference Kshs.
Exchequer	630,208,570.00DR	122,776,040.00DR	507,432,530.00
Advances	4,395,433.9.DR	Nil	4,395,433.90
Suspense	59,824,687.65DR	Nil	59,824,687.65
GAV	737,580,681.40CR	171,497,268.20CR	566,084,413.20

No explanation has been provided for the above differences.

1000. Similarly and as was indicated in the previous year's report, the Statement of Assets and Liabilities as at 30 June, 2011 reflected brought forward account balances which differed with the audited closing balances as at 30 June, 2010 as follows:-

Account	Brought Forward Balances Kshs.	Closing Balances as at 30.6.2010 Kshs.
Exchequer	507,423,530.00	1,388,004,600.00
Imprests	990,056.20	2,666,532.40
Advances	0	19,786,419.55
Bank Balances	26,728,708.20	39,886,936.65
GAV	566,083,413.20	1,450,344,488.60

In the circumstances, accuracy and validity of balances reflected in the Statement could not be confirmed.

1001. The Statement's Suspense Account credit balance of Kshs.20,589,807.20 has not been supported with documentation and analysis, hence the accuracy, validity and completeness of the balance could not be ascertained.

1002. The Statement in addition reflects a General Vote of Account balance for the year 2011/2012 of Kshs.156,118,810.50 which differs with the Appropriation Account for Vote R.29 year 2011/2012 Gross Estimates over Expenditure surplus figure of Kshs.155,995,638.00. The resultant difference of Kshs.123,172.50 has not been explained or reconciled.

FINANCIAL STATEMENTS FOR VOTE D.29

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

1003. The Appropriation Account reflects gross under-expenditure of Kshs.912,370,937.00 or approximately 65.2% of the approved estimates of Kshs.1,399,000,000.00. The reasons given for the under-expenditure in the footnotes to the account include: non-presentation of the last certificate for renovation of the chamber; furniture, plant and equipment items being supplied under the contract for renovation of the chamber; tender process for renovation of the senate not being concluded; and tender for acquisition of land not being finalized. It has not been clarified, however, how the National Assembly is mitigating against future occurrence of gross under-expenditure which as a result denies allocation of funds and national resources to needy projects.

1004. The National Assembly in March 2012 made payments totalling Kshs.42,765,105.00 for supply of three Volkswagen Passats and three Mercedes Benz E200/E250. The vehicles have to date, not been delivered. No justification has been provided why this expenditure has been charged to public funds before the service had been rendered.

1005. An expenditure of Kshs.1,000,000.00 paid to M/s Panesars Kenya Ltd for supply of Forty (40) dinning chairs was irregularly charged to Item 3110300 - Refurbishment of Buildings instead of Item 3110900 - Purchase of Household Furniture and Institutional Equipment.

1006. The National Assembly as at 30 June, 2012 held an amount of Kshs 64,650,904.95 in Kenya Commercial Bank Ltd on account of retention monies for various civil works instead opening a Deposit account with the Central Bank. However, no documentary evidence was produced to confirm that the Treasury had authorized opening of the account with a commercial bank as required under Section 30 of Government Financial Management Act, 2004 or why a Deposit Account was not opened with the Central Bank of Kenya for such monies as required under the Government Finance Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 29

Basis for Disclaimer of Opinion

1007. The National Assembly did not prepare and submit for audit a Statement of Assets and Liabilities for Deposits to account for the retention monies described in Paragraph 11 (above) in contravention of Government Financial Regulations and Procedures.

PARLIAMENTARY MORTGAGE SCHEME FUND

Basis for Qualified Opinion

Failure to Maintain Ledgers and Trial Balance

1008. The account balances reflected in the Parliamentary Mortgage Scheme Fund were not supported by corresponding figures in the Trial Balance as at 30 June, 2012 and the Ledgers for the period then ended. As a result, the completeness and accuracy of the balances could not be ascertained.

Loans owed by Former Members of Parliament

1009. In the previous year's report, reference was made to long outstanding balances owed by two Ex-Members of Parliament. A review of the position in 2011/2012 disclosed that a total of Kshs.5,981,057.00 still remained uncollected. In spite of notices issued to the borrowers on 22 February 2011 and 10 November 2011 demanding full payment of the outstanding amounts, the former members of parliament are yet to complete the loan repayment. The National Assembly has nevertheless not taken further steps which may include selling of the charged properties with a view to recovering the outstanding amounts.

Irregular expenditure

1010. The Statement of Comprehensive Income reflects total expenditure of Kshs.15,624,540.05 which includes an amount Kshs.5,012,824.00 incurred by members of the Loans Management Committee and staff while on a study tour to South Africa and India on how the respective parliaments deal with members and staff welfare. The amount was paid as per diem, taxi, telephone and other incidental expenses during the tour. However, this expenditure does not appear to have any relation to the operations of the Mortgage Scheme Fund. No explanation has been provided for its inclusion.

**THE FINANCIAL STATEMENTS OF THE MEMBERS OF THE NATIONAL
ASSEMBLY CAR LOAN SCHEME FUND**

Opinion

1011. In my opinion, the financial statements fairly present the financial position of the members of the National Assembly Car Loan Scheme Fund as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012 of the Laws of Kenya.

MINISTRY OF ENERGY

FINANCIAL STATEMENTS FOR VOTE R.30

Basis for Disclaimer of Opinion

STATEMENT OF ASSETS AND LIABILITIES

1012. The Statement of Assets and Liabilities for Vote R.30 as at 30 June 2012 reflects the following brought forward balances relating to 2010/2011 and earlier years which were cleared during the year under review.

Item	Amount (Kshs)
Exchequer	83,763,797.95 (DR)
Advances	47,089.05 (DR)
District Suspense	7,621,932.00 (DR)
Imprests	202,000.00 (DR)
Cash at Bank	393,512,919.40 (DR)
General Account of Vote	621,072,412.05 (CR)
Excess A-I-A	31,074,280.65 (CR)
General Suspense	2,979,653.25 (CR)
Clearance Account	4,050,709.00 (CR)
Suspense Account Adjustment	174,023,316.55 (DR)

However, documents supporting the clearance were not produced for audit review. Consequently, the validity of the clearance could not be ascertained.

1013. The Recurrent Cash Book and Board of Survey Report as at 30 June 2012 reflects a Cash at Hand balance of Kshs.57,625.30 which apparently has been omitted from the statement of Assets and Liabilities for Vote R.30 as at 30 June 2012. No explanation has been provided for the omission.

1014. The Statement further reflects a General Suspense debit balance of Kshs.3,552,957.45 which has not been supported with any records or analyses. The completeness and accuracy of these balances could not therefore be ascertained.

FINANCIAL STATEMENTS FOR VOTE D.30

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Unresolved prior year issues

1015. In the audit report for the financial year 2010/2011, reference was made to unsatisfactory matters relating to the following:

- Excluded expenditure, amounting to Kshs.2,084,596,300.00
- Unreconciled grants disbursements to Kenya Electricity Generating Company (Kengen) and Rural Electrification Authority (REA) totalling Kshs.757,474,000.00.

The reported issues have not been resolved in the year under review.

STATEMENT OF ASSETS AND LIABILITIES

1016. Further, the following carried forward account balances reflected in the Statement of Assets and Liabilities for Vote D.30 as at 30 June 2012 relating to 2010/2011 and earlier years have been cleared or written off during the current year under review.

Account	Balance (Kshs)
Assets	
Exchequer	10,893,987,407.75
Imprest	33,000.00
District Suspense	52,397,597.00
Cash at hand	570,576.50
Cash at bank	3,792,839,168.95
Liabilities	
General Account of Vote (GAV)	16,598,071,899.35
Excess AIA	(970,161,979.45)
General Suspense	44,720.00
General Account Adjustment	(888,126,889.70)

However, no documentary evidence or other evidence was produced to support the clearance. Consequently, the accuracy and validity of the closing balances as at 30 June, 2012 cannot be ascertained.

1017. As reported in the audit of year 2010/2011 financial statements, the assets and liabilities account balances totalling Kshs.14,739,827,750.20 were not derived from the trial balance as at 30 June, 2011 as a result of which the accuracy and completeness of the Statement of Assets and Liabilities accounts balances as at 30 June, 2012 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS 30

Basis for Disclaimer of Opinion

1018. The Statement of Assets and Liabilities for Funds, Schemes and Deposits 30 as at 30 June 2012 reflects a nil balance against a brought forward Cash at Bank balance of Kshs.17,030,606.50 since 1996/1997 comprising of receipts from Kenya Pipeline Company Ltd. for Kipevu Oil Storage Facility, National Youth Development Fund Contributions and the Energy Development Fund. No documentary evidence was provided to show how the balance was cleared from the books of account during the year under review.

1019. The Statement further reflects incorrect cumulative balances as shown below:

	2010/2011 and Earlier years Kshs	Year 2011/2012 Kshs	Expected Cumulative Balance Kshs	Cumulative Amount in Statement Kshs
Cash at Bank	726,476,293.70	1,292,717,256.20	2,019,193,549.90	1,292,717,256.20
Cash at hand	341,101.60	71,367.20	412,468.80	71,367.20
Funds, Schemes and Deposits	741,744,247.80	1,292,788,623.40	2,034,532,871.20	1,292,788,623.40

No reconciliation or explanation has been given for these anomalies.

1020. The Statement reflects a Cash at Bank balance of Kshs.1,292,717,256.20 as at 30 June 2012, while the Bank Reconciliation Statement, Board of Survey Report and cash book reflect a balance of Kshs.59,438,451.10 as at that date. No explanation has been given for the difference of Kshs.1,233,278,805.10, between the two sets of records.

1021. The Statement also reflects a Funds, Schemes and Deposits brought forward and current year's (2011/2012) credit balance of Kshs.741,744,247.80 and Kshs.1,292,788,623.49, respectively. However, no analyses were provided in respect of these balances and as a result, it has not been possible to confirm their completeness and accuracy.

1022. Similarly, and as reported in the previous year, the Statement shows a brought forward credit balance of Kshs.2,103,664.00 and a nil balance as at 30 June 2012 against the Energy Development Fund which had been outstanding for the last thirteen (13) years. However, no documentary evidence was provided to show how this amount was cleared during the year.

NON-SUBMISSION OF STATEMENT OF OUTSTANDING LOANS

Basis for Disclaimer of Opinion

1023. In the Audit Report for 2010/2011, it was indicated that five loans with a total outstanding balance of Kshs.312,454,627,349.83 had been omitted from the statement of outstanding loans as at 30 June 2011 for unexplained reasons. It was further reported that the statement reflected thirteen loans with an outstanding balance of Kshs.29,968,465,709.69 as at 30 June 2011.

1024. Contrary to the requirements under section 18(2)(b) of the Public Finance Management Act, 2012, and Section 4(2)(b) of the Public Audit Act, 2003, the Accounting Officer, Ministry of Energy, did not prepare and submit for audit the Statement of Outstanding Loans as at 30 June 2012. Consequently, I have not been able to ascertain the existence of the outstanding loans as at 30 June 2012.

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

Basis for Disclaimer of Opinion

1025. The Statement of Obligations Guaranteed by the Government of Kenya as at 30 June 2012 reflects outstanding contingent liabilities totalling Japanese Yen 25,267,678,787.00 (equivalent to Kshs.26,790,561,760.50) (2010/2011 Kshs.27,878,021,838.00) in respect of loans borrowed by Kenya Electricity Generating Company Limited (Kengen) from the Government of Japan and guaranteed by the Government of Kenya. Documentary evidence from Treasury, Kengen or the Government of Japan to support and confirm the outstanding liabilities as at 30 June 2012 was not produced for audit review. As a result, it has not been possible to confirm the existence, completeness and validity of the outstanding contingent liabilities of Japanese Yen 25,267,678,787.00 (Kshs.26,790,561,760.50) as at 30 June, 2012.

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

Basis for Qualified Opinion

1026. As reported in the previous year, the Ministry continues to hold more than one share each in KENGEN, KPLC, KETRACO and GDC contrary to the provisions of the Permanent Secretary to the Treasury (Incorporation) Act, Cap 101 as amended under Section 2 of the First Schedule to the Public Finance Management Act, 2012 which requires all Government Investments to be vested in the Permanent Secretary, Treasury as a body corporate.

1027. In addition the share certificate in respect of the one share with a book value of Kshs.20.00 which the Ministry holds in Kenya Pipeline Company Limited (KPC) continues to be in the name of Mr. Crispus Mutitu, a former Permanent Secretary, Ministry of Energy instead of the current Permanent Secretary.

STATEMENT OF THE PETROLEUM DEVELOPMENT LEVY FUND

Basis for Qualified Opinion

Failure to maintain Ledger and Trial Balance

1028. During the year under review, the Ministry did not prepare and/or provide both the Ledger and Trial balance relating to the transactions of the Fund contrary to the provisions of Section 5 (c) of the Petroleum Development Fund Act, 1991, which requires the officer administering the Fund to keep proper books of account and records related to the Fund. The accuracy and completeness of the financial statements is therefore doubtful.

Accuracy of the Accounts

1029. The Income Statement for the year ended 30 June 2012 reflects incorrect cumulative balances under three items as shown below;

Item	Cumulative Balance As at 30/06/2011	2011/2012 Balance	Expected Cumulative Balance as at 30 June 2012	Cumulative Balance in the Income Statement
	Kshs.	Kshs.	Kshs.	Kshs.
PDL Income	2,551,057,299.00	2,221,759,805.90	4,772,817,104.90	2,551,057,299.00
Interest earned	13,547,086.00	10,013,401.20	23,560,487.20	13,547,086.00
Development Projects	1,383,927,496.00	2,115,820,781.05	3,499,748,277.05	1,383,927,496.00

1030. The Income Statement reflects a surplus of income over expenditure for the year of Kshs.115,952,426.05 while the Balance Sheet shows a corresponding surplus transferred to reserves of Kshs.115,295,426.10 resulting in an unexplained difference of Kshs.656,999.95

1031. The Fund's Balance Sheet as at 30 June 2011 reflected a Fund balance of Kshs.138,228,413.00 which was, however, not brought forward to the 2011/2012 Accounts. No reason has been given for this omission.

Failure to prepare a Cash Flow Statement

1032. The financial statements of the Fund for the year ended 30 June 2012 do not include a cash flow statement contrary to the requirements of Paragraph 10(a) of Treasury Circular Ref. No. AG: 3/088/Vol. 6 (19) of 27 May, 2011. No explanation has also been given for the omission.

TRAINING FUND FINANCIAL STATEMENTS

Basis for Disclaimer of Opinion

Preparation of Financial Statements and Disclosures

1033. As reported in the previous year, the Ministry has prepared the Training Fund financial statements on a cash basis of accounting instead of accrual basis contrary to the requirements under Paragraph 11.10 of Chapter 11 of the Government Financial Regulations and Procedures. In addition, the financial statements exclude a statement of cash flows contrary to the requirements of Treasury Circular Ref. No. AG: 3/088/Vol. 6 (19) of 27 May 2011.

1034. The Statement of Financial Performance for the year ended 30 June 2012 also reflects cumulative amounts for the previous and current years contrary to the form and layout of Fund's financial statements prescribed under Appendix 11.10.3 of Chapter 11 of the Government Financial Regulations and Procedures. No justification has been provided for presenting the cumulative amounts in the Income Statement. Consequently, the financial statements do not provide relevant, reliable, comparable and understandable information.

Irregular expenditure

1035. As reported in the Report for previous year, the Ministry continued to incur expenditure against the Fund on activities not related to the objective and purpose of the Fund. The Statement of Financial Performance's total expenditure of Kshs.1,180,997,635.85 includes two payments of Kshs.20,505,383.00 and Kshs.30,028,471.35 to M/s Chloride Exide and Kenya Association of Manufacturers

respectively for the implementation of energy efficiency programmes. Similarly, Kshs.124,468,608.90 was spent on activities related to the constructing of Ministry of Energy and National Oil Corporation among others during the year 2010/2011. This was done in contravention of Section 11(1) of the Petroleum Exploration and Production Act and Regulation (7) of the Petroleum (Exploration and Production) (Training Fund) Regulations, 2006 which limits the use of the Fund to training activities.

Unexplained Transfers

1036. The total expenditure of Kshs.1,180,997,635.85 also includes unexplained transfers totalling Kshs.1,031,000,000.00, as shown below, to three parastatals under the Ministry of Energy.

Date	Cheque No.	Parastatal	Amount (Kshs)
30.08.2011	138	NOCK	30,000,000.00
30.08.2011	138	NOCK	160,000,000.00
02.09.2011	152	REA	150,000,000.00
16.11.2011	155	KENGEN	410,000,000.00
11.01.2012	184	REA	39,000,000.00
11.01.2012	184	NOCK	30,000,000.00
30.06.2012	452	NOCK	36,000,000.00
30.06.2012	453	REA	176,000,000.00

No explanation or documentation has been provided to support these transfers.

1037. The total expenditure also includes payments totalling Kshs.14,722,474.55, as detailed below, and described as “adjustments” which were also not supported with documentary evidence.

Date	P.V. No.	Narration/details	Amount (Kshs)
17.02.2012	112	Adjustment	7,430,000.00
08.06.2012	355	Adjustment	2,927,295.90
08.06.2012	356	Adjustment	431,235.00
27.06.2012	382	Adjustment	10,800.00
27.06.2012	314	Error correction	2,547,229.65
27.06.2012	384	Adjustment	<u>1,375,914.00</u>
Unrelated Receipts			<u>14,722,474.55</u>

1038. The Fund’s Income Statement reflects Training Fund Remittances totalling Kshs.1,262,283,979.00 representing training contribution receipts of Kshs.580,816,236.90 and surface fee of Kshs.681,467,753.00. The inclusion of surface fee in the Training Fund is contrary to Regulation 5 of the Petroleum (Exploration and Production) (Training Fund) Regulations, 2006 which states that; these Funds shall comprise of money paid by contractors as training contribution.

Bank Reconciliation Statement

1039. The Cash book balance excludes amounts totalling Kshs.162,397,926.70 received in the bank and payments totalling Kshs.1,356,119.35 made through the bank. In the circumstances, the accuracy and validity of the balances as reflected in these financial statements could not be ascertained.

Comparative Figures

1040. The comparative figures in the statement of financial performance under year 2010/2011 differs with the ones reflected in the audited statement for the year 2010/2011 as follows:

	Amount as per audited statement for 2010/2011	Comparative amount under year 2010/2011
	Kshs	Kshs.
Miscellaneous Income	60,098,758.10	Nil
Total Income	649,174,536.85	589,075,778.15
Surplus	440,451,707.75	380,352,949.65

No explanation has been provided for these anomalies.

1041. The financial statements exclude non current assets acquired during the year 2010/2011 at a total cost of Kshs.10,049,776.00 that were expensed instead of being capitalized and depreciated over the useful economic lives of the assets.

STATEMENT OF KENYA ENERGY SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND

Basis for Disclaimer of Opinion

Presentation of Financial Statements and Disclosures

1042. As mentioned in the Audit Report for 2010/2011, the financial statements of the Fund for the year ended 30 June 2012 have still been prepared on cash basis of accounting contrary to the requirements of Regulation 11.10.03 of the Government Financial Regulations and Procedures which require annual fund accounts to incorporate non-cash adjustments such as reserves, provisions, accruals and prepayments. As a result, the Income Statement excludes annual contribution of Kshs.250,000,000.00 receivable from the six (6) organizations specified in Fund

Regulations. The Statement of Financial Position (Balance Sheet) also excludes arrears of contributions totalling Kshs.1,140,500,000.00 as at 30 June, 2012.

1043. Contrary to the requirements of the Treasury Circular Ref. No. AG: 3/088/Vol. 6 (19) of 27 May 2011, the financial statements do not include a cash flow statement. In the circumstances, the financial statements do not provide relevant, reliable, comparable and understandable information.

Contributions by Other Parties

1044. Again as reported in the previous year, the Fund has not since its inception on 17 October 2007 received statutory contributions totalling Kshs.1,140,500,000.00 from the six organizations listed below contrary to the requirements of Regulation 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)

Organization	Expected annual contribution Kshs	No. of Years	Total Expected contributions for 5 yrs Kshs.	Actual contribution as at 30.6.12 Kshs.	Balance Due Kshs.
KPLC	90,000,000.00	5	450,000,000.00	51,500,000.00	398,500,000.00
ERC	2,000,000.00	5	10,000,000.00	2,000,000.00	8,000,000.00
KPC	51,000,000.00	5	255,000,000.00	51,000,000.00	204,000,000.00
KENGEN	100,000,000.00	5	500,000,000.00	-	500,000,000.00
NOCK	5,000,000.00	5	25,000,000.00	5,000,000.00	20,000,000.00
KPR	2,000,000.00	5	10,000,000.00	-	10,000,000.00
Total	250,000,000.00		1,250,000,000.00	109,500,000.00	1,140,500,000.00

Consequently, the completeness and validity of income from statutory contribution could not be ascertained.

Excluded income

1045. The Fund's Income Statement for the year ended 30 June 2012 excludes Government contribution income of Kshs.44,382,989.05 received on 29 June 2012 as reflected in the bank statement for June 2012. The Ministry has not quantified the effect of this omission from the accounting policy on the financial statements.

Failure to Utilize the Fund

1046. The Fund's Balance Sheet as at 30 June 2012 reflects Cash at Bank balance of Kshs.406,890,351.55 which apparently was lying idle in the bank account. No justification has been provided for failure to use the funds to achieve the objectives and purpose of the Fund as stipulated under Section 4 of the Fund's Regulations.

Excluded expenditure

1047. The Income Statement for the year ended 30 June 2012 does not reflect expenditure totalling Kshs.12,781,795.00 incurred under the Fund. Similarly, the Income Statement excludes expenditure totalling Kshs.87,165,982.45 relating to the Fund but irregularly charged to both Petroleum Development Levy (PDL) Fund and Development Vote 30 Account. Again, no justification has been provided for failure to reflect the expenditure, totalling Kshs.99,947,777.45 in the Income Statement.

FINANCIAL STATEMENTS FOR THE NUCLEAR ELECTRICITY PROJECT COMMITTEE

Basis for Qualified Opinion

1048. The Statement of Financial Position as at 30 June 2012 balance of Kshs.16,222,716.00 for Property, Plant and Equipment includes furniture and partitions valued at Kshs.6,500,000.00 that were inherited from the Capital Markets Authority, the previous occupants of the Committee's current offices. However, despite the existence of a protracted dispute between the Committee (now the Board) and the Authority concerning these items, no disclosure has been made in the financial statements regarding this matter.

1049. The Statement of Financial Position reflects balance of Kshs.145,858,038.00 for Cash in Hand and at Bank which comprise, according to Note 9, an amount of Kshs.143,706,208.00 held at Kenya Power and Lighting Company (KPLC) and Kshs.2,152,030.00 held at the Ministry of Energy. Apart from a letter from KPLC confirming the balance of Kshs.143,706,208.00, no other documents/records, like cash books, bank statements, bank reconciliation statements or bank confirmation certificates have been provided to support the balance.

MINISTRY OF EDUCATION

FINANCIAL STATEMENTS FOR VOTE R.31

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Excess Vote

1050. The Appropriation Account for the Recurrent Vote (R.31) for the year ended 30 June, 2012 reflects a net actual expenditure of Kshs.39,438,290,258.75, against net approved estimates of Kshs.33,928,337,251.46 resulting in an Excess Vote of Kshs.5,509,953,007.29. The excess expenditure occurred mainly under Sub-Vote 3102 and Sub-Vote 3103 - Secondary and Tertiary Education. No explanation has been provided for the expenditure incurred without Parliamentary authority.

Accuracy of the Appropriation Account

1051. The Appropriation Account reflects, under various expenditure heads, a total of Kshs.13,711,015,331.00 against the ledger amount of Kshs.11,908,346,674.00 on the same heads, resulting in a difference of Kshs.1,802,668,657.00 which has not been explained.

1052. Further, the Appropriation Account shows total expenditure for the year of Kshs.39,438,290.258.75 while the supporting ledger reflects the total expenditure as Kshs.40,655,110,041.00. The variances amounting to Kshs.1,216,819,782.25 between the two sets of records has not been reconciled or explained.

1053. In addition, the Appropriation Account reflects under Sub Votes 3102, 3103, 3110 and 3121 a total expenditure of Kshs.39,310,555.277.15 while the ledger indicates an amount of Kshs.32,348,519,351.00, occasioning a difference of Kshs.6,962,035,926.15 which has not been explained. Under the circumstances, accuracy and completeness of the Appropriation Account for Vote R.31 could not be confirmed.

Compensation and Ex-gratia Payments

1054. The Appropriation Account also reflects an expenditure of Kshs.31,759,263.30 charged to account No.0-834-0000-2211308 in respect to settlement of four (4) court awards during the year. The above amount includes a balance of Kshs.2,180,016.30 relating to interest on delayed payments as shown below:-

Vr. No.	Date	Payee	Principal Amount	Interest	Amount Paid
	(Kshs.)	(Kshs.)	(Kshs.)		
001036	17/8/11	Benard M. Mugo	529,488.00	264,519.30	794,007.30
010318	25/6/11	Ongata Works Ltd	27,346,204.00	-	27,346,204.00
004998	17/5/12	Joseph Wathua	231,455.00	159,401.00	390,856.00
002220	26/1/12	Joseph M. Njoroge	<u>1,472,100.00</u>	<u>1,756,096.00</u>	<u>3,228,196.00</u>
TOTAL			<u>29,579,247.00</u>	<u>2,180,016.30</u>	<u>31,759,263.30</u>

Had the total principal sum of Kshs.29,579,247.00 been settled on time, the Ministry could have avoided the interest payments of Kshs.2,180,016.30.

Scholarship and Other Educational Benefits-Un-supported Expenditure

1055. The Appropriation Account also reflects under Sub Vote 3102, Head 310209 and Sub Vote 3103, Head 310314 - Item 2640100 – Scholarships and Other Educational Benefits, expenditures of Kshs.7,500,000.00 and Kshs.667,165,942.00 respectively, totalling Kshs.674,665,942.00 disbursed to various educational institutions. The educational scholarships were disbursed through the Constituency Bursary Fund Committees. However, no documentary evidence in form of returns and lists of beneficiaries have been made available for audit confirmation of receipts of the disbursements by the intended beneficiaries. Under the circumstances, propriety of the expenditure on Scholarships and other Educational Benefits could not be confirmed.

Current Grants to Government Agencies and Other Levels of Government

1056. The Appropriation Account in addition reflects under various heads, expenditure totalling Kshs.32,951,540,530.00 under item 2630100 – Current Grants to Government Agencies and other Levels of Government, representing funds released to various Government Education Institutions, Schools and Colleges during the year under review. Out of the above total, an amount of Kshs.32,236,146,248.00 has been confirmed received in the respective institutions, leaving a balance of Kshs.715,394,282.00 in respect to six (6) institutions. Under the circumstances, propriety of the expenditure of Kshs.715,394,282.00 incurred during the year could not be confirmed.

Unaccounted for Revenue at Ministry Headquarters

1057. Examination of records maintained at the Ministry of Education Headquarters revealed that revenue totalling Kshs.4,733,000.00 relating to cash receipts for registration of schools was collected during the year. Included in the Kshs.4,733,000.00 is Kshs.2,352,000.00 which could not be confirmed. In addition, included in the amount of Kshs.2,352,000.00, is Kshs.1,498,000.00 reported during the board of survey to have been unbanked. Further, out of an amount of Kshs.3,542,020.55 received in form of cheques, Kshs.401,000.00 was apparently not accounted for. Although it was explained that the officer responsible for the loss has been interdicted, no evidence was availed to show efforts being made to have the lost cash fully recovered.

Pending Bills As At 30 June, 2012

1058. Records maintained by the Ministry indicate that bills totalling Kshs.2,272,720.00 for the year 2011/2012 were not settled during the year but were instead carried forward to the year 2012/2013. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote R.31 would have reflected an increased Excess Vote of Kshs.5,512,225,727.29 instead of Excess Vote of Kshs.5,509,953,007.29 now shown.

Free Primary and Secondary Education Funds

1059. The Appropriation Account reflects amount of Kshs.9,604,281,561.00 and Kshs.21,195,253,504.00 being disbursements made for Free Primary and Secondary Education respectively during the year. An audit carried out in some selected schools revealed the following unsatisfactory matters:-

Irregular Expenditure at Starehe Girls School – Kshs.84,200.00

1060. Starehe Girls School with a student population of 320 received a total of Kshs.2,080,000.00 under the Free Day Secondary Schools Programme during the year. Out of this amount, Kshs.15,600.00 and Kshs.68,600.00 were paid as school fees to Moi and Kenyatta Universities respectively, to support two former students currently studying at the two Universities.

1061. The payment of Kshs.84,200.00 is contrary to the provisions under Free Day Secondary Education (FDSE) programme, which requires that the funds be used to fund Day Secondary School programmes. This is because Higher Education Loans Board (HELB) funds Post Secondary Education by way of loans and bursaries to deserving students. No explanation has been provided for this action.

Irregular Payment of Consulting Fees at Huruma Girls Secondary School

1062. The institution paid Kshs.174,274.00 during the year through payment voucher No.012 of 4 January 2012 to M/s Africa Real Estate (K) Ltd for valuation of its assets. Further, the school paid another Kshs.15,000.00 to Ministry of Public Works officers as transport costs. No explanation has been provided for engaging the services of private valuers yet Ministry of Public Works is mandated to value public assets. Further, no explanation was provided for paying Ministry of Public Works staff transport allowance, an expenditure which should have been met by the Ministry.

Unsupported Expenditure

1063. Audit of seven (7) schools across the country revealed that expenditure totalling Kshs.17,848,293.00 in respect of tuition and operation funds disbursed by the Ministry was not supported by relevant records such as cash books, bank statements, payment

vouchers, requisitions, and stores records among others. In the absence of these records, the total expenditure of Kshs.17,848,293.00 could not be confirmed.

Un-authorized Payments

1064. Government Financial Regulations and Procedures require that expenditure documents be authorized appropriately before payments are affected. However, audit carried out in some seven (7) schools revealed that an amount of Kshs.6,194,580.80 was spent without the required approvals. No reason has however been given for making payments without the necessary approvals.

Institutions' Creditors – Kshs.76,249,199.90

1065. Audit examination of creditors records in ten (10) secondary schools revealed that the schools owed various suppliers an amount of Kshs.76,249,199.90 for goods and services supplied during the year. It is not clear why the schools have not settled the debts.

Loss of Funds at Jamhuri High School

1066. During 2009/2010, management of Jamhuri High paid an amount of Kshs.2,136,340.20 for supply of laboratory equipment meant to be used by over 700 private KCSE candidates for KCSE sciences examination practical papers. The expenditure was charged against tuition account. No evidence was however provided to show that this particular procurement was approved by the Ministry of Education or Board of Governors. In addition, although the KCSE candidates were expected to have paid for use of laboratory facilities, there was no evidence of receipt of the funds in the school's financial records. The total collection in respect of the use of the school facilities appears to have been lost.

1067. An explanation provided by the school's management that the payments were made to the former school principal could not be confirmed. Further, a payment made to the school in 2010 vide cheque No.000139 of Kshs.100,000.00 and drawn by Tangaza College in relation for hire of laboratory facilities for the private candidates, has not been honoured to date. No effort appears to have been made to collect this long outstanding debt.

Unaccounted for Bulk Fuel Purchases

1068. During the year under review the Kajiado North District Education Office purchased 4,096.6 litres of petrol and 1,952.1 litres of diesel at a total cost of Kshs.694,764.00, through ten (10) Local Purchase Orders (LPO's) issued to a fuel dealer based in the area.

1069. Although the fuel was indicated as having been drawn through various detailed orders at the petrol station by various vehicles and also posted in the fuel register, work-tickets of the vehicles indicated as fueled did not reflect such entries.

In the circumstances, the propriety of the expenditure totalling Kshs.694,764.00 could not be confirmed.

STATEMENT OF ASSETS AND LIABILITIES

1070. The Statement of Assets and Liabilities for Vote R.31 as at 30 June, 2012 reflects various debit balances which differ with the balances reflected in the Trial Balance, and which were not supported with analyses as shown below:

Account Particulars	Balance as per Statement (Kshs.)	Balance as per Trial Balance (Kshs.)	Difference (Kshs.)
District/Provincial Suspense	526,919,984.80	4,332,618,843.00	(3,805,698,858.20)
Advance	1,599,075.65	545,383,355.15	(543,784,279.50)
General Suspense	31,972,375.30	(1,015,143,042.10)	1,047,115,417.40
Clearance	<u>10,953,738.15</u>	<u>503,340,517.40</u>	<u>(492,386,779.25)</u>
TOTAL	<u>571,445,173.90</u>	<u>4,366,199,673.45</u>	<u>(3,794,754,499.55)</u>

No reconciliation has however been provided for the above differences. Under the circumstances, completeness, accuracy and validity of the District/Provincial Suspense, Advance, General Suspense and Clearance Accounts balances as at 30 June, 2012 could not be confirmed.

1071. The Statement also reflects a Paymaster General Account balance of Kshs.4,697,765,292.70 as at 30 June, 2012 which differs with the Trial balance figure of Kshs.310,874,836,672.65. Further, the Cashbook shows a balance of Kshs.19,524,638.65 as at the same date. The differences among the three sets of records have not been reconciled or explained.

1072. The Statement reflects Exchequer Account credit balance of Kshs.8,242,814,163.79 for the year ended 30 June, 2012 which differs with the Exchequer Over-Issue balance of Kshs.6,052,662,749.00 shown in Treasury records. The difference of Kshs.2,190,151,414.79 has not been reconciled or explained. Further, no explanation has been provided for the Exchequer – Over issue under the Vote during the year.

1073. The Statement in addition reflects General Account of Vote (GAV) debit balance of Kshs.2,461,655,597.29 for the year which differs with the Appropriation Account's Excess Vote figure of Kshs.5,509,953,007.29 by Kshs.3,048,297,410.00. No reconciliation or explanation has been given for the unusual difference.

1074. The Statement of Assets and Liabilities for Vote R.31 as at 30 June, 2012 reflects various long debit and credit balances totalling Kshs.336,668,313.10 and Kshs.4,592,139,177.65 respectively, relating to 2010/2011 and earlier years as indicated:

Debits	(Kshs.)
District/Prov. Account	334,963,753.65
Advances Account	<u>1,704,559.45</u>
	<u>336,668,313.10</u>
Credits	(Kshs.)
GAV Account	4,582,743,742.80
Clearance Account	<u>9,395,434.85</u>
	<u>4,592,139,177.65</u>

No reason has been given for non-clearance of the long outstanding credit and debit balances from the books of account.

1075. The Statement further reflects a balance of Kshs.13,783,030.10 under Temporary Imprest Account which differs with the Trial balance amount of Kshs.101,624,401.90 and the Ministry's analysis for temporary imprest of Kshs.17,614,798.30 as at 30 June 2012. No reconciliation or explanation has been provided for the differences among the three sets of records.

1076. The Statement in addition reflects Standing Imprest Account balance of Kshs.230,722.30 while the Trial balance indicates an amount of Kshs.1,410,123.45, resulting in a difference of Kshs.1,179,400.85. Standing Imprest records maintained by the Ministry reflect a balance of Kshs.112,000.00 as at 30 June 2012. No reconciliation or explanation has been provided for the differences and therefore accuracy of the Standing Imprest balance could not be confirmed.

1077. The Statement also shows a Miscellaneous Account debit balance of Kshs.1,340,249.60 and Agency Account Credit balance of Kshs.42,658,495.85 brought forward from the previous year but which were cleared during the year under review. However, no evidence was provided to support the clearance of these balances from the books of account.

FINANCIAL STATEMENTS FOR VOTE D.31

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

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

1078. The Appropriation Account for the year ended 30 June, 2012 for Vote D.31 reflects an under-expenditure of Kshs.1,704,508,275.70 or about 2% of the approved

estimated expenditure of Kshs.7,829,736,664.00. The under-expenditure occurred mainly under Sub Votes 3102 and 3103 - Basic Education and Secondary and Tertiary Education respectively. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.901,506,899.40 or about 31% of the expected receipts of Kshs.2,954,700,484.00. The under-expenditure and under-collection of Appropriations-In-Aid were attributed to late submission of documents by UNICEF, closure of the IFMIS System, delay in submission of completion certificates by the Council, non-submission of documents by funding agencies among others. However, no action appears to have been taken by the Ministry to address the underlying causes of under-expenditure and under-collection of A.I.A.

Irregular Use of Grants by National Schools

1079. The Account reflects expenditure of Kshs.749,860,000.00 and Kshs.149,198,270.00 under Head 310101 Item 3110600 and Head 310314 Item 3110200- respectively. The expenditure relates to disbursements made to newly established and existing National Schools for rehabilitation of buildings and facilities at the schools. An audit carried out in some of the schools revealed that an amount of Kshs.112,687,763.95 was misappropriated in various ways as detailed below:-

Lack of Financial Records at Friends School-Kamusinga

1080. The School received a total of Kshs.25,000,000.00 in two tranches of Kshs.12,500,000.00 each during 2010/2011 for rehabilitation works at the School. As at the time of the audit, available records, namely bank statements and expenditure summaries indicated that the institution had spent Kshs.14,224,450.00 for renovation and rehabilitation works. However, no documentary evidence such as payment vouchers, works certificates, and invoices were made available for audit confirmation. The school's management however explained that the documents were destroyed by fire at the Bungoma District Schools Audit Office. There was however no evidence to support the fire incident and as a result, propriety of the expenditure of Kshs.14,224,450.00 could not be confirmed.

Variation of Contract Price at Nakuru Girls High School

1081. The School was allocated Kshs.25,000,000.00 during 2010/2011 for rehabilitation works and the same was utilized for construction of a classroom block and a dormitory. The contract for the construction of classrooms was awarded to a Construction Company at a contract price of Kshs.11,381,108.60 on 14 June, 2011. However, the contract was later varied by Kshs.3,522,890.40 or about 31% to Kshs.14,903,999.00, contrary to Section 31(c) of the Public Procurement and Disposal Regulations, 2006. As at the time of the audit, the contractor had been paid the total contract sum of Kshs.14,903,999.00, less 10% retention fee. However, physical verification carried out revealed that floor furnishing, verandah and finishing works for the ramp had not been completed. No explanation was given for payment of incomplete works.

Construction Works at Muthale Girls School

1082. The School was allocated Kshs.25,000,000.00 during 2010/2011 for upgrading of learning facilities. Part of the contract was for construction of a 3 storey hostel. The labour contract was awarded for an amount of Kshs.2,872,005.00. The works were due for completion by 1 February 2012. Although the school had paid a total of Kshs.2,449,896.10, as at the time of audit, 2012, the works were still incomplete. No explanation has been given for the delay in completion of the works, seven (7) months after the deadline.

Kenyatta High School

1083. Kenyatta High School, Mwatate was also allocated Kshs.25,000,000.00 during 2010/2011 being grants for infrastructure improvement. The School Management used the funds during the year for rehabilitation of sixteen (16) classrooms, four (4) laboratories, one (1) administration block, seven (7) dormitories and one (1) dining hall kitchen complex at a contract sum of Kshs.11,849,600.20. Records maintained at the school revealed that the contract price was inflated by Kshs.602,039.05 to Kshs.12,451,639.30, to include additional invoices for painting of four (4) laboratories. The additional cost of Kshs.602,039.05 was however not justified and was therefore not a proper charge on public funds.

1084. The School Management also procured one hundred (100) desks from M/s Kitiwo Enterprises at Kshs.387,000.00 and charged the expenditure to the infrastructure grant. The Management however did not avail documents to support the procurement of the desks. Propriety of the expenditure of Kshs.387,000.00 could therefore not be confirmed.

Incomplete works at Malindi Boys High School.

1085. The school received Kshs.25,000,000.00 during 2010/2011 for the rehabilitation of various infrastructure in the school. The school management identified ten (10) projects estimated to cost Kshs.27,883,596.25. The school awarded labour contracts for builders work to two (2) contractors and supply of materials to four (4) suppliers. As at 30 June 2012, the school had paid a total of Kshs.25,876,035.40 to the labour contractors and suppliers of materials and equipment. Physical verification at the school in September, 2012 however revealed that the projects were between 0% to 50% levels of completion while 93% of the estimated cost has been paid. No explanation was provided for the low levels of completion of the projects in comparison with the expenditure incurred.

Economic Stimulus Funds at Kenya High School – Kshs.48,000,000.00

1086. The Kenya High School received in 2010/2011, a total of Kshs.48,000,000.00 under the Economic Stimulus Programme for the construction of three classrooms, expansion of dormitory, renovation of kitchen and infrastructure improvement of the dining hall. However, audit of expenditure documents and physical verification carried out revealed that the school utilized the whole amount on construction of staff living quarters (houses), contrary to the Ministry's approved projects. The School management has not explained the reasons for diversion of project funds from the original purpose.

Mary Hill Girls High School

Proposed Laboratory Block Project

1087. The School Management tendered for construction of the proposed laboratory block in April 2011 and awarded the work to M/s Igegania Builders at a cost of Kshs.14,979,002.00. Although the contract documents indicate that the project was to be completed in January 2012, as at February 2012, the project had not been completed and the contractor's performance bond of Kshs.14,979,002.00 had expired on 19 December 2011. By this time, the Institution had paid Kshs.7,417,901.00 against works done only up to first floor. No explanations were given for the delayed completion of works at the school.

Installation of Electrical Works – Kshs.2,904,292.00

1088. The School Management further awarded a contract for electrical installation works at a contract price of Kshs.2,904,292.00 which was more by Kshs.334,810.80 compared to the lowest evaluated bidder's price of Kshs.2,569,481.20. No justification was given for the action which resulted to a loss of Kshs.334,810.80 by the school.

Construction of Dormitory Block at Limuru Girls School

1089. During 2010/2011 the school received Kshs.25,000,000.00 for upgrading and rehabilitation of facilities. The School Management tendered for construction of a dormitory block and awarded a contract at a cost of Kshs.23,409,041.32 which differed with the price of Kshs.23,020,812.50 quoted by the contractor. The difference of Kshs.388,228.82 was occasioned by correction of errors during technical evaluation stage. The variation of contract price was however done without following the requirements of Section 63 of the Public Procurement and Disposal Regulations, 2006.

Overpayment to the Contractor

1090. Further, due to additional works, the contract was later varied from Kshs.23,409,041.32 to Kshs.26,700,812.50. However, the school paid a total amount of Kshs.29,200,812.50 to the contractor, resulting in an overpayment of Kshs.2,500,000.00

above the revised contract sum. Physical verification and discussions held with the project management team revealed that the works were incomplete at approximately 70% level of completion. The basis of the additional payment of Kshs.2,500,000.00 has not been explained.

1091. Further, the additional works were later stopped due to termination of the contract by the School Management. The Management then advertised for a contract for completion of Phase 1 of the upper block and ground floor. The contract was awarded at a cost of Kshs.3,531,324.20, an amount which was not in the original project cost. Under the circumstances, the School's expansion programme may not be realized as intended.

Procurement of Builders Works at Nairobi School

1092. During 2010/2011 financial year, the School received Kshs.25,000,000.00 for rehabilitation of school facilities. To facilitate the project, the School Management tendered for construction of a toilet block and associated electrical and civil works, and awarded the contract to the fourth lowest bidder at a cost of Kshs.531,190.00, instead of the lowest bidder who had quoted kshs.359,773.00. No explanation was given why the contract was not awarded to the lowest evaluated bidder which would have resulted to a saving of Kshs.171,417.00.

Unutilized Funds at Lenana High School

1093. An amount of Kshs.48,000,000.00 disbursed to Lenana High School during 2010/2011 had not been utilized for the intended purposes by the time of the audit inspection in September, 2012, sixteen months after the funds had been received. The school had received the funds based on development plan it had submitted to the Ministry and which was approved. The Plan included construction of Classrooms, Laboratories and a Dormitory. The School Management did not explain the reasons for not utilizing the funds for the intended purposes, and therefore denying the students opportunity to benefit from the facilities.

Irregular use of Funds Under GOK/ADB Education III Project

1094. The audit of financial statements of Education III project during the year revealed the following irregularities:-

Irregular Procurement of Works at Chepsaita Secondary School UasinGishu

1095. The Appropriation Account reflects under Head -310314- Item 2630200 an expenditure of Kshs.1,053,066.00 disbursed as capital grants to various Institutions during the year. The amount was used to fund construction of one (1) laboratory, one (1) classroom and one (1) pit latrine block at the school in May 2012. The Ministry of Public Works gave cost estimates of Kshs.870,000.00 for the classroom. The tender was however awarded to a contractor who quoted a cost of Kshs.2,048,990.00 which

exceeded Public Works estimates by Kshs.1,178,990.00 or about 136%. No explanation was provided for the irregular award.

Commitment of Unbudgeted funds at Friends School Masaba Secondary School – Trans-Nzoia

1096. The School Management instructed a contractor to commence works for construction of one (1) Laboratory block at a contract price of Kshs.3,187,150.90 during the year but without a budgetary provision for the works. As at 30 June 2012, the Contractor had completed the certified works valued at Kshs.1,823,270.00 and invoiced the school for the works. However, due to lack of funds, the school has been unable to pay the contractor for works done. The awarding of the contract was contrary to Section 26(6) of the Public Procurement and Disposal Act, 2005, which states that a procuring entity shall not commence procurement procedures until it is satisfied that sufficient funds have been set aside in its budget to meet obligations of the resulting contracts. No explanation has been provided for the unsatisfactory state of affairs.

Kenyan Teachers Training College

1097. The Appropriation Account for the year 2011/2012 reflects an expenditure of Kshs.115,143,402.00 under Head 310207, Item 3110200 - Construction of Buildings. Records available indicate that the amount includes Kshs.30,000,000.00 disbursed to Kenyan Teachers Training College, towards the construction of a tuition block and two dormitories. The work was scheduled to be completed by September, 2012 to facilitate admission of 420 students. However, as at the time of audit inspection in September, 2012, the tuition block and the two dormitories were 75%, 48% and 30% complete, respectively. No explanation has been provided for the delay in completing the works.

In addition, the College Management did not avail for audit verification, financial and stores records, including tender documents, copies of LPOs, bank statements, cash books, payment vouchers, cheque books and stores ledgers. Further, the College did not maintain relevant records for expenditures related to utilization of government grants amounting to Kshs.20,000,000.00 for construction of buildings.

Grants to Center for Mathematics, Science and Technology Education In Africa (CEMASTE) and Kagumo Teachers Training College

1098. The Appropriation Account also reflects expenditure of Kshs.239,571,870.00 under item 2630200 - Capital Grants to Government Agencies and other Levels of Government in respect to funds disbursed to CEMASTE, and Kshs.43,000,000.00 for Construction of Buildings both totaling Kshs.282,571,870.00. The Appropriation Account further reflects an additional amount of Kshs.15,000,000.00 disbursed to Kagumo Teachers Training College for construction works. However, financial statements or expenditure returns from the Institutions have not been availed for confirmation of receipt and proper utilization of the funds.

Misallocation of Kazi Kwa Vijana Programme Budgeted Funds - Ministry Of Water

1099. The Appropriation Account reflects approved estimated amount of Kshs.150,000,000.00 against nil expenditure under Head 200102 – Headquarters and Professional Services, Sub Head 0313 – Kazi Kwa Vijana Programme, Item 2211300 – Other Operating Expenses. The Notes to the Account indicate that the provision was erroneously transferred to the Ministry of Education from the Ministry of Water. No explanation was given as to why the error was not reported to Ministry of Finance-Budgetary Department for timely correction to avoid non-utilization of Kazi Kwa Vijana Programme funds during the year. This particular amount has also been omitted from the Appropriation Account for the year ended 30 June, 2012.

Grants to Semi-Autonomous Government Institutions

1100. The Appropriation Account also reflects Grants to Semi Autonomous Government Institutions which include Kshs.80,400,000.00 disbursed to Kenya Institute of Education (KIE) for development expenditure. A total of Kshs.579,834,810.00 was also released for recurrent expenditure bringing total grants paid to the Institute during the year to Kshs.659,784,810.00. However, the financial statements for KIE for the year ended 30 June, 2012 reflect total grants received from the Ministry of Education as Kshs.802,784,810.00. The variance of Kshs.147,000,000.00 between the two sets of records has not been reconciled or explained.

Expenditure on Computer Schools Programme

1101. The Appropriation Account further reflects under Sub Vote 3101 – General Administration and Planning, Head 310101 – Headquarters Administrative Services, Item 3111000 – Purchase of Furniture and General Equipment, expenditure of Kshs.389,067,768.00 against estimated figure of Kshs.430,000,000.00. The expenditure includes Kshs.334,077,500.00 disbursed to various schools for Economic Stimulus Project (ESP) Computer Schools Program for ICT facilities. The balance of Kshs.54,990,268.00 was incurred on monitoring of implementation of the programme in the schools, capacity building and sensitization activities. However, no expenditure returns have been given by the Ministry in support of usage of programme grants at the selected schools. Propriety of the expenditure of Kshs.389,076,768.00 therefore could not be confirmed.

Pending Bills as at 30 June, 2012

1102. Records maintained by the Ministry indicate that bills totaling Kshs.33,957,766.80 for 2011/2012 were not settled during the year but were instead carried forward to 2012/2013. Included in the amount are bills totalling Kshs.21,141,280.00 relating to the year 2009/2010 in respect to Economic Stimulus Programme. No explanation has been provided for the failure to settle the long outstanding bills.

Had the bills been settled and the expenditure charged to the financial statements for the year 2011/2012, the Appropriation Account for Vote D.31 for the year ended 30 June, 2012 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.769,043,609.50, instead of a net surplus of Kshs.803,001,376.30 now shown.

STATEMENT OF ASSETS AND LIABILITIES

Paymaster General (PMG) Account

1103. The Statement of Assets and Liabilities for Vote D.31 as at 30 June, 2012 reflects PMG Account balance of Kshs.80,008,707.65, while the Cashbook and the bank reconciliation statement reflect a balance of Kshs.135,348,165.25 and Kshs.134,717,165.15 respectively as at that date. No explanation or reconciliation has been provided for the differences among the three sets of records. Under the circumstances, the accuracy of the PMG balance reflected in the statement could not be confirmed.

1104. The Statement further reflects a GAV balance of Kshs.3,253,082,367.95 as at 30 June, 2012 which includes surplus for the year of Kshs.1,585,239,015.75. However, the figure differs with the net surplus of Kshs.1,704,508,275.70 reflected in the Development Appropriation Account for 2011/2012. The variance of Kshs.119,269,259.95 has not been reconciled or explained. In addition, the closing balance of Kshs.3,253,082,367.95 reflected in the Statement is not reflected in the Trial Balance as at 30 June 2012. Under the circumstances, the GAV balance as at 30 June, 2012 could not be confirmed.

1105. The Statement also reflects an amount of Kshs.3,242, 415, 223.75 against the Exchequer Account. The balance includes Exchequer under issue for the year of Kshs.547,535,953.75. Treasury records however reflect Exchequer under issues of Kshs.667,614,902.00 during the 2011/2012. The difference of Kshs.120,078,948.25 between the two set of records has not been reconciled or explained.

1106. The Statement further reflects a balance of Kshs.820,967,495.15 in respect of Suspense General Account brought forward from 2010/2011 which is indicated cleared during 2011/2012. However, no documents have been provided in support of the clearance. As a result, it has not been possible to confirm the validity and accuracy of the amount cleared. Further, the nil closing balance under this Account differs with the Trial Balance amount of Kshs.3,701,707,038.05 against the item. The variations between the two sets of records have not been reconciled or explained.

1107. The Statement also reflects a balance of Kshs.156,811,142.55 against Agency/District Suspense Account which differs from the balance of kshs.62,123,330.65 reflected in the Trial Balance as at 30 June, 2012 by Kshs.105,312,188.10. No explanation or analysis has been provided for the difference.

1108. The Statement further shows a balance of Kshs.5,022,677.50 against Temporary Imprest Account which differs from the balance of Kshs. 31,424,715.00 reflected in the Trial Balance. The difference of Kshs.26,402,037.50 has not been reconciled or explained.

1109. The Statement in addition reflects long outstanding debit and credit balances totalling Kshs.2,813,630,972.90 and Kshs.1,824,654,494.75 respectively which have been brought forward from previous years as shown below:-

Debits	Amounts Kshs.
Exchequer	2,694,879,270.00
Temporary Imprest	5,022,677.50
Agency	82,405,195.10
Miscellaneous	41,706.50
PMG	<u>31,282,123.80</u>
Total	<u>2,813,630,972.90</u>

Credits	
GAV	1,667,843,352.20
District Suspense	<u>156,811,142.55</u>
Total	<u>1,824,654,494.75</u>

No explanation has been provided for non clearance of these long outstanding balances from the books of accounts.

THE STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 31

Basis for Adverse Opinion

Paymaster General (PMG)

1110. The Statement of Assets and Liabilities as at 30 June, 2012 for Deposits reflects cash with Paymaster General balance of Kshs.166,227,232.25, which differs with the Cashbook balance of Kshs.165,421,618.45 by Kshs.805,613.80. In addition, the Cashbook balance of Kshs.165,421,618.45 includes cash on hand as at 30 June, 2012 of Kshs.714,351.70. It has not been explained why a huge cash balance was held on

hand instead of banking the same. Under the circumstances, the accuracy of the PMG balance as at 30 June 2012 could not be confirmed.

Temporary Imprest Account

1111. The Statement also reflects a debit balance of Kshs.1,192,021.15 in respect of Temporary Imprest as at 30 June 2012, which differs with the amount shown in the Trial balance of Kshs.2,372,940.00 as at the same date. The difference of Kshs.1,180,918.85 has not been reconciled or explained. Further, Temporary Imprest balance of Kshs.1,192,021.15 differs with the figure of Kshs.1,226,021.15 as per the supporting analysis. Under the circumstances, the accuracy and validity of Temporary Imprest balance as at 30 June 2012 could not be confirmed.

Headquarters Deposits

1112. The Statement also reflects Headquarters Deposit balance of Kshs.166,227,232.25 as at 30 June 2012, while analysis supporting the figure shows a balance of Kshs.164,788,147.95. The resultant difference of Kshs.1,439,084.30 has not been reconciled or explained.

Uncleared Balances

1113. As reported in the previous year, the Statement of Assets and Liabilities for Deposits 31 as at 30 June, 2012 reflects long outstanding debit and credit balances amounting to Kshs.7,013,729.10 and Kshs.7,065,280.55 respectively, against various accounts as indicated:

Debit balance	Amount (Kshs.)
Temporary Imprests	1,192,021.15
Agency-Ministry of Home Affairs	3,678,726.25
Agency-Suspense	293,393.75
Clearance Account (Research)	137,400.00
District Suspense	1,712,152.95
Funds and Schemes	35.00
	<u>7,013,729.10</u>
Credit balance	
Nararas Singh Trust Fund	2,202.00
Mrs Kamelgoan Bhatt Trust	15,412.50
Dulverton Scholarship Fund	3,441.25
Esso Scholarship Fund	196.55
Mombasa Non-Existing Deposits	294,792.70
Posting to Non-Existing Accounts	6,749,235.55
	<u>7,065,280.55</u>

No reason has been given for the non clearance of these long outstanding balances from the books of account.

1114. Included in the Statement are long outstanding liabilities in respect of Mombasa Non-existing Deposit of Kshs.294,792.70 and Posting to Non-existing Accounts of Kshs.6,697,684.10, which are not reflected in the trial balance. In the absence of details of the non-existing deposits totalling Kshs.6,992,476.80, accuracy of the balances reflected in the Statement could not be confirmed.

MINISTRY OF INFORMATION AND COMMUNICATION

FINANCIAL STATEMENTS FOR VOTE R.32

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Under-Collection of Appropriations-In-Aid

1115. The Appropriation Account for Vote R.32 for the year ended 30 June 2012 reflects under-collection of Appropriations-In-Aid of Kshs.6,000,000.00 or approximately 35% of the total estimated receipts of Kshs.17,000,000.00. The Under-collection occurred under Head 320102 – Directorate of Communication against which only Kshs.11,000,000.00 was realized out of Kshs.17,000,000.00 expected. No explanation in the form of a footnote to the Account has been provided for the under-collection.

Unsupported Expenditure - Rent and Rates

1116. The Appropriation Account reflects Kshs.57,508,605.00 in respect of Rent and Rates paid to Teleposta Pension Scheme, the Ministry's Landlord. However, no evidence was provided to indicate that a lease agreement has been signed between Teleposta Pension Scheme and the Ministry of Information and Communication since 28 February 2005. It was also not explained why a lease occupancy agreement has not been signed between the two parties for the last seven (7) years, and why payments have been made over the years without valid lease documents.

STATEMENT OF ASSETS AND LIABILITIES

1117. The Statement also reflects debit and credit balances which have been outstanding from the previous years as shown below:-

Debit	Balances Amount (Kshs.)
Exchequer Account	40,200.00
Advance Account	814,230.15
Temporary Imprests Account	163,370.00
District Suspense Account	1,023,587.25
Paymaster General Account	1,977,918.75
	<u>4,019,306.15</u>

Credit Balance

General Accounts of Vote **4,019,306.15**

No explanation has been provided for the failure to clear the long outstanding balances from the Ministry's books of account.

FINANCIAL STATEMENTS FOR VOTE D.32

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under Collections in Appropriations–In-Aid

1118. The Appropriation Account for Vote D.32 for the year ended 30 June, 2012 reflects gross under-expenditure of Kshs.1,335,030,675.90 or 26.9% of the approved estimates of Kshs.4,964,208,186.00, and under-collection of Appropriations-In-Aid of Kshs.1,200,000.00 or 100% of the estimated receipts. The under expenditure occurred across the Vote and was attributed to over estimation, delays in project implementation, non-remittance of expenditure returns from the Districts and fluctuations in prices of equipment earmarked for purchase. However, the under- collection of Appropriations-In-Aid under Item 1310201- Current Grants from Foreign Governments has not been explained. The Ministry has not indicated the measures it has taken to mitigate similar occurrence in future.

Capital Grants to Semi Autonomous Government Agencies

1119. The Appropriation Account for Vote D.32 reflects an amount of Kshs.55,000,000.00 under Head 320101, Item 2630201–Capital Grants to Semi-Autonomous Government Agencies-being disbursements made to Kenya Film Commission during the year ended 30 June, 2012. However, the audited financial statements of Kenya Film Commission for the same year reflects a figure of Kshs.128,217,506.00 in respect of grants from the Ministry. Available records indicate that the Ministry disbursed a total of Kshs.126,500,000 to Kenya Film Commission comprising of Kshs.55,000,000.00 and Kshs.71,500,000.00 from Vote D32 and Vote R32, respectively. The difference of Kshs.1,717,506.00 between Kshs.128,217,506.00 reflected in the Commissions records and Kshs.126,500,000 in the Ministry's records has not been reconciled or explained.

1120. The Appropriation Account further reflects an expenditure of Kshs.30,000,000.00 under Head 320101, Item 2630201–Capital Grants to Semi- Autonomous Government Agencies-representing amounts disbursed to Media Council of Kenya during the year. The audited financial statements of Media Council of Kenya for 2011/2012 however,

does not reflect the amount of Kshs.30,000,000.00 disbursed by the Ministry during the year. It is not clear why the grant of Kshs.30,000,000.00 has been omitted in the audited financial statements for 2011/2012 of the Media Council of Kenya.

STATEMENT OF ASSETS AND LIABILITIES

1121. The statement also reflects two Exchequer Accounts debit balances of Kshs.497,170,357.00 and Kshs.97,759,479.00, District Suspense Account credit balance of Kshs.179,174.35 and General Account of Vote credit balance of Kshs.597,811,357.25 relating to 2010/2011 and earlier years. No explanation has been given for failure to clear the long outstanding balances from the Ministry's records.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 32

Basis for Qualified Opinion

1122. The Statement of Assets and Liabilities for Deposits as at 30 June 2012 reflects a balance of Kshs.60,100,377.95 in respect of Paymaster General Account. However, the cashbook shows a cash and bank balance of Kshs.18,893,801.35 as at the same date. The difference of Kshs.41,206,576.60 between the two sets of records has not been reconciled or explained.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT

Basis for Adverse Opinion

1123. The Statement of Outstanding Obligations Guaranteed by the GOK reflects Outstanding Contingent Liabilities as at 30 June 2012 totalling Kshs.6,351,706,044.69 made up of Kshs.361,811,405.34 and Kshs.5,989,894,639.35 relating to ECD Canada loan to Telkom (K) Ltd and Government of Japan loan No.KEP 12 to Kenya Broadcasting Corporation, respectively. However, no supporting records were made available for confirmation of the loan balances as at 30 June 2012. Under the circumstances, the accuracy of the outstanding contingent liabilities as at 30 June 2012 of Kshs.6,351,706,044.69 could not be confirmed.

STATEMENT OF REVENUE FOR VOTE 32

Basis for Qualified Opinion

1124. The Statement of Revenue for the year ended 30 June, 2012 reflects actual receipts of Kshs.87,446,200.00 against estimated receipts of Kshs.145,275,430.00 resulting in under collection of Kshs.57,829,230.00 or about 40% of the expected receipts. Included in the receipts of Kshs.87,446,200.00 is Kshs.5,446,370.00 received from Kenya Film Classification Board (KFCB) in 2011/2012, Kshs.2,000,000.00 A.I.A and Kshs.1,256,100.00 received in 2012/2013 financial year. However, financial records of the Board indicate that revenue amounting to Kshs.9,305,590.00 was transferred to the Ministry during the year. The resultant difference of Kshs.603,120.00 represents revenue received from KFCB but omitted from the statement of Revenue for the year ended 30 June, 2012.

1125. The Statement of Revenue also reflects estimated receipts of Kshs.16,500,000.00 under Head 320140 in respect of Kenya Film Classification Board (KFCB) and Kenya Film Commission of Kshs.6,000,000.00 and Kshs.10,500,000.00 respectively. The financial statements of Kenya Film Commission for the year ended 30 June 2012 indicate that revenue amounting to Kshs.3,600,200.00 was collected by the Commission during the year. No evidence was however produced for audit confirmation of receipt of the revenue by the Ministry. Consequently, the Statement of Revenue is understated to the extent of the omission of revenue of Kshs.3,859,220.00 relating to Kenya Film Classification Board and Kshs.3,600,200.00 in respect to Kenya Film Commission that is not disclosed in the financial statement.

INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION (IEBC)

FINANCIAL STATEMENTS FOR VOTE 33

Basis for Adverse Opinion

Unconfirmed Grants – United Nations Development Programme (UNDP)

1126. The statement of comprehensive income for the year ended 30 June, 2012 reflects Other Income totalling Kshs.32,199,627.00 which comprise Appropriation-In-Aid of Kshs.18,053,897.00 and UNDP grants of Kshs.14,145,729.00. However, United Nations Development Programme (UNDP) grant of Kshs.14,145,729.90 had not been provided for in the Commission's estimated receipts during 2011/2012, contrary to Section 9.6.1 of the Government Financial Regulations and Procedures. In the absence of the provision, it has not been possible to ascertain how the funds received were absorbed and utilized by the Commission.

Communication, Supplies and Services

1127. The statement of comprehensive income also reflects a total expenditure of Kshs.52,771,730.00 incurred on Communications, Supplies and Services. The expenditure includes an amount of Kshs.416,400.00 incurred on internet services at the residences of Commissioners. This is contrary to guidelines issued through Office of the President Circular No. OP/CAB/15 of 5 March 2010 on economic utilization and efficient delivery of telephone services in the Public Sector.

1128. Further, the Commission did not adhere to expenditure ceilings on direct telephone lines as stipulated in the particular Office of the President Circular, resulting in over expenditure of Kshs.389,329.00 on direct telephone lines.

1129. In addition, monthly airtime allowances paid to the Chairman, Chief Electoral Officer and Commissioners at the rate of Kshs.50,000.00, Kshs.45,000.00 and Kshs.30,000.00 respectively, contravenes expenditure ceilings set out in the above referenced circular. Although it was explained that these rates were approved by Commissioners of the former Interim Independent Electoral Commission, no evidence was seen to confirm that the Commissioners consulted Treasury prior to the approval as stipulated in Section 3(2) of the National Assembly and Presidential Act, (Rev.2009).

Other Operating Expenses

1130. The statement of comprehensive income also reflects a total expenditure of Kshs.424,301,561.00 incurred on Other Operating Expenses during the year. The figure includes Kshs.153,104,000.00 in respect of advance payments made to various law

firms as legal fees for representing the Commission in boundaries delimitation dispute cases. The expenditure of Kshs.153,104,000.00 included Value Added Tax (VAT) payments totalling Kshs.21,280,000.00. No explanation was provided for paying VAT on advance payments. Further, the legal services were procured directly and no report was made to the Public Procurement Oversight Authority within 14 days after notification of the award, contrary to Section 62(3) of the Public Procurement and Disposal Regulations, 2006. In addition, the legal fees chargeable was negotiated at Kshs.2,000,000.00 per court case, but which was not approved by Commission's Tender Committee. Further, no contract document was provided to confirm the terms negotiated. Consequently, propriety of the expenditure of Kshs.153,104,000.00 incurred on legal fees during the year could not be confirmed.

Insurance Cost

1131. The statement of comprehensive income also reflects a total expenditure of Kshs.51,054,972.00 incurred on insurance costs and which includes an expenditure of Kshs.16,149,866.00 incurred on insurance of Commission vehicles. However, this contravenes Section 4(3) of the Insurance Act (Cap 405) - Insurance (Motor Vehicles Third Party Risks) which exempts Government Ministries/Departments from paying premiums for insurance cover on motor vehicles. Further, the debit note for the insurance cover of Kshs.12,078,591.00 was issued on 16 November 2011 while the Local Service Order was issued on 6 December 2011. Although it was explained that the Commissioners had approved the insurance of motor vehicles to mitigate risks related to the Commissioner's motor vehicles and that the expenditure was provided for in the budget, no proper justification has been provided for failure to comply with Section 4(3) of the Insurance Act (Cap 405) – Insurance (Motor Vehicles Third Party Risks).

Domestic Travel and Subsistence and Other Transportation Costs

1132. The statement of comprehensive income also reflects a total expenditure of Kshs.242,547,571.00 incurred on Domestic Travel, Subsistence, and Other Transportation Costs. However, the rates of subsistence allowance paid were higher than those stipulated in the Office of the Prime Minister, Ministry of State for Public Service Circular Ref. MSPS18/2A/(89) of 12 November 2009. Although it was explained that the rates were approved by the Commissioners, the approval was contrary to Section 20 of the Independent Electoral and Boundaries Commission Act, 2011 on remuneration and allowances for members and employees of the Commission.

Disbursement of Funds to Regional Offices

1133. Records maintained at the IEBC headquarters show that Kshs.758,946,416.00 was disbursed to the Commission's Regional Offices during the year. However, no expenditure returns from the Regional Offices were produced in support of the expenditure although the disbursements were directly charged to the respective

expenditure items. The Commission explained that expenditure returns were received from the Regional Offices upon which the expenditures were adjusted. However, no expenditure returns and respective adjustment journal vouchers were provided for audit verification. Under the circumstances, propriety and accuracy of the amount of Kshs.758,946,416.00 could not be confirmed.

Property, Plant and Equipment

1134. The statement of financial position as at 30 June 2012 reflects a net book value of Kshs.928,183,957.00 representing property, plant and equipment acquired by the defunct Interim Independent Electoral Commission (IIEC) during the years 2009 to 2012. The balance of Kshs.928,183,957.00 however does not include the value of property, plant and equipment inherited by the IIEC from the defunct Electoral Commission of Kenya (ECK). Under the circumstances, accuracy and completeness of the Commission's property, plant and equipment balance of Kshs.928,183,957.00 as at 30 June, 2012 could not be confirmed.

Computer Equipment

1135. The value of property, plant and equipment of Kshs.928,183,957.00 also includes computer equipment cost of Kshs.246,236,568.00 relating to computer equipment procured in 2009/2010, 2010/2011 and 2011/2012 financial years. However, no documents were availed to support this balance. Under the circumstances, the accuracy of computer net book value of Kshs.196,938,388.00 as at 30 June 2012 could not be confirmed.

Motor Vehicles

1136. The property, plant and equipment balance of Kshs.928,183,957.00 also includes the cost of motor vehicles of Kshs.452,565,791.00 as at 1 July 2011. However, no documents were availed to support amount of Kshs.452,565,791.00 which relates to 2010/2011 and earlier years. In addition, examination of the Commission's records showed that expenditure of Kshs.132,030,000.00 was incurred on procurement of twenty seven (27) motor vehicles during the year, but no Treasury authority was made available for audit confirmation. Also, no evidence was availed for confirmation of approval of this particular procurement by the Commission's Tender Committee. Consequently, the net book value for vehicles of Kshs.438,446,843.00 as at 30 June 2012 and propriety of expenditure incurred on purchase of motor vehicles during the year could not be ascertained.

Office Equipment

1137. The Statement also reflects under Note 2(i), a balance of Kshs.303,335,055.00 as at 1 July 2011 in respect of office equipment. The Commission however did not avail documentary evidence to support the balance of Kshs.303,335,055.00 Note 2(i) also

indicates that there was additional acquisition of office equipment at a cost of Kshs.6,537,752.00 during the year. However, records made available show that an expenditure of Kshs.7,703,955.00 was incurred on purchase of office equipment during the year. No explanation has been provided for the amount of Kshs.1,199,203.00 spent on procurement of office equipment not included in the statement of financial position as at 30 June, 2012. Consequently, the accuracy of the net book value for office equipment of Kshs.271,138,706.00 as at 30 June 2012 could not be confirmed.

Office Furniture and Fittings

1138. The statement also reflects under Note 2(i), a balance of Kshs.23,700,108.00 as at 1 July 2011 in respect of office furniture and fittings. The Commission however did not avail documentary evidence to support the balance of Kshs.23,700,108.00. In addition, Note 2(i) indicates that there was additional acquisition of office furniture and fittings at a cost of Kshs.1,054,200.00 during the year. However, records made available show that an expenditure of Kshs.29,884,179.00 was incurred on purchase of office furniture and fittings during the year. No explanation has been provided for the amount of Kshs.28,829,979.00 spent on procurement of office furniture and fittings not included in the statement of financial position as at 30 June, 2012. Consequently, the accuracy of the net book value for office furniture and fittings of Kshs.21,660,020.00 as at 30 June 2012 could not be confirmed.

Account Receivable (Car Loan)

1139. The statement of financial position as at 30 June 2012 reflects account receivable (car loan) balance of Kshs.26,192,965.00 in respect of the Commissioners' Car Loan Scheme debtors. However, the balance differs with the amount of Kshs.29,444,630.00 reflected under car loan scheme for Electoral Commissioner Fund Account as at 30 June 2011. No reconciliation or explanation has been provided for the variance of Kshs.3,251,665.00 between the two sets of figures. Under the circumstances, accuracy and validity of account receivable balance of Kshs.26,192,965.00 as at 30 June, 2012 could not be confirmed.

Account Receivable (ECK Recurrent)

1140. The statement of financial position as at 30 June 2012 also reflects account receivable (ECK Recurrent) balance of Kshs.4,420,710,916.55 which relates to uncleared assets reflected in the statement of assets and liabilities for Vote R.33 as at 30 June 2011. However, the balance includes an amount of Kshs.114,658,326.60 relating to General Suspense Account, but which differs with the figure of Kshs.900,985,091.00 reflected in the statement of assets and liabilities for Vote R.33 as at 30 June 2011. No reconciliation or explanation has been provided for the variance of Kshs.786,326,764.40.

Unconfirmed Cash and Bank Balances

1141. The statement also reflects cash and bank balance of Kshs.322,327,695.00 as at 30 June, 2012 representing funds held in various bank accounts operated by the Commission in Central Bank of Kenya and Kenya Commercial Bank. Documents made available for audit indicate that no Treasury approval was obtained before opening the nineteen (19) bank accounts at the Kenya Commercial Bank, contrary to Treasury letter referenced No.AG.3/110/vol.111(80) of April 2010 advising against opening the bank accounts. Further, apart from the recurrent cash book which reflected a closing balance of Kshs.876,664.35 as at 30 June, 2012, other cash books were not made available for confirmation of accuracy of the cash and bank balance of Kshs.322,327,695.00 as at 30 June, 2012.

1142. In addition, the recurrent cash book balance of Kshs.876,664.35 differs with the balance of Kshs.6,841,577.25 reflected under Note (5) to the financial statements. The difference of Kshs.5,964,912.90 has not been reconciled. Consequently, accuracy of cash and bank balances figure of Kshs.322,327,695.00 as at 30 June, 2012 could not be confirmed.

Bank Reconciliation Statements

1143. The Commission did not prepare bank reconciliation statements for cashbooks for the various bank accounts operated except Recurrent cashbook, contrary to Section 5.9.2.1 of the Government Financial Regulations and Procedures. A review of the bank reconciliation statement for the recurrent cashbook revealed payments in the bank statement not in the cashbook of Kshs.1,454,750.70, which includes Kshs.1,349,680.50 relating to 2009/2010 financial year. No explanation has been given for non clearance of these payments.

Accounts Payable (ECK Recurrent)

1144. The statement further reflects accounts payable (ECK Recurrent) balance of Kshs.4,420,710,916.55 which relates to uncleared liabilities reflected in the statement of assets and liabilities for Vote R.33 as at 30 June 2011. The figure include Kshs.55,216,680.90 relating to excess Appropriation –In- Aid (AIA) but which differs with the balance of Kshs.61,398,771.90 reflected in the statement of assets and liabilities for Vote R.33 as at 30 June 2011. In addition, the accounts payable (ECK Recurrent) figure of Kshs.4,420,710,916.55 does not include the General Suspense and Advances Accounts balances of Kshs.149,071,231.40 and Kshs.99.50 respectively. The accounts payable (ECK Recurrent) balance of Kshs.4,420,710,916.55 as at 30 June 2012 is therefore misstated.

Accounts Payable (ECK Deposit)

1145. The statement in addition reflects accounts payable (ECK Deposit) balance of Kshs.28,609,889.30 relating to liabilities reflected in the statement of assets and liabilities for Deposit 33 as at 30 June 2011. The balance includes Kshs.870,850.00 and Kshs.27,739,039.30 relating to deposits and suspense account balances which differs with balances of Kshs.179,918.00 and Kshs.27,098,176.30 respectively reflected in the statement of assets and liabilities for Deposit 33 as at 30 June 2011. No reconciliation or explanation has been provided for the variances.

Cash Flow Statement

1146. The cash flow statement for the year ended 30 June, 2012 reflects Kshs.1,286,808,797.00 in respect to Purchase of Fixed Assets while note 2(i) of the notes to the financial statements reflects a figure of Kshs.174,425.940.00, resulting to a variance of Kshs.1,112,382,857.00. Further, the format of the cash flow statement does not conform with IPSAS 2.

Under the circumstances, accuracy of the cash flow statement for the year ended 30 June, 2012 could not be confirmed.

POLITICAL PARTIES FUND

FINANCIAL STATEMENTS

Basis for Adverse Opinion

Presentation of financial statements

Components of Financial Statements

1147. The Treasury circular No.8/2012 of 5 September 2012 requires that financial statements for the year ended 30 June 2012 be prepared in forms and formats prescribed in the existing Government Financial Regulations and Procedures, and further outlines the minimum contents of the financial statements.

The financial statements for the Political Parties Fund for 2011/2012, presented for audit did not however, include the following contents:-

- (i) Introduction;
- (ii) Management Report;
- (iii) Statement of changes in net assets/equity; and
- (iv) Cash flow statement.

The presentation of the Fund's financial statements for 2011/2012 was therefore not in conformity with the Treasury guidelines on preparation of financial statements.

Inconsistency in the Presentation of Financial Statements

1148. According to Note 1 to the financial statements for the year ended 30 June 2012, the statements have been prepared in accordance with International Financial Reporting Standards (IFRS), while those for 2010/2011 were prepared in accordance with International Public Sector Accounting Standards (IPSAS). Lack of consistency in the presentation and classification of items in the financial statements from previous years to the current period is contrary to IPSAS 1.

In addition, the Fund Income and Expenditure Statement for the year ended 30 June 2012 shows under Notes 6 and 7, Distribution to Political Parties during the year. However, comparative information in respect of the previous financial year has not been disclosed under the notes.

Income and Expenditure Statement

Other Income

1149. The Income and Expenditure Statement reflects Other Income of Kshs.8,409,160.00 which includes amount of Kshs.3,467,950.00 not supported by receipt vouchers. Further, an amount of Kshs.2,309,000.00 included in other income was also received as Appropriation-In-Aid under Independent Electoral and Boundaries Commission (IEBC) Vote R.33. Under the circumstances, accuracy of Other Income figure of Kshs.8,409,160.00 reflected in the Fund Account cannot be confirmed.

Distribution to Political Parties 80%

1150. The Income and Expenditure Statement further reflects an expenditure of Kshs.237,537,251.25 relating to the 80% distribution to Political Parties. However, supporting documents made available indicate that only Kshs.236,484,333.05 was disbursed as 80% distribution to Political Parties. Consequently, the figure of Kshs.237,537,251.25 representing 80% distribution to Political Parties was overstated by Kshs.1,052,918.20.

Fund Operating Expenses

1151. The Income and Expenditure Statement also reflects an expenditure of Kshs.15,471,398.00 in respect to Fund Operating Expenses for the year 2011/2012. However, documents reviewed revealed that the expenditure includes an amount of Kshs.5,196,400.00 incurred under Independent Electoral and Boundaries Commission (Vote R.33). The expenditure of Kshs.5,196,400.00 has therefore been accounted for both under Independent Electoral and Boundaries Commission (Vote R.33) and Political Parties Fund. Further, expenditure of Kshs.1,322,008.99 included in the Fund Operating Expenses was not supported by any documentary evidence. Under the circumstances, accuracy of the Fund deficit for the year of Kshs.28,110,122,55 cannot be confirmed.

Balance Sheet as at 30 June, 2012

Fund Balance

1152. The Fund balance sheet as at 30 June 2012 reflects a fund balance of Kshs.49,858,287.50, representing funds not disbursed to Political Parties as at that

date. Although, the balance of Kshs.49,858,287.50 is indicated as including Kshs.48,928,770.18 due to Party of National Unity (PNU) and its affiliate parties, expenditure documents verified show that amount due to the Parties was fully disbursed in September 2011. Under the circumstances, accuracy of the fund balance of Kshs.49,858,287.50 as at 30 June, 2012 cannot be confirmed.

MINISTRY OF STATE FOR SPECIAL PROGRAMMES

FINANCIAL STATEMENTS FOR VOTE R.35

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

1153. Expenditure totalling Kshs.709,898,240.00 incurred under Head 350102- Relief and Rehabilitation, Item 2640200 – Emergency Relief and Refugee Assistance, was not supported by payment vouchers and other related records. Consequently, the propriety of the expenditure could not be ascertained.

Excluded Expenditure

1154. Expenditure totalling Kshs.724,630,000.00 which was charged against Head 350102, Item 2640200, although supported by payment vouchers and cash book entries, was not captured in the ledgers for the year 2011/2012. No explanation has been provided for the omission.

Discrepancies between the Appropriation Account and the Trial Balance

1155. The Appropriation Account reflects expenditure under four items which differs with the corresponding amounts shown in the trial balance as at 30 June 2012 as follows:

Head	Sub-Head	Item	Appropriation Account Kshs.	Trial Balance Kshs.
350102	0000	2210200	346,662.00	172,262.00
350102	0000	2211300	1,369,860,850.00	1,369,810,859.65
350102	0000	2640200	4,933,927,640.00	4,870,450,146.20
350101	0000	2640200	490,500.00	0

The accuracy of the appropriation account could not be ascertained.

Pending Bills

1156. Bills amounting to Kshs.538,164,501.75 relating to 2011/2012 and chargeable to the Recurrent Vote R.35 were not settled during the year but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account for the year ended 30 June 2012 would have reflected an excess vote of Kshs.425,688,302.50 instead of a net surplus of Kshs.112,476,199.25 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1157. The Statement of Assets and Liabilities for Vote R.35 as at 30 June 2012 reflects various brought forward account balances which differ with the closing balances reflected in the statement for 2010/2011 as follows:

Account	Brought Forward Balance Kshs.	Closing Balance in 2010/2011 Kshs.
Exchequer	Nil	159,747,845.00
Paymaster General	Nil	6,811,444.30
Imprests	740,535.00	1,820,214.00
General Account of vote	31,657,642.60	139,085,165.40
Excess A.I.A.	Nil	1,379,500.00
Headquarters Suspense	Nil	58,831,945.00

The accuracy of the Statement of Assets and Liabilities for Vote R.35 could not therefore be ascertained.

1158. The Statement also reflects a Suspense Account debit balance of Kshs.164,366,335.40 out of which an amount of Kshs.33,568,619.40 was not analysed. It has not been possible under the circumstances to ascertain the validity and accuracy of the balance.

1159. The Statement further reflects a General Account of Vote credit balance of Kshs.110,406,135.00 in respect of 2011/2012 while the Recurrent Appropriation Account for Vote R.35 for the same period recorded a net surplus of Kshs.112,476,199.25. No reconciliation or explanation has been provided for the difference of Kshs.2,070,064.25 between the two sets of records.

FINANCIAL STATEMENTS FOR VOTE D.35

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

1160. The Appropriation Account for Vote D. 35 for the year ended 30 June 2012 reflects expenditure figures under various items totalling Kshs.1,508,515,764.00 which do not agree with corresponding amounts totalling Kshs.33,393,926.10 reflected in the trial balance as at June 2012.

1161. The Appropriation Account, in addition reflects expenditure of Kshs.3,389,355.00, Kshs.1,463,754.00 and Kshs.4,213,147.00 on items 2210800 – Hospitality Supplies and Services, 2211300 – Other Operating Expenses and 2220100 – Routine Maintenance – Vehicles and other Transport Equipment respectively, which have not been captured in the Ministry's trial balance as at 30 June 2012.

1162. The Appropriation Account further reflects a net expenditure of Kshs.1,992,915,049.00 under Head 350105 - National Aids Council (NACC) which differs with the financial statements of the Council for 2011/2012 total receipts of Kshs.1,878,104,589.00 from the Ministry by Kshs.114,810,460.00. No reconciliation or explanation has been provided for the difference.

1163. The Appropriation Account reflects an expenditure of Kshs.650,204,456.00 against Item 2640500 – Other Capital Grants and transfers in respect of disbursements to the National Humanitarian Fund which also differ with the Funds Accounts total receipts for the period of Kshs.1,173,920,452.00 by Kshs.523,715,996.00 which has not been reconciled or explained.

1164. The Appropriation Account also reflects actual expenditure of Kshs.167,547,912.00 against Head 350109 – Western Kenya Flood Mitigation Project, which differs with an amount of Kshs.173,339,826.63 reflected in the project financial statements for the year ended 30 June 2012 by Kshs.5,791,914.63. No reconciliation or explanation has been provided for the difference.

1165. The Appropriation Account for Vote D.35 for the year ended 30 June 2012 reflects a gross under expenditure of Kshs.1,277,649,504.35 or about 23% of approved estimates of Kshs.5,535,681,900.00. The Account also reflects a deficiency in Appropriations-In-Aid collections of Kshs.334,193,800.70 or about 21% of the estimated receipts of Kshs.1,618,430,000.00. The Ministry, however, has not indicated the measures it has put in place to mitigate against the under-expenditure and under collection of Appropriations-In-Aid.

1166. The Total Net Expenditure of Kshs.2,953,535,838.00 reflected in the Appropriation Account D.35 as at 30 June, 2012 differs with the corresponding amount of Kshs.2,973,796,196.35 reflected in the Appropriation Account summary. The resultant difference of Kshs.20,260,358.35 has not been explained.

STATEMENT OF ASSETS AND LIABILITIES

1167. The Statement of Assets and Liabilities for Vote D. 35 as at 30 June 2012 excludes the following brought forward account balances reflected as closing balances in the audited statement for 2010/2011.

Account	Assets – Kshs.	Liabilities – Kshs.
Exchequer	277,694,762.40	
Paymaster General	26,437,336.00	
Imprest	41,000.00	
Suspense	22,926,325.00	
General Account of Vote		327,099,423.40
Total	<u>327,099,423.40</u>	<u>327,099,423.40</u>

No justification has been provided for this anomaly.

1168. The Statement also reflects a balance of Kshs.113,459,378.00 in respect of Suspense Account which, however, has not been supported with analysis and documentation. Consequently, the accuracy and validity of the account balance could not be ascertained.

1169. The Statement reflects a General Account of Vote balance of Kshs.979,904,214.00 which differs with the Appropriation Account for Vote D. 35 net surplus of Kshs.943,455,703.65 for the year ended 30 June 2012. No reconciliation or explanation has been provided for the difference of Kshs.36,448,510.35 between the two sets of records.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 35

Basis for Disclaimer of Opinion

1170. The Statement of Assets and Liabilities for Deposits 35 as at 30 June 2012 reflects under assets and liabilities, a Paymaster General and Deposits Account brought forward balances of Kshs.11,888,411.40 which differ with the closing balances of

Kshs.11,900,104.25 shown in the audited statement for 2010/2011 by unsupported and unexplained Kshs.11,692.85 difference. Consequently, the accuracy of the closing balance could not be ascertained.

1171. The statement's Deposits Account credit balance of Kshs.12,803,436.05 includes amounts of Kshs.11,888,411.40 relating to 2010/2011 and earlier years which has not been supported with analysis and documentation. As a result the validity and accuracy of the balance could not be ascertained.

STRATEGIC GRAIN RESERVE TRUST FUND

Basis for Qualified Opinion

Control Weaknesses

1172. In the reports for the two preceding financial years, reference was made to the following operational and management weaknesses in respect of the Fund.

1173. The Fund did not have an independent monitoring and evaluation mechanism for confirming transactions involving its stock, managed by the National Cereals and Produce Board (NCPB). Consequently, payments for the services rendered were made against invoices, statements and schedules submitted by NCPB without such claims being assessed, evaluated and tested by the Management of the Fund.

1174. The Fund did not 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 did not also enter into operational contracts for each operation as provided for under Article 9 of the Agency Agreement.

1175. The Fund and NCPB did not 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 provided to show that the Fund participates in the annual stock taking exercises, which is provided for under Article 8 of the Agreement.

1176. A review of the position in 2011/2012 revealed that no meaningful progress has been made to remedy these weaknesses.

Stocks

1177. The Balance Sheet as at 30 June 2012 reflects a stock balance of Kshs.5,634,103,003.75 made up of 2,197,103 bags of maize. However, the stock sheets in support of the balance have not been made available for audit. Consequently, the existence, completeness and accuracy of the balance could not be confirmed.

Accounts Receivable

1178. The Balance sheet further reflects an Accounts Receivable balance of Kshs.6,844,720,613.00 due from Famine Relief Account and which includes an amount of Kshs.6,373,500,000.00 relating to 2010/2011 financial year. No reasons have been provided for failure to recover the long outstanding debt.

FAZA FIRE DISASTER FUND

Basis for Qualified Opinion

1179. The total expenditure of Kshs.2,076,498.65 reflected in the statement of Receipts and Expenditure for the year ended 30 June 2012 includes expenditure totaling Kshs.2,072,700.00 which were not supported by payment vouchers and other records. Consequently, the propriety of expenditure of Kshs.2,072,700.00 could not be ascertained.

NAKUMATT/MOLO FIRE VICTIMS FUND

Basis for Qualified Opinion

1180. Interest Income totalling Kshs.4,332,027.72 earned from the fixed deposits held at the Equatorial Bank was not captured and accounted for in the Receipts and Expenditure Statement for the year ended 30 June 2012. Consequently, the total receipts of Kshs.75,376,571.40 reflected in the Statement is understated by a similar amount.

FINANCIAL STATEMENTS FOR THE NATIONAL HUMANITARIAN FUND

Basis for Disclaimer of Opinion

1181. The comparative information presented under year 2010/2011 in the financial statements for the year ended 30 June 2012 differs with the closing account balances shown in the audited financial statements for 2010/2011 as follows:

(a) Statement of Income and Expenditure

Account	Comparative Balance	Closing Balance
	Under year 2010/2011	in 2010/2011
	Kshs.	Kshs.
Exchequer Receipts	145,752,243.00	-
Balance B/f (PMG)	-	364,856,417.00
Donations	1,872,000.00	1,000,000.00
Unspent Funds	-	18,012,935.05
Balance B/f (Co-op Bank)	-	538,604,648.30
Direct Payments (CBK)	-	37,335,672.35
District Commissioners		
Expenditure	2,362,970.90	50,400,770.90
Regional Coordinators Expenditure	25,084,365.70	27,694,190.30
Expenditure through Imprests	-	2,771,994.00
Headquarters Facilitation	51,551,166.35	-
Excess of Income over Expenditure	68,625,740.05	420,402,020.75

(b) Statement of Assets and Liabilities

Bank Balances/PMG	390,692,507.90	373,839,470.25
Suspense	69,874,137.45	46,562,550.50

1182. Although it has been explained that the above discrepancies were brought about by correction of prior period errors in the year 2011/2012, no disclosure has been made in the financial statements concerning the nature of each error and the line item(s) being affected by the error.

1183. It has not been possible in the circumstances to confirm or validate the balances restated in the comparative information presented.

1184. The Fund's Statement of Assets and Liabilities as at 30 June 2012 reflects a Suspense (A.I.Es) Account debit balance of Kshs.410,334,540.40 relating to Authority to Incur Expenditure (A.I.Es) sent to various Ministries, Regional Coordinators and District Commissioners for resettlement of the Internally Displaced persons (I.D.Ps). However no proper analyses and expenditure returns were submitted for audit in support of the balance of Kshs.410,334,540.40. Consequently, the validity, existence and accuracy of the balance could not be ascertained.

1185. The Statement of Assets and Liabilities also reflects a Suspense Account (Task Force) debit balance of Kshs.141,202,570.25 which includes an amount of Kshs.70,000,000.00 borrowed from the Fund Account to fund the activities of a task

force in the Ministry. No explanation has been provided for failure to refund the amount to the Fund Account.

1186. The Statement of Assets and Liabilities also reflects a credit balance of Kshs.18,396,494.00 against a Suspense Account that was not supported. In the circumstances, the accuracy and validity of the balance could not be ascertained.

1187. According to Treasury Circular Ref: AG:3/088/VOL.6(19) dated 27 May 2011 the statements in respect of fund accounts shall include an income and expenditure statement, a cashflow statement and a balance sheet as at the end of the financial year. However, the Humanitarian Fund Accounts submitted for audit did not include a cashflow statement contrary to the above circular.

MINISTRY OF LANDS

FINANCIAL STATEMENTS FOR RECURRENT VOTE 36

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

1188. I was unable to confirm the propriety of expenditure totalling Kshs.39,767,177.00 under Head 360101 – Headquarters Administrative Services relating to Printing, Advertising and Information Supplies and Services – Kshs.1,503,092.00 and purchase of office Furniture and General Equipment -Kshs.38,264,085.00 because of lack of supporting documentary evidence.

Pending Bills

1189. Bills amounting to Kshs.773,425.00 chargeable to Vote R.36 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Failure to settle bills in the year they relate to distorts the financial statements for that year and adversely affects accounts for subsequent year to which expenditure would have to be charged.

STATEMENT OF ASSETS AND LIABILITIES

1190. The Statement of Assets and Liabilities for Vote R.36 as at 30 June 2012 reflects the following brought forward account balances relating to 2010/2011 and earlier years which were not cleared in the year 2011/2012.

Account	Balance (Kshs.)
• Exchequer	249,451,910.00 Dr
• District Suspense	42,943,038.73 Dr
• G.A.V	190,826,266.45 Cr
• Excess A.I.A	159,402,034.10 Cr

No reasons have been provided for failure to clear these long outstanding balances.

1191. The Statement reflects a Temporary Imprests Account debit balance of Kshs.2,106,279.20 which differs with the Ministry Imprests Register's balance of Kshs.2,154,446.50 by Kshs.48,167.30. The difference has not been reconciled or

explained. In addition, no reasons have been given for failure by officers to surrender or account for the imprests on or before 30 June 2012 as required under the Government Financial Regulations and Procedures.

1192. The Statement also reflects a District Suspense Account debit balance of Kshs.49,692,695.75 which has not been supported with analysis and documentation. Consequently, the completeness, accuracy and validity of the balance could not be ascertained.

1193. The Bank Reconciliation Statement for Vote R.36 Cash book reflects payments in bank statement not recorded in cash book totalling Kshs.48,529,640.50 relating to periods between 11 June 2008 and 26 April 2012 and Kshs.54,303,010.70 receipts in bank statement not recorded in the cash book that include amounts of Kshs.45,072,637.45 relating to the period between 6 July 2011 and 29 March 2012. This has in effect under stated payments and receipts with the unrecorded amounts, respectively in these financial records. The Ministry has not provided justification for these anomalies.

FINANCIAL STATEMENTS FOR DEVELOPMENT VOTE 36

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

1194. I was unable to ascertain the propriety of expenditure totalling Kshs.84,412,189.00 charged to Headquarters Administrative Services against, Hospitality Supplies and Services, Routine Maintenance (other assets) and Construction of Buildings because of lack of adequate supporting documentation.

Unsupported Expenditure

1195. I was also unable to verify other expenditure amounting to Kshs.14,886,298.00 incurred on hospitality supplies and services and printing, advertising and information supplies and services due to lack of adequate supporting documentation.

Under-collection of Appropriation-In-Aid

1196. The Appropriation Account for Vote D.36 for the year ended 30 June 2012 reflects under-collection of Appropriation-in-Aid of Kshs.81,226,100.00 representing 100% of the estimated receipts. The under-collection is mainly attributed to failure by Development Partners to release grants or submit expenditure returns. The Ministry

has not, however, indicated the measures it has taken to address this unsatisfactory situation which was similarly reported in the previous financial year.

STATEMENT OF ASSETS AND LIABILITIES

1197. The Statement of Assets and Liabilities for Vote D.36 as at 30 June 2012 reflects a General Account of Vote balance of Kshs.351,978,641.30 which includes an amount of Kshs.255,888,268.75 relating to 2010/2011 and prior years. No explanation has been provided for failure to clear the long outstanding balance for the previous years.

1198. The Statement also reflects a District Suspense Account credit balance of Kshs.26,224,598.05 which has not been supported by analysis or documentation.

1199. The Statement further reflects an Exchequer Account brought forward balance of Kshs.239,777,400.00 relating to 2010/2011 and earlier years which has remained uncleared during the year under review.

1200. The Bank Reconciliation Statement for the Development Cash book as at 30 June 2012 reflects receipts in bank statement not recorded in cash book totalling Kshs.10,877,092.50 out of which, an amount of Kshs.2,095,196.55 relates to the period between 16 October 2009 and 20 September 2011. The Statement also reflects Electronic Funds Transfer (EFT) payments in bank statement not recorded in cash book totalling Kshs.156,546,760.40 relating to the period between 26 February 2010 and 08 June 2012. This has resulted in the understatement of receipts and payments in these financial records. No explanation has been given for failure to update the cash book with these payments. In the circumstances, accuracy of the account balances as reflected in the statement of Assets and Liabilities for Development –D.36 as at 30 June, 2012 cannot be ascertained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 36

Basis for Qualified Opinion

1201. In the previous year's audit report, reference was made to the unreconciled or unexplained difference of Ksh.69,667,853.35 between the Cashbook and the Paymaster General Account balance as at 30 June 2011 and unsupported eight credit balances amounting to Kshs.196,030,966.75. These audit issues were similarly not cleared or explained in the year 2011/2012.

1202. The Statement of Assets and Liabilities for Deposits 36 as at 30 June 2012 reflects twelve credit balances amounting to Kshs.156,697,314.40 as shown below which have not been supported with analysis and documentation.

Account	Balance Kshs.
10% Retention Money	40,810,617.50
Tender Money	17,742,812.60
Contribution In Lieu of Rates	6,530,356.80
Personal Deposits	836,352.30
Deposit for Plots	228,004.40
Roads and Drains	276,155.00
Professional Fees Survey	2,486,467.00
Professional Fees Valuer	21,398,011.00
Professional Fees Estate	4,883,261.00
Project Exam Fee	607,235.00
Stamp Duty	841,709.00
Revenue	<u>60,038,332.80</u>
Total	<u>156,697,314.40</u>

In the circumstances, the validity, completeness and accuracy of the above account balances could not be ascertained.

1203. The Statement reflects a Clearance Deposit Account credit balance of Kshs.1,050,921,826.80 which includes an amount of Kshs.643,705,799.80 that has also not been supported with analysis and documentation. The accuracy validity and completeness of the Kshs.1,050,921,826.80 balance cannot be ascertained.

1204. The Statement also reflects Registration/Library Fee Account brought forward credit balance of Kshs.4,250,219.40 that has been reduced by an amount of Kshs.3,612,901.40 during the current year. The reduction, however, has not been supported by records and documentary evidence. Consequently, it was not possible to confirm the accuracy and validity of the Registration/Library fee account balance of Kshs.637,318.00 as at 30 June 2012.

TOWNSHIP ROADS AND DRAINS ACCOUNTS

Basis for Disclaimer of Opinion

1205. In the audit report for 2010/2011 and prior years, reference was made to an unsupported book entry of Kshs.361,196,634.45 dated 30 September 2005 used to clear accumulated deficit of Kshs.345,585,533.65 against Township Roads and Drains Accounts as at 30 June 2004. The Treasury in January 2012 declined to grant the Ministry authority to write off the deficit hence the accuracy of the opening and closing balances of the financial statements, for the year ended 30 June, 2012 could not be ascertained.

1206. The Income and Expenditure Account for the year ended 30 June 2012 reflects total income of Kshs.40,000.00 which was not supported with documentary evidence. Consequently, the completeness and validity of the income could not be ascertained.

1207. The Ministry did not maintain a cash book and did not prepare bank reconciliation statements to support the Kshs.276,155.00 cash at bank balance as at 30 June, 2012. Consequently, the accuracy and existence of the bank balance could not be confirmed.

1208. The Ministry did not prepare a cash flow statement as required by Treasury Circular Ref.AG 3/088/VOL.6 (19) dated 27 May 2011 or incorporate a statement of accounting policies followed in preparing the Township Roads and Drains Accounts as provided for under Section 81(2) (e) of the Public Finance Management Act, 2012.

1209. Contrary to the requirements of Government Financial Regulations and Procedures, the financial statements of the Township Roads and Drains Accounts have not been prepared and presented in accordance with Government Financial Regulations and Procedures Sec. 11.10.3 and the Generally Accepted Accounting Principles. They exclude notes to the accounts, disclosure of significant accounting policies, comparable prior year's figures among others. Consequently, they do not provide relevant, reliable, comparable and understandable information.

STATEMENT OF OUTSTANDING GOVERNMENT OF KENYA LOANS ISSUED TO SETTLEMENT FUND TRUSTEES

Basis for Disclaimer of Opinion

1210. The Statement of Outstanding Government of Kenya Loans issued to Settlement Fund Trustees as at 30 June 2012 reflect outstanding balance of Kshs.15,642,475.03 (2010/2011 Kshs.18,260,935.63) while records maintained at the Treasury show a figure of Kshs.87,755,322.41 (2010/2011- Kshs.89,710,460.90). The balance reflected in the statement also differs with the total amount of Kshs.15,764,811.72 shown in the Loans Register maintained by the Ministry. The resultant differences of Kshs.72,112,847.38 and Kshs.122,336.69, respectively, among the three sets of records have not been reconciled or explained.

LAND REVENUE STATEMENT

Basis for Disclaimer of Opinion

1211. The estimated receipts reflected in the Land Revenue Statement for the year ended 30 June 2012 differs with the approved amounts shown in the Printed Estimates of Revenue for 2011/2012 as follows:

Item Code	Description	Estimated Receipts Kshs.	Approved Amounts Kshs.	Difference Kshs.
1130101	Stand Premia	156,000,000.00	149,940,537.00	6,059,463.00
1410401	Land Rent	1,321,657,888.00	1,302,637,727.00	19,020,161.00
1410406	Sale of Freehold Int. in Agri. Land	198,000.00	427,001.00	670,999.00
1420203	Other Land Revenue	206,821,189.00	0.00	206,821,189.00
1420204	Land Registration	78,389,691.00	Not Provided	78,389,691.00
1420219	Land Valuation	27,065,081.00	Not Provided	27,065,081.00

No justification has been provided for these discrepancies.

1212. The item codes numbers for some revenue items shown in the Statement also differs with the Printed Estimates of Revenue as follows:

Item Code in the Revenue Statement	Item Code in the Printed Estimates	Description
1130101	1130100	Stand Premia
1420206	1420204	Land Adjudication & Case Fees
1420204	Not Provided	Land Registration Fees
1420219	Not Provided	Land Valuation
1410406	1420205	Sale of Freehold Interest In Agricultural Land

No explanation has been provided for these anomalies.

1213. The Land Revenue Statement reflects actual receipts of Kshs.7,479,953.00 under Item 1420219-Land Valuation. However no documentary evidence has been provided in support of the receipts.

1214. The Statement reflects that, out of Kshs.1,865,428,542.15 total receipts received during the year under review, an amount of Kshs.691,137,797.05 was paid to the Exchequer and Kshs.1,114,252,413.30 remitted to Kenya Revenue Authority leaving a

carried forward cash balance of Kshs.60,038,332.80 as at 30 June 2012. However, documentation in support of these remittances have not been provided for audit review. Information available indicates that Treasury received a total of Kshs.1,627,482,108.80 from the Ministry of Lands during the year resulting to a shortfall of Kshs.177,908,101.55 that has not been reconciled or explained.

1215. The Statement excludes Revenue on Hand of Kshs.78,298,275.05 brought forward from Revenue Statement as at 30 June 2011. The whereabouts of the revenue cash has not been clarified.

1216. Similarly as reported in the previous year, the Statement does not reflect arrears of revenue and revenue abandoned as at 30 June 2012. Consequently it has not been possible to establish the status of arrears of revenue totalling Kshs.8,362,494,049.00 recorded in the Ministry of Lands books of account as outstanding as at 30 June 2009.

AGRICULTURAL SETTLEMENT FUND TRUSTEES

FINANCIAL STATEMENTS FOR 2007/2008

Basis for Disclaimer of Opinion

Accuracy of Financial Statements

Failure to Disclose Financial Reporting Framework

1217. The financial reporting framework used to prepare and present the financial statements was not disclosed. In addition, accounting policies applied and other explanatory notes were not included in the financial statements. Consequently, the financial statements are not understandable or reliable.

Failure to Prepare Cash Flows statement

1218. The financial statements were not accompanied by a cash flows statement contrary to Treasury circular ref/AG 3/088/Vol.6(9) dated 27 May 2011. No reason was provided for this omission.

Late Submission of Financial Statements

1219. Contrary to the requirements under Section 6(4) of the Public Audit Act, 2003 the Fund's Financial Statements for 2007/2008 were submitted on 12 January 2012, three years and four months after the statutory deadline.

Unanalyzed Balances

1220. The Balance Sheet reflects various balances which were not analyzed as detailed below:-

Details	2007/2008
Current Assets	Amount (Kshs.)
Cane Development (Cost Suspense)	(5,139,966.55)
Other Recoverable Expense	9,820,460.00
Other Debtors-General	32,317,073.60
Advances	10,591,767.50
Suspense –Debt items	64,507,005.05
Trade Investments	59,263,386.65
Agency Accounts	299,050.05
Current Liabilities	
Reserves for Bad Debts	6,602,797.20
Provisions	150.00
Deposits	74,947,704.60
Other Creditors	3,150,139.35
Accrued Interest on Loans	(6,000.00)
Suspense	(98,496,975.52)
Clearance Accounts	659,157.80
Funds Drawn from Treasury	5,150,814.20
Agency Accounts	200.00

In the absence of analyses, it was not possible to ascertain the completeness, existence, accuracy and validity of the balances or establish what they represented.

Fixed Assets

Fixed Assets and Loose Assets

1221. The Fund's Balance Sheet for 2007/2008 reflects Fixed and Loose Assets balance of Kshs.42,071,082.45 and a further Kshs.2,263,415,373.40 against Purchase of Properties in the year. The balance Sheet also reflects Kshs.2,944,774.60 and Kshs.70,268,733.65 against Sale of Fixed and Loose Assets and Sale of Properties respectively. However, no Assets Register was maintained for the fixed assets during the year and as a result the accuracy of the above balances could not be confirmed.

Land on Hand

1222. As reported in the year,2006/2007, the Balance Sheet reflects a Land on Hand balance of Kshs.194,335,540.35. The Balance Sheet in addition reflects a balance of Kshs.130,000,000.00 in respect of Land Purchase Grant – Purchase of Properties. The Ministry did not however provide details pertaining to the ownership, location, acreage or value of the land on hand. In addition, no analysis was given in support of grant figure. In the absence of these documents and other details, it was not possible to confirm the accuracy, existence, ownership and value of the Land on Hand and Land Purchase Grant shown in the Balance Sheet.

Current Assets

Land Loan, Development Loan and Rescue Loans Issued

1223. The Balance Sheet shows land loan issued of Kshs.280,142,713.95, Development Loan issued of Kshs.1,231,710,602.80 and Rescue Loan issued of Kshs.550,018.60.

1224. Further, the Balance Sheet also shows Land Loan Principal billed of Kshs.324,239,196.83, Development Loans Principal billed of Kshs.188,107,050.50 and Rescue Loan Principal of Kshs.240,197.90.

1225. The Loans Registers and other records were not however provided for audit review. Therefore, it was not possible to ascertain the existence and accuracy of the balances or determine what such balances represented.

Imprests

1226. The Balance Sheet similarly show various imprest balances amounting to Kshs.2,003,488.00. No reasons were given for non-recovery of the imprests.

Cash Book Control Account

1227. The Balance Sheet reflects Cash Book Control Account balance of Kshs.252,055,656.20 for the year 2007/2008. However, no bank reconciliation statements as at 30 June 2008 were provided for audit review and as a result, the accuracy of the balances could not be ascertained.

Billed Amounts-Settlers and Loan Repayment-Collections

1228. The Balance Sheet also shows under Current Assets, debit and credit amounts in respect of Billed Amounts - Settlers and Loans Repayment-Collection of Kshs.1,292,007,125.80 and Kshs.1,422,664,597.23 respectively. However, no registers or analyses were provided to identify individual settlers and their respective loans and/or repayments.

Loans Received and Redeemed

1229. The Balance Sheet also reflects various balances under Long Term Liabilities Loans Received debit and Loans Redemption credit balance of Kshs.362,243,391.65 and Kshs.339,535,891.00 respectively.

However, these balances were not supported or analysed and therefore the validity and accuracy of the balances could not be ascertained.

Equity

Revolving Fund –Seasonal Loans

1230. The Balance Sheet show Equity, Revolving Fund – Seasonal Loans balance of Kshs.1,733,741.20. The relevant Fund Registers were not however provided for audit review and as a result, the validity and accuracy of the balances could not be ascertained.

Reserves

1231. The Balance Sheet further show Retained Reserve balances brought forward of Kshs.361,820,536.94 relating to accumulated funds and a Net Loss of Kshs.44,767,896.53 for the year. However, the accuracy of these balances is doubtful in view of the inaccurate and unanalysed account balances for the current and previous years.

Land Purchase Grant Reserve

1232. The Balance Sheet reflects under Equity, Land Purchase Grant Accumulated reserve balance of Kshs.2,512,047,706.35. However, no records were provided to support the balance. Its accuracy and completeness could not be confirmed.

The Income and Expenditure Statement

1233. The Income and Expenditure Statement for year ended 30 June 2008 reflect income under land loan interest and settlement revenue of Kshs.13,400,924.17 and Kshs.42,152,470.40 respectively.

However, in the absence of the analysis, the accuracy and completeness of the balances could not be ascertained.

1234. The Income and Expenditure Statement also reflects interest payable on loans (losses and write off), miscellaneous expenses and administration grant (miscellaneous expenses) of Kshs.1,544,857.42, Kshs.663,494.65 and Kshs.27,402,266.70 respectively.

In the absence of the analysis, the accuracy of the Income and Expenditure statement could not be ascertained.

AGRICULTURAL SETTLEMENT FUND TRUSTEES

FINANCIAL STATEMENTS FOR 2008/2009

Basis for Disclaimer of Opinion

Accuracy of Financial Statements

Failure to Disclose Financial Reporting Framework

1235. As reported in the previous year, financial reporting framework used to prepare and present the financial statements was not disclosed. In addition, accounting policies applied and other explanatory notes were not disclosed or provided. Consequently, the financial statements are not understandable or reliable.

Failure to Prepare Cash Flows Statement

1236. The financial Statements were not accompanied by a cash flows statement contrary to Treasury Circular ref/AG.3/088/VOL.6(9) dated 27 May 2011. No reason has been provided for this omission.

Late Submission of Financial Statements

1237. Contrary to the requirements under Section 6(4) of the Public Audit Act, 2003 the Fund's Financial Statements for 2008/2009 were submitted for audit late on 12 January 2012, almost 2 years and four months after the statutory deadline.

Unanalyzed Balances

1238. As also reported in the previous year 2007/2008, various balances under Current Assets, Current Liabilities and Long Term Liabilities which were neither analysed nor supported with relevant records.

Details	2008/2009 Amount (Kshs.)
Current Assets	
Cane Development- Suspense	(5,139,966.55)
Other Recoverable Expense	9,820,460.00
Other Debtors-Debtors General	32,317,073.60

Advances	10,591,767.50
Suspense –Debt items	64,507,005.25
Trade Investments	59,263,386.65
Agency Accounts	299,050.05

Current Liabilities

Reserves for Bad Debts	6,602,797.20
Provisions	150.00
Deposits	78,655,974.15
Other Creditors	3,150,139.35
Accrued Interest on Loans	(6,000.00)
Suspense – Credit Items	(114,568,640.67)
Clearance Accounts	6,595,157.80
Funds Drawn from Treasury	5,150,814.20
Agency Accounts	200.00

Long Term Liabilities

Loans Received	362,243,391.65
Loan Redemption	(341,237,412.00)

In the absence of analyses, it was not possible to ascertain the existence, accuracy and validity of the balances or establish what they represented.

Fixed Assets

Fixed Assets and Loose Assets

1239. The Fund's Balance Sheet for 2008/2009 reflects Fixed and Loose Assets balance of Kshs.42,665,607.45. The balance Sheet also reflects Sale of Fixed and Loose Assets of Kshs.(2,944,774.60). However, no Fixed Assets Registers were maintained for the assets during the year and as a result the accuracy of the above balances could not be confirmed.

Purchase/Sale of Properties

1240. An amount of Kshs.2,263,415,372.40 is reflected in the Balance Sheet against Purchase of Properties during the year. During the same period, an amount of Kshs.(98,349,945.55) was recorded in respect of sale of properties. However, Registers for the properties purchased or sold properties were not produced for audit verification, in the absence of which it was not possible to confirm the completeness and accuracy of the amounts reflected as bought or sold.

Land on Hand

1241. As reported in the previous year documents and details pertaining to ownership, location, acreage, or value of the Land on Hand balance of Kshs.194,335,540.35 have not been availed for audit. In the absence of these documents and other details of the land, it was not possible to confirm the existence, ownership and value of the Land on Hand as shown in the balance sheet.

Land Purchase Grant-Purchase of Properties

1242. As reported in the previous year the balance of Kshs.130,000,000.00 in respect of Land Purchase Grant-Purchase of Properties, no documents or analysis were provided to show what the amount represented.

Current Assets

Land Loan, Development Loan and Loans Issues

1243. Further, as reported in the previous year, Loans Registers and other records were not provided for audit review for loans issued as shown below:-

Details	Amount (Kshs.)
Land loan issued	280,142,713.95
Development loan issued	231,710,602.80
Rescue loan issued	550,018.60

1244. The Balance sheet also shows loan principal billed balances under Current Assets as follows:-

Details	Amount (Kshs)
Landloans (Principal Billed)	(369,731,098.09)
Development Loans (Principal Billed)	(188,107,050.50)
Rescue Loans (Principal Billed)	(240,197.90)

1245. The Loans Registers and other records were not however provided for audit review. Therefore, it was not possible to ascertain the existence and accuracy of the balances or determine what such balances represented.

Imprests

1246. The Balance Sheet similarly shows various imprest balances amounting to Kshs.8,769,050.25 which had not been analysed and accounted for as at 30 June 2012. No reasons were given for non-recovery of the imprests.

Cash Book Control Account

1247. The Balance Sheet reflects Cash Book Control Account balance of Kshs.130,592,601.45 as at 30 June 2009. However, no bank reconciliation statements as at that date were provided for audit review and as a result, the accuracy of the balances could not be ascertained.

Billed Amounts-Settlers and Loan Repayment-Collections

1248. The Balance Sheet shows under Current Assets, debit and credit amounts in respect of Billed Amounts Settlers and Loans Repayment-Collection of Kshs.1,360,504,866.90 and Kshs.1,464,265,288.43 respectively. However, no registers or analyses were provided to identify individual settlers and their respective loans and/or repayments.

Equity

Revolving Fund –Seasonal Loans

1249. As reported in the previous year, the balance sheet as at 30 June 2012 still reflects Revolving Fund Seasonal Loans balance of Kshs.1,733,741.20 brought forward from 2007/2008 and earlier years. Relevant Fund Register was however not provided for audit review and as a result, the validity and accuracy of the balance could not be ascertained.

Profit and Loss Items

1250. The Balance Sheet further reflects Accumulated Fund Reserve balances of Kshs.317,052,640.41 and net income for the year of Kshs.(123,258,576.53). However, the accuracy of these balances is doubtful in view of the inaccurate and unanalysed balances for the current and previous years.

Land Purchase Grant

1251. The Balance Sheet reflects under Equity, Land Purchase Grant balance of Kshs.2,512,047,706.35. However, no records were provided to support the balance. Its accuracy and completeness could not therefore be confirmed.

Income and Expenditure Statement

1252. The Income and Expenditure Statement for 2008/2009 reflect income under Land Loans Interest, Other Interests and Settlement Revenue balances of Kshs.12,301,730.96, Kshs.42,606,729.15 and Kshs.4,333,002.15 respectively.

In the absence of the analyses, the accuracy and completeness of these amounts could not be ascertained.

1253. The Income and Expenditure statement reflects also various expenditure items as shown below which were not analysed:-

Details (Kshs.)	Amount
Interest Payable on loans (losses and write off)	1,443,885.00
Miscellaneous Expenses	647,836.25
Administration Grant (Miscellaneous Expenses)	55,281,386.60

In the absence of the analysis, the accuracy of the Income and Expenditure statement could not be ascertained.

AGRICULTURAL SETTLEMENT FUND TRUSTEES

FINANCIAL STATEMENTS FOR 2009/2010

Basis for Disclaimer of Opinion

Accuracy of the Financial Statements

Failure to Disclose Financial Reporting Framework

1254. The Financial reporting framework used to prepare and present the financial statements was not disclosed. In addition, accounting policies applied and other explanatory notes were not disclosed or provided. Consequently, the financial statements are not understandable or reliable.

Failure to Prepare Cash Flows statement

1255. The financial statements were not accompanied by a cash flow statement contrary to Treasury Circular Ref/AG. 3/088/Vol.6 (9) dated 27 May 2011. No reason has been provided for this omission.

Late submission of Financial Statements

1256. Contrary to the requirements of Section 6(4) of the Public Audit Act, 2003, the Fund's financial statements for 2009/2010 were submitted for audit on 12 January 2012, one year and four months after the statutory deadline.

Unanalyzed Balances

1257. The Balance Sheet reflects various balances under Current Assets, Current Liabilities and Long Term Liabilities which were not analyzed as detailed below:-

Details	2009/2010 Amount (Kshs.)
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Current Assets

Cane Development Cost - Suspense	(5,139,966.55)
Other Recoverable expenses	9,820,460.00
Other Debtors - General	32,317,073.60
Advances	10,591,767.50
Suspense –Debt items	64,507,005.05
Trade Investments	59,263,386.65
Agency Accounts	299,050.05

Current Liabilities

Reserves for Bad Debts	6,602,797.20
Provisions	150.00
Deposits	83,738,199.61
Other Creditors	3,150,139.35
Accrued Interest on Loans	(6,000.00)
Suspense	(117,082,522.29)
Clearance Accounts	2,034,239.80
Funds Drawn from Treasury	5,150,814.20
Agency Accounts	200.00

Long Term Liabilities

Loans Received	362,243,391.65
Loan Redemption	(341,693,453.68)

In the absence of analyses, it was not possible to ascertain the existence, accuracy and validity of the balances or establish what they represented.

Fixed Assets

Fixed Assets and Loose Assets

1258. The Fund's Balance Sheet as at 30 June 2010 reflects Fixed and Loose Assets balance of Kshs.41,884,458.45. The Balance Sheet also reflects Sale of Fixed and

Loose Assets of Kshs.(2,944,774.60). However, no Fixed Assets Registers were maintained for the assets during the year and as a result the accuracy of the above balances could not be confirmed.

Purchase/Sale of Properties

1259. The Balance Sheet reflects an amount of Kshs.2,402,344,532.40 against Purchase of Properties in the year. During the same period, an amount of Kshs.129,138,869.50 was recorded in respect of sale of properties. However, the registers for the properties purchased or sold were not produced for audit review. In the absence of the registers and related records, it was not possible to confirm the completeness and accuracy of the amounts reflected as additions or disposals in the financial statements.

Land on Hand

1260. The Balance Sheet reflects Land on Hand balance of Kshs.194,335,540.35. Details pertaining to the location, acreage or value of the land on hand were not provided for audit review. In addition, no documents were provided to confirm ownership of the land. In the absence of these documents and other details, it was not possible to confirm the existence, ownership and value of the Land on Hand as shown in the Balance Sheet.

Land Purchase Grant-Purchase of Properties

1261. The Balance Sheet in addition reflects a balance of Kshs.130,000,000.00 in respect of Land Purchase Grant –Purchase of Properties. No documents or analysis was provided to show what the amount represents.

Current Assets

Land Loan, Development Loan and Rescue Loans Issues

1262. The Balance Sheet shows Land Loan Issued, Development Loan Issued and Rescue Loan Issued of Kshs. 280,142,463.95, Kshs. 231,710,602.80 and Kshs. 550,018.60 respectively.

1263. Further, the Balance Sheet also show loan principal billed balances under Current Assets Land Loans (Principal Billed), Development (Loans Principal Billed) and Rescue Loans (Principal Billed) of Kshs.353,873,972.47, Kshs.188,107,468.32 and Kshs.240,197.90 respectively.

1264. The Loans Registers and other records were not, however, provided for audit review. Therefore, it was not possible to ascertain the existence and accuracy of the balances or determine what such balances represented.

Imprests

1265. The Balance Sheet similarly shows imprests balance of Kshs.971,852.55. No reasons were given for non-recovery of the imprests.

Cash Book and Control Account

1266. The Balance Sheet reflects Cash Book Control Account balance of Kshs.1,330,352,418.75 for the year 2009/2010. However, no bank reconciliation statements were provided for audit review and as a result, the accuracy of the balances could not be ascertained.

Billed Amounts-Settlers and Loan Repayment-Collections

1267. The Balance Sheet show under Current Assets, debit and credit amounts in respect of Billed Amounts-Settlers and Loans Repayment-Collection of Kshs.1,432,115,442.31 and Kshs.-1,521,655,203.67 respectively. However, no registers or analyses were provided to identify individual settlers and their respective loans and/or repayments.

Equity

Revolving Fund –Seasonal Loans

1268. The Balance Sheet shows under Equity, Revolving Fund – Seasonal Loans Balance of Kshs.1,733,741.20 for the year. The relevant Fund Registers were not, however, provided for audit review and as a result, the validity and accuracy of the balances could not be ascertained.

Profit and Loss Items

1269. The Balance Sheet further shows Retained Reserve balances brought forward of Kshs.193,794,063.88 relating to accumulated funds and a Net Loss of Kshs.24,156,479.91 for the year then ended. However, the accuracy of these balances is doubtful in view of the inaccurate and unanalyzed accounts for the current and previous years.

Land Purchase Grant

1270. The Balance Sheet reflects under Equity, Land Purchase Grant balance of Kshs.3,844,596,338.35. However, no records were provided to support the balance. Its accuracy and completeness could not be confirmed.

Income and Expenditure Statement

1271. The Income and Expenditure statement for 2009/2010 reflects income under land loans interest and settlement revenue which were not analyzed as follows:-

Details	Amount (Kshs.)
Other Interest	47,752,089.35
Land Loans Interest	11,336,483.91
Settlement Revenue	5,814,506.35

In the absence of the analysis, the accuracy and completeness of income and expenditure statements could not be ascertained.

1272. The Income and Expenditure statement also reflects various expenditure items which were not analysed as shown below:-

Details	Amount (Kshs.)
Interest Payable on loans	591,439.20
Miscellaneous Expenses	503,417.70
Administration Grant (Miscellaneous Expenses)	34,141,202.95

In the absence of the analysis, the accuracy of the Income and Expenditure statement could not be ascertained.

AGRICULTURAL SETTLEMENT FUND TRUSTEES

FINANCIAL STATEMENTS FOR 2010/2011

Basis for Disclaimer of Opinion

Accuracy of Financial Statements

Failure to Disclose Financial Reporting Framework

1273. As reported in the previous year, financial reporting framework used to prepare and present the financial statements was not disclosed. In addition, accounting policies applied and other explanatory notes were not disclosed or provided. Consequently, the financial statements are not understandable or reliable.

Failure to Prepare Cash Flows Statement

1274. The financial Statements were not accompanied by a cash flows statement contrary to Treasury Circular ref/AG.3/088/VOL.6 (9) dated 27 May 2011. No reason has been provided for this omission.

Late Submission of Financial Statements

1275. Contrary to the requirements under Section 6(4) of the Public Audit Act, 2003 the Fund's Financial Statements for 2011/2012 were submitted for audit late on 6 September 2012, almost eleven months after the statutory deadline.

Unanalyzed Balances

1276. As also reported in the previous year 2010/2011, various balances under Current Assets, Current Liabilities and Long Term Liabilities which were neither analysed nor supported with relevant records.

Details	2010/2011 Amount (Kshs.)
Current Assets	
Cane Development- Suspense	(5,139,966.55)
Other Recoverable Expense	9,820,460.00
Other Debtors-Debtors General	32,317,073.60
Advances	10,590,567.50
Suspense –Debt items	64,507,005.25
Trade Investments	59,263,386.65
Agency Accounts	299,050.05
Current Liabilities	
Reserves for Bad Debts	
6,602,797.20	
Provisions	11,675.00
Deposits	91,189,051.61
Other Creditors	3,150,139.35
Accrued Interest on Loans	(6,000.00)
Suspense – Credit Items	(117,065,722.29)
Clearance Accounts	2,034,239.80
Funds Drawn from Treasury	5,150,814.20
Agency Accounts	200.00

Long Term Liabilities

Loans Received	362,243,391.85
Loan Redemption	(343,532,455.98)

In the absence of analyses, it was not possible to ascertain the existence, accuracy and validity of the balances or establish what they represented.

Fixed Assets

Fixed Assets and Loose Assets

1277. The Fund's Balance Sheet for 2011/2012 reflects Fixed and Loose Assets balance of Kshs.42,028,608.45. The balance Sheet also reflects Sale of Fixed and Loose Assets of Kshs.(2,944,774.60). The Balance Sheet further reflects an amount of Kshs.3,415,012,032.40 against Purchase of Properties in the year. During the same period, an amount of Kshs.(174,303,066.85) was recorded in respect of sale of properties.

1278. However, Fixed Assets Register has not been provided for audit verification and as a result the accuracy of the above transaction and balances could not be confirmed.

Land on Hand

1279. As reported in the previous year, documents and details pertaining to the ownership, location, acreage, or value of the Land on Hand balance of Kshs.194,335,540.35 have not been availed for audit. In the absence of these documents and other details of the land, it was not possible to confirm the existence, ownership and value of the Land on Hand as shown in the balance sheet.

Land Purchase Grant-Purchase of Properties

1280. As reported in the previous year the balance of Kshs.130,000,000.00 in respect of Land Purchase Grant-Purchase of Properties, no documents or analysis were provided to show what the amount represented.

Current Assets

Land Loan, Development Loan and Rescue Loans Issues

1281. Further, as reported in the previous year, Loans Registers and other records have not been provided for audit review for loans issued as shown below:-

Details	Amount (Kshs)
Land loan issued	280,142,463.95
Development loan issued	231,710,602.80
Rescue loan issued	550,018.60

The Balance sheet also shows loan principal billed balances under Current Assets as follows:-

Details	Amount (Kshs)
Landloans (Principal Billed)	(366,172,798.48)
Development Loans (Principal Billed)	(188,107,698.15)
Rescue Loans (Principal Billed)	(240,197.90)

1282. The Loans Registers and other records were not however provided for audit review. Therefore, it was not possible to ascertain the existence and accuracy of the balances or determine what such balances represented.

Imprests

1283. The Balance Sheet similarly shows various imprest balances amounting to Kshs.1,926,601.00 which had not been analysed and accounted for as at 30 June 2012. No reasons were given for non-recovery of the imprests.

Cash Book Control Account

1284. The Balance Sheet reflects Cash Book Control Account balance of Kshs.3,046,083,808.60 as at 30 June 2012. However, no bank reconciliation statements as at that date were provided for audit review and as a result, the accuracy of the balances could not be ascertained.

Billed Amounts-Settlers and Loan Repayment-Collections

1285. The Balance Sheet shows under Current Assets, debit and credit amounts in respect of Billed Amounts Settlers and Loans Repayment-Collection of Kshs.1,504,495,099.28 and Kshs.1,606,806,174.87 respectively. However, no registers or analyses were provided to identify individual settlers and their respective loans and/or repayments.

Long Term Liabilities

Loans Received and Redeemed

1286. The Balance Sheet also reflects under Long Term Liabilities loans received and loan redemption balance of Kshs.362,243,391.65 and Kshs.343,532,455.98 respectively.

The validity and accuracy of the balances could not be ascertained without ledgers, analysis and relevant supporting documentation.

Equity

Revolving Fund –Seasonal Loans

1287. As reported in the previous year, the balance sheet as at 30 June 2011 still reflects Revolving Fund Seasonal Loans balance of Kshs.1,733,741.20 brought forward from 2008/2009 and earlier years. Relevant Fund Register was however not provided for audit review and as a result, the validity and accuracy of the balance could not be ascertained.

Profit and Loss Items

1288. The Balance Sheet further reflects Accumulated Fund Reserve balances of Kshs.169,637,584.71 and net income for the year of Kshs.8,577,653.68. However, the accuracy of these balances is doubtful in view of the inaccurate and unanalysed balances for the current and previous years.

Land Purchase Grant

1289. The Balance Sheet reflects under Equity, Land Purchase Grant balance of Kshs.6,489,640,530.35. However, no records were provided to support the balance. Its accuracy and completeness could not therefore be confirmed.

The Income and Expenditure Statement

1290. The Income and Expenditure Statement for 2010/2011 also shows income under land loans Interest and settlement revenue of Kshs.10,445,399.96 and Kshs.50,098,557.00 respectively. In the absence of the analysis, the accuracy and completeness of these balances could not be ascertained.

1291. The Income and Expenditure Statement further reflects Interest Payable on Loans (losses and write off), Miscellaneous Expenses and Administration Grant (Miscellaneous Expenses) of Kshs.1,306,403.65, Kshs.188,354.25 and Kshs.14,690,287.00 respectively.

In the absence of the analysis and other supporting records, the accuracy of the Income and Expenditure statement could not be ascertained.

AGRICULTURAL SETTLEMENT FUND TRUSTEES

FINANCIAL STATEMENTS FOR 2011/2012

Basis for Disclaimer of Opinion

Accuracy of Financial Statements

Failure to Disclose Financial Reporting Framework

1292. As reported in the previous year, financial reporting framework used to prepare and present the financial statements was not disclosed. In addition, accounting policies applied and other explanatory notes were not disclosed or provided. Consequently, the financial statements are not understandable or reliable.

Failure to Prepare Cash Flows Statement

1293. The financial Statements were not accompanied by a cash flows statement contrary to Treasury Circular ref/AG.3/088/Vol.6(9) dated 27 May 2011. No reason has been provided for this omission.

Late Submission of Financial Statements

1294. Contrary to the requirements under Section 6(4) of the Public Audit Act, 2003 the Fund's Financial Statements for 2011/2012 were submitted for audit late on 21 December 2012, almost three months after the statutory deadline.

Unanalyzed Balances

1295. As also reported in the previous year 2010/2011, various balances under Current Assets, Current Liabilities and Long Term Liabilities were neither analysed nor supported with relevant records.

Details

2011/2012 Amount (Kshs.)

Current Assets

Cane Development- Suspense	(5,139,966.55)
Other Recoverable Expense	9,820,460.00
Other Debtors-Debtors General	32,356,573.60
Advances	10,590,567.50
Suspense –Debt items	64,507,005.25
Trade Investments	59,263,386.65
Agency Accounts	299,050.05

Current Liabilities

Reserves for Bad Debts	6,602,797.20
Provisions	11,675.00
Deposits	69,415,806.11
Other Creditors	3,150,139.35
Accrued Interest on Loans	(6,000.00)
Suspense – Credit Items	(114,065,664.06)
Clearance Accounts	2,034,239.80
Funds Drawn from Treasury	5,153,814.20
Agency Accounts	200.00

Long Term Liabilities

Loans Received	362,244,367.65
Loan Redemption	(343,532,455.98)

In the absence of analyses, it was not possible to ascertain the existence, accuracy and validity of the balances or establish what they represented.

Fixed Assets

Fixed Assets and Loose Assets

1296. The Fund's Balance Sheet for 2011/2012 reflects Fixed and Loose Assets balance of Kshs.41,779,391.45. The balance Sheet also reflects Sale of Fixed and Loose Assets of Kshs.(2,944,774.60). However, no Fixed Assets Registers were maintained for the assets during the year as a result the accuracy of the above balances could not be confirmed.

Purchase/Sale of Properties

1297. An amount of Kshs.4,959,141,812.40 is reflected in the Balance Sheet against Purchase of Properties as at 30 June 2012. During the same period, an amount of Kshs.235,260,483.60 was recorded in respect of sale of properties. However, Registers for the properties purchased or sold were not produced for audit verification, in the absence it was not possible to confirm the completeness and accuracy of the amounts reflected as bought or sold.

Land on Hand

1298. As reported in the previous year documents and details pertaining to ownership, location, acreage, or value of the Land on Hand balance of Kshs.194,241,407.35 have not been availed for audit. In the absence of these documents and other details of the

land, it was not possible to confirm the existence, ownership and value of the Land on Hand as shown in the balance sheet.

Land Purchase Grant-Purchase of Properties

1299. As reported in the previous year the balance of Kshs.130,000,000.00 in respect of Land Purchase Grant-Purchase of Properties, no documents or analysis were provided to show what the amount represented.

Current Assets

Land Loan, Development Loan and Rescue Loans Issues

1300. Further, as reported in the previous year, Loans Registers and other records were not provided for audit review for loans issued as shown below:-

Details	Amount (Kshs.)
Land loan issued	280,142,463.95
Development loan issued	231,710,602.80
Rescue loan issued	550,018.60

The Balance sheet also shows loan principal billed balances under Current Assets as follows:-

Details	Amount (Kshs)
Landloans (Principal Billed)	(369,731,098.09)
Development Loans (Principal Billed)	(188,107,818.50)
Rescue Loans (Principal Billed)	(240,197.90)

1301. The Loans Registers and other records were not however provided for audit review. Therefore, it was not possible to ascertain the existence and accuracy of the balances or determine what such balances represented.

Imprests

1302. The Balance Sheet similarly shows various imprest balances amounting to Kshs.8,769,050.00 which had not been analysed and accounted for as at 30 June 2012. No reasons were given for non-recovery of the imprests.

Cash Book Control Account

1303. The Balance Sheet reflects Cash Book Control Account balance of Kshs.4,004,054,859.25 as at 30 June 2012. However, no bank reconciliation

statements as at that date were provided for audit review and as a result, the accuracy of the balances could not be ascertained.

Billed Amounts-Settlers and Loan Repayment-Collections

1304. The Balance Sheet shows under Current Assets, debit and credit amounts in respect of Billed Amounts Settlers and Loans Repayment-Collection of Kshs.1,531,575,353.91 and Kshs.1,654,305,901.12 respectively. However, no registers or analyses were provided to identify individual settlers and their respective loans and/or repayments.

Equity

Revolving Fund –Seasonal Loans

1305. As reported in the previous year, the balance sheet as at 30 June 2012 still reflects Revolving Fund Seasonal Loans balance of Kshs.1,733,741.20 brought forward from 2008/2009 and earlier years. Relevant Fund Register was however not provided for audit review and as a result, the validity and accuracy of the balance could not be ascertained.

Profit and Loss Items

1306. The Balance Sheet further reflects Accumulated Fund Reserve balances of Kshs.178,215,238.39 and net income for the year of Kshs.27,517,524.39. However, the accuracy of these balances is doubtful in view of the inaccurate and unanalysed balances for the current and previous years.

Land Purchase Grant

1307. The Balance Sheet reflects under Equity, Land Purchase Grant balance of Kshs.8,904,596,338.35. However, no records were provided to support the balance. Its accuracy and completeness could not therefore be confirmed.

Income and Expenditure Statement

1308. The Income and Expenditure Statement for 2011/2012 reflect income under Land Loans Interest, Other Interests and Settlement Revenue balances of Kshs.4,308,863.66, Kshs. 63,535,987.70 and Kshs.4,489,834.50 respectively.

In the absence of the analyses, the accuracy and completeness of these amounts could not be ascertained.

1309. The Income and Expenditure statement reflects also various expenditure items as shown below which were not analysed:-

Details	Amount (Kshs.)
Interest Payable on loans (losses and write off)	1,031,166.87
Miscellaneous Expenses	51,565.65
Administration Grant (Miscellaneous Expenses)	47,183,089.40
Administration Grant (Pre-Settlement Development Cost)	68,807,807.50
In the absence of the analysis, the accuracy of the Income and Expenditure statement could not be ascertained.	

MINISTRY OF IMMIGRATION AND REGISTRATION OF PERSONS

FINANCIAL STATEMENTS FOR VOTE R.40

Basis for Disclaimer Opinion

APPROPRIATION ACCOUNT

1310. Bills amounting to Kshs.380,157,243.65 chargeable to Vote R.40 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Failure to settle bills in the year they relate distorts the accounts for that year and adversely affects subsequent years financial statements to which expenditures would have to be charged. Had these bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account would have recorded an unauthorized excess vote of Kshs.165,293,550.75 instead of the net surplus of Kshs.214,863,692.90 now shown.

1311. The Ministry incurred confidential expenditure amounting to Kshs.6,875,000.00 and charged to various Heads under item 2211312- Confidential Expenditure. However, no certificate by the Minister was provided as required by Chapter 5, Paragraph 5.2.5 of the Government Financial Regulations and Procedures to confirm that the money was properly expended.

STATEMENT OF ASSETS AND LIABILITIES

1312. The Statement of Assets and Liabilities for Vote R.40 as at 30 June 2012 reflect the following brought forward account balances which differs with the audited closing balances in the statement for 2010/2011.

Account	Brought Forward Balances 2011/2012 (Kshs.)	Closing Balances 2010/2011 (Kshs.)	Difference (Kshs.)
DEBITS			
P.M.G	1,317,340,209.85	1,317,806,609.85	(466,400.00)
Advance	194,861.35	165,303.30	29,558.05
General	228,456,648.90	254,534,698.00	(26,078,049.10)
Suspense			
Clearance	36,853,262,85	10,338,371.80	26,514,891.05

No justification has been provided for these anomalies.

1313. The Statement further reflects account balances which differs with those reflected in the trial balance as at 30 June 2012 as follows:-

Details	Statement (Kshs)	Trial Balance (Kshs)	Variance (Kshs.)
P.M.G	2,744,438.90 DR	16,782,205,884.45 DR	-16,779,461,445.55
Imprest	1,376,945.50 DR	23,234,888.05 DR	-21,857,942.55
Advance	68,052.60 DR	693,299.70 DR	-625,247.10
Inter-Ministerial	122,144.00 DR	10,746,419.00 CR	10,868,563.00
Excess A.I.A	873,721,734.00 CR	Nil	873,721,734.00
General Suspense.	654,695,449.10 CR	639,869,772.20 DR	1,294,565,221.30
District Suspense	2,136,594,952.35 DR	130,570,362.85 CR	2,267,165,315.20
R.D. Cheques Clearance	1,954,314.00 CR 30,492,427.35 CR	1,769,031.00 CR 36,162,829.45 CR	185,283.00 -5,670,402.10

In the circumstances, accuracy and validity of the above balances as reflected in the statement of Assets and Liabilities as at 30 June 2012 could not be ascertained.

1314. Analyses and documentation to support the District Suspense account balance of Kshs.2,136,594,952.35DR and Inter- Ministerial account balance of Kshs.122,144 DR were not produced for audit review. Consequently, it has not been possible to confirm the accuracy and validity of these balances as reflected in the statement as at 30 June 2012.

1315. The Statement in addition reflects the following brought forward balances relating to 2010/2011 and earlier years which, however, were not cleared from the Ministry's books of account during the year under review.

Account	Balances (Kshs)
Exchequer	308,002,180.00 DR
District Suspense	568,582,487.90 DR
R. D. Cheques	1,954,314.00 CR
GAV	777,571,246.60 CR
Excess AIA	873,721,734.00 CR

Further, the Statement reflects a Cleared Excess AIA amount of Kshs.822,587,476.95 during the year which has not been supported with relevant documentary evidence.

No justification has been provided for the non-clearance of these long outstanding balances.

1316. The Bank Reconciliation Statement for Vote R.40 cash book as at 30 June 2012 reflects payments in cash book not recorded in bank statement totalling Kshs170,252,431.25 out of which, an amount of Kshs.256,716.35 relates to 8 November 2011 and earlier period. The statement also shows receipts in cash book not recorded in bank statement of Kshs.462,025,893.00, out of which an amount of Kshs.332,197,095.55 relates to 20 December 2011 and earlier period. With the amounts in question, no justification has been provided for the inordinate delay reversing the stale cheques in the cash book and why receipts have not been banked.

1317. The bank reconciliation also shows receipts in bank statement not recorded in cash book of Kshs.423,623,624.00 out of which an amount of Kshs.275,065,220.60 relates to 28 December 2011 and earlier period. It also shows payments in bank statement not in cash book amounting to Kshs.52, 242,594.80 out of which an amount Kshs.2,173,158.40 relates 28 December 2011 and earlier period.

1318. The Ministry has not provided justification for not updating its records with these amounts which have in effect understated revenues and expenditures in these financial statements.

FINANCIAL STATEMENTS FOR VOTE D.40

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Pending Bills

1319. Bills amounting to Kshs.239,938,182.40 chargeable to Vote D.40 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Had these bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account would have recorded a reduced net surplus of Kshs.172,378,007.15 instead of Kshs.412,316,189.55 now shown.

Contract Variation

1320. The contract to facilitate the issuance of two million identity cards and data migration was awarded on 25 May 2011 by the Ministerial Tender Committee to Thales Security Solutions and Services through direct procurement procedures pursuant to Public Procurement and Disposal Act, 2005, Sections 74 and 75 at a contract sum of Euros.12,542,000.00. Information available indicates that the original contract sum was varied through 1st Amendment from Euros.12,542,000.00 to Euros.23,142,000.00 as a result of the need for additional consumables, additional on site technical support and factory support services, and other additional supplies. However, the application for variation order and the tender committee adjudication minutes thereof have not been

provided for audit review and as a result it has not been possible to confirm the justification for the variation.

STATEMENT OF ASSETS AND LIABILITIES

1321. The Statement of Assets and Liabilities for Vote D.40 as at 30 June 2012 reflects account balances indicated below which differs with the figures shown in the trial balance as at 30 June 2012.

Account	Statement Balance (Kshs.)	Trial Balance (Kshs.)
Assets		
Exchequer	683,185,762.60 DR	773,847,169.00 CR
District	102,603,323.90 CR	221,316,549.00 DR
Suspense		
Liabilities		
G.A.V	622,466,923.85 CR	5,504,144,012.60 CR

No reconciliation or explanation has been provided for the above differences.

1322. The Statement reflects brought forward debit and credit balances of Kshs.86,988,550.00, Kshs.940,822.40 and Kshs.210,150,734.30 in respect of Exchequer, stale cheques and General Account of Vote Accounts relating to 2010/2011 and earlier years which were not cleared during the year under review. No reasons have been provided for failure to clear these long outstanding balances.

1323. The balances brought forward shown in the statement against three accounts differs with the closing balances reflected in the statement for 2010/2011 as follows:

Account	Brought forward Balance in 2011/2012 Kshs.	Closing Balance in 2010/2011 Kshs.
Exchequer	86,988,550.00	85,885,550.00
District Suspense	56,907,827.20	57,070,004.80
Stale Cheques	940,822.40	Nil

No explanation has been provided for the above anomalies.

1324. The statement further shows that the General Suspense Account debit balance of Kshs.50,671,389.50 brought forward was adjusted downwards by

Kshs.10,500,908.60 in 2011/2012. However, no records were provided in support of the adjustments for audit review.

1325. The statement in addition reflects General Suspense Account debit balance of Kshs.40,170,480.00 and District Suspense and Stale cheques Accounts credit balances of Kshs.102,603,323.90 and Kshs.940,822.40 which, however, were not analysed. Consequently, it has not been possible to ascertain the validity and accuracy of these balances.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 40

Basis for Disclaimer of Opinion

1326. The Statement of Assets and Liabilities for Deposits 40 reflects credit balance of Kshs.546,294.10 and Kshs.3,644,640.15 against General Deposits and Retention Monies differs with the corresponding net debit and credit balances of Kshs.534,981.55 and Kshs.1,295,406.20 respectively, shown against the same accounts in the Trial Balance as at 30 June 2012. No explanation has been provided for these discrepancies.

1327. The statement in addition reflects a balance of Kshs.140,647,049.60 in respect of Revenue Account which ought to have been surrendered to Treasury that has not been supported with analysis and documentation. Consequently, the completeness and accuracy of the revenue balance could not be ascertained.

1328. The following account balances although reflected in the Trial Balance as at 30 June 2012 were not included in the Statement of Assets and Liabilities Deposit as at that date.

Account	Amount (Kshs.)
Ministry HQ Deposit	6,500,204,048.35 DR
R. D Cheques	492,680.70 DR
Temporary Imprest	60,000.00 DR
Cash Clearing	6,435,125,439.25 CR

No explanation has been provided for the omission.

MOI INTERNATIONAL AIRPORT- MOMBASA

Irregular Payment of Meal Allowances

1329. Audit of records at the Office of the Assistant Director of Immigration Services, Moi International Airport – Mombasa revealed that out of the Kshs.16,361,380.00 meal allowances paid to various staff at the Airport during the year 2011/2012, amounts totalling Kshs.3,369,455.00 were irregularly paid to non-shift staff contrary to the Directorate of Personnel Management (DPM) circular, Ref. No. DPM 2A VOL. XXVI (110) of 17 June, 2005 which provided for payment of meal allowance only to staff working on shifts.

1330. It was also noted that an amount of Kshs.400,609.00 was paid as subsistence allowance to officers working out of the station on official duties who also claimed normal shift and meal allowances. Consequently, the payment of Kshs.400,609.00 as subsistence allowance amounted to double payment which should be recovered.

IMMIGRATION OFFICE - MUHURU BAY BORDER CONTROL

Construction of an Office Block

1331. The tender for the construction of an office block for the Immigration Office at Muhuru Bay was awarded to a Nairobi based firm at a contract sum of Kshs.21,530,916.60 on 29 March 2010.

1332. Payments made to the firm amounted to Kshs.22,212,573.00 which was Kshs.681,656.40 over and above the contract sum of Kshs.21,530,916.60 and retention money of Kshs.2,153,091.66 was not deducted as required. The Ministry has not provided justification for the Kshs.681,656.40 overpayment.

Further the Immigration Office –Muhuru Bay Border Control did not avail a title deed to confirm the ownership of the land and the office.

STATEMENT OF REVENUE

Basis for Qualified Opinion

1333. An audit investigation undertaken at Kisumu Immigration Office in October/November 2012 revealed that the Ministry lost revenue amounting to Kshs.296,860.00 through fraudulent activities by members of staff. No action has been taken against the affected officers.

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF STATE FOR NATIONAL HERITAGE AND CULTURE

FINANCIAL STATEMENTS FOR VOTE R.41

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Unreconciled Payroll Expenditure

1334. The Appropriation Account for Vote R.41 for the year ended 30 June, 2012 reflects expenditure totalling Kshs.229,708,928.00 incurred on basic salaries – permanent employees, temporary employees, personal allowances paid as part of salaries and personal allowances paid as reimbursements during the year. Integrated Payroll and Personnel Data (IPPD) records, however, reflect a total expenditure of Kshs.217,230,195.50 in respect of the same items. The difference of Kshs.12,478,732.50 between the two sets of records has not been reconciled or explained.

Unsupported Expenditure

1335. The Appropriation Account further reflects expenditure of Kshs.2,088,914.00 and Kshs.1,127,826.00 under Head 494-National Archives, and Head 849- Permanent Presidential Commission on Music, Item 2110200-Basic Wages- Temporary Employees. The expenditure totalling of Kshs.3,216,740.00 was not supported with any verifiable documents. Under the circumstances, the propriety of the expenditure could not be ascertained.

Misallocation of Expenditure

1336. The Appropriation Account further reflects expenditure totalling Kshs.1,234,020.00 incurred under Head 849-Permanent Presidential Commission on Music item 2211000-Specialised Materials and Item 2210300- Domestic Travel and Subsistence, amounting to Kshs.1,052,020.00 and Kshs.181,900.00 respectively. Audit of expenditure and other related documents indicate that the expenditure was incurred on training activities and therefore ought to have been charged under item 2210700- Training Expenses. No Treasury authority approving reallocation of funds was seen.

Pending Bills

1337. Records maintained by the Ministry indicate that bills totalling Kshs.4,818,209.95 relating to 2011/2012 and chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2012/2013. Had the bills

been paid and the expenditure charged to the financial statements for 2011/2012, the Recurrent Appropriation Account for Vote R. 41 for the year would have reflected an Excess Vote of Kshs.4,029,241.05 instead of surplus of Kshs.788,968.90 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1338. The Statement of Assets and Liabilities for Vote R.41 as at 30 June 2012 reflects a Paymaster General (PMG) Account debit balance of Kshs.6,767,826.85 while the cashbook as at the same date shows a figure of Kshs.75,151.10. The difference of Kshs.6,692,675.75 between the two sets of records has not been reconciled or explained.

1339. The statement also reflects various debit and credit balances relating to 2010/2011 and earlier years as shown:

i. Debit balances	Amount (Kshs)
Exchequer 2010-2011	387,600.00
Exchequer 2007-2008	417,600.00
Advance account	868,275.35
District suspense Account	<u>2,493,806.10</u>
	<u>4,167,281.45</u>
ii. Credit balances	Amount (Kshs)
G. A.V 2010/2011	2,030,442.40
G. A.V 2006/2007	3,293,788.95
General Suspense	1,981,710.65
Excess AIA 2011/2012	<u>1,447,722.35</u>
	<u>7,305,942.00</u>

These balances had not been cleared as at 30 June, 2012 and no explanation has been provided for the non- clearance.

1340. The Statement in addition reflects credit balances totalling Kshs.12,434,733.50 that were cleared during the year as detailed:

Credit balances	Amount (Kshs.)
G.A.V previous years 2006/2007	11,759,040.55
Stale cheques	636.409.55
Returned Salary for Officer	32,694.40
Staff loans general	<u>6,589.00</u>
	<u>12,434,733.50</u>

No documentary evidence, including journal vouchers and analyses were provided in support of the clearances.

1341. The Statement also reflects imprest account balance of Kshs.163,140.00 as at 30 June 2012 which is due from three (3) officers and relates to year 2009. No reason has been provided for the failure to recover the long outstanding imprests from the respective officers.

1342. The Statement further reflects a District Suspense Account debit balance of Kshs.2,493,806.10 which although supported with analysis, differs with the ledger balance of Kshs.2,145,007.27 as at 30 June, 2012. The difference of Kshs.348,798.80 between the two sets of records has not been reconciled or explained.

FINANCIAL STATEMENTS FOR VOTE D.41

Basis for Qualified Opinion

APPROPRIATION ACCOUNT

Pending Bills

1343. Records maintained at the Ministry of National Heritage and Culture indicate that bills totalling Kshs.404,500.00 relating to 2011/2012 and chargeable to Development Vote were not settled during the year, but were instead carried forward to 2012/2013 financial year. Had the bills been paid and expenditure charged to the financial statements for 2011/2012, the Appropriation Account for Vote D.41 for the year ended 30 June 2012 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.12,269,374.18 instead of Kshs.12,673,874.18 indicated in the financial statements. No proper explanation has been given for not settling the bills during 2011/2012.

STATEMENT OF ASSETS AND LIABILITIES

1344. The Statement of Assets and Liabilities for Vote D.41 as at 30 June 2012 reflects various debit and credit balances totalling Kshs.7,528,007.45 and Kshs.9,168,111.00 respectively, relating to 2010/2011 and earlier years as indicated:

Debit Balances	Amount (Kshs.)
District Suspense Account	4,009,007.45
Exchequer Account	<u>3,519,000.00</u>
Total	<u>7,528,007.45</u>

Credit Balance

GAV 2010/2011 9,168,111.85

No explanation has been provided as to why the long outstanding balances have not been cleared from the Ministry's books of account as at 30 June, 2012.

1345. The Statement further reflects a debit balance of Kshs.43,527,060.00 under the Exchequer Account. This particular balance had earlier been cleared in the statement for 2009/2010 without supporting documents, and later reinstated in the Statement of Assets and Liabilities for 2010/2011, again without supporting documentary evidence. The balance was again cleared from the books during 2011/2012 without any supporting documents. No explanation was given for this anomaly.

1346. The Statement also reflects a Paymaster General Account debit balance of Kshs.1,163,760.95 as at 30 June, 2012. Available information indicates that during the year under review, Kshs.750,000.00 was irregularly transferred from the Ministry's Development Account to Recurrent Account. No explanation was given for the unauthorized transfer of funds.

1347. Further, the bank reconciliation statement for the Development Cashbook reflects Kshs.1,856,000.00 payments in the bank statement not recorded in the cashbook, being a double payment made in March, 2012 to Kisumu District Cultural Officer. However, no explanation has been provided for failure to recover the payment made to the officer.

1348. The Statement in addition reflects an opening balance of Kshs.32,719,842.85 in respect to Excess AIA for 2007/2008 but which was cleared from the records during the year. However, no evidence was availed to support clearance of the balance from the Ministry's books.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 41

Basis for Qualified Opinion

Irregular Transfer of Funds

1349. The Statement of Assets and Liabilities for Deposits as at 30 June, 2012 reflects a net movement of Kshs.7,069,959.70 under Paymaster General (PMG) and Miscellaneous Deposits Account during the year. Available information however indicates that Kshs.7,800,000.00 was transferred from Deposits Account to Recurrent Account during the month of May and June, 2012. Besides the fact that no documentary evidence has been produced in support of the transaction, the transfer of funds is contrary to Government Financial Regulations and Procedures.

Emphasis of Matter

Deposit Register

1350. The Ministry does not maintain an updated deposits register for ease of recording and identification of deposit transactions details.

MINISTRY OF STATE FOR YOUTH AFFAIRS AND SPORTS

FINANCIAL STATEMENTS FOR VOTE R.42

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

Under-Expenditure

1351. The Appropriation Account for R.42 for the year ended 30 June 2012 reflects gross under expenditure of Kshs.901,848,083.15 or 14.8% of the approved estimates of Kshs.6,102,622,516.00. The reasons given for the significant under-expenditure include late submission of invoices by suppliers and staff establishment not fully filled during the year. However, no action appears to have been taken to address the underlying causes of the under-expenditure.

Unreconciled Variations Between the Appropriation Account and Trial Balance

1352. The Appropriation Account also reflects expenditure totalling Kshs.806,569,914.00 under various heads while the Trial Balance as at 30 June 2012 reflects a figure of Kshs.808,812,835.45 as shown:-

Sub Vote	Head	Appropriation Account (Kshs)	Trial Balance (Kshs)	Variance (Kshs)
4203	420301	299,064,920.00	299,522,791.25	457,871.25
4203	420302	255,876,859.00	256,173,403.95	296,544.95
4204	420403	38,376,453.00	38,909,427.60	532,974.60
4204	420404	<u>213,251,682.00</u>	<u>214,207,212.65</u>	<u>955,530.65</u>
TOTAL		<u>806,569,914.00</u>	<u>808,812,835.45</u>	<u>2,242,921.45</u>

The difference of Kshs.2,242,921.45 between the two sets of records has not been reconciled or explained.

Unsupported Expenditure

National Olympic Committee - Kenya (NOCK)

1353. The Appropriation Account reflects expenditure of Kshs.377,379,139.00 under Sub-Vote 4204, Head 420401 Item 2210400 - Foreign Travel and Subsistence, and

Other Transportation Costs. Included in the amount is a figure of Kshs.170,410,277.70 paid to National Olympic Committee - Kenya (NOCK) in respect of London Olympics held in the month of July and August, 2012. However, no expenditure returns were made available to support the expenditure.

Consequently, it has not been possible to ascertain propriety of the expenditure of Kshs.170,410,277.70 included in the Appropriation Account for Vote R.42 for the year ended 30 June, 2012.

Kenya National Paralympics Committee

1354. The Account further reflects expenditure of Kshs.206,294,304.00 Under Sub-Vote 4204, Head 420401, Item 2210300- Domestic Travel and Subsistence, and Other Transportation Costs. Included in this amount is a figure of Kshs.7,896,938.00 paid to Kenya National Paralympics Committee in respect of accommodation for dignitaries and facilitation of London Olympics. The expenditure has however not been supported with verifiable documentation. Consequently, it has not been possible to ascertain propriety of the expenditure of Kshs.7,896,938.00 included in the Appropriation Account.

Payroll Records

1355. The Appropriation Account reflects expenditure totalling Kshs.1,704,091,861.00 incurred under all Sub-votes on basic salaries, personal allowances paid as part of salary and personal allowances paid as reimbursement during the year. However, examination of the Integrated Payroll and Personnel Data (IPPD) by-products and other payroll records for the same period showed an expenditure of Kshs.1,992,261,132.10 incurred on these items. The resultant difference of Kshs.288,169,271.10 between the two sets of records has not been reconciled or explained.

Irregular Over-Expenditure on Basic Salaries - Permanent Employees

1356. The Appropriation Account reflects over expenditure totalling Kshs.22,921,426.00 under Sub-Vote 4202 Head 420201 and Head 420207 Item 2110100 - Basic Salaries - Permanent Employees. However, since the budget on personnel emoluments is based on the Ministry's approved staff establishment, it is not clear why the Ministry exceeded the budgeted provision under the two heads.

Compensation and Ex-Gratia Payments

1357. The Appropriation Account in addition reflects expenditure of Kshs.6,596,741.00 under Sub-Vote 4201, Head 420101 item 2110400- Personal Allowances Paid as Reimbursement. Included in the amount is a figure of Kshs.6,073,162.00 in respect of Compensation and Ex-gratia payments which was not supported with any documentary evidence. It has therefore 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 requirements of Government Financial Regulations and Procedures.

Subsidies to Non-Financial Public Enterprises

1358. The Appropriation Account, in addition, reflects an amount of Kshs.825,655,908.00 under Sub- vote 4203, Head 420303, Item 2510100- Subsidies to Non- Financial Public Enterprises. Disbursement schedules made available by the Ministry indicate a figure of Kshs.854,265,982.00. The difference Kshs.28,610,074.00 between the two sets of records has not been reconciled or explained.

1359. Further, according to information available, the grants were disbursed to various Youth Polytechnics across the country, to meet tuition expenses, teachers' salaries and purchase of materials and workshop tools. However, receipt and usage of the funds could not be confirmed as the Polytechnics did not submit expenditure returns or prepare financial statements for the year ended 30 June 2012.

Current Grants to Government Agencies and Other Levels of Government

1360. The Appropriation Account also reflects expenditure totaling Kshs.135,426,500.00 under Head 420304 - Youth Development Services, Item 2630100-Current Grants to Government Agencies and other Levels of Government. However, financial statements of Youth Enterprise Fund for the year 2011/2012 reflect Government grants of Kshs.123,750,000.00. No reconciliation or explanation has been provided for the resultant difference of Kshs.11,676,500.00 between the two sets of records.

Pending Bills as at 30 June, 2012

1361. Records maintained by the Ministry indicate that bills totalling Kshs.32,736,446.50 relating to 2011/2012 and chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2012/2013. Had these bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for the year would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.867,932,635.65 instead of Kshs.900,669,082.15 now shown. No explanation has been given for the unsettled bills.

STATEMENT OF ASSETS AND LIABILITIES

1362. The Statement of Assets and Liabilities for Vote R.42 as at 30 June 2012 has not been presented in a format that complies with Treasury Circular and Government Financial Regulations and Procedures paragraph 11.8.3. No reason has been provided for non compliance.

1363. The Statement of Assets and Liabilities for Vote R.42 as at 30 June 2012 reflects balances brought forward from the year 2010/2011 of Kshs.41,139,601,411.05 and Kshs.34,258,556,889.35 while the 2010/2011 audited Statement reflected closing balances of Kshs.67,082,015,545.00 and Kshs.61,930,352,155.05 in respect of assets and liabilities respectively. In the absence of correct opening balances, the accuracy of the Statement of Assets and Liabilities as at 30 June 2012 is doubtful.

1364. The Statement further reflects various Assets and Liabilities balances amounting to Kshs.47,858,124,664.70 and Kshs.47,858,124,662.90 which differ with the corresponding figures in the Ministry's ledger for the month of June of Kshs.2,556,298,498.65 and Kshs.17,891,036,736.05 respectively. The differences have not been reconciled or explained. Consequently, the completeness and accuracy of the Statement balances could not be ascertained.

1365. The Statement shows a Paymaster General Account (PMG) debit balance of Kshs.33,593,848,266.70 while the Cashbook reflects a credit balance of Kshs.474,071,143.25 as at 30 June, 2012. The significant difference of Kshs.34,067,919,409.95 between the two sets of records has not been reconciled or explained.

1366. Further, no explanation has been provided for the unusual cashbook credit balance of Kshs.474,071,143.25 as at 30 June, 2012.

1367. In addition, no bank reconciliation statements were prepared for the Ministry's Recurrent cashbook during the year under review, contrary to requirements under Section 5.9.2 of the Government Financial Regulations and Procedures. Under the circumstances, it has not been possible to ascertain accuracy of the Ministry's bank and cashbook balances of Kshs.242,644,791.15 (DR.) and Kshs.474,071,143.25 (CR.) respectively as at 30 June 2012.

1368. The Statement of Assets and Liabilities does not reflect an Exchequer Account balance. However, Exchequer records maintained at the Treasury reflect an Exchequer under issue of Kshs.335,736,538.25 against the Ministry. No reason has been provided for the omission.

1369. In the report for 2010/2011, it was indicated that the Statement's debit and credit balances did not include Net Surplus to be surrendered to the Exchequer of Kshs.462,323,220.20 for 2010/2011. During the year under review, Net Surplus of Kshs.900,669,082.15 reflected in the Appropriation Account for Vote R.42 for the year 2011/2012, has been omitted from the statement as at 30 June, 2012. No reason has been provided for these omissions.

1370. The Statement further reflects a Temporary Imprest balance of Kshs.81,790,341.90 as at 30 June 2012. However, examination of the imprest register and other related records maintained at the Ministry's Headquarters showed outstanding temporary imprests of Kshs.1,497,600.00 as at that date. No explanation or

reconciliation has been provided for the difference of Kshs.80,292,741.90 between these records.

1371. The Statement further reflects an unusual Standing Imprest credit balance of Kshs.1,899,952.95, while under normal circumstances Standing Imprest should reflect a debit balance. It is not clear what the credit balance represents.

1372. The Statement of Assets and Liabilities for Vote R.42 reflects unremitted statutory deductions totalling Kshs.668,675,866.55 in respect to six (6) institutions as follows:-

Particulars	Amount (Kshs.)
National Social Security Fund (NSSF)	4,961,695.24
Staff Contribution – Pension	108,002.70
National Health Insurance Fund (NHIF)	20,615,030.90
Pay As You Earn (PAYE)	93,609,058.20
Value Added Tax (VAT)	304,949,084.10
Widows and Children Pension (WCPS)	<u>244,432,995.40</u>
TOTAL	<u>668,675,866.55</u>

It is not clear why the Ministry has over the years failed to remit statutory deductions to the respective institutions. The Statement also reflects a General Withholding taxes debit balance of Kshs.6,995,625.05 under liabilities while under normal circumstances the item should reflect a credit balance. No explanation has been given for the anomaly.

1373. The Statement of Assets and Liabilities reflects a credit balance of Kshs.297,330,371.70 as at 30 June, 2012 against House Rent. This revenue ought to have been remitted to the Ministry of Housing as at the same date. In addition, accuracy and validity of the House Rent figure could not be ascertained since no register for recording rent collections is maintained by the Ministry.

1374. The Statement also reflects other unremitted deductions as shown:-

Particulars	Amount (Kshs.)
Higher Education Loans Board (HELB)	111,696,500.50
Co-operatives	30,464,026.95
Insurances	10,288,745.95
Mortgages/Bank Loans	41,467,531.80
Civil Servants Housing Fund	23,184,029.70
Government Liabilities	<u>304,292,091.93</u>
TOTAL	<u>521,392,926.85</u>

It is not clear why the Ministry has over the years failed to remit these funds to the respective beneficiary institutions.

1375. The Statement also reflects a Hire Purchase debit balance of Kshs.100,886,903.60, whereas under normal circumstance the item should reflect a credit balance. No explanation has been provided for the anomaly.

FINANCIAL STATEMENTS FOR VOTE D.42

Basis for Adverse Opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under Collection of Appropriations- In- Aid

1376. The Development Appropriation Account for the year ended 30 June, 2012 reflects gross under expenditure of Kshs.865,082,703.45 or about 22% of the approved estimated amount of Kshs.4,012,673,000.00. No reason has been provided for the significant under expenditure recorded under the Vote during the year.

Capital Grants to Government Institutions/Other Organizations

1377. The Appropriation Account in addition reflects Capital Grants to Government Agencies and Other Levels of Government under Sub-Vote 4204, Head 420405 totalling Kshs.177,500,000.00 disbursed to Sports Stadia Management Board during the year. However, audited financial statements of the Sports Stadia Management Board for the year ended 30 June 2012 show receipts of Kshs.167,252,637.00. The resultant difference Kshs.10,497,363.00 between the two set of records has not been reconciled or explained.

1378. Further, the Appropriation Account reflects Other Capital Grants and Transfers totalling Kshs.109,785,346.00 under Sub Vote 4201 Head 420101, Item 2640500. However, out of the above expenditure, only Kshs.91,218,600.00 was confirmed as having been disbursed to Kenya Private Sector Alliance (KEPSA). The beneficiary of the balance of Kshs.18,566,746.00 has not been confirmed, and in the absence of the same, the propriety expenditure could not be ascertained.

Unsupported Expenditure and Irregular Transfer of Funds

1379. The Appropriation Account also reflects gross expenditure of Kshs.312,809,643.00 under Sub Vote 4201, Head 420101, Item 2110200 Basic Wages -Temporary Employees. Out of the expenditure of Kshs.312,809,643.00, an amount of Kshs.132,181,871.80 was not supported by payment vouchers and other related records. Consequently, the propriety of expenditure could not be ascertained. In

addition, an amount of Kshs.178,634,771.65 was irregularly transferred from Development to Recurrent Vote without Parliamentary authority.

1380. The Appropriation Account further reflects under Sub Vote 4203, Head 420304 Item 2210800-Hospitality Supplies & Services, expenditure amounting Kshs.40,723,913.00. However, out of this figure, an amount of Kshs.7,225,000.00 disbursed to various Youth Polytechnics under UNICEF programme to cater for accommodation and nutritional support for vulnerable youth, was not supported with verifiable documentary evidence. The propriety of the expenditure of Kshs.7,225,000.00 could therefore not be ascertained.

Irregularities in Management of Contracts

1381. The Appropriation Account also reflects under Sub-Vote 4202 - National Youth Service, Item 3110200 - Construction of Buildings, expenditure of Kshs.268,437,464.00 mainly incurred on construction of classrooms, workshops, double span kitchen, dining hall and barracks at NYS Engineering Institute - Ruaraka and NYS Yatta. However, the following irregularities were noted:-

Construction of Classrooms and Workshops at National Youth Service - Engineering Institute - Ruaraka

Delay in Execution of the Contract

1382. Available information indicate that Contract No. 0966 AM for construction of classrooms and workshops at NYS - Ruaraka was awarded to M/S Gragab Agencies Ltd of P.O. Box 2615-00200 - Nairobi, being the lowest evaluated bidder at a contract sum of Kshs.88,794,355.00. The Contract Agreement was duly signed on 18 May 2011 and the site handed over to the contractor on 2 June 2011.

1383. A review of the contract agreement revealed that the contract commenced on 13 June 2011 and with a duration of fifty two (52) weeks, was anticipated to be completed by 9 June, 2012. However, available information indicated that the project was 48% complete as at 30 June, 2012. No justification was provided for the delay in execution of the contract.

Variation Between Work Certified and Bill of Quantities (BQ's)

1384. In addition, audit review of work certified on interim payment certificate No.3 dated 12 January 2012, against provisions of the Bill of Quantities (BQ's) revealed that various works under Element No.1 and No.2 of the bill of quantities were varied from Kshs.3,666,650.00 to Kshs.8,159,175.00, resulting in a huge variation of Kshs.4,492,525.00 or 122.52% of work certified. Further, included in the variation is an amount of Kshs.589,050.00 relating to builders works which was not in the original bills of Quantities.

1385. However, no supporting documents were availed for audit confirmation that authority and approval for the contract variation was obtained as required under Section 47 (a) and (b) of the Public Procurement and Disposal Act, 2005. Further, the contract variation was not executed within the contract period, contrary to Section 31(d) of the Public Procurement and Disposal Regulations, 2006.

Construction of Double - Span Kitchen, Dining Hall and Barrack at National Youth Service Engineering Institute - Ruaraka

Contract Variation between Work Certified and Bill of Quantities (BQ'S)

1386. Available information indicates that Contract No. 0966 AS for the construction of double-span kitchen, dining hall and barrack at NYS Engineering Institute - Ruaraka was awarded to M/s Buildmore Construction Company Ltd of P.O Box 13240-00100 Nairobi, at a contract sum of Kshs.192,000,000.00, being the lowest evaluated bidder. The contract Agreement was duly signed on 18 May 2011, and the site handed over on 2 June 2011. The contract duration was seventy eight (78) weeks with an anticipated completion date of 10 December, 2012.

1387. Audit review of work certified on Interim Payment Certificate No. 3 dated 23 February 2012, against provisions of the Bill of Quantities (BQ's) revealed that, various works under Element No.1 of the BQs were varied in relation to quantities and prices from Kshs.7,374,610.00 to Kshs.27,315,890.00, resulting in a huge variation of Kshs.19,941,280.00 or 270% of work certified. Included on the variation sum was Kshs.716,000.00 relating to work which was not originally in the BQ's. As in the previous case, no supporting documents were availed for audit confirmation that authority and approval for contract variation was obtained as required by the Public Procurement and Disposal Act, 2005, Section 47 (a) and (b). Expenditure records verified indicate that a total of Kshs.66,753,405.90 or 34.76 % of the contract sum of Kshs.192,000,000.00 had been paid as at 30 June 2012.

Proposed Construction of Double Span Kitchen, Dining Hall and Barrack at National Youth Service - Yatta

Delay in Execution of the Contract

1388. Available information further indicates that Contract No. 1963S for the proposed Construction of Double Span Kitchen, Dining Hall and Barracks at NYS - Yatta was awarded to M/s Ray Engineering and Construction Ltd of P.O Box 8054-00200 - Nairobi, being the lowest evaluated bidder at a contract sum of Kshs.136,811,673.00.

1389. Although the contract agreement was duly signed on 11 June, 2008, a review of the statement for valuation certificate No. 19 dated 15 March 2012 indicates that, the contract commenced on 21 July 2008, with contract duration of 68 weeks and expected completion date of 23 November 2009. The contract duration was later extended by 105 weeks to a revised completion date of 13 October 2011. This translates to the

project taking 157 weeks, or about 154% over and above the original completion date. Available information however indicate that only 62% of the works had been completed as at 30 June 2012. No explanation has been provided for the significant delay in execution of the contract even after extending the contract period by over 100%.

1390. A review of the latest statement for valuation certificate No.19 dated 15 March 2012, indicates that a total of Kshs.128,196,512.51 or 82.25% out of total revised contract sum of Kshs.155,857,555.50 had been paid as at 30 June 2012.

Variation of Contract Sum

1391. In addition, information available indicates that the contract sum was varied by Kshs.19,045,882.50 or 13.92% from the original amount of Kshs.136,811,673.00 to Kshs.155,857,555.50. However, no supporting documents were made available for audit confirmation of details of the contract variation and Ministerial Tender Committee (MTC) approval as required by the Public Procurement and Disposal Act, 2005.

Pending Bills

1392. Records maintained by the Ministry indicate that Bills totalling Kshs.37,973,742.60 relating to 2011/2012 and chargeable to the Development Vote were not settled during the year, but were instead carried forward to 2012/2013. Had these bills been settled during the year under review, the Ministry would have realized a reduced net surplus to be surrendered to the Exchequer of Kshs.777,620,429.75 instead of Kshs.815,594,172.35 now reported.

Failure to Provide Footnotes for Material Variances

1393. The Appropriation Account also reflects various material differences between Approved Estimates and actual expenditure on various items as shown below:-

Head	Item No.	Description	Amount (Kshs.)
420304	2210800	Hospitality & Supplies	47,976,087.00
	3110200	Construction of Buildings	2,300,000.00
	2630200	Capital Grants to Government Agencies & Other Levels of Government	5,000,000.00
420401	2210800	Hospitality Supplies and Services	69,482,000.00
420404	3110600	Overhaul & Refurbishment of Construction and Civil Works	83,590,877.00

No footnotes were provided for the above differences, contrary to Government Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES

1394. As reported during 2010/2011, the Statement of Assets and Liabilities for Vote D.42 as at 30 June 2011 did not include balances brought forward from the year 2009/2010 as shown below:-

Assets	Amounts (Kshs.)
Exchequer 2007/2008 & 2008/2009	299,228,196.00
Exchequer 2009/2010	73,881,990.00
Imprest A/c	(5,254,060.95)
District Suspense	205,024,610.06
PMG	108,534,749.82
Unreconciled Difference	<u>175,498,471.63</u>
	<u>856,913,956.56</u>
Liabilities	
GAV – Surplus 2007/2008 & 2008/2009	534,790,827.63
GAV – Surplus 2009/2010	323,321,985.48
Suspense	<u>(1,198,856.55)</u>
	<u>856,913,956.56</u>

In the absence of the opening balances, accuracy of the balances reflected in the Statement as at 30 June 2012 could not be ascertained.

1395. The Statement of Assets and Liabilities as at 30 June 2012 reflects balances brought forward as at 1 July, 2011 which differ with those reflected in the audited statement as at 30 June, 2011 as follows:-

Assets	Closing Balances 2010/2011	Opening Balances 2011/2012
Temporary Imprest	9,753,765.25	598,198.20
HQ Recurrent Cash A/c	1,647,434.50	109,523,210.52
Ministry HQ Development Bank A/c	27,779,965,847.00	17,298,032,894.20
Prepayments	13,966,875.00	8,380,125.00
R/D	1,633,889,853.10	327,669,277.00
District Suspense	14,592,332,154.50	8,446,063,640.96
District-Development Bank A/c	(5,987,754,741.25)	-
General Suspense	(11,000,000.00)	(6,600,000.00)

Liabilities

Cash Clearing	(32,062,305,277.60)	(17,481,445,793.84)
Provision for Encumbrances	(28,147,053,290.00)	(858,122,813.00)

In the absence of the correct opening balances, accuracy and completeness of the balances reflected in the Statement of Assets and Liabilities as at 30 June 2012 is doubtful.

1396. The Statement of Assets and Liabilities also reflects total assets of Kshs.27,371,742,716.60 and liabilities of Kshs.27,370,942,716.00 as at 30 June 2012 which do not balance by Kshs.800,000.60. Further, all balances reflected in the Statement are not supported with a Trial Balance as at 30 June, 2012 and are also not analysed.

1397. The Statement of Assets and Liabilities excludes Exchequer Under Issues and General Account on Vote (GAV) balances of Kshs.113,679,825.50 and Kshs.815,594,172.35 respectively. These balances are however reflected in the Exchequer records at the Treasury and the Development Appropriation Account for the year ended 30 June, 2012. No explanation has been provided for the omissions.

1398. The Statement also reflects Ministry Headquarter Development Bank Account debit balance of Kshs.17,494,041,677.00 which differs with the reconciled Cashbook credit balance of Kshs.23,855,362.95 as at 30 June, 2012. Further, it is not clear why the Development Cashbook was overdrawn to the tune of Kshs.23,855,362.95 as at 30 June, 2012, contrary to requirements of Government Financial Regulations and Procedures.

1399. Audit of the bank reconciliation statement as at 30 June 2012 for the Development Cashbook revealed the following uncleared items:-
Payments in the cashbook not recorded in the bank statement amounting to Kshs.292,454,984.70 which includes Kshs.65,678,120.90 relating to 2010/2011 and earlier years. No explanation was provided for the nature of the payments and why such payments have not been reversed in the cashbook or debited by the bank.

1400. Payments in the bank statement not recorded in the cashbook totalling Kshs.100,213,353.15 which includes Kshs.83,663,597.00 relating to 2010/2011 and earlier years. The nature of these payments has not been explained, and also no reason has been provided for failure to record the long outstanding payments in the cashbook as at 30 June 2012.

1401. Receipts in the cashbook not recorded in the bank statement amounting to Kshs.109,585,136.15 which includes Kshs.17,866,020.15 relating to 2010/2011 and earlier years. No reason has been provided for failure to bank the receipts and adjust the cashbook accordingly.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 42

Basis for Adverse Opinion

1402. As reported in 2010/2011, the Statement of Assets and Liabilities for Deposits as at 30 June 2011 reflected incorrect balances brought forward from 2009/2010 as indicated below:-

Assets	Closing Balances 2009/2010 (Kshs)	Opening Balances 2010/2011 (Kshs)	Variance (Kshs)
General Suspense	Nil	(2,818,112.95)	2,818,112.95
Imprest	697,753.60	694,797.60	2,956.00
District Suspense	36,977,400.00	32,421,736.32	4,555,663.68
Welfare account	481,766,192.35	Nil	(481,766,192.35)
NYS IBS	7,500,421.00	Nil	7,500,421.00
Liabilities			
HQT Deposits	101,636,522.75	Nil	101,636,522.75
MTB Renewal A/C	813,772.05	Nil	813,772.05
MTB Maintenance A/C	58,823,081.05	Nil	58,823,081.05
Suspense	6,364,926.15	Nil	6,364,926.15
Staff Welfare	Nil	109,518,028.60	(109,518,028.60)
Contractors Retention Money	Nil	58,243,961.77	(58,243,961.77)

In the absence of reconciliation or explanation for the above omissions, accuracy of the balances reflected in the Statement as at 30 June, 2012 could not be ascertained.

1403. The statement reflects assets amounting to Kshs.12,459,347,241.45 and liabilities totalling Kshs.13,543,204,220.63 as analysed below:-

Assets	Amount (Kshs.)
General Suspense A/C	(57,904,129.10)
R/D Cheques	12,473,215.00
District Suspense A/C	647,911,768.30
District Deposit Bank A/C	238,680.00
Ministry HQ Deposit bank A/C	11,887,855,221.20
Temporary Imprests	<u>(31,227,513.95)</u>
Total	<u>12,459,347,241.45</u>
Liabilities	
Staff Welfare Associations	49,222,204.20
Contractors Retention Money	(1,184,644,447.23)
Cash Clearing A/C	<u>(12,407,781,977.60)</u>
Total	<u>(13,543,204,220.63)</u>

The statement therefore does not balance by Kshs.26,002,551,462.08, being the difference between total assets and total liabilities as at 30 June, 2012.

1404. The statement further reflects a credit balance of Kshs.31,227,513.95 under imprest account which under normal circumstances should reflect a debit or nil balance. The statement also reflects a debit balance of Kshs.1,184,644,447.23 under contractor's retention money which also under normal circumstances should reflect a credit balance. No explanation has been provided for the unusual balances.

1405. The Statement reflects balances which do not agree with the Trial Balance as at 30 June, 2012 as follows:

	Statement Balance (Kshs)	Ledger Balance (Kshs)	Difference (Kshs)
Assets			
General Suspense A/C	(57,904,129.10)	4,159,263.95	(62,063,393.05)
R/D Cheques	12,473,215.00	(4,731,050.00)	17,204,265.00
District Suspense A/C	647,911,768.30	(36,205,296.00)	684,117,064.30
District Deposit Bank A/C	238,680.00	(14,040.00)	252,720.00
Ministry HQ Deposit bank A/C	11,887,855,221.20	(1,534,953,658.45)	13,422,808,879.65
Temporary Imprests	(31,227,513.95)	1,311,077.15	(32,538,591.10)
Liabilities			
Staff Welfare Associations	49,222,204.20	3,546,813.20	45,675,391.00
Contractors Retention Money	(1,184,644,447.23)	104,081,572.90	(1,288,726,020.13)
Cash Clearing A/C	(12,407,781,977.60)	682,668,408.50	(13,090,450,386.10)

No reconciliation or explanation has been provided for the above differences.

1406. The statement also reflects various debit and credit balances which have not been supported with analyses contrary to requirements of Government Financial Regulations and Procedures as shown below:-

Assets	Amount (Kshs.)
General Suspense A/C	(57,904,129.10)
R/D Cheques	12,473,215.00
District Suspense A/C	647,911,768.30
District Deposit Bank A/C	238,680.00
Ministry HQ Deposit bank A/C	11,887,855,221.20
Temporary Imprests	(31,227,513.95)
Liabilities	
Staff Welfare Associations	49,222,204.20
Contractors Retention Money	(1,184,644,447.23)
Cash Clearing A/C	(12,407,781,977.60)

In the absence of analyses, accuracy and completeness of the balances reflected in the statement could not be ascertained.

1407. The Statement further reflects Ministry Headquarters Deposit Bank Account balance of Kshs.11,887,855,221.20 which differs with the reconciled cashbook Cash and Bank balance as at 30 June, 2012 of Kshs.194,981,521.65. The difference of Kshs.11,692,873,699.55 between the two sets of records has not been reconciled or explained.

1408. Further, the reconciled cashbook cash and bank balance of Kshs.194,981,521.65 as at 30 June, 2012 differs by Kshs.1,037,339.63 with the analysed deposit cashbook balance of Kshs.196,018,861.28. The shortfall of Kshs.1,037,339.63 has not been reconciled or explained.

1409. The bank reconciliation statement for Deposit Cashbook shows payments in cashbook not in bank statement totalling Kshs.15,069,407.20, which includes stale cheques amounting to Kshs.10,022,094.15. No explanation has been given for failure to have the cheques presented for payment or reversed in the cashbook as at 30 June, 2012.

1410. The statement also reflects receipts in bank statement not recorded in the cashbook totalling Kshs.67,837,355.10 out of which Kshs.48,563,410.55 relates to 2010/2011 and earlier years. No explanation has been given for the failure to have the receipts recorded in the cash book.

1411. The statement further reflects Kshs.15,761,599.05 payments in bank statement not recorded in the Cashbook, out of which Kshs.10,465,649.70 relates to 2010/2011 and earlier years. Further, as mentioned in the previous years' audit reports, two cheques paid to the Permanent Secretary, Ministry of Home Affairs and Principal National Youth Service IBS of Kshs.2,000,000.00 and Kshs.151,980.00 respectively have not been recorded in the Cashbook as at 30 June, 2012. No reasons have been provided for not recording these payments in the cashbook as at 30 June, 2012.

1412. The statement also shows Kshs.18,893,622.40 receipts in cashbook not in bank. The figure includes Kshs.17,306,500.60 representing receipts for the year 2010/2011 and earlier years. No reasons have been provided for non-clearance of the long outstanding items.

NATIONAL YOUTH SERVICE (NYS) MECHANICAL AND TRANSPORT FUND

Basis for Disclaimer of Opinion

Presentation of Financial Statements and Disclosures

1413. The presentation of the Fund's financial statements and the related disclosures are not in conformity with Treasury Circular and Government Financial Regulations and Procedures. No reason has been provided for non compliance.

Un-analysed Expenditure on Repairs, Maintenance and Workshop Overheads

1414. The Fund Income and Expenditure Account for the year ended 30 June 2012 reflects total income and expenditure of Kshs.859,024,062.74 and Kshs.334,523,001.29 respectively, resulting in a net profit of Kshs.524,501,061.45. The expenditure of Kshs.334,523,001.29 includes repair and maintenance and workshop overhead of Kshs.49,327,992.05 and Kshs.41,414,888.00 respectively, which as in the previous year have not been analysed or explained. In the absence of supporting analyses, accuracy of the Fund Income and Expenditure Account for the year ended 30 June 2012 could not be ascertained.

Classification of Fixed Assets

1415. The Fund Balance Sheet as at 30 June, 2012 reflects an amount of Kshs.2,442,006,453.34 under new machines and equipment. However, a review of assets records indicated that other assets including alico trailer, tractor trailer, disc plough, disc harrow, mould board plough, maize planter, and many others have been included in the balance of Kshs.2,442,006,453.34 as at 30 June, 2012. No reason has been provided for failure to classify the fixed assets according to their specific categories.

1416. According to the depreciation policy of the Fund, fixed assets should be classified into three categories namely; plants, heavy vehicles and small vehicles with depreciation rates of 5%, 7% and 10% per annum respectively. However, Note 9 to the financial statements shows that assets are not properly classified in line with the depreciation policy, while no asset movement schedule was presented for confirmation of depreciation charge for the year, and the net book value of the fixed assets as at 30 June 2012. Consequently, the completeness and accuracy of the depreciation figure of Kshs.241,000,761.24 for the year and the net book value of the fixed assets as at 30 June, 2012 could not be confirmed.

Non-Recovery of Long Outstanding Debts

1417. The Fund Balance Sheet also reflects a domestic debtors balance of Kshs.139,497,270.11 which includes balance brought forward of Kshs.64,995,394.91 relating to 2010/2011 and earlier years. The Balance Sheet further reflects commercial

debtors balance of Kshs.594,342,041.20, which includes balance brought forward of Kshs.13,807,738.85 relating to 2010/2011 and earlier years. No action appears to have been taken to recover the huge debt totalling Kshs.733,839,311.31 as at 30 June, 2012. Recoverability of some of these debts is also doubtful.

Unreconciled Cash Balances

1418. The Fund Balance Sheet in addition reflects PMG balance of Kshs.591,161,076.61 while the Cashbook and bank statement reflect Kshs.183,801,366.65 and Kshs.231,424,367.02 as at 30 June, 2012 respectively. No reconciliation or explanation has been provided for the differences among the three sets of balances. Consequently, accuracy and completeness of Fund PMG balance of Kshs.591,161,076.61 as at 30 June, 2012 could not be confirmed.

Unsupported Fund Balance

1419. The Balance Sheet also reflects a Fund balance of Kshs.3,145,282,435.86 as at 30 June, 2012, comprising a balance brought forward of Kshs.3,127,975,597.86 and Kshs.17,306,838.00 in respect to two additional vehicles procured during the year. The significant balance brought forward of Kshs.3,127,975,597.86 was however not supported with documentary evidence. Consequently, the completeness and accuracy of the balance could not be ascertained.

Fund Ledger and Trial Balance

1420. No ledger or trial balance as at 30 June 2012 was provided to support the balances reflected in the financial statements. Consequently, accuracy and completeness of the Fund for the year could not be ascertained.

Fund Income

1421. The Income and Expenditure Account for the year 2011/2012 reflects total income of Kshs.859,024,062.74. Scrutiny of Miscellaneous Receipts (MRs) used for collection of revenue revealed that the Mechanical and Transport Fund scheme unit had collected revenue amounting to Kshs.49,881,742.25 between 2008/2009 and 2011/2012 and deposited the same in the NYS bank account instead of surrendering the receipts to the Ministry Headquarters.

1422. No explanation has been provided for undue delay in surrendering the revenue totalling Kshs.49,881,742.25 to the Ministry of Youth Affairs and Sports Headquarters.

MINISTRY OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY

FINANCIAL STATEMENTS FOR VOTE R 43

Basis for adverse opinion

APPROPRIATION ACCOUNT

Grants to Government Agencies and other Institutions

1423. The Appropriation Account reflects under various Heads and Sub-Heads, Item 2630100- Current Grants to Government Agencies and Other levels of Government, expenditure totalling Kshs.24,618,295,038.00, representing funds disbursed to thirty five (35) Government Agencies and Institutions. However, no documents were made available for audit confirmation that a total of Kshs.87,466,618.00 disbursed to seven (7) institutions was actually received and expended as appropriated.

1424. In addition, an amount of Kshs.2,491,931,667.00 disbursed to Higher Education Loans Board differs by Kshs.95,000,000.00 with an amount of Kshs.2,586,931,667.00 reflected in the Board's financial statements for 2011/2012. No reconciliation or explanation has been provided for the variance.

Procurement of Air Ticket Service

1425. The Appropriation Account also reflects under various expenditure Heads, Item 2210400 - foreign travel and subsistence and transportation costs, an expenditure of Kshs.25,542,705.00. The expenditure includes Kshs.2,610,428.00 incurred on procurement of air tickets from four (4) travel agents through single sourcing, instead of competitive bidding as required by the Public Procurement and Disposal Act, 2005. Further, the invoices from the said firms were raised before the Local Service Orders (LSO) were raised. In the circumstances, it was not possible to ascertain that value for money was realized from the expenditure of Kshs.2,610,428.00.

Training Expenses

1426. The Appropriation Account further reflects under Head 430101 – Headquarters' Administrative Services, Item 2210700 – Training Expenses, a net expenditure totalling Kshs.19,356,553.00. The figure includes Kshs.224,000.00 spent on sponsoring two (2) officers to study for Certified Public Accountants (CPA) course in a private college. Examination of payment vouchers and other related documents revealed that the officers were sponsored for CPA Parts I, II, III and Parts II and III respectively. However, according to Kenya Accountants and Secretaries National Examinations Board (KASNEB) regulations and time table, a candidate cannot sit for two (2) parts of

the CPA examination simultaneously. Under the circumstances, the expenditure of Kshs.224,000.00 incurred in respect to the two officers would appear irregular and questionable.

Rent Arrears at Kabete Technical Institute

1427. A review of records maintained at Kabete Technical Institute revealed that the Institute was owed a total of Kshs.7,855,777.00 in rent arrears from eighty three (83) tenants occupying the Institute's houses. Included in the outstanding rent was Kshs.1,221,462.00 due from some tenants who vacated the houses, while Kshs.721,400.00 was due from deceased tenants. No indication was seen of measures the Institution has put in place to recover the overdue and outstanding rent arrears from the affected persons.

Pending Bills as at 30 June, 2012

1428. Records maintained by the Ministry indicate that bills totalling Kshs.45,475,610.10 chargeable to the recurrent vote were not settled during 2011/2012, but were instead carried forward to the financial year 2012/2013. Had the bills been paid and the expenditure charged to the Account for 2011/2012, the Appropriation Account for Vote R.43 for the year ended 30 June, 2012 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.53,313,029.50, instead of net surplus of Kshs.98,788,639.60 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1429. The Statement of Assets and Liabilities as at 30 June 2012 for Vote R.43 reflects various debit and credit balances brought forward from the year 2010/2011 which are at variance with those reflected in the audited Statement for 2010/2011 as follows:-

Item	Audited 2010/2011 Statement (Kshs)	Opening Balances (Kshs)	Variance (Kshs)
Advances	2,399,295.35	1,166,362.05	1,232,933.30
Temporary Imprest	2,709,708.60	1,168,178.60	1,641,530.00
Standing Imprest	100,000.00	80,000.00	20,000.00
General Suspense	18,004,630.10	9,991,910.00	9,012,720.10
District Agency	6,575,556.85	3,625,408.00	2,950,148.85
PMG	240,316,329.10	59,514,027.20	180,802,301.90
GAV	830,164,055.75	233,318,635.00	596,845,420.75

The differences between the two sets of records has not been reconciled or explained.

1430. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.46,715,741.90, which differs with the cashbook balance as at

30 June 2012 of Kshs.46,671,675.90. Further, the bank reconciliation statement as at 30 June 2012 reflects reconciled cashbook balance of Kshs.42,736,343.65, while the cashbook reflects a bank balance of Kshs.44,693,081.35. No reconciliation or explanation has been provided for the understatement of PMG balance and cashbook bank balance as at 30 June 2012 by Kshs.44,066.00 and Kshs.1,956,737.70, respectively.

1431. In addition, the Ministry did not submit for audit Bank Reconciliation Statements for the months of July to December 2011 contrary to the provisions of section 5.9.2 of the Government Financial Regulations and Procedures. Further, the Bank Reconciliation for the months of January to June, 2012 were submitted late on 30 October, 2012. The rationale and basis of this action has not been explained.

1432. The Bank Reconciliation Statements for the Recurrent Cash Book reflects payments in the cash book totalling Kshs.75,981,491.25 not recorded in the bank statement which includes stale cheques amounting to Kshs.34,299,411.35. No reason has been provided for failure to replace the stale cheques.

1433. Further, the above figure also includes positive cash adjustments of Kshs.1,469,097.75 and negative adjustments of Kshs.165,830,925.95 resulting to overall Cashbook Adjustment of Kshs.164,361,828.20. No reason has been provided for unexplained cash book adjustments.

1434. The Bank Reconciliation Statement also reflects an amount of Kshs.1,353,714.85 as receipts in the Bank Statement not yet recorded in the cash book. No reason has been given for the non-recording of this amount yet the G-pay provides reconciliation on a daily basis.

1435. The statement also reflects Kshs.31,773,513.00 as payments in the bank not recorded in the cash book. These are direct debits from the month of June 2011 to July 2012. No reason has been given for this situation yet the G-pay provides reconciliation reports on a daily basis.

1436. Further, the Reconciliation Statement reflects a total of kshs.24,837,299.60 as receipts in the Cash book not recorded in bank statement relating to June 2011 and June 2012. No reason has been provided for the prolonged delay in banking these amounts.

1437. The Bank Reconciliation Statement as at 30 June, 2012 also reflects a cash book balance of Kshs.42,736,343.65 while the actual cash book balance is Kshs.44,737,147.35 resulting into unexplained difference of Kshs.2,000,803.70. No reason has been given for the differences between the two sets of records, which should ordinarily be the same.

1438. The Statement reflects Exchequer Account opening balance of Kshs.171,070,800.05 while the audited Statement for 2010/2011 reflects a balance of Kshs.574,356,586.65, resulting in a difference of Kshs.403,285,786.60. However, a Treasury letter reference AG17/11/Vol.6 (33) dated 20 December 2011 authorized recovery of Exchequer over Issue of Kshs.144, 862,339.90. No Treasury authority was produced to support the clearance of the balance of Kshs.258,423,446.75 during the year.

1439. In addition, the Statement reflects Exchequer Under Issue of Kshs.67,366,295.00 for the year under review, while records maintained at the Treasury reflect a balance of Kshs.51,072.10 as at 30 June, 2012. The difference of Kshs.67,315,222.90 between the two sets of records has not been reconciled or explained.

1440. The Statement also reflects Temporary Imprest and Standing Imprest Account balances of Kshs.30,500.00 and Kshs.38,000.00 respectively as at 30 June, 2012. Imprest records maintained by the Ministry on the other hand reflected balances of Kshs.848,708.00 and Kshs.48,000.00 respectively. The differences of Kshs.818,208.00 and Kshs.10,000.00 between the two sets of records have not been reconciled or explained.

1441. The Statement in addition reflects General Suspense and District Agency Account balances of Kshs.58,706,022.05 and Kshs.486,564.50 as at 30 June 2012, respectively. However, no supporting documents, including an analysis were produced for audit review. The Statement also reflects Assets and Liabilities balances each totalling Kshs.345,405,323.50 which were not supported with a Trial Balance as at 30 June, 2012. Under the circumstances, the completeness and accuracy of the Statement balances as at 30 June 2012 could not be ascertained.

1442. The Statement further reflects various debit and credit balances totalling Kshs.181,062,710.05 and Kshs.247,616,685.90 respectively, relating to 2010/2011 and earlier years as shown below:-

Debits	Amounts (Kshs)
Exchequer Account	171,070,800.05
General Suspense Account	<u>9,991,910.00</u>
	<u>181,062,710.05</u>
 Credits	
GAV Account	233,318,635.00
Inter-Ministerial Account	1,000,000.00
Suspense Account	<u>13,298,050.90</u>
	<u>247,616,685.90</u>

No reasons have been given for failure to clear the long outstanding balances from the books of account.

FINANCIAL STATEMENTS FOR VOTE D.43

Basis for adverse opinion

APPROPRIATION ACCOUNT

Under Collection of Appropriations-in-Aid

1443. The Appropriation Account for Vote D.43 for the year ended 30 June, 2012 reflects under-collection of Appropriations- in-Aid of Kshs.4,531,348,775.25 or about 50% of the estimated receipts of Kshs.8,955,505,504.00. The under collection occurred mainly under Sub Vote 4302 – Technical Education and Sub Vote 4304 – University Education. According to the footnotes to the Account, the under collection has been attributed to delays in completion and implementation of projects. However, no indication has been shown of efforts being made to address the underlying causes of under-collection of Appropriations- in-Aid.

Capital Grants to Government Agencies and Other Levels of Government

1444. The Appropriation Account also reflects under Sub-Vote 4304 capital grants totalling Kshs.3,630,508,106.00 disbursed to various Government Agencies and Institutions under various expenditure heads. The figure includes grants totalling Kshs.2,450,669,214.20 disbursed to fifteen (15) institutions during the year. However, the 2011/2012 financial statements of these institutions reflected receipt of grants totalling Kshs.2,551,462,224.00. The resultant difference of Kshs.100,793,009.80 has not been reconciled or explained.

Pending Bills

1445. During the year 2011/2012, the Ministry reported a net surplus to be surrendered to the Exchequer of Kshs.762,092,959. However, as at 30 June 2012, the Ministry had pending bills amounting to Kshs.Kshs.655,096,125.00 carried forward to the financial year 2012/2013. Had the bills been paid and the expenditure reflected in the financial statements for 2011/2012, the Appropriation Account for Vote D.43 for the year ended 30 June 2012 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.106,996,834.45, instead of the net surplus of Kshs. 762,092,959.45 now shown.

China/Kenya Project – Upgrading of Equipment

1446. The Ministry of Higher Education, Science and Technology entered into an agreement with the People's Republic of China where the later was to fund the implementation and upgrading of equipment in eight institutions. The project commenced on 1 March, 2011 and is due for completion on 30 July, 2013. The equipment arrived in Mombasa on 4 December, 2011 and 4 January, 2012 in two batches containing 152 containers.

1447. Upon arrival of the equipment, the Ministry entered into a contract on 16 December, 2011 with M/s Waki Clearing and Forwarding Agents for the clearing, transporting to the Institutes and off-loading of the equipment at a contract sum of Kshs.59,954,926.00. However, the firm did not clear the consignment from Mombasa as per the contract, citing congestion at the Port. The Ministry thereafter awarded a contract to a shipping line agent known as M/s CMA CGM Kenya Ltd, to transport the equipment from the Port of Mombasa to ICD Embakasi-Nairobi at a cost of Kshs.22,333,237.15. M/s Waki was to clear the goods from Embakasi ICD and distribute the equipment to the Institutions.

1448. However, it has not been possible to ascertain why the Ministry contracted and paid M/s CMA CGM Kenya Ltd Kshs.22,333,237.15 to transfer the goods to ICD – Embakasi, while the same works had been included in the contract awarded to M/s Waki. Further, as at 30 June, 2012 the containers had not been cleared from Embakasi depot, and no explanation has been provided for the omission.

Payment of Demurrage Charges - Kshs.37,670,253.20

1449. Information available indicate that the Ministry was given 30 days grace period by the shipping line to empty and return the 152 containers from the date the containers arrived in Mombasa beyond which, demurrage charges were to be effected. However, as at 30 June, 2012, the Ministry had paid demurrage charges totalling Kshs.37,670,253.20, and which were still accumulating as the containers were yet to be returned to the shipping line agent. The Government apparently did not get value for money from avoidable expenditure of Kshs.Kshs.37,670,253.20 incurred on demurrage charges, and no explanation has been provided for the omission.

Technical Colleges and Institutes of Technology

1450. The Appropriation Account reflects under Head 430209 – Directorate of Technical Education, a gross expenditure of Kshs.1,971,398,935.00. The amount includes Kshs.1,005,588,524.00 disbursed to various Technical Colleges and Institutes of Technology during the year. An audit inspection carried out in these Institutions revealed the following unsatisfactory matters:-

Irregular Transfer of Development Funds to Fund Operations -Kshs.24,970,530.00

1451. Five (5) Institutions spent a total of Kshs.24,970,530.00 allocated for development projects to fund operations and other expenditures not related to the development activities earmarked for the funds disbursed contrary to Government Financial Regulations and Procedures.

Project Management Fees Kshs.755,000.00

1452. Examination of Bills of Quantities (BQs) for various projects undertaken in several Institutions revealed that project management fee was included as a component in the Bills of Quantities (BQs) and therefore, it formed part of the contract price. However, records maintained at Rwika and Wote Technical Training Institutes showed payments of Kshs.175,000.00 and Kshs.580,000.00 respectively, made to Ministry of Public Works officials during the year under review as project management fee. These particular payments were supposed to be paid by the contractor and therefore were irregularly charged to public funds.

Rwika Technical Training Institute

Economic Stimulus Project (ESP) Funds – Kshs.1,539,835.10

1453. Examination of Economic Stimulus Project records at Rwika Technical Training Institute revealed that the Institute spent Kshs.1,539,835.10 on bus loan repayment and other items, although ESP funds were only meant to finance infrastructure projects such as workshops, laboratories and classrooms. No explanation was given for the irregular diversion of Kshs.1,539,835.10 from the intended purpose.

Expired Security Bond

1454. M/s Sosimo General Contractors Ltd was awarded the tender for the Construction of Agricultural Twin Workshop, four (4) Classrooms and other Facilities at Rwika Technical Training Institute at Kshs.27,876,443.00, being the lowest evaluated bidder out of six firms invited to bid. Records made available indicated that the contractor's bid bond of Kshs.600,000.00 from Equity Bank expired on 10 July 2011. However, a physical inspection carried out on 28 August 2012 showed that the contractor was still on site and the level of project completion was estimated at 80%. No explanation was given as to how the Institute would be indemnified in case of a breach of contract in the absence of an indemnity bond.

Kiirua Technical Training Institute

Irregular Procurement of Contracts

1455. The Institute entered into a contract agreement with M/s Nambo B.C.E. Company for the construction of an electrical workshop at a cost of Kshs.4,080,900.00. The construction works were to take 25 weeks with effect from 29 November 2010 and end on 16 May 2011. A physical inspection done in September, 2012 showed that the construction was about 50% complete. Further, expenditure records verified showed that the contractor had been paid Kshs.5,152,972.00 as at 30 June, 2012, an amount over and above the contract price by Kshs.1,072,072.00. No explanation was given for this anomaly.

1456. Additional information available also indicated that the Institute terminated the contract and awarded another contract for the completion of the remaining works to M/s Coban Construction Ltd. who was the second lowest bidder, at a cost Kshs.10,651,350.00, instead of M/s Nambi Electricals and Construction Company who was the lowest bidder at a contract sum of Kshs.10,000,000.00. The contract was awarded contrary to the Public Procurement and Disposal Act, 2005 and related regulations, resulting in a loss of Kshs.651,350.00. Further, no explanation was given as to how the first contractor - M/s Nambo B.C.E. Company compensated the Institute after breach of the contract, and after being paid for services not rendered.

Construction of Library Complex - Kshs.30,923,770.00

1457. The construction works for a library complex at Kiirua Technical Training Institute was awarded to M/s Coban Construction Ltd who was the second lowest bidder at a cost of Kshs.30,923,770.00, instead of the lowest bidder, M/s KAT Universal Ltd who had quoted Kshs.28,650,306.40. No explanation was provided for the irregular award which made the Institute lose Kshs.2,273,463.60.

Matili Technical Training Institute

Electrical Workshop - Kshs.39,240,686.75

1458. Records held at the Ministry headquarters showed that the Ministry committed to fund the construction of an electrical workshop at Matili Technical Training Institute at an estimated cost Kshs.46,240,686.76 and by 30 June, 2012 Kshs.39,240,686.75 had been disbursed to the Institute towards the project.

1459. However, a physical inspection carried out at the Institute in September 2012 established that the above workshop was not in existence. Further, no documents in support of construction works, including architectural drawings and design, bills of quantities, certificates of valuation of works or payments towards such works was made available for audit review. In addition, the unutilized funds could not be traced in the Institute's bank accounts. It was therefore not possible to ascertain that the Kshs.39,240,686.75 was expended as appropriated.

Electrical Workshop - Kshs. 44,743,673.60

1460. Records available further indicate that Matili Technical Training Institute was allocated Kshs.29,311,759.60 for the construction of an electrical workshop under the Economic Stimulus Programme (ESP) during the year. The allocation of Kshs.29,311,759.60 was based on contract documents submitted to Ministry Headquarters by the Institute. However, perusal of the Institute's records showed that the design of the electrical workshop was changed to a mechanical workshop and the contract varied from Kshs.29,311,759.60 to Kshs.44,743,673.60. The variations of Kshs.15,431,914.00 or about 53% was contrary to section 31(c) of the Public Procurement and Disposal Regulations, 2006 which limits variations for works to 15% of

the contract price. Further, no bills of quantities in support of the additional works were availed for audit verification.

Government Of Kenya (GOK)/ CHINA Project - Kshs.10,000,000.00

1461. The Ministry disbursed a total of Kshs.10,000,000.00 to Matili Technical Training Institute towards rehabilitation of existing workshops and related facilities under the GOK/China Project. However, the Institute did not produce any documents in support of the expenditure of Kshs.10,000,000.00. It was therefore not possible to ascertain that Kshs.10,000,000.00 was utilized for the intended purposes.

Shamberere Technical Training Institute - Kakamega

Construction of a Guest House - Kshs.19,040,185.00

1462. The Ministry disbursed grants totalling Kshs.19,040,185.00 during the year to Shamberere Technical Training Institute. The amount was spent on construction of a guest house used as a Chinese camp for a team of Chinese nationals involved in installation of equipment in TIVET institutions in western region. However, no documents were made available to show how the contract was procured. Further, the Ministry's development grants to learning institutions are basically meant for funding of learning infrastructure. No documentary evidence was made available for confirmation that authority was obtained from the Ministry before funds were re-allocated and utilized for the construction of a guest house.

Kisumu Polytechnic

Science Complex

1463. Examination of records maintained by Kisumu Polytechnic showed that Cell Arc Systems Ltd was awarded a contract to construct a Science complex on 3 May, 2011 at a contract price of Kshs. 75,599,770.00. A site visit done in September 2012 showed that the contractor had abandoned the site while the project was about 80% complete. Expenditure records however showed that the contractor had been paid the whole contract sum of Kshs.75,599,770.00 by June, 2012. No explanation was given for this anomaly.

Kiambu Institute of Science and Technology

Library/ ICT Project

1464. During the year 2011/2012, a total of Kshs.13,237,003.40 was disbursed to Kiambu Institute of Science and Technology for the construction of Library/ ICT resource centre. This was in addition to Kshs.39,499,337.60 disbursed for the same project during 2010/2011.

Award of Tender and Contract Period

1465. M/S Itabuild Imports Ltd of Box 1928-00501-Nairobi was awarded a tender for the Library/ICT Project at a contract sum of Kshs.60,145,454.00 and a contract period of thirty (30) weeks, commencing on 15 March 2011 to 11 October, 2011.

Lack of Vital Information in Tender Documents

1466. A review of the tender documents revealed that the contractor did not give essential information like form of tender, qualification information, tender questionnaire, confidential business questionnaire, statement of foreign currency and details of sub-contractor which was mandatory for bidding and formed the basis of preliminary evaluation. It was not clear how the firm proceeded to technical evaluation stage without meeting this mandatory criterion at preliminary evaluation stage.

1467. Further, bid documents from the contractor used for technical evaluation showed that the business permit issued by the City Council of Nairobi allowed the company to handle medium workshop or service repairs but not big contracts like the Library/ICT Project.

1468. In addition, although the contractor attached a list of equipment/machinery that he would use in the above project, no ownership documents, including log books were produced to support ownership of the equipment/machinery by the contractor.

Incomplete/Abandoned Works

1469. A physical inspection done in February 2012, about four months after the contract period had lapsed, showed that the project was incomplete and the contractor had abandoned the site.

Materials on Site – Kshs.1,685,470.00

1470. The Institute's documents made available for audit review, including valuation certificate No. 06 dated 21 November 2011 and payment voucher No MD-0060 dated 8 December 2011, showed that the Institute had paid Kshs.35,424,188.00 for certified works including materials on site valued at Kshs.3,660,030.00. However, a physical verification of the site revealed that materials valued at Kshs.1,685,470.00 were not physically on site. The whereabouts of the materials was not explained and therefore, the expenditure of Kshs.1,685,470.00 would appear null and void.

Unvouched Expenditure - Kshs.3,902,900.00

1471. Records made available at the Institute showed that an amount of Kshs.3,902,900.00 was paid in 2010/2011 in respect of works under certificate No. 1. However, supporting documents were not available for audit verification. The propriety of this expenditure therefore, could not be ascertained.

Un-Authentic Documents - Kshs.4,625,170.00

1472. The Institute also paid Kshs.4,625,170.00 vide cheque No.000110 on 8 November, 2011 to the contractor. However, the supporting documents including certificates and schedules were not signed or endorsed by the respective certifying officers, therefore raising doubt on authenticity and origin of the documents. Under such circumstances, propriety of expenditure of Kshs.4,625,170.00 could not be ascertained.

Overpayment to the Contractor-Kshs.6,657,669.00

1473. Examination of Bills of Quantities (BQs) and actual payments made to the contractor revealed that the Institute paid Kshs.25,478,638.00 for putting up floor beds, foundation and building sub-structure which were quoted at Kshs.12,546,873.00 in the BQs. The overpayment of Kshs.12,931,765.00 was not explained or supported with contract variation documents.

Payment for Works not done

1474. The Institute entered into sub-contract with two firms for electrical and plumbing works for the above Library/ICT Project at a contract price of Kshs.12,632,859.00. Examination of payments made to the two firms revealed that Kshs.1,065,800.00 was paid for work which was included in the main contract with M/S Itabuild. No explanation has been provided for the irregularity.

Funds Not Accounted for

1475. Records maintained by the Ministry further indicate that Kshs.39,499,337.60 was disbursed to Kiambu Institute of Science and Technology in respect of development expenditure during the year under review. Records maintained by the Institute reflected an expenditure of Kshs.31,881,769.00 and a bank balance of Kshs.386,908.00 totalling Kshs.32,268,677.00. The resultant difference of Kshs.7,230,660.60 between amount disbursed of Kshs.39,499,337.60 and Kshs.32,268,677.00 was not explained, and therefore, the funds remained unaccounted for as at 30 June, 2012.

STATEMENT OF ASSETS AND LIABILITIES

1476. The Statement of Assets and Liabilities as at 30 June 2012 reflects an Exchequer Account opening balance of Kshs.805,945,000.00, which differs with the audited Statement for 2010/2011 balance of Kshs.1,095,957,800.00, resulting to a difference of Kshs.290,012,800.00. However, Treasury authority reference AG17/11/Vol.6 (33) dated 20 December 2011, availed in support of clearance of Exchequer Over-Issue for 2009/2010 only approved clearance of Kshs.54,441,460.00. No Treasury authority was produced to support the clearance of the balance of Kshs.235,571,340.00.

1477. The Statement also reflects a Paymaster General (PMG) Account balance of Kshs.189,773,194.60.00 for 2010/2011. However the audited statement for 2010/2011 reflects a PMG balance of Kshs.92,460,460.55. The difference of Kshs.97,312,734.05 between the two sets of records has not been reconciled or explained.

1478. The bank reconciliation statement for Development Vote cashbook as at 30 June, 2012 reflects payment in cashbook not recorded in the bank statement of Kshs.361,639,184.80 which includes stale cheques of Kshs.28,670,786.00. No explanation has been provided for the non replacement or re-crediting of the stale cheques in the cashbook.

1479. The reconciliation statement also reflects payments in the bank not yet recorded in the cashbook of Kshs.49,758,972.90, some of which date back to 2008 and 2010. No reason has been given for the inordinate delay in recording the amounts in the cashbook yet G-pay system provides reconciliations on a daily basis.

1480. The reconciliations statements further reflect receipts of Kshs.215,703,373.00 in the cashbook not yet recorded in the bank statement, including Kshs.15,302,373.00 received on 24 February, 2011. No reason has been given for the prolonged delay in banking these receipts.

1481. The bank reconciliation statement as at 30 June 2012 also reflects cashbook adjustment of Kshs.55,000.00 which is not supported or explained. Validity of this particular adjustment could not be confirmed.

1482. The Statement also reflects a General Account of Vote (GAV) balance of Kshs.830,033,124.00 for 2010/2011. However, the audited statement for 2010/2011 reflects a PMG balance of Kshs.1,022,733,189.95, resulting in a difference of Kshs.192,700,065.95. The difference of Kshs.192,700,065.95 includes an amount of Kshs.192,430,065.95 explained as having been cleared vide Treasury authority Ref; AG17/11/Vol.6 (33) dated 20 December 2011, leaving an unexplained difference of Kshs.270,000.00. In addition, the above Treasury authority clearing the Kshs.192,430,065.95 has not been made available for audit review. It was therefore not possible to confirm the validity and accuracy of the amount cleared.

1483. The Statement reflects debit and credit balances under the Exchequer, General Account on Vote and Suspense Account of Kshs.805,945,000.00, Kshs.830,033,124.00 and Kshs.165,685,070.60 respectively, which relate to 2010/2011 and earlier years. No reason has been given for failure to clear the long outstanding balances from the books of account.

1484. The Statement also reflects Suspense Account debit and credit balances of Kshs.6,413,625.00 and Kshs.165,685,070.60 respectively. However, no analyses have been provided in support of the balances. In addition, the balances could not be traced

in the Ledger and Trial balance as at 30 June, 2012. It was therefore not possible to confirm validity and accuracy of these balances as at 30 June, 2012.

1485. The Statement also reflects a balance of Kshs.1,360,000.00 under Agency Account explained in the notes to the Statement as a receipt from the Ministry of Information and Communication in form of AIE. However, no documents were produced in support of the balance.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 43

Basis for qualified opinion

Unreconciled Paymaster General Account Balance

1486. The Statement of Assets and Liabilities for Deposits reflects an opening balance of Kshs.18,820,382.50 under Paymaster General Account which differs from audited balance of Kshs.18,906,132.50 as at 30 June, 2011, resulting in a difference of Kshs.85,750.00. Further, the Statement reflects a PMG account balance of Kshs.29,506,069.10 as at 30 June, 2012 while the Cashbook reflects a balance of Kshs.30,069,925.15 as at the same date, resulting in a difference of Kshs.563,856.05. No explanation or reconciliation has been provided for the differences. Under the circumstances, the accuracy of the Kshs.29,506,069.10 PMG balance as at 30 June, 2012 could be confirmed.

Unsupported Balances

1487. The Statement further shows a balance of Kshs.27,525,756.40 as at 30 June 2012 against the Retention Account, which was not reflected in the Trial Balance. The figure also includes a balance brought forward from 2010/2011 of Kshs.17,165,944.80 which had not been supported with analyses. Consequently, accuracy of the Retention Account balance reflected in the statement could not be ascertained.

Unconfirmed Balances

1488. The Statement in addition reflects a balance brought forward from 2010/2011 of Kshs.1,654,437.70 under Miscellaneous Deposits Account, which differs from the audited balance of Kshs.1,740,187.70 as at 30 June, 2011. The difference of Kshs.85,750.00 has not been reconciled or explained. Further, the Miscellaneous Deposit Account balance of Kshs.1,980,308.70 was not reflected in the Trial Balance. Consequently, the correctness of the Deposit Account balance of Kshs.1,980,308.70 as at 30 June, 2012 could not be ascertained.

MINISTRY OF HOUSING

FINANCIAL STATEMENTS FOR VOTE R.44

Basis for qualified opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

1489. Expenditure totalling Kshs.22,403,051.00 charged to Vote R.44 under Head 440101 – Headquarters Administrative Services in respect of Domestic Travel and Subsistence and Other Transportation Costs, Specialized Materials and Supplies, Office and General Supplies, and Routine Maintenance – Other Assets were not supported by payment vouchers and related documentation. As a result, the propriety of the expenditure of Kshs.22,403,051.00 could not be ascertained.

Pending Bills

1490. Bills totalling Kshs.54,643,188.40 chargeable to Vote R.44 and relating to 2011/2012 were not paid during the year but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote R.44 would have reflected a reduced Net Surplus of Kshs.350,995,383.60 instead of Kshs.405,638,572.00 now shown.

Unbudgeted Appropriations-In-Aid

1491. Unbudgeted Appropriations-In-Aid totalling Kshs.338,161,902.00 was collected under Head 440202 - Management of Government Pool Housing. However, no reason has been given for failure to include the item in the estimates.

STATEMENT OF ASSETS AND LIABILITIES

1492. The Statement of Assets and Liabilities for Vote R.44 as at 30 June 2012 reflects Exchequer Account under issues for 2011/2012 amounting to Kshs.309,311,158.00 while Treasury records show a balance of Kshs.157,670.00. The difference of Kshs.309,153,488.00 between the two sets of records has not been reconciled or explained.

1493. The Statement also shows a Paymaster General (PMG) Account balance of Kshs.319,270,512.25 which differs with the cash book balance of Kshs.9,127,924.00. The accuracy of the PMG balance could therefore not be ascertained.

1494. The Statement also reflects long outstanding balances relating to 2010/2011 and earlier years on Exchequer Account, District Suspense and General Account of Vote of Kshs.945,420.00, Kshs.205,865,632.60 and Kshs.523,725,608.45 respectively. No explanation has been provided for failure to clear these long outstanding balances.

1495. The Statement shows Temporary imprests amounting to Kshs.3,428,880.90 as having been cleared during the year. No documentary evidence has, however, been provided to show how the amounts were cleared. The statement also reflects Temporary Imprests Account debit balance of Kshs.2,492,086.00 as at 30 June 2012 which differs with the figure of Kshs.2,510,086.00 extracted from the Ministry's imprest registers by Kshs.18,000.00. No explanation has been provided for failure by the officers to surrender or account for the imprests on or before 30 June 2012.

1496. The Statement further shows a District Suspense Account debit balance of Kshs.105,803,780.15 which was not analysed. Consequently, the validity and accuracy of the balance could not be ascertained.

1497. The Bank Reconciliation Statement for the Recurrent Cash book includes long outstanding payments and receipts in cash book not in bank statement of Kshs.8,002,600.85 and Kshs.24,829,429.20 for the period between 19 May 2011 and 22 December 2011 and 18 August 2011 and 23 January 2012, respectfully. The reconciliation also includes receipts and payments in bank statement not in cash book of Kshs.54,884,879.75 and Kshs.36,436,322.40 for the period between 9 June 2011 and 29 December 2011 and 18 February 2011 and 30 December 2011, respectively. No explanation has been provided for non clearance of the long outstanding items from the reconciliation and books of account.

FINANCIAL STATEMENTS FOR VOTE D.44

Basis for Disclaimer of opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

1498. Payment vouchers and other records for expenditure totalling Kshs.439,739,909.10 charged to Vote D.44 for the year ended 30 June 2012 were not produced for audit review. The expenditure was in respect of Routine Maintenance – Other Assets, Acquisition of Land, Other Operating Expenses and Construction and Civil works as detailed below:

Head	Item	Description	Actual Expenditure Kshs.
440201	2220200	Routine Maintenance – Other Assets	151,104,238.00
440301	2211300	Other Operating Expenses	59,295,811.00
440301	3110500	Construction & Civil Works	<u>229,332,860.10</u>
Total Kshs.			<u>439,732,909.10</u>

Consequently, the propriety of the expenditure could not be ascertained.

Pending Bills

1499. Development Vote bills totalling Kshs.75,825,401.53 relating to 2011/2012 were not paid during the year, but were instead carried forward to 2012/2013. Had the bills been settled and the expenditure charged to the accounts for 2011/2012, the Development Appropriation Account for Vote D.44 for the year ended 30 June 2012, would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.248,512,926.50 instead of Kshs.324,338,329.10 now shown. Further, supporting documents for the above pending bills were not produced for audit review.

STATEMENT OF ASSETS AND LIABILITIES

1500. The Statement of Assets and Liabilities for Vote D.44 as at 30 June 2012 reflects an Exchequer Account balance of Kshs.764,520,908.05, which includes an uncleared amount of Kshs.364,371,008.05 relating to 2010/2011 and earlier years. Further, the Exchequer Account balance of Kshs.400,149,900.00 shown under year 2011/2012 differs with the balance of Kshs.107,684,507.80 reflected in the Treasury's records. No explanation has been provided for the difference of Kshs.292,465,392.20 between the two sets of records.

1501. The Statement shows a Paymaster General Account balance of Kshs.159,726,295.65 while the cash book reflects a balance of Kshs.1,578,617.15. The difference of Kshs.158,147,678.50 between the two sets of records has not been reconciled.

1502. The Bank Reconciliation Statement for the Development Vote cash book includes payments in bank statement not in cash book totalling Kshs.4,795,196.00 charged against Vote D.44 but posted in the Recurrent cash book. No explanation has been provided for this irregularity.

1503. The Statement also reflects a District Suspense Account debit balance of Kshs.44,906,142.15 which has not been analysed. In addition, the balance of Kshs.77,390,180.05 cleared during the year was not supported by any documentary evidence.

1504. The Statement reflects a General Account of Vote balance of Kshs.969,153,345.85 which includes an amount of Kshs.644,815,016.75 relating to 2010/2011 and earlier years. No explanation has been provided for failure to clear the long outstanding balance for the previous years from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 44

Basis for Disclaimer of opinion

1505. The Statement of Assets and Liabilities for Deposits 44 reflects 10% Retention Money of Kshs.138,819,965.45 and BP Shell - Kshs.64,317,656.00 Deposit credit balances as at 30 June 2012 which have not been supported fully with analysis and documentation. The validity and completeness of these balances could not, therefore be ascertained.

1506. The Statement also reflects a Rent Restriction Account balance of Kshs.2,730,000.00 brought forward from 2010/2011 that has been cleared during the year under review. However, no documentary evidence in support of the clearance was produced for audit verification in respect of an amount of Kshs.1,829,898.00 out of the total Kshs.2,730,000.00.

1507. The financial statements as at 30 June, 2012 exclude receipts totalling Kshs.31,751,727.35 in bank and payments made by bank of Kshs.2,187,124.40 not recorded in cash book as reflected in the Bank Reconciliation Statement for the Deposits Cash book as at 30 June 2012. Consequently the accuracy of the account balances as reflected in the statement of Assets and Liabilities for Deposits 44 as at 30 June, 2012 could not be confirmed.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT CONTINGENT LIABILITY OUTSTANDING

Basis for Disclaimer of opinion

1508. The Statement of Outstanding Obligations Guaranteed by the Government Contingent Liability Outstanding as at 30 June 2012 reflects outstanding balance of Kshs.214,554,195.00 in respect of Government of the United States of America's loan of USD17,000,000 to Nairobi City Council (NCC) for Umoja II Housing (615-HG-005). However, loan agreement, repayment schedules and loans register in support of the

balance were not provided for audit verification. It has not, therefore, been possible to ascertain the validity and accuracy of the outstanding loan balance.

1509. The Statement also reflects the Government of the United States of America's loan of USD10,000,000 to NCC for Umoja I Housing as fully paid. Documentary evidence in support of the settlement of the loan was not, however, provided for audit review.

1510. Contrary to the requirements under Section 4(3) (d) of the Public Audit Act, 2003 the Statement of Outstanding Obligations Guaranteed by the Government submitted for audit was not signed by the Accounting officer or dated. No explanation has been provided for this omission.

FINANCIAL STATEMENTS OF KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND (KENSUF)

Basis for Disclaimer of opinion

1511. The comparative net Fixed Assets balance of Kshs.1,208,032,754.00 reflected in the Balance Sheet as at 30 June 2011 differs with note 2 to the financial statements' Property, Plant and Equipment brought forward figure of Kshs.1,265,472,282.55 by an unsupported and an unexplained Kshs.57,439,528.55 difference.

1512. Additions to land and buildings' (Mavoko SNP Project) Kshs.8,015,507.20 figure as reflected in note 2 to the accounts could not be confirmed due to the absence of supporting documentation.

1513. It has not been possible to confirm whether all fixed assets of Kshs.1,080,607,838.00 as reported in the financial statements physically existed or were correctly valued as at year end due to the absence of a fixed assets register.

1514. Under note (2) to the financial statements, Property, Plant and Equipment balances do not add up and reflect an unexplained reductions in accumulated depreciation during the year as follows:

	Accumulated Unexplained Depreciation Reduction as at 1.7.2011 Kshs	Accumulated Depreciation as at 30.6.2012 Kshs	Unexplained Reduction Kshs
Computers & Printers	51,641,484.00	3,215,515.50	48,425,968.50
Furniture & Office Equipment	2,827,939.50	318,143.93	2,509,795.57

Income

1515. As reported in the previous year, the completeness and validity of Other Income and Investment Interest of Kshs.150,000,000.00 and Kshs.29,188,593.95 respectively, could not be confirmed in the absence of supporting documentary evidence.

1516. The statement of financial position's, Cash and Bank Balances figure of Kshs.108,267,192.40 differs with Note (5) to the account and the cash book balances of Kshs.213,395,837.80 and Kshs.211,514,423.90 by an unexplained difference of Kshs.105,128,645.40 and 103,247,231.50 respectively. In addition, no board of survey report on the balances as at 30 June 2012 and the bank reconciliation statements for the period under audit were provided for audit. In the circumstances, it has not been possible to ascertain whether all bank and cash transactions and bank balances during the year under audit were fairly stated.

1517. The statement of financial position's Current Assets and Liabilities Deposits balance of Kshs.103,247,231.60 are not analysed and supported by any records or documentation hence the existence and validity of these balances could not be confirmed.

1518. It has not been possible to verify and confirm expenditure totalling Kshs.6,934,886.00 classified under programme costs in the absence of adequate supporting documentation.

1519. In the statement of cash flows, cash and cash equivalents' year end balance of Kshs.211,514,423.99 (2010/11 Kshs.735,937,686.75) differs with the statement of financial position balance of Kshs.108,267,192.40 (2010/11 Kshs.614,514,503) by Kshs.103,247,231.59 (2010/11 Kshs.121,423,183.75) and the same was not supported by any documentation. Consequently, the statement does not provide relevant, reliable, comparable and understandable information.

CIVIL SERVANTS HOUSING SCHEME FUND

Basis for Disclaimer of opinion

Statement of Income and Expenditure

1520. The Fund's Statement of Income and Expenditure for the year ended 30 June 2012 reflects Revenue Grant of Kshs.10,100,000.00 which was not supported by any documentation. The occurrence, completeness and accuracy of the revenue could not therefore be ascertained.

1521. The Statement also reflects an amount of Kshs.15,267,707.30 in respect of mortgage interest from Savings and Loans Ltd. However, due to lack of bank statement

or certificate and confirmation from the bank as at 30 June 2012, the accuracy of this amount could not be ascertained.

1522. The Statement reflects an amount of Kshs.53,650,713.00 in respect of mortgage interest under income. However, no records or analysis were provided to support this income. As a result, it has not been possible to confirm the validity and accuracy of the amount.

1523. The Statement also shows an amount of Kshs.11,253,449.50 in respect of investment interest. No documentation including investment certificates were provided to support this income. The source of income as well as the accuracy of the amount reflected could not be confirmed in the circumstance.

Balance Sheet

1524. The Balance Sheet as at 30 June 2012 reflects Net Fixed Assets balance of Kshs.20,853,919.73 while a memorandum account of property and plant maintained by the Fund shows a figure of Kshs.20,828,601.20. The difference of Kshs.25,318.53 between the two records has not been explained or reconciled. The Balance Sheet further includes a balance of Kshs.54,421,000 against Land and Building which also differs from the figure of Kshs.52,581,000.00 in the analysis provided by Kshs.1,840,000.00.

1525. Other Assets totalling Kshs.2,070,664,486.88 reflected in the Balance Sheet which include Recoverable Scheme Kshs.976,664,243.25, Mortgage Recoverable HFCK Kshs.427,533,473.35, Mortgage Recoverable S & L Kshs.641,378,697.42 and Group Insurance Recoverable Kshs.25,088,072.86 were not supported by certificates of balances, statement of accounts and reconciliations. As a result, the existence and accuracy of these balances could not be ascertained.

1526. The Balance Sheet also reflects Cash and Bank balance of Kshs.475,525,970.42 which include the Fund's Deposits and Recurrent Cash Account balances of Kshs.475,215,710.11 and Kshs.310,260.31 respectively. However, the Fund Deposits and Recurrent Account cash book reflect balances of Kshs.59,871,413.58 and Kshs.41,937.40 respectively. The resultant differences of Kshs.415,344,296.53 and Kshs.268,322.91 have not been explained or reconciled.

1527. The Balance sheet also shows Creditors, Accruals, Retentions, & and Account payables balance of Kshs.350,411,460.09. 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.

1528. The Statement of Changes in Fund for the year ended 30 June 2012 shows Revenue Reserves of Kshs.577,415,078.08 as at 1 July 2011 while the statement for the previous year show a balance of Kshs.575,556,164.08 as at 30 June 2011. The

resultant difference of Kshs.1,858,914.00 between the two sets of records has not been reconciled or explained.

1529. The financial statements for 2011/2012 further show brought forward comparative balances in respect of the following items which differ with the figures reflected in the audited financial statements for 2010/2011 as follows:

Account	Opening Balances 2011/2012 Kshs.	Audited figure in 2010/2011 f/s Kshs.	Difference Kshs
Land and building	44,321,000.00	361,301,000.00	(316,980,000.00)
Mortgage receivable scheme	1,121,132,094.70	895,134,151.70	225,997,943.00
Reserve for year	104,253,265.05	102,394,351.06	1,858,913.99
Accounts payable (10% deposit)	476,031,371.60	568,872,342.60	(92,840,971.00)
Other Income (Mortgage Income)	52,660,182.00	50,801,268.00	1,858,914.00

No reasons have been provided for the discrepancies between the two sets of financial statements.

NATIONAL SECURITY INTELLIGENCE SERVICE

FINANCIAL STATEMENTS FOR VOTE R.45

Basis for qualified opinion

STATEMENT OF ASSETS AND LIABILITIES

1530. The Statement reflects an Agency Account debit balance of Kshs.126,783,639.72 out of which an amount of Kshs.118,151,886.90 relating to 2010/2011 and earlier years had not been recovered from or accounted for by the Ministry of Foreign Affairs that had performed the agency services as at 30 June 2012.

1531. The Statement also reflects an Imprest Account debit balance of Kshs.16,739,938.51 which includes an amount of Kshs.6,478,199.91 relating to 2006/2007 and earlier years. Although the National Security Intelligence Service has indicated that it is undertaking a reconciliation of the account for the respective years in line with Treasury's advice, no meaningful effort has been made in clearing this long outstanding balance.

1532. The Bank Reconciliation Statement for the Recurrent cash book as at 30 June, 2012 includes payments totalling Kshs.735,499.30 in the cash book not recorded in the bank statement and receipts totalling Kshs.486,718.00 in the bank statement not recorded in the cash book both relating to the year 2006/2007. The statement in addition includes a receipt of Kshs.661,905.00 in the cash book not recorded in bank statement relating to 2010/2011. No reasons have been provided for failure to clear these long outstanding items from the bank reconciliation statement and records.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 45

Basis for qualified opinion

1533. Examination of records maintained for Deposits 45 for the year ended 30 June, 2012 revealed that the National Security Intelligence Service staff members, who bought boarded motor vehicles during the year, were refunded an amount totalling Kshs.1,103,751.00 in respect of duty payable to Kenya Revenue Authority. The legal basis for exempting the officers from paying the taxes has, however, not been ascertained.

INTELLIGENCE SERVICE DEVELOPMENT FUND

Opinion

1534. In my opinion, the financial statements present fairly, in all material respects the financial position of the Intelligence Service Development Fund as at 30 June, 2012 and of its financial performance for the year then ended in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

MINISTRY OF TOURISM

FINANCIAL STATEMENTS FOR RECURRENT VOTE 46

Basis for qualified opinion

APPROPRIATION ACCOUNT

Grants to Government Agencies and Other Levels of Government

Kenya Tourist Board

1535. The Appropriation Account for Vote R.46 for the year ended 30 June 2012 reflects an expenditure of Kshs.745,078,679.00 under Head 460203, Sub-head 0057-Item 2630100 - Grants to Government Agencies and Other Levels of Government, being grants disbursed to Kenya Tourist Board (KTB). However, the 2011/2012 financial statements of Kenya Tourist Board reflect Grants of Kshs.678,750,000.00 resulting to an un-reconciled difference of Kshs.66, 328,679.00.

Tourism Trust Fund (TTF)

1536. The Appropriation Account also reflects an expenditure of Kshs.15,000,000.00 under Head 460203, Sub-head 0000- Item 2630100 - Grants to Government Agencies and Other Levels of Government, being grants disbursed to Tourism Trust Fund (TTF). However, records made available for audit including payment voucher No. 1498 dated 27 December 2011, cashbook and the G-pay system reflected disbursements made to Tourism Trust Fund of Kshs.10,000,000.00. No supporting documents have been made available for confirmation of disbursement of Kshs.5,000,000.00. In addition, financial statements of the Tourism Trust Fund (TTF) for 2011/2012 were not made available for confirmation of Government Grants received during the year.

Ronald Ngala Utalii Academy – Mombasa

1537. The Appropriation Account further reflects an expenditure of Kshs.20,000,000.00 under Head 460203, Sub-head 3073- Item 2630100 - Grants to Government Agencies and Other Levels of Government, being grants disbursed to Ronald Ngala Utalii Academy - Mombasa. However, the audited financial statements for the institution were not made available to support the receipt and the expenditure, with the result that propriety of the Kshs.20,000,000.00 disbursed could not be ascertained.

Differences between the Appropriation Account and the Trial Balance

1538. The Appropriation Account for Vote R.46 reflects expenditure totalling Kshs.44,956,303.00 under Head 460204 - Domestic Tourism Services while the Trial Balance as at 30 June 2012 reflects Kshs.23,695,056.10. The difference of

Kshs.21,261,246.90 between the two sets of records has not been reconciled or explained.

Pending bills

1539. Records maintained by the Ministry show bills totalling Kshs.4,980,040.00 chargeable to the Recurrent Vote were not paid during 2011/2012 but were instead carried forward to 2012/2013 financial year. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote R.46 for the year would have reflected an Excess Vote of Kshs.3,437,047.30 instead of the Net Surplus to be Surrendered to the Exchequer of Kshs.1,542,992.70 now shown.

Unsupported expenditure

Hospitality Supplies and Services

1540. The Appropriation Account reflects actual expenditure of Kshs.20,171,554.00 under Head 460203 Item 2210800 –Hospitality supplies and services. Examination of available records indicates that a payment for Kshs.950,000.00 was made to Lake Bogoria Spa Resort of P.O. Box 208, Menengai West - Nakuru on 31 October 2011 in respect of lunch, dinner and accommodation services provided to Ministry staff and other guests during UN World Tourism Day held on 27 September 2011. However, although the supporting payment voucher shows that 200 people attended the forum, only a list of 30 Ministry officials was made available for audit confirmation. The remaining 170 other guests and locals shown as having attended the forum had no supporting list nor invitation letters.

1541. In addition, the propriety of an imprest of Kshs.624,810.00 issued to a Senior Chain Management Officer, through warrant No.1423864 dated 4 May 2012, to facilitate a tourism leadership forum at Whitesands Hotel in Mombasa could not be ascertained since the imprest surrender voucher was not supported by quotations, list of attendants and invoices.

Foreign travels without travel clearance certificates

1542. The Ministry issued imprests totalling Kshs.6,046,349.00 on diverse dates to some senior officers to facilitate travel to various foreign destinations. However, travel clearance certificates from their authorized officers were not made available for audit review, contrary to Office of the President Circular No. OP.CAB/8/19A dated 5 November, 2004.

Irregular Procurement of Services

1543. An amount totalling Kshs.7,674,775.00 was paid to various Airline Agencies for provision of air ticket services to facilitate foreign and domestic travel by various Ministry officials. It was observed that the airlines' services were procured without

competitive tendering or quotations in breach of Government Procurement Regulations and Procedures. Further, the Local Service Orders (LSOs) were issued after the air tickets were issued and no documents were availed to confirm that the staff actually travelled or used the specific airlines.

Over-expenditure and Irregular Reallocation of Expenditure

1544. A Minister was issued with a temporary imprest of Kshs.1,662,000.00 on 2 November, 2011 vide warrant No.1324524 for an official travel to various countries. The travel clearance from the Office of the President issued vide letter ref. OP/CAB.3041019 dated 7 November, 2011 authorized the Ministry to spend no more than Kshs.2,057,900.00 for the trip. However, a surrender voucher No. 2648 dated 7 March 2012 shows that Kshs.2,262,000.00 was spent on the trip, resulting to an over expenditure of Kshs.204,100.00.

1545. Further, the expenditure of Kshs.204,100.00 was irregularly charged to item 2210800 - Hospitality, Supplies and Services instead of Item 2210400 - Foreign Travel and Subsistence, and other transportation cost. Similarly, the Ministry spent Kshs.7,500,000.00 and Kshs.1,150,000.00 during the year on Kenya Hospitality House in London and purchase of stationery respectively. However, the expenditure of Kshs.7,500,000.00 and Kshs.1,150,000.00 were charged under item 2630101- Current Grants to Semi - Autonomous Government Agencies and Item 2210101- Electricity, respectively instead of item 2210800 - Hospitality, Supplies and Services and Item 2211100 - Office and General Supplies and Services respectively. No explanation has been provided for the anomalies.

Un-authorized Expenditure

1546. The Ministry used a proforma invoice to pay Kshs.9,074,650.00 to Toyota Kenya Ltd of P.O. Box 3391, Nairobi through payment voucher No.5581 dated 28 June 2012 for the supply of two motor vehicles for the Assistant Minister. However, records made available showed that Treasury had issued an authority to procure the vehicles in July 2011 at the cost of Kshs.7,029,000.00 resulting to an unauthorised expenditure of Kshs.2,045,650.00.

STATEMENT OF ASSETS AND LIABILITIES

1547. The Statement of Assets and Liabilities for Vote R.46 as at 30 June 2012 reflects a Paymaster General (PMG) Account debit balance of Kshs.6,855,857.80, which differs with the cashbook and the Board of Survey Report balance as at 30 June 2012 of Kshs.6,167,827.00. The resultant difference of Kshs.688,030.80 between the two sets of records has not been reconciled or explained. Consequently, the accuracy of the PMG Account balance of Kshs.6,855,857.80 as at 30 June 2012 could not be confirmed.

1548. The Statement of Assets and Liabilities for Vote R.46 also reflects debit and credit balances each totalling to Kshs.9,576,674.70. However, although the balances were traced to the source documents like the cashbooks and registers, the balances were not reflected in the Trial Balance and the ledger as at 30 June 2012. In the circumstances, the completeness and accuracy of the Statement balances as at 30 June 2012 could not be ascertained.

1549. The Statement also reflects debit and credit balances brought forward from 2010/2011 under Exchequer and Excess Appropriations-In-Aid Accounts of Kshs.10,092,300.00 and Kshs.685,250.00 respectively, cleared during the financial year under review. However, no Treasury authority or any other documentary evidence was provided to support the clearance of the two balances. Consequently, it has not been possible to ascertain the validity of the clearances.

1550. The Statement reflects a General Account of Vote balance of Kshs.28,761,696.00 for the year 2010/2011 and earlier years. The above amount includes Kshs.20,765,434.00 cleared during the year under review under the Exchequer Account. However, clearance of the balance was not supported with any verifiable documentation.

1551. The Statement of Assets and Liabilities and supporting schedules reflect outstanding temporary imprests balance totalling Kshs.2,518,740.00 as at 30 June, 2012. A review of the position in November 2012 showed that out of the outstanding balance of Kshs.2,518,740.00, imprests totalling Kshs.2,014,000.00 had been surrendered as at that date, leaving a balance of Kshs.504,740.00 outstanding. No explanation was given for non recovery of the imprests or when the same will be recovered.

FINANCIAL STATEMENTS FOR DEVELOPMENT VOTE 46

Basis for adverse opinion

APPROPRIATION ACCOUNT

Un-authorized Reallocation of Funds

1552. The Appropriation Account reflects expenditure totalling Kshs.44,113,899.45 under Head 460101 - Headquarters Administration Services, Item 3111401- Pre-Feasibility, Feasibility and Appraisal Studies. The expenditure includes Kshs.5,262,298.00 relating to provision of air tickets for senior officers to facilitate travel to various foreign destinations. Similarly, expenditure amounting to Kshs.40,203,650.00 reflected under Head 460201 - Tourism Services - Headquarters, Item 3111500 - Other Infrastructure and Civil Works, includes Kshs.1,400,000.00 in respect of Tourist Survey Account (TSA) research exercise. The expenditure of Kshs.5,262,298.00 and

Kshs.1,400,000.00 were charged to the two Account Heads but no Treasury authority was provided for re-allocation of the funds.

Unsupported expenditure

1553. Included in the total expenditure of Kshs.44,113,899.45 under Head 460101, Item 3111401 is expenditure totalling Kshs.1,320,000.00 incurred in respect of classification of assessors from various Government Institutions for facilitating Hotel and Restaurant Authority (HRA) in carrying out National Classification Exercise - Phase 11. The exercise was expected to cover South Rift Valley, Central, Eastern, Amboseli/Tsavo and Masai Mara. Although the expenditure was charged to Head - 460101 - under item 3111401- Pre-Feasibility, Feasibility and Appraisal Studies, no documentary evidence has been provided for audit confirmation that the officers participated in the classification exercise. Consequently, propriety of the expenditure of Kshs.1,320,000.00 could not be ascertained.

1554. Information made available indicate that in a meeting held on 22 September 2011, the Ministerial Tender Committee (MTC) awarded a contract for renovation of the Ministry's stand at Jamhuri Park- Nairobi to Funan Construction Company of P.O. Box 55252, Nairobi at a cost of Kshs.1,445,057.00. The stand was meant to be used during the Nairobi International Show from 26 September to 2 October 2011. However, a review of procurement records revealed the following irregularities:-

(a) No signed contract documents were seen with the implication that there was no formal contract entered between the two parties.

(b) No evidence was produced indicating that the Ministry of Public Works which originated the Bills of Quantities supervised the renovation works. Also, payment of Kshs.1,445,057.00 made to the contractor in March, 2012 was not supported with the Ministry of Public Works certificate of completion, contrary to requirements of the Public Procurement Regulations. Consequently, it has not been possible to confirm that the Ministry got value for money from the expenditure of Kshs.1,445,057.00 incurred on Renovation of Jamhuri Park Show Stand.

Irregular Award of Tender

1555. Examination of procurement records of the Ministry revealed that in a meeting held on 8 September 2011, the Ministerial Tender Committee (MTC) awarded a tender to M/s Woodcharm Ltd of P.O. Box 11700-00100, Nairobi to carry out renovations and procure furniture for the Minister's office at a cost of Kshs.2,850,440.00. However, M/s Woodcharm Ltd was not among the contractors pre-qualified by the Ministry for provision of various services, goods and equipment during the year ended 30 June 2012.

1556. On 26 May 2011, the firm issued a quotation of Kshs.2,852,266.00 to the Ministry for renovation, re-carpeting and supply of furniture to the Minister's office. The

Ministry however, on 19 July 2011 sent out request for quotations to three (3) firms for refurbishment and supply of furniture to the Minister's office. Out of the three firms, only two (2) firms namely M/s Furniture Elegance and M/s Woodcharm Ltd. responded, with the former quoting Kshs.1,630,100.00. However, the Ministerial Tender Committee awarded the tender to M/s Woodcharm Ltd. who had quoted Kshs.2,850,440.00, thereby causing a loss of Kshs.1,220,340.00. No proper explanation has been provided for the decision.

STATEMENT OF ASSETS AND LIABILITIES

1557. The Statement of Assets and Liabilities for Vote D.46 as at 30 June 2012 reflects a Paymaster General (PMG) Account debit balance of Kshs.2,635,667.15 and PMG credit balance of Kshs.3,055,105.00 which has not been supported with any relevant documentation. However, as reported in 2010/2011, it has not been explained why the statement reflects debit and credit PMG balances as at 30 June, 2012.

1558. The Statement also reflects District Suspense, General Account on Vote and Exchequer Account balances of Kshs.13,003,068.00, Kshs.181,080,156.00, and Kshs.175,000,000.00 respectively brought forward from 2010/2011 which were cleared during the financial year under review. However, no documentary evidence has been provided to support the clearance of these balances.

1559. The Statement of Assets and Liabilities also reflects the following balances which do not agree with the figures in the Trial Balance as at the 30 June 2012:-

Particulars	Balance as per Statement (Kshs.)	Balances as per Trial Balance (Kshs.)	Difference (Kshs.)
Paymaster General Account	2,635,667.17	2,214,606,277.00	2,214,606,277.00
District Suspense Account	-	3,650,000.00	33,650,000.00
Exchequer Account	1,309,058.00	2,727,000,000.00	2,725,690,942.00

The above differences have not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 46

Basis for qualified opinion

1560. The Statement of Assets and Liabilities for Deposits as at 30 June 2012 reflects Paymaster General and General Deposits Account debit and credit balances of Kshs.4,118,052.15 and Kshs.2,710,424.75 respectively. The Trial Balance as at 30 June 2012 on the other hand reflects balances of Kshs.5,825,950.00 and

Kshs.58,997,609.75 against the items. The resultant differences of Kshs.1,707,897.85 and Kshs.56,287,185.00 between the two sets of records have not been reconciled or explained. Under the circumstances, the completeness and accuracy of the balances reflected in the statement as at 30 June 2012 could not be ascertained.

STATEMENT OF REVENUE

Basis for qualified opinion

Revenue Collected But Not Accounted For

1561. The Statement of Revenue Head 1420000 - Sale of Goods and Services for the year ended 30 June 2012 reflects actual receipts of Kshs.35,237,655.00 against estimated receipts of Kshs.34,099,743.00. However, records maintained by the Ministry indicate that revenue totalling Kshs.47,095,904.15 was collected during the year from Head Office and Regional offices. No reconciliation or explanation has been provided for revenue of Kshs.11,858,249.15 not accounted for in the Statement of Revenue.

Payments to Exchequer

1562. The statement reflects revenue of Kshs.35,237,655.00 remitted to the Exchequer Account during the year. Records maintained at the Treasury however indicate an amount of Kshs.23,894,274.15 transferred by the Ministry from Kenya Commercial Bank to the Exchequer Account in respect of revenue collections at the Regional Offices. However, receipt of the balance of Kshs.11,343,380.85 indicated as remitted to the Exchequer Account could not be confirmed in the absence of verifiable documentary evidence.

STATEMENT OF OUTSTANDING LOANS

Basis for Qualified Opinion

Unpaid Loans and Interest

1563. The Statement of Outstanding Loans as at 30 June 2012 reflects total loans balance of Kshs.188,000,000.00, made up of Kshs.48,000,000.00 and Kshs.140,000,000.00 against Kenya Tourist Development Corporation (KTDC) and Catering Levy Trustees (CLT) respectively. The KTDC was granted the loan on 18 February 1991 at an interest rate of 8.5 % per annum. The loan was to be utilized to finance on lending to projects under the Revolving Fund Programme.

1564. The audited records however indicate that KTDC paid the interest for the loan from 1992 to 2008 at a yearly rate of Kshs.4,080,000.00, bringing the total amount

repaid to Treasury to Kshs.69,360,000.00. Although Treasury waived interest of Kshs.8,160,000.00 relating to 2008/2009 and 2009/2010, a balance of Kshs.1,496,000.00 in respect to interest for the year 1990/1991 has not been paid to date. In addition, the principal loan of Kshs.48,000,000.00 has not been repaid as at 30 June, 2012.

1565. Further, the Catering Levy Trustees (CTL) was granted the loan of Kshs.140,000,000.00 on 1 February 1996 at an interest rate of 20% per annum, for the refurbishment of Utalii Hotel. The interest was to vary according to market rates. However, available records indicate that the principal loan and interest have not been repaid to date.

No explanation has been given for the failure to service the loans.

OFFICE OF THE PRIME MINISTER

FINANCIAL STATEMENTS FOR RECURRENT VOTE R.48

Basis for qualified opinion

APPROPRIATION ACCOUNT

Pending Bills

1566. Records maintained by the Office indicate that bills totalling Kshs.6,931,060.00 relating 2011/2012 financial year and chargeable to the Recurrent Vote (R.48) were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Appropriation Account for Vote R.48 for the year ended 30 June 2012 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.2,405,667.20 instead of Kshs.9,336,727.20 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1567. The Statement of Assets and Liabilities reflects a debit balance of Kshs.59,007,919.95 and a similar credit balance under various items, which have not been supported with a Ledger or Trial Balance as at 30 June 2012, contrary to requirements of Government Financial Regulations and Procedures. Consequently, accuracy of the figures reflected in the Statement could not be ascertained.

FINANCIAL STATEMENT FOR DEVELOPMENT VOTE D.48

Basis for qualified opinion

APPROPRIATION ACCOUNT

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

1568. The Appropriation Account for Vote D.48 for the year ended 30 June 2012 reflects gross under-expenditure of Kshs.170,637,825.25 representing approximately 17% of the approved estimates of Kshs.992,444,760.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.157,258,547.75 or about 28% of the estimated receipts of Kshs.554,279,200.00. Reasons for the under-expenditure given in the footnotes include failure to obtain 'No Objection Certificates for earmarked

programmes' and inadequate exchequer issues among others. It is not clear how the problem is being addressed.

Pending Bills

1569. Records maintained by the Office indicate that bills totalling Kshs.63,604,892.10 relating 2011/2012 financial year and chargeable to the Development Vote (D.48) were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Appropriation Account for Vote D.48 for the year ended 30 June, 2012 would have reflected an excess vote of Kshs.50,225,614.60 instead of the Net surplus to be surrendered to the Exchequer of Kshs.13,379,277.50 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1570. The Statement of Assets and Liabilities reflects a debit balance of Kshs.16,784,747.10 and a similar credit balance under various items but which have not been supported with a Ledger or Trial Balance as at 30 June 2012, contrary to requirements of the Government Financial Regulations and Procedures. Consequently, accuracy of the figures reflected in the Statement could not be ascertained.

STATEMENTS OF ASSETS AND LIABILITIES FOR DEPOSITS

Opinion

1571. In my opinion, the Statement of Assets and Liabilities present fairly, in all material respects, the financial position of the Office of the Prime Minister Deposit Account as at 30 June 2012 in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

THE FINANCIAL STATEMENTS FOR WATER TOWERS CONSERVATION TRUST FUND

Opinion

1572. In my opinion, the financial statements present fairly, in all material respects the financial position of Water Towers Conservation Trust Fund of the Office of the Prime Minister as at 30 June 2012, and its operations for the year then ended in accordance with Government Financial Regulations and Procedures and the Public Finance Management Act, 2012 of the Laws of Kenya.

MINISTRY OF PUBLIC HEALTH AND SANITATION

FINANCIAL STATEMENTS FOR VOTE R.49

Basis for adverse opinion

APPROPRIATION ACCOUNT

Variations between Appropriation Account and Payroll

1573. The Appropriation Account reflects expenditure on Salaries and Allowances totalling Kshs.8,200,311,578.90, while the Ministry's monthly payroll records reflect payments amounting to Kshs.8,547,058,430.20 during 2011/2012. No explanation or reconciliation has been provided for the difference of Kshs.346,746,851.30 between the two sets of records.

Unsupported Expenditure

1574. The Appropriation Account reflects expenditure totalling Kshs.1,920,758,129.75 incurred under Current Grants to Government Agencies and Other Levels of Government and Specialized Materials and Supplies of Kshs.85,174,300.00 and Kshs.1,835,583,829.75 respectively, which were not supported with payment vouchers and other related expenditure documents. Consequently, the propriety of the total expenditure of Kshs.1,920,758,129.75 could not be confirmed.

Pending Bills

1575. Records maintained by the Ministry indicate that bills totalling Kshs. 19,683,802.40 relating to 2011/2012 financial year and chargeable to the Recurrent Vote (R.49) were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the financial statements for 2011/2012, the Appropriation Account for R. 49 for the year ended 30 June 2012 would have reflected an Excess Vote of Kshs.15,025,604.09 instead of the Net Surplus to be surrendered to the Exchequer of Kshs4,658,198.31 now shown.

STATEMENT OF ASSETS AND LIABILITIES

Temporary and Standing Imprests Account

1576. The Statement of Assets and Liabilities for Vote R.49 as at 30 June, 2012 reflects balances of Kshs.70,861,787.20 and Kshs.513,827,019.82 against Temporary and Standing Imprests Accounts respectively cleared during the year, but which have

not been supported with documentary evidence. In the absence of relevant supporting documentation, it was not possible to confirm validity of the balances cleared during the year.

1577. The Statement further reflects Temporary Imprest balance of Kshs.1,982,455.70 which should have been surrendered or otherwise accounted for on or before 30 June, 2012. No explanation has been provided for the omission.

Unanalyzed balances

1578. The Statement also reflects various debit and credit balances against Agency, Salary Advance, District Suspense, General Suspense and Salary-in-Advance 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.

Long Outstanding Balances

1579. The Statement in addition reflects balances brought forward from 2010/2011 and earlier years under General Account of Vote (GAV), A.I.A., and Clearance Accounts of Kshs.545,203,710.60, Kshs.39,409,323.95 and Kshs.32,340,191.63 respectively which had been cleared as at 30 June, 2012. No reason has been given for failure to clear the balances from the books of account.

Paymaster General Account

1580. The Statement reflects a Paymaster General (PMG) Account balance of Kshs.610,909,236.65 as at 30 June 2012. However, the ledger for the same period reflects a balance of Kshs.24,803,893.88. The difference of Kshs.586,105,342.27 was not explained or reconciled.

Bank Reconciliation Statement

Payments in cash book not in the bank statement

1581. The bank reconciliation statement for R49 as at 30 June, 2012 reflects payments totalling Kshs.410,245,079.95 in the cash book not recorded in the bank statement, which include stale cheques totalling Kshs.14,759,225.65 relating to 2010/2011 and earlier years. No reason was given for failure to reverse these cheques in the cash book.

Receipts in bank statement not in cash book

1582. The Statement further reflects receipts in the bank statement not recorded in the cash book totalling Kshs.107,500,887.25 which include Kshs.87,558,399.85 described as direct credits relating to the period before 30 March 2012 and earlier. No explanation was given for failure to post the receipts in the cash book as at 30 June, 2012.

Payments in the bank statement not in cash book

1583. The Statement also reflects payments in the bank statement not recorded in cash book totalling Kshs.151,134,488.80 which includes a balance of Kshs.100,000,000.00 dated October, 2010. No reason was provided for failure to update the cash book with this particular payment.

FINANCIAL STATEMENTS FOR VOTE D.49

Basis for qualified opinion

APPROPRIATION ACCOUNT

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

1584. The Appropriation Account for Vote D.49 for the year ended 30 June, 2012 reflects gross under-expenditure of Kshs.20,890,535,358.14 representing approximately 17% of the approved estimates of Kshs.25,007,407,264.00. The Account also reflects under-collection of Appropriations–In–Aid of Kshs.2,352,567,554.46 or about 16 % of the estimated receipts of Kshs.14,587,287,894.00. Reasons given in the footnotes for the under-expenditure and under-collection of A.I.A include over provision of estimates, lack of committal documents from donors and delayed disbursement of funds among others. It is not clear how the problems are being addressed.

Other Capital Grants and Transfers – Health Sector Services Fund

1585. The Appropriation Account reflects transfers to the Health Sector Services Fund for disbursements to Health facilities totaling Kshs.1,039,124,438.00 during the year. The financial statements of the Fund for the year 2011/2012 reflect receipts of Kshs.1,019,140,800.00. The resultant difference of Kshs.19,983,638.00 between the two sets of records has not been reconciled or explained.

STATEMENT OF ASSETS AND LIABILITIES

1586. The Statement of Assets and Liabilities for Vote D. 49 as at 30 June, 2012 reflects various movements against A.I.A Collection, Standing Imprest, District Suspense and Temporary Imprest of Kshs.1,530,525,935.15, Kshs.96,860,592.68, Kshs.903,026,532.67 and Kshs.488,639,377.45 respectively, which have not been supported with relevant documents.

1587. The Statement also reflects credit balances of Kshs.6,428,418.15 and Kshs.46,015,500.40 against Returned Salary and District Suspense Accounts respectively, which have not been supported with relevant analyses.

1588. As reported in 2010/2011, 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 could not be ascertained.

1589. 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.7,439,001,380.25 being amount due to the Exchequer, which includes an amount of Kshs. 5,674,697,028.85 relating to 2010/2011 and earlier years. No explanation has been provided for failure to surrender to the Exchequer surpluses relating to 2010/2011 and earlier years, and failure to clear the long outstanding Excess Vote balance of Kshs.344,215,140.65 from the books of account.

1590. The Statement reflects nil balances against Standing Imprests and Temporary Imprests and a balance of Kshs.46,015,500.40 against District Suspense Account while the trial balance shows Kshs.25,948,023.35, Kshs.197,803,692.45 and Kshs.3,754,097,875.15 respectively. The differences between the Statement and the trial balance have not been explained.

1591. The Statement further reflects Paymaster General (PMG) Account debit balance of Ksh.1,329,436,514.30 which differs with the ledger credit balance of Kshs.2,830,343,891.12 and Cashbook balance of Kshs.146,408,411.26 as at 30 June, 2012. The differences among 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.

Bank Reconciliation Statement for the Development Cashbook

1592. The bank reconciliation statement for Development Cashbook as at 30 June, 2012 reflects payments in the cashbook not recorded in the bank statement totalling Kshs.373,934,140.83, which include stale cheques of Kshs.62,809,717.64. No reason has been given for failure to reverse the payments in the cashbook.

1593. The Statement also reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.314,962,999.50, which include amounts totalling Kshs.102,265,380.35 relating to 2010/2011 and earlier years. No reasons have been given for failure to record the receipts in the cash book.

1594. The Statement also reflect payments in the bank statement not recorded in the cash book totalling Kshs.434,866,225.40 which include amounts totalling Kshs.365,082,999.55 relating to 2010/2011 and earlier years. No reason has been given for failure to record the payments in the cash book.

1595. The Statement in addition reflects receipts in the cashbook not recorded in the bank statement totalling Kshs.386,004,575.49, out of which an amount of Kshs.28,270,769.60 relates to 2010/2011 and earlier years. No reason has been given for failure to bank the receipts as at 30 June, 2012.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 49

Basis for qualified opinion

Paymaster General Account

1596. The Statement of Assets and Liabilities for Deposits as at 30 June, 2012 reflects a Paymaster General Account balance of Kshs.17,480,512.25 which differs with the Trial Balance figure of Kshs.738,235,998.60. The significant difference of Kshs.720,755,486.35 between the two sets of records has not been reconciled or explained.

Bank Reconciliation Statement

Payments in cash book not in the bank statement

1597. The bank reconciliation statement for Deposits Cashbook as at 30 June, 2012 reflects payments in the cashbook not recorded in the bank statement totalling Kshs.13,685,350.40, which include stale cheques amounting to Kshs.3,097,320.90. No reason was given for failure to reverse these cheques in the cashbook as at 30 June, 2012.

Receipts in bank statement not in the cashbook

1598. The reconciliation statement also reflects receipts in the bank statement and not recorded in the cashbook totalling Kshs.27,887,246.60 as at 30 June, 2012, which includes Kshs.15,314,614.10 relating to 2010/2011 and previous years. No explanation has been given as to why the receipts were not recorded in the cashbook by 30 June, 2012.

Payments in the bank statement not recorded in cashbook

1599. The reconciliation Statement further reflects payments in the bank statement not recorded in the cashbook of Kshs.16,751,916.10, which includes a balance of Kshs.3,295,916.10 relating to 2010/2011 and previous years. No reason has been provided for failure to enter and update the cashbook with the payments.

Receipts in cashbook not recorded in the bank statement

1600. The bank reconciliation statement further reflects receipts in cashbook not recorded in bank statement of Kshs.17,725,723.15 which include a balance of Kshs.12,077,464.50 relating to the year 2010/2011 and previous years. No reason was given for failure to bank the receipts as at 30 June, 2012.

Inaccurate Balances

1601. The Statement also reflects a General Deposit Account balance of Kshs.13,839,322.50 as at 30 June, 2012 which differs with the Trial Balance figure of Kshs.743,182,628.90 by Kshs.729,343,306.40 as at the same date. The Statement in addition reflects a Retention Money Account balance of Kshs.3,641,189.75 which differs with the Trial Balance figure of Kshs.1,967,992.20 by Kshs.1,673,197.55. The differences between the Trial Balance and Statement balances have not been reconciled or explained. The Retention Money Account and General Deposit Account balances of Kshs.3,641,189.75 and Kshs.13,839,322.50 respectively have not been supported with analyses. Under the circumstances, validity and accuracy of these balances could not be confirmed.

Unsupported Balances

1602. The Statement also reflects Temporary Imprests of Kshs.815,000.00 brought forward from 2010/2011 and cleared during the year. The clearance has however not been supported with relevant documents and as a result, the validity and accuracy of the nil Temporary Imprest balance as at 30 June, 2012 could not be confirmed.

MINISTRY OF FORESTRY AND WILDLIFE

FINANCIAL STATEMENTS FOR VOTE R.55

Basis for qualified opinion

APPROPRIATION ACCOUNT

Advance to Kenya Wildlife Service

1603. The Ministry advanced Kshs.41,267,700.00 to Kenya Wildlife Service and charged the expenditure to Vote R.55 under Head 170 Item 2211300, Other Operating expenses for human wildlife conflict mitigation. The advance was expected to aid the agency in procurement of equipment to beef up ground patrols and for the erection and maintenance of electric fences. However, by 30 June 2012 no expenditure returns were provided for audit review.

Grants to State Corporations

1604. The Appropriation Account reflects grants amounting to Kshs.895,263,192.00 under Head 531- Kenya Wildlife Service, Item 2630100 - Current Grants to Government Agencies and other Levels of Government while the Ministry's cash book shows that a total of Kshs.892,763,192.00 was paid to Kenya Wildlife Service. The difference of Kshs.2,500,000.00 has not been explained or reconciled.

1605. Further, Kenya Wildlife Service confirmed having received a total of Kshs.891,936,292.00 as recurrent grants from the Ministry during the year under review. The resultant difference of Kshs.3,326,900.00 has also not been explained or reconciled.

1606. The Appropriation Account further shows Net Expenditure of Kshs.1,442,511,917.20 under Head 672 – Headquarters Forestry Development in respect of net grants to the Kenya Forest Service. However, the organization confirmed having received recurrent grants totalling Kshs.1,572,695,600.00 for the year 2011/2012. No explanation or reconciliation has been provided to the resultant difference of Kshs.130,183,682.80.

Grants to Wildlife Clubs of Kenya

1607. The Appropriation Account also reflects expenditure of Kshs.30,000,000.00 as recurrent grants to Wildlife Clubs of Kenya. However, no expenditure returns and supporting documents have been provided for audit review. Consequently, it has not been possible to confirm the propriety of the expenditure of Kshs.30,000,000.00.

STATEMENT OF ASSETS AND LIABILITIES

1608. The Statement reflects a General Account of Vote and Excess Appropriations-in-Aid credit balances of Kshs.4,089,446.45 and Kshs.56,281,715.35 relating to 2010/2011 and earlier years. No reason has been provided for failure to clear these balances from the books of account. The Statement further reflects a General Account of Vote debit instead of a credit balance of Kshs.1,755,327.00, which is the net surplus shown in the Appropriation Account for Vote R.55 for the year ended 30 June 2012.

1609. The Statement also reflects Exchequer Over Issues for 2011/2012 balance of Kshs.16,870,019.00, while Treasury records show an Under Issue of Kshs.32,724.00. No explanation or reconciliation has been provided for the difference between the two sets of records.

1610. The Statement further reflects Paymaster General Accounts total balances of Kshs.205,473,546.90 while the trial balance and the cash book reflect balances of Kshs.149,419,188.05 and Kshs.19,411,943.55 respectively. No explanation has been provided for the differences among the three sets of records.

1611. The Statement also reflects a deficiency in Appropriations-in-Aid's debit balance of Kshs.7,450.00 which besides not being supported by any record ought not to have been presented in the Statement of Assets and Liabilities.

1612. The Statement also show that Suspense Account credit balance of Kshs.456,237.45 brought forward from 2010/2011 was cleared during the year under review. However no records were provided in support of this clearance. Consequently the validity of the clearance could not be confirmed.

FINANCIAL STATEMENTS FOR VOTE D.55

Basis for qualified opinion

APPROPRIATION ACCOUNT

Under-Expenditure and under-collection of Appropriations–In–Aid

1613. The Appropriation Account for Vote D.55 for the year ended 30 June 2012 reflects gross under – expenditure of Kshs.1,228,644,556.70 representing about 33% of the approved estimates of Kshs.3,724,058,430.00 and a deficiency in Appropriations-In-Aid of Kshs.766,065,849.40 or approximately 65% of the estimated receipts of Kshs.1,172,720,630.00. 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.

1614. According to the footnotes to the Account, the under – expenditure and under-collection of Appropriations-In-Aid were caused mainly by failure by the donors to release funds. No indication has however been provided on how the Ministry is addressing this unsatisfactory situation.

Grants to Kenya Wildlife Service

1615. The Appropriation Account reflects a Net Expenditure of Kshs.931,933,093 under Head 531 in respect of the grants paid to Kenya Wildlife Service. However, the organization confirmed having received development grants totalling Kshs.892,000,000.00 from the Ministry during the year. The resultant difference of Kshs.39,933,093.00 has not been reconciled or explained.

Grants to Kenya Forest Service

1616. The Appropriation Account further shows Net Expenditure totalling Kshs.659,911,019.70 under Heads 672, 675, 676, 681, 678, 738, and 748 in respect of grants issued to Kenya Forestry Service while records maintained by the organization reflects receipts totalling Kshs.309,774,438.00. No explanation or reconciliation has been given for the difference of Kshs.350,136,581.70.

Grants to Wildlife Clubs of Kenya

1617. The Appropriation Account also reflects under Head 170- Headquarters and Administrative Services, Item 2630200- Capital Grants to Government Agencies and other levels of Government an expenditure of Kshs.5,000,000.00 relating to disbursement made to Wildlife Clubs of Kenya. The audited accounts for

2011/2012 of the Organization have not 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.

STATEMENT OF ASSETS AND LIABILITIES

1618. The Statement of Assets and Liabilities for Vote D.55 as at 30 June 2012 reflects an Exchequer Account and a General Account of Vote brought forward debit and credit balances of Kshs.19,440,862.00 and Kshs.55,807,842.40 respectively relating to 2010/2011. No explanation has been provided for failure to clear these balances during the year 2011/2012.

1619.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 55

Basis for qualified opinion

1620. The Statement of Assets and Liabilities for Deposits 55 as at 30 June, 2012 reflects Revenue and Suspense Account credit balances of Kshs.1,859,000.60 and Kshs.633,059.50 respectively which were not supported with appropriate analyses. It has not been possible, therefore, to ascertain the completeness and accuracy of these balances.

1621. The Statement also shows that Retention and Kenya Forest Service brought forward credit balances of Kshs.604,211.90 and Kshs.244,868.50 respectively were cleared during the year. However, no records were provided in support of these clearances.

MINISTRY OF FISHERIES DEVELOPMENT

FINANCIAL STATEMENTS FOR VOTE R.56

Basis for qualified opinion

STATEMENT OF ASSETS AND LIABILITIES

1622. Contrary to the requirements of the Government Financial Regulations and Procedures, the Statement of Assets and Liabilities for Vote R.56 as at 30 June 2012 reflects long outstanding balances as indicated below relating to 2010/2011 and prior years which have not been cleared.

Account	DR (Kshs)	CR (Kshs)
Exchequer Balance	63,587,036.80	
General Suspense	3,577,589.05	
Agency Account		860.00
Excess AIA		60,365.55
GAV		<u>53,444,501.85</u>
Totals	<u>67,164,625.85</u>	<u>53,505,727.40</u>

No explanation has been provided for failure to clear these balances.

1623. As reported in 2010/2011, the statement excluded debit General Account of Vote balance of Kshs.17,204,972.00 and a credit Un-reconciled Difference balance of Kshs.9,462,284.95 being brought forward balances from 2009/2010 financial statements that were written off without supporting records and documentary evidence.

FINANCIAL STATEMENTS FOR VOTE D.56

Basis for qualified opinion

APPROPRIATION ACCOUNT

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

1624. The Appropriation Account for Vote D.56 reflects gross under-expenditure of Kshs.484,262,744.35, or about 21% against the approved estimates of Kshs.2,283,964,055.00. This amount could have been allocated to other needy programs. The under-expenditure mostly occurred under Marine Fisheries Research Institute and the Directorate of Aquaculture Development allocations. The account also reflects nil

collections of Appropriation-In-Aid against budget estimates of Kshs.111,959,900.00. The Ministry has not provided justification as to the underlying causes of the under-expenditure and under-collection of A.I.A.

STATEMENT OF ASSETS AND LIABILITIES

1625. The Statement of Assets and Liabilities for Vote D. 56 as at 30 June 2012 reflects under General Account of Vote, Exchequer and District Suspense Accounts balances of Kshs.1,198,842,902.95, 757,585,257.75 and 305,449,104.20 respectively which include amounts of Kshs.826,540,058.60, Kshs.685,062,021.30 and Kshs.131,695,511.35 relating to 2010/2011 and earlier years which have not been cleared. This is contrary to Government Financial Regulations and Procedures.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 56

Basis for qualified opinion

1626. The account balances reflected in the Statement of Assets and Liabilities for Deposits 56 and Funds as at 30 June 2012 were not supported by a Trial Balance as at 30 June 2012 or ledger for the year then ended. As a result, the completeness and accuracy of the balances could not be ascertained.

STATEMENT OF REVENUE HEAD-000000-056 – FISHING RIGHTS

Basis for qualified opinion

1627. The Statement of Revenue Head-000000-056 – Fishing Rights for the year ended 30 June 2012 shows that out of the total revenue of Kshs.128,754,573.00 realized during the year, an amount of Kshs.5,959,017.00 was on hand as at that date. No explanation has been given for not paying the balance of Kshs.5,959,017.00 to the Exchequer.

MINISTRY OF NAIROBI METROPOLITAN DEVELOPMENT

FINANCIAL STATEMENTS FOR RECURRENT VOTE 57

Basis for qualified opinion

APPROPRIATION ACCOUNT

Accuracy of the Appropriation Account

1628. The Appropriation Account for Vote R.57 for the year ended 30 June 2012 reflects expenditure totalling Kshs.285,153,244.85 while the Trial Balance as at the same date shows an amount of Kshs.275,686,820.15. The difference of Kshs.9,466,424.70 has not been reconciled or explained.

Pending Bills

1629. Records maintained by the Ministry indicate that bills totalling Kshs.17,108,149.10 relating to 2011/2012 financial year and chargeable to the Recurrent Vote were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Appropriation Account for Vote R.57 for the year ended 30 June 2012 would have reflected a reduced Net surplus to be surrendered to the Exchequer of Kshs.147,728.05 instead of the surplus of Kshs.17,255,877.15 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1630. The Statement of Assets and Liabilities for Vote R.57 as at 30 June 2012 reflects an Exchequer Account balance of Ksh.13,378,589.45 which includes a balance of Kshs.13,378,580.00 relating to 2010/2011. No explanation has been provided for non clearance of the long outstanding balance.

1631. The Statement further reflects a Paymaster General (PMG) Account debit balance of Kshs.11,603,564.10 as at 30 June 2012 while the cash book shows a balance of Kshs.127,809.40 as at the same date. The difference of Kshs.11,475,754.70 between the two sets of records has not been reconciled or explained.

1632. The Statement reflects a General Account of Vote debit balance of Kshs.32,245,274.30 for the year 2011/2012, which differs with the Net surplus to be surrendered to the Exchequer of Kshs.17,255,877.15 shown in the Appropriation Account. The difference of Kshs.14,989,397.15 between the two sets of records has not been explained.

1633. The Statement further reflects an Excess Appropriations-In-Aid (A.I.A) balance of Kshs.11,645,924.70 which includes Kshs.2,179,500.00 relating to 2010/2011 and earlier years. No explanation has been provided for failure to pay the balance to the Exchequer.

FINANCIAL STATEMENTS FOR DEVELOPMENT VOTE 57

Basis for qualified opinion

APPROPRIATION ACCOUNT

Pending Bills

1634. Records maintained by the Ministry indicate that bills totalling Kshs.114,026,491.17 and Kshs.160,000.00 relating to 2011/2012 and 2009/2010 financial years respectively, were not settled during the year, but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the account for 2011/2012, the Appropriation Account for Vote D.57 for the year ended 30 June 2012 would have reflected a reduced Net surplus to be surrendered to the Exchequer of Kshs.91,514,762.08, instead of the surplus of Kshs.205,701,253.25 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1635. The Statement of Assets and Liabilities for Vote D. 57 as at 30 June 2012 reflects Exchequer Account balance of Ksh.733,671,295.00, which includes Ksh.607,411,905.00 relating to 2010/2011 and earlier years. No reason has been provided for failure to clear the long outstanding balance from the books of account.

1636. The Statement of Assets and Liabilities also reflects a General Account of Vote balance of Kshs.897,024,665.95 as at 30 June 2012, which includes Kshs.611,570,981.95 relating to 2010/2011 and earlier years. No reason has been provided for failure to clear the long outstanding balance from the books of account.

1637. The Statement further reflects a GAV balance for 2011/2012 of Kshs.285,453,684.00 while the Development Appropriation Account for the same period reflects a Net Surplus to be surrendered to the Exchequer of Kshs.205,701,253.25. The difference of Kshs.79,752,430.75 between the two figures has not been reconciled or explained.

1638. The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2012 or Ledger for the month of June 2012. Consequently the source, accuracy and completeness of the Statement balances could not be ascertained.

FINANCIAL STATEMENTS FOR DEPOSITS 57

Basis for qualified opinion

STATEMENT OF ASSETS AND LIABILITIES

1639. The Statement of Assets and Liabilities for Deposits 57 as at 30 June, 2012 reflects Retention Monies' credit balance of Kshs.112,822,634.75. Expenditure documents verified indicate that payments totalling Kshs.52,319,455.90 in respect of Retention Money were paid from the Deposit Account during the year. However, payment vouchers in support of expenditure totalling Kshs.1,060,856.00 were not produced for audit confirmation. Under the circumstances, propriety of the expenditure could not be confirmed.

MINISTRY OF STATE FOR DEVELOPMENT OF NORTHERN KENYA AND OTHER ARID LANDS

FINANCIAL STATEMENTS FOR VOTE R.58

Basis for qualified opinion

APPROPRIATION ACCOUNT

Unvouched Expenditure

1640. The Appropriation Account for Vote R.58 reflects gross expenditure of Kshs.520,853,087.90 which includes expenditure totalling Kshs.42,415,716.00 charged against various expenditure items under Head 298- Arid Lands Resource Management Project for which payment vouchers and related documentation were not provided for audit review. Consequently, the propriety of the expenditure of Kshs.42,415,716.00 could not be ascertained.

Misallocation of Expenditure

1641. Expenditure totalling Kshs.8,112,497.00 on toners, fuel, flowers, per diem, motor vehicle repairs and routine maintenance was charged to incorrect items of the budget instead of the ones provided for in the Recurrent Estimates of Expenditure for 2011/2012. No explanation has been provided for this irregularity.

STATEMENT OF ASSETS AND LIABILITIES

1642. The Statement of Assets and Liabilities for Vote R.58 as at 30 June, 2012 reflects a Paymaster General Account balance of Kshs.56,236,724.20 while the Trial Balance and the cash book reflects a balance of Kshs.22,081,815.00 and Kshs.20,380,455.95 respectively as at 30 June, 2012. The resultant differences among the three sets of records have not been reconciled or explained.

1643. The Statement further reflects District Suspense and General Suspense debit balances of Kshs.9,625,884.70 and Kshs.6,249,684.90 respectively which, however, were not analysed. As a result it has not been possible to ascertain the validity and accuracy of these balances.

1644. The Statement also shows the following brought forward balances relating to 2010/2011 and earlier years, which were not cleared during the year 2011/2012:

Account	Balance (Kshs)
Assets	
Exchequer Account	1,629,570.00
District Suspense	5,147,957.90
General Suspense	15,776.90
Liabilities	
General Account Vote	33,915,653.80
Stale Cheques	630,390.65
Excess AIA	9,281,620.15

No reason has been provided for not clearing these long outstanding balances.

1645. The Statement shows a Temporary Imprests Account balance of Kshs.1,067,054.00. The imprests should have been accounted for on or before 30 June, 2012. In addition, some officers were holding more than one imprest contrary to government financial regulations. No reason was given for non-surrender of the Imprests or why the financial regulations were contravened.

1646. The Bank Reconciliation Statement for Vote R.58 as at 30 June, 2012 includes payments in cash book not recorded in bank statement, receipts in bank statement not recorded in cash book, payments in bank statement not recorded in cash book and receipts in cash book not in the bank statement totalling Kshs.2,136,488.15, Kshs.216,201.75, Kshs.191,006.60 and Kshs.2,401,396.10, respectively. These receipts and payments relate to 30 September 2011, 31 December 2011, 3 August 2009, June 2011 and earlier periods, respectively. No explanation has been provided for failure to clear these long outstanding items from the bank reconciliation statement and other financial records.

FINANCIAL STATEMENTS FOR VOTE D.58

Basis for qualified opinion

APPROPRIATION ACCOUNT

Under Expenditure and Under-Collection of AIA

1647. The Appropriation Account for Vote D.58 for the year ended 30 June, 2012 reflects gross under expenditure of Kshs.791,345,618.75 or approximately 33% of the approved estimates of Kshs.2, 409,269,693.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.333,585,693.00 which is 100% of the

estimated receipts. The under expenditure and under-collection has been explained in the footnotes to the Account as due to interruptions of ongoing forensic audit exercise, donor funding not received on time and delay in procurement processes. These reasons appear administrative in nature and the Ministry has not indicated the measures being taken to address the recurrence of these matters.

Pending Bills

1648. Records maintained by the Ministry indicate that bills totaling Kshs.12,530,949.40 relating to 2011/2012 financial year and chargeable to Vote D.58 were not settled during the year but were instead carried forward to 2012/2013. Had the bills been paid and the expenditure charged to the accounts for 2011/2012, the Appropriation Account for Vote D.58 for the year ended 30 June, 2012 would have reflected a reduced net surplus of Kshs.445,228,976.37 instead of Kshs.457,759,925.77 now shown.

Failure to Provide Footnotes

1649. The Development Appropriation Account for Vote D.58 reflects variances which are in excess of Kshs.1,000,000.00 under various expenditure items for which no reasons were provided for the material variances. This is in contravention of Chapter 11, Paragraph 11.7 of Government Financial Regulations and Procedures which requires reasons to be provided for all variances that are in excess of Kshs.1,000,000.00 in the footnotes to the Appropriation Account. No reason was given for this anomaly.

Discrepancies between the Appropriation Account and Trial Balance

1650. The Appropriation Account further reflects expenditure figures under Head 197-Headquarter Administrative Services which differ with those in the Trial Balance as at 30 June, 2012. However, no explanation has been provided for the differences arising between the two sets of records.

Drought Management Office - Moyale

Drilling of a Borehole at Manqatta

1651. A contract to drill and equip Manqatta 220 meters deep borehole was awarded at a contract sum of Kshs.4,142,000.00. However, no contract agreement was signed. Instead a Local Service Order (LSO) dated 30 May 2012 was issued for the execution of the works.

The contractor was on 28 June 2012 paid the entire contract sum of Kshs.4,142,000.00 without a completion certificate from District Water Officer (DWO) Moyale. However, a certificate was issued on 30 June, 2012 citing drilling of 200 metres deep and the water produced was uneconomical to pump due to the depth.

1652. Physical verification carried out four months later revealed that drilling had been abandoned upon reaching the depth of 165 meters according to inscriptions on the cover of the borehole as opposed to 200 metres certified by the DWO. The contractor had also been paid without deducting the retention money as required by financial regulations. The Ministry has not provided justification for the Kshs.4,142,000 expenditure charged to public funds.

STATEMENT OF ASSETS AND LIABILITIES

1653. The Statement of Assets and Liabilities for Vote D.58 as at 30 June, 2012 reflects the following account balances relating to 2010/2011 and earlier years which were not cleared during the year under review;

Account	Amount (Kshs.)
Assets	
Exchequer Account	1,309,804,743.00
District Suspense	2,260,351,046.18
Stale Cheques	24,134,904.25
Liabilities	
General Account of Vote	1,674,386,468.65
General Suspense	1,757,275,186.75
Excess Appropriations-In-Aid	24,507,291.00

No reason has been provided for failure to clear these long outstanding balances.

1654. The Statement further reflects a District Suspense Account debit balance of Kshs.2, 287,795,936.08 and a General Suspense Account credit balance of Kshs.1, 757,275,186.75 whose analyses were not provided for audit review. As a result, the validity and accuracy of these balances could not be ascertained.

1655. The Statement also reflects Paymaster General Account balance of Kshs.292,056,729.30 which differs with the cash book and trial balance figures of Kshs.912,158.40 and Kshs.27,826,071.35 respectively as at 30 June, 2012. No reconciliation or explanation has been provided for these differences.

1656. The Bank Reconciliation Statement for Vote D.58 cash book as at 30 June, 2012 reflects payments in the cash book not recorded in the bank statement totalling Kshs.63,228,394.70, out of which an amount of Kshs.4,550,754.30 relates to 30 November 2011 and earlier years. The statement also reflects receipts in bank statement not recorded in the cash book totalling Kshs.62,345,291.25 which include

receipts amounting to Kshs.50,119,679.60 relating to 30 November 2011 and earlier years .

1657. The statement further reflects payments in bank statement not recorded in cash book amounting to Kshs.75,482,228.25, out of which an amount of Kshs.64,813,407.00 relates to 31 December 2011 and earlier years and receipts in the cash book not recorded in bank statement totalling Kshs.391,500.00 which relates to 30 October 2011 and earlier period. No explanation has been provided for failure to update the records and clear these long outstanding items from the bank reconciliation statement.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 58

Basis for disclaimer of opinion

1658. The Statement of Assets and Liabilities for Deposits 58 as at 30 June, 2012 reflects Paymaster General and Contractors Retention Money Account debit and credit balances of Kshs.23,683,066.95 and Kshs.23,683,066.95 respectively which differ with the respective account balances of Kshs.7,664,613.65 (Dr) and Kshs.9,026,349.45 (Cr) shown in the trial balance. No reconciliations or explanations have been provided for these discrepancies.

1659. The Statement shows that the brought forward UNICEF School Fund Account balance of Kshs.237,453.00 was cleared during the year under review. However, no documentation was provided in support of the clearance. As a result the validity of the clearance could not be ascertained.

1660. The Bank Reconciliation Statement for the Deposits as at 30 June, 2012 reflects receipts in the bank statement not recorded in the cash book totalling Kshs.2,234,985.00 relating to 2010/2011 and earlier years. The statement also includes payments in the bank statement not recorded in the cash book and receipts in the cash book not recorded in the bank statement totalling Kshs.406,000.00 and Kshs.214,455.65, relating to the period prior to December and February, 2011 respectively. No reasons have been provided for failure to clear these long outstanding items from the bank reconciliation statement.

MINISTRY OF PUBLIC WORKS

FINANCIAL STATEMENTS FOR VOTE R.59

Basis for disclaimer of opinion

APPROPRIATION ACCOUNT

1661. The Appropriation Account reflects total under-expenditure of Kshs.104,084,097.35 or about 6.73% against an approved budget of Kshs.1,544,516,625.75. The under-expenditure is attributed to expenditure returns received late hence not accounted for in the year they relate. In the circumstances, accuracy of the Ministry's Appropriation Account for the year ended 30 June, 2012 could not be ascertained.

STATEMENT OF ASSETS AND LIABILITIES

1662. As similarly reported in 2010/2011, the Statement of Assets and Liabilities for Vote R.59 as at 30 June, 2012 reflects a Paymaster General Account balance of Kshs.62,505,322.75, which differs with the Cashbook and Board of Survey Report Bank balance of Kshs.44,114,136.90 as at that date. The resultant difference of Kshs.18,391,185.85 between the two sets of records has not been reconciled or explained.

1663. The Bank Reconciliation Statement for the Recurrent Cashbook as at 30 June 2012 reflects payments made in bank not yet recorded in the cash book totalling Kshs.56,914,144.35 and receipts in bank not recorded in cash book of Kshs.6,337,036.80 relating to the period under review. This has resulted in the understatement of payments and receipts in these financial records.

1664. The Statement's Exchequer Account and General Account of Vote (GAV) debit and credit balances of Kshs.34,848,337.65 and Kshs.104,084,098.00 as at 30 June, 2012 exclude amounts of Kshs.236,313,951.35 and Kshs.265,020,880.00 respectively, that were cleared during the current year 2011/2012. However, no documentary evidence was produced to support the clearances.

1665. In addition, the GAV brought forward balance of Kshs.369,104,978.00 includes an Appropriations-in-Aid balance of Kshs.5,378,575.00 as at 30 June, 2012. The Ministry has not provided justification for this anomaly.

1666. In the circumstances, it has not been possible to ascertain the accuracy, completeness and validity of the statement's balances as at 30 June, 2012.

1667. The Statement's Advances Account debit balance of Kshs.6,647,297.00 excludes salary advances totalling Kshs.114,871.00 and includes an amount of Kshs.75,880.25 relating to 2010/2011 and earlier years. It was not possible to confirm the accuracy of the advances figure of Kshs.6,647,287.00 and whether the Ministry will be able to recover advances totalling Kshs.75,880.25.

1668. As reported in the previous year, the District Suspense Account debit balance of Kshs.12,626,194.95 brought forward from 2009/2010, besides being unanalyzed, has been cleared from the books of account for unexplained reasons and without supporting documentary evidence.

1669. The following account balances reflected in the statement differs with the corresponding balances reflected in the Trial Balance as at 30 June 2012:

Account	Balance as per Statement	Balance as per Trial Balance	Variance
	Kshs	Kshs	Kshs
PMG	62,505,322.75	3,125,423,077.25	(3,062,917,754.50)
Advances	6,647,297.00	1,066,966.80	5,580,330.20
Temporary Imprests	83,140.60	61,856,648.25	(61,773,507.65)
Total	69,235,760.35	3,188,346,692.30	(3,119,110,931.95)

1670. The resultant differences between the two sets of records have not been reconciled or explained.

1671. In addition, the Trial Balance as at 30 June 2012 reflects various debit and credit balances totaling Kshs.2,982,238,252.15 and Kshs.9,665,226,042.15 respectively, that are not recorded in the Statement of Assets and Liabilities.

1672. Further, the current year 2011/2012 Exchequer Account balance of Kshs.34,848,337.65 and GAV balance of Kshs.104,084,098.00 as at 30 June 2012 as shown in the Statement are not reflected in the Trial Balance as at 30 June, 2012.

1673. In the circumstances, accuracy and validity of the balances as reflected in the Ministry's Statement of Assets and Liabilities as at 30 June, 2012 could not be confirmed.

FINANCIAL STATEMENTS FOR VOTE D. 59

Basis for disclaimer of opinion

APPROPRIATION ACCOUNT

Pending Bills

1674. Review of records relating to Vote D.59 shows that bills totalling Kshs.960,220,948.35 relating to the year 2011/2012 were not settled during that year, but were instead carried forward to 2012/2013. Had the bills been paid and expenditure charged to the Appropriation Account for Vote D.59 for 2011/2012, the Account would have reflected an Excess Vote of Kshs.663,154,631.50 instead of the Net Surplus to be Surrendered to the Exchequer of Kshs.297,066,316.85 now shown.

Proposed Perimeter Wall at the Ministry of Public Works Sports Club

1675. Records available indicate that Contract No. W.P. ITEM NO. D 13 NB/NB 904-JOB NO. 0199 H for construction of a perimeter wall at the Ministry of Public Works Sports Club was awarded on 18 April 2011 to a Nairobi based contractor at a contract sum of Ksh.21,368,874.80 and to an electrical firm as a sub-contractor at a contract sum of Ksh.5,486,670.00.

1676. The scope of work under the main contract entailed construction of a perimeter wall around the Sports Club compound and a Gate house. Civil works consisting of an approach road to the gate were later added. The sub-contract works involved supply, installation, testing and commissioning of external power manholes and ducting for security lighting and Kenya Power and Lighting Company service lines. The contract period, which was initially agreed as six (6) months, was reviewed during the Site Hand-over Meeting to thirty-six (36) weeks from the date of commencement. The works which commenced on 20 June 2011 were expected to be completed on 5 March 2012.

1677. Records maintained showed that the main contractor had been paid an amount of Ksh.5,951,243.70 for the first certificate and the second certificate for Ksh.3,268,837.95 certified on 10 February 2012 was still pending.

The audit of this project revealed the following unsatisfactory matters:

Progress of Work

1678. During an audit site visit on 24 April, 2012, the perimeter wall was 95% complete and the razor wire had not been fixed. The gate metal door was already fabricated but had not been fixed. The extra civil works relating to the approach road to the gate which was to be tarmacked had not been executed. The contractor was, however, not on site.

Storm water

1679. During the site visit, it was similarly observed that the Sports Club compound, particularly the area around the newly constructed hostel was flooded with storm water. A septic tank earlier constructed to drain the hostel sewage could not contain all the flood water which was threatening the perimeter wall with collapse.

Kibish Police Station and GSU Base Camp Project

1680. Documents available indicate that in May 2007 the Ministry of Roads and Public Works contracted several consulting engineering firms to provide consultancy services relating to Structural/Civil Works, Architectural Services, Quantity Surveying and Electrical and Mechanical Services in respect of the above project which had stalled and needed to be completed.

1681. The services of these consultants were to include the review of the existing documentation (where available), preparation of bid documents, working drawings and complete documentation in consultation with each other as well as post contract supervision.

1682. Records available indicate that Contract No. WP ITEM NO.DO1 RV/TRA 601-JOB NO.7411B and WP ITEM NO.DO1 RV/TRA 602-JOB NO.7412B for Completion of Kibish Police Lines, GSU Base Camp, and AP Lines was awarded on 13 November, 2009 to a firm at a contract sum of Ksh.2,211,024,033.00.

1683. The scope of work entailed erection and completion of buildings relating to Police and AP lines and GSU Base Camp which had stalled under the previous contract together with the associated electrical, mechanical and external works. Extension and rehabilitation of existing airstrip was added later. The contract commenced on 12 January 2010 for a duration of 156 weeks, with expected completion date of 12 January 2013.

The audit of this project revealed the following unsatisfactory matters:

Unvouched Expenditure

1684. Information available relating to the Completion of Kibish Police Lines, G.S.U. Base Camp and A.P. Lines Project (Project) revealed that a total sum of Kshs.40,043,515.70 was paid to the firms through certificates Nos. 1, 2 and 3 as follows:

<u>Cert. No</u>	<u>Date</u>	<u>Amount (Kshs)</u>
1	04-Jun-07	7,920,178.05
2	05-Oct-07	12,402,076.20
3	04-Oct-07	2,681,634.06

1		1,124,298.39
2	13/02/2008	15,915,329.00
		<u>40,043,515.70</u>

However, payment vouchers in support of these payments were not availed for audit review.

Permissible Contractual Claims

1685. Although the Project's contract document, under clause 23.3, requires that certified amounts be paid to the contractor within 30 days of the date of issue of each certificate, certificates Nos. 7, 8 and 9 with amounts totalling Kshs.151,592,343.25 , which were cleared for payments by the Project Manager on 9 February, 15 March and 15 May 2011 respectively were paid well after the 30 days, on 26 August, 23 August and 23 August 2012, respectively as shown below:

Cert. No	Cert. Date	Pay Date	Amount (Kshs)
7	09/02/2011	26/08/11	36,261,661.59
8	15/03/2011	23/08/11	55,502,263.85
9	15/05/2011	23/08/11	<u>59,828,417.81</u>
	Total		<u>151,592,343.25</u>

1686. As a result of the delay in payments, the Ministry paid the contractor an amount of Kshs.41,698,988.96 as delayed payment claim, comprising the following:

Particulars	Amount (Kshs)
Interest on delayed payments	6,662,177.00
Preliminaries	12,555,555.00
Redundant labour, plant and equipment on site	<u>71,432,244.00</u>
	90,649,976.00
Sub-total	
<i>Add: 15% administrative overhead</i>	<u>13,597,496.40</u>
Total amount of contractual claim	<u>104,247,472.40</u>
Payable: 40% x Kshs.104,247,472.40	<u>41,698,988.96</u>

1687. Had the certificates of Kshs.151,592,343.25 been paid within the stipulated time frame, the expenditure of Kshs.41,698,988.96 would have been avoided.

1688. Further, the same clause 23.3 of the contract agreement requires that if the employer makes a late payment, the contractor shall be paid simple interest on the late payment in the next payment and that the interest shall be calculated on the basis of number of days delayed at a rate of 3%+Central Bank of Kenya base lending rate

prevailing as at the first day the payment becomes overdue. Calculation of simple interest based on this provision results in a figure of Kshs.4,356,265.81 as follows:

Certi. Amount Paid (Kshs)	Date Certified	Last Due date	Date Paid	No of days Payment Delayed	3%+ CBK Rate	Interest Payable (Kshs)
36,261,661.59	09/02/11	11/03/11	26/08/11	168	9%	1,502,126.91
55,502,263.85	15/03/11	14/04/11	23/08/11	131	9%	1,792,799.15
59,828,417.81	15/05/11	14/06/11	23/08/11	70	9.25%	<u>1,061,339.74</u>
Total						<u>4,356,265.81</u>

The expenditure of Kshs.41,698,988.96 is therefore grossly overstated by Kshs.37,342,723.15.

Overpayment

1689. Examination of payment vouchers and supporting certificates revealed that by 21 December, 2011 the contractor had been paid a cumulative amount of Kshs.836,711,224.95 in respect of Certificates Nos. 1 to 11. Included in this cumulative amount is an amount of Kshs.74,983,650.00 relating to Civil Works which was overstated by Kshs.300,000.00.

Construction of Footbridges in Uasin Gishu and West Pokot and Turkana Districts – Rift Valley Province

Milimani-Siwakafi, Kirmuk-Endo and Cheptoo Footbridges

1690. The tender for the construction of three footbridges at Milimani-Siwakafi, Kirmuk-Endo and Cheptoo in Uasin Gishu District was competitively awarded to a civil engineering construction company at a contract sum of Kshs.26,139,488.00. The contract was awarded in February 2011 for a period of 3 ½ months and was expected to be completed by end of June 2012.

Cost Overruns

1691. Review of the records available at the Ministry of Public Works, Eldoret revealed that numerous site instructions were issued which led to price variations which were not properly supported. As at 31 March 2012 work on the three footbridges had been completed at a cost of Kshs.28,958,542.00 which was Kshs.2,819,054.00 over and above the contract sum of Kshs.26,139,488.00.

Overpricing of Project Vehicle and Ineligible Payment of Maintenance Costs

1692. Review of the Bills of Quantities (BQs) under Contract No.CWO/UG/02/2010/2011 signed between the contractor and the Ministry of Public Works, indicated that a contractor was to procure a 4WD Diesel Vehicle at the cost of Kshs.4,000,000.00 to be used for project supervision. Also included in the BQs were running and maintenance cost of Kshs.1,600,000.00. The vehicle a Ford Everest KBR 124 B was however delivered on 21 December 2011 nine (9) months after the project had been completed and at a higher cost of Kshs.6,535,082.00.

1693. Enquiries at the CMC Motors Group Ltd - Eldoret revealed that the contractor paid only Kshs.4,825,001.00 for the vehicle and which also incorporated a three (3) year warranty or 60,000 kms whichever came first.

1694. This particular vehicle was not used for the project supervision as it was supplied after completion of the projects and the claim for maintenance costs of Kshs.1,600,000.00 was therefore not valid and in any case they were covered under the warranty. The overpayment to the contractor of Kshs.1,709,081.00 together with the supervision costs paid of Kshs.1,600,000.00 all totalling Kshs.3,309,081.00 is irregular and therefore recoverable from the contractor.

Ownership of the Vehicle

1695. Enquiries at the Registrar of Motor Vehicles further revealed that the vehicle was as at 12 November 2012 still registered in the name of the contractor and had not been transferred to the Government after the end of the contract as stipulated. It is also not clear why the vehicle was registered in the name of the contractor given that it was delivered nine months after the completion and hand over of the project.

Chepkemei, Muruny and Nakwijit- Lokichar Footbridges

1696. Another tender for the Construction of three footbridges at Chepkemei, Muruny and Nakwijit - Lokichar in West Pokot and Turkana Districts was also competitively awarded to a building and civil engineering and construction company at a contract sum of Kshs.25,790,717.00. The contract was for a period of 3 ½ months commencing in February 2011 and was expected to be completed by end of August 2011. The audit revealed the following unsatisfactory issues:

Overpricing of Project Vehicle and Ineligible Payment of Maintenance Costs

1697. Included in the contract sum of Kshs.25,790,717.00 was the procurement of a 4WD Diesel project vehicle at a cost of Kshs.4,000,000.00. Also included in the contract BQs were running and maintenance cost of Kshs.1,200,000.00. The vehicle a Ford Ranger Double Cabin Pickup registration No. KBP 319Q was delivered on 10 June 2011 with only 3 months remaining to complete the project. This implies that the period the vehicle was used for the project was already covered under the warranty.

The project was completed in August 2011 at a total cost of Kshs.27,331,651.00 which was Kshs.1,540,933.10 over and above the contract sum of Kshs.25,790,717.00.

1698. Enquiries at the CMC Motors Group Ltd - Nairobi revealed that the contractor paid only Kshs.3,366,150.00 for the vehicle and which included a 3 year warranty or 60,000 kms whichever came first. The claim for Kshs.1,200,000.00 as maintenance costs was therefore ineligible since it was already covered under the warranty. The overpayment to the contractor by Kshs.633,850.00.00 together with the supervision costs paid of Kshs.1,200,000.00 all totalling Kshs.1,833,850.00 is irregular and therefore recoverable from the contractor.

Ownership of the Vehicle

1699. Enquiries at the Registrar of Motor Vehicles further revealed that the vehicle was as at 14 November 2012 still registered in the name of the contractor and had not been transferred to the Government after the end of the contract as required.

1700. It has not been clarified why the two contractors were overpaid by a total of Kshs.9,502,918.10 or why maintenance costs totalling Kshs.2,800,000.00 covered under the warranty were included. There is also the risk of the two motor vehicles not reverting to Government possession.

Construction of Footbridges in Taita, Msambweni and Chagamwe Districts – Coast Province

1701. A contractor based in Mombasa County was on 20 April 2010 awarded a contract for the construction of three (3) footbridges at Mgambonyi in Taita District, Suini in Msambweni District and Bangladesh in Chagamwe District by the Ministerial Tender Board at a contract sum of Kshs.20,567,976.48. According to the contract agreement signed on 12 October 2010 the project was for a period of sixteen (16) weeks commencing on 23 November 2010 and was expected to be completed by 15 March 2011. The projects were however completed on 6 November 2012, when a Certificate of Practical Completion was issued by the County Works Officer, Mombasa. The failure to deliver the project on time was attributed to inadequate allocation of funds which led to the contractor abandoning the site.

Included in the contract amount was a provision for the purchase of a four-wheel drive project vehicle at Kshs.4,830,000.00. However, the following irregularities were noted in the purchase and ownership of the project vehicle:-

Overpricing of the Project Vehicle

1702. The contractor was on 21 December 2010 paid Kshs.4,830,000.00 for the purchase of a Toyota Pickup four - wheel drive double cabin project vehicle. However, enquiries made at Toyota Kenya Ltd, Mombasa revealed that the cost of such a vehicle

at the time of purchase was Kshs.3,800,000.00 implying that the contractor was overpaid by Kshs.1,030,000.00.

Ownership of the Vehicle

1703. Although the contractor was paid money to purchase the vehicle, records held at the Kenya Revenue Authority (KRA) indicated that the vehicle was jointly registered in the names of the contractor and Equity Bank. This implies that the contractor acquired the vehicle on loan despite having been paid for it. Since project vehicles are supposed to revert to Government upon completion of a funded project, there is likelihood of the vehicle not reverting to the Government incase the contractor fails to clear the loan.

1704. No action appears to have been taken to recover the Kshs.1,030,000.00 overpaid to the contractor or reasons given as to why the contractor procured the vehicle on loan despite having received funds for its purchase.

STATEMENT OF ASSETS AND LIABILITIES

1705. The Statement of Assets and Liabilities for Vote D.59 as at 30 June, 2012 reflects a PMG Account balance of Kshs.216,824,597.50, while the cash book and board of survey report show Cash at Bank balance of Kshs.38,428,539.45 as at that date. The resultant difference of Kshs.178,396,058.05 between the two sets of records has not been explained or reconciled.

1706. The Statement reflects an Exchequer Account debit balance of Kshs.80,238,719.50, which includes an amount of Kshs.80,109,235.95 relating to 2010/2011. No explanation has been provided for failure to clear this long outstanding balance from the books of account.

1707. The Statement further reflects Imprests Account debit balance of Kshs.3,000.00 as at 30 June 2012. Available evidence, however, shows that this amount relates to an imprest that was issued under the Recurrent Vote R.59.

1708. The Statement in addition reflects a brought forward GAV credit balance of Kshs.298,940,095.00, out of which an amount of Kshs.1,873,778.00 was cleared during 2011/2012. However, no journal vouchers and related records have been provided in support of this clearance and as a result, it has not been possible to ascertain the accuracy, completeness and validity of the amount cleared.

1709. The Paymaster General and Temporary Imprests Account balances of Kshs.216,824,597.50 and Kshs.3,000.00 reflected in the statement differs with the corresponding balances of Kshs.8,828,271,562.70 and Kshs.23,655,616.15 shown in the trial balance. These differences have not been explained or reconciled.

1710. Further, the Trial Balance as at 30 June 2012 reflects District Suspense, Stale Cheques, Headquarters Recurrent Cash and Ministry Headquarters Account debit balances totalling Kshs.4,528,725,222.25. It also reflects Refer to Drawer Cheques, General Suspense and Cash Clearing Account credit balances totalling Kshs.13,036,696,520.70. However, these accounts and respective balances are not reflected in the statement under review. No reason has been provided for excluding them from the statement.

1711. In addition, the Exchequer Account and GAV debit and credit balances of Kshs.80,238,719.50 and Kshs.297,066,317.00 respectively, shown in the statement are not reflected in the Trial Balance. The source, completeness and accuracy of these balances could not therefore be ascertained.

Bank Reconciliation Statement

1712. The Bank Reconciliation Statement for the Development cash book as at 30 June 2012 includes payments in the cash book not recorded in the bank statement, receipts in the bank statement not recorded in the cash book, payments in the bank statement not recorded in the cash book and receipts in cash book not recorded in the bank statement totalling Kshs.70,416,403.00, Kshs.450,651.90, Kshs.45,051,318.25 and Kshs.3,352,249.25 respectively, relating to the period prior to 1 January 2012. No explanation has been given for failure to clear these long outstanding items from the reconciliation statement.

1713. The Reconciliation Statement also includes receipts in the bank statement not recorded in the cash book and payments in the bank statement not recorded in the cash book amounting to Kshs.5,304,500.00 and Kshs.17,471,439.35 respectively, whose details were not been provided. In the absence of the details, it has not been possible to ascertain what these receipts and payments represents.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 59

Basis for disclaimer of opinion

1714. The Statement of Assets and Liabilities for Deposits 59 reflects a Paymaster General Account balance of Kshs.923,298,484.50, which differs with the Trial Balance figure of Kshs.1,209,805,441.00 as at 30 June, 2012 by an unexplained difference of Kshs.286,506,956.50.

1715. The Statement's Departmental Representative (DR) Account credit balance of Kshs.11,261,820.85 is not reflected in the Trial Balance as at 30 June 2012.

1716. The Statement's Retention Money credit balance of Kshs.602,995,217.15 also differs with the balance of Kshs.392,053,122.50 shown in the Trial Balance by an unexplained amount of Kshs.210,942,094.65.

1717. The Statement's brought forward Other Deposits Account credit balance of Kshs.709,462,433.65, includes amounts of Kshs.474,140,908.05 and Kshs.234,858,022.60 relating to Retention Money and Miscellaneous Deposits, respectively. No clarification has been provided for including these balances in Other Deposits Account.

1718. The Statement reflects under Miscellaneous Deposits and Other Deposits, balances of Kshs.79,586,059.35 and Kshs.229,455,388.65 respectively, both totalling Kshs.309,041,448.00 while the Trial Balance indicates a balance of Kshs.53,620,825.40 against General Deposits Account. The resultant difference of Kshs.255,420,621.60 between the two sets of records has not been explained.

1719. The Statement does not reflect Temporary Imprests, Deposit Account General Suspense and Cash Clearing Account balances of Kshs.1,846,904.50 DR, Kshs.2,730,272.85 CR and Kshs.724,648,801.20 CR, respectively which are however, reflected in the Trial Balance.

STORES AND SERVICES FUND

Basis for disclaimer of opinion

Statement of Un-allocated Stores

1720. The Statement of Un-allocated Stores for the year ended 30 June 2012 reflects a figure of Kshs.13,470,469.43 against Surplus Account, which differs with the Trial Balance figure of Kshs.39,006.95 as at the same date. The resultant difference of Kshs.13,431,462.48 between the two sets of records has not been explained or reconciled.

Statement of Assets and Liabilities as at 30 June, 2012

1721. The Statement of Assets and Liabilities reflects a Timing Difference credit balance of Kshs.3,854,476.40 that is not reflected in the trial balance as at 30 June 2012. The existence, source and nature of this balance has not been clarified.

1722. The Statement further excludes Refer to Drawer Cheques and Cash in Transit debit balances of Kshs.11,831,895.90 and Kshs.2,098,876.80 respectively and a Suspense Account credit balance of Kshs.259,293.36 which are, however, reflected in the trial balance as at 30 June, 2012. No justification has been provided for the omission of these balances from the Statement.

1723. The Statement also reflects a Receipts Inter Stores Account debit balance of Kshs.595,346,500.10 and an Issues Inter Store Account credit balance of Kshs.592,753,425.60. No explanation has been provided for the difference of

Kshs.2,593,074.50 between the two accounts which, under normal circumstances, should reflect similar balances.

1724. The Statement reflects a Debtors Account debit balance of Kshs.52,237,570.30, which includes amounts totalling Kshs.51,624,143.10 relating to 2010/2011 and earlier years. It is not possible to confirm whether or when the Fund will be able to recover these debts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

1725. The Statement similarly reflects a Suspense Supplies and PMG Account debit and credit balances of Kshs.482,983,865.58 and Kshs.844,003,800.33 respectively, which as in the previous years, have not been supported with analyses and documentation. Consequently, it has not been possible to ascertain the validity, accuracy and completeness of the balances as reflected in the Statement.

1726. The Bank Reconciliation Statement for the Stores and Services Fund Cash book as at 30 June 2012 reflects payments in the cash book not recorded in the bank statement of Kshs.2,237,444.25 and receipts in cash book not yet recorded in the Bank Statement of Kshs.1,182,824.50 relating to the period between 17 September 1997 and 11 December 2010. No justification has been provided for failure to clear these long outstanding items from the books of account.

1727. The Statement also reflects long outstanding receipts in bank statement not recorded in cash book of Kshs.10,308,627.95 and payments in bank statement not recorded in cash book of Kshs.10,051,676.20. These have in effect understated receipts and payments in the financial records for the years they relate to.

1728. The Funds financial statements should include among others, disclosure of significant accounting policies used in preparation of accounts, comparatives, basis of preparation of financial statements, explanatory notes to accounts, statement of changes in net assets and statement of cash flows and should be presented in accordance with Treasury Circular Ref:AG3/088/.Vol.6/(19) of May 2011 and International Financial Reporting Standards (IFRS). Consequently, the financial statements do not provide relevant, reliable, comparable and understandable information.

MINISTRY OF INDUSTRIALIZATION

FINANCIAL STATEMENTS FOR VOTE R.60

Basis for qualified opinion

APPROPRIATION ACCOUNT

Current Grants to Government Agencies and Other Levels of Government

1729. The Appropriation Account for Vote R.60 for the year ended 30 June 2012 reflects under Heads 600101 and 600307, Item 2630201 - Current Grants to Government Agencies, and Other Levels of Government expenditure of Kshs.200,175,000.00 and Kshs.65,000,000.00 respectively, being grants disbursed to Anti-Counterfeit Agency and Numerical Machining Complex respectively. However, financial statements for the year ended 30 June, 2012 of Anti-Counterfeit Agency and Numerical Machining Complex reflect Government grants of Kshs.200,067,816.00 and Kshs.64,964,700.00, respectively. The resulting differences of Kshs.107,184.00 and Kshs.35,300.00 between the two sets of records have not been reconciled or explained.

Failure to Provide Footnotes to the Account

1730. The Appropriation Account reflects variances in excess of Kshs.1,000,000.00 under some seven (7) Items for which no footnotes were provided as shown below:-

Head	Item	Estimated Expenditure (Kshs)	Actual Expenditure (Kshs)	Variance (Kshs)
600101	2210600	70,980,000.00	68,164,515.00	2,815,485.00
600101	2211300	14,950,000.00	12,951,639.00	1,998,362.00
600305	2110300	15,016,440.00	12,737,487.00	2,278,954.00
600307	2630100	28,000,000.00	25,202,163.00	2,797,837.00
600308	2110300	5,956,441.00	4,417,836.00	1,538,605.00
600203	3520300	116,500,000.00	113,750,000.00	2,750,000.00
600305	3520300	15,000,000.00	17,043,562.00	2,043,562.00

No reasons have been given for failure to provide the footnotes in accordance with Section 11.7.2 of Government Financial Regulations and Procedures.

Misallocation of Expenditure

1731. The Appropriation Account shows an expenditure of Kshs.25,202,163.00 against Head 600307, Sub Head 0404 - The Standards Tribunal, Item 2630100 - Grants to Government Agencies and Other Levels of Government. Examination of expenditure records revealed that the Ministry made two payments totalling Kshs.3,816,000.00 on 30 June, 2012 to two (2) security firms in respect of security services offered to some nine (9) Constituency Industrial Development Centres (CIDC) in Kakamega Zone, and twelve (12) Constituency Industrial Development Centres (CIDC) in Thika Zone. No explanation was provided for the irregular re-allocation of funds.

STATEMENT OF ASSETS AND LIABILITIES

1732. The Statement of Assets and Liabilities for Vote R.60 as at 30 June, 2012 reflects Paymaster General Account balance of Kshs.64,049,980.84. However, the bank reconciliation statement for the Recurrent Cashbook as at the same date reflects receipts of Kshs.700,000.00 in the bank statement not recorded in the cashbook, and described as cash withdrawal dated 30 June 2010. No reasons have been given for not updating the Cashbook with the receipts.

1733. The bank reconciliation statement also reflects payments of Kshs.1,714,812.85 in the bank statement not recorded in the Cashbook, which includes payments of Kshs.1,609,663.10 relating to 2010/2011 and earlier years. It has not been explained why the Cashbook has not been updated with these long outstanding payments.

1734. The Statement also reflects various debit and credit balances amounting to Kshs.135,237,244.21 and Kshs.161,108,084.45 respectively, relating to 2010/2011 and earlier years as shown below:-

Debit Balances	Amount (Kshs)
(a) Advances A/C	352,455.95
(b) Temporary Imprest A/C	2,715,453.40
(c) Standing Imprest A/C	243,055.00
(d) Provincial/District A/C	144,287,278.00
(e) General Suspense A/C	<u>1,426,306.85</u>
	<u>149,024,549.20</u>
Credit Balances	
(a) GAV	13,787,304.99
(b) Exchequer A/C	133,022,562.10
(c) District Recurrent A/C	22,345,361.65
(d) R/D Cheques A/C	3,873,514.80
(e) Excess A.I.A. A/C	1,452,543.90

(f)	Insurances/Welfare/Saccos & Others A/C	384,074.55
(g)	Inter-Bank transfers A/C	<u>30,027.45</u>
		<u>174,895,389.44</u>

However, no reasons have been given for not clearing the long outstanding balances from the Ministry's books of account.

1735. The Statement of Assets and Liabilities in addition reflects outstanding temporary imprests balance totalling Kshs.3,489,923.80 which includes Kshs.774,470.40 for 2011/2012 financial year. The balance of Kshs.774,470.40 includes Kshs.130,000.00 due from an officer who had been transferred from the Ministry. No explanations were given as to why the officer was cleared to move from the Ministry before fully accounting for the imprest.

FINANCIAL STATEMENTS FOR VOTE D.60

Basis for qualified opinion

APPROPRIATION ACCOUNT

Capital Grants to Government Agencies and Other Levels of Government

1736. The Appropriation Account for Vote D.60 for the year ended 30 June, 2012 reflects Kshs.524,700,000.00 under Head 600201, subhead 000, item 2630200 – Capital Grants to Government Agencies and Other Levels of Government, representing grants disbursed to Kenya Industrial Research and Development Institute (KIRDI). However, the Institution's financial statements for 2011/2012 reflect receipts of Kshs.217,929,263.00, resulting in un-reconciled difference of Kshs.306,770,737.00.

Unsupported Expenditure

1737. The Development Appropriation Account also reflects actual expenditure of Kshs.115,219,913.00 under Head 600101, Subhead 000, Item 3110200 – Construction of Buildings, representing Authorities to Incur Expenditure (AIEs) disbursed to District Industrial Officers during the year under review. However, examination of disbursement schedule provided for audit showed that Kshs.133,616,268.00 was disbursed as AIEs to the said officers. The resultant difference of Kshs.18,396,355.00 between the two sets of records representing AIEs not accounted for has not been reconciled or explained. Further, the expenditure of Kshs.115,219,913.00 has not been supported with the respective expenditure returns from the districts.

1738. The Appropriation Account reflects actual expenditure of Kshs.27,747,705.00 on various items under Head 600305-Kenya Industrial Training Institute (KITI). The expenditure represents Authorities to Incur Expenditure (AIEs) issued to KITI during the

year under review. However, the expenditure has not been supported with relevant expenditure returns.

Misallocation of expenditure

1739. The Appropriation Account shows an expenditure of Kshs.148,882,494.00 against Head 600101, Sub-Head 0342 - Economic Recovery, Poverty Alleviation and Regional Development Programme, Item 3110200 – Construction of Buildings. The figure includes a total of Kshs.3,610,725.00 charged to construction of buildings but which related to Item 4120100- Equity Participation in Domestic Public Non-Financial Institutions and Item 2210504- Advertising, Allowances and publicity campaigns. No Treasury approval for the reallocation of Kshs.3,610,725.00 was made available for audit review.

1740. Examination of expenditure records revealed that a total of Kshs.7,412,012.00 was spent against Item 3110400 – Research, Feasibility Studies, Project Preparation and Design, Project Supervision. However, narrations on the payment vouchers indicated that the expenditure related to various other items including subsistence allowances and air tickets which do not relate to Research, Feasibility Studies, Project Preparation and Design and Project Supervision. No Treasury approval for reallocation of Kshs.7,412,012.00 was made available for audit review.

Non-collection of Appropriations-In-Aid

1741. The Appropriation Account reflects nil collection of Appropriations-In-Aid during the year, against estimated receipts of Kshs.39,523,000.00. The non-collection has been recorded under Head 600307 - Directorate of Industries, Item 1310200 - Grants from Foreign Governments - Direct Payments treated as AIA. According to the footnotes to the Account, the non-collection was caused mainly by non-receipt of supporting documents for direct payments. However, the Ministry has not explained how it intends to address the underlying cause of the non-collection of Appropriations-In-Aid under the account item.

Disbursement of Funds to a Project

1742. The Appropriation Account also reflects expenditure totalling Kshs.170,755,500.00 under Head 600307- Directorate of Industries – Item 2640300 – Subsidies to Small Businesses, Cooperatives and Self-Employed. The expenditure represents disbursements made to Micro, Small and Medium Enterprises (MSME) Competitiveness Project – IDA CR. No. 3959KE during the year. However, the project's financial statements for the year ended 30 June 2012 indicate receipts of Kshs.170,000,000.00. The resultant difference of Kshs.755,500.00 between the two sets of records has not been reconciled or explained.

DISTRICT INDUSTRIAL DEVELOPMENT OFFICE – MACHAKOS

Procurement of Security Services

1743. Audit of records maintained at the District Industrial Development Office, Machakos, revealed that an amount of Kshs.1,540,000.00 was paid to a security firm through two service orders numbers 963788 and 963789 dated 17 April 2012 and 20 May 2012 for Kshs.1,200,000.00 and Kshs.340,000.00 respectively. The payment was in respect of security services rendered by the firm while guarding the Constituency Industrial Development Centres (CIDC) sheds at Masinga, Yatta, Kaiti, Kibwezi, Kilome and Mbooni.

1744. Although the firm was among the ones pre-qualified by the Machakos District Tender Committee, the tender was not competitively sourced as the minimum three (3) quotations were not floated as required by the Public Procurement and Disposal Act, 2005.

Further, the services were provided at a monthly rate of Kshs.20,000.00 per guard instead of the rate of Kshs.10,000.00 per guard as approved by the District Tender Committee for pre-qualified security providers. Had the pre-qualified rates been applied, the Government could have made a saving of Kshs.840,000.00. No explanation has been given for applying higher rates than those approved by the District Tender Committee

Pending Bills

1745. Records maintained at the Ministry's Headquarters showed that as at 30 June 2012, bills amounting to Kshs.31,905,209.80 chargeable to Development Vote had not been settled and were instead carried forward to the financial year 2012/2013. Had these bills been paid and the expenditure charged to the Account. The Appropriation Account for the year ended 30 June 2012 would have reflected an Excess Vote of Kshs.378,061.65, instead of the net surplus to be surrendered to Exchequer of Kshs.31,527,148.15 now shown.

STATEMENT OF ASSETS AND LIABILITIES

1746. The Statement of Assets and Liabilities for Vote D.60 as at 30 June, 2012 reflects a Paymaster General (PMG) Account balance of Kshs.1,705,943,682.30, which includes Kshs.61,823,667.65 relating to the year 2011/2012. However, the Cashbook and Board of Survey report as at 30 June 2012 show a balance of Kshs.61,623,667.65, made up of cash on hand and bank balance of Kshs.181,331.75 and Kshs.61,442,335.00 respectively. The resultant difference of Kshs.200,000.00 between the two sets of records has not been reconciled or explained.

1747. The bank reconciliation statement for the Development cashbook for the month of June 2012, reflects receipts in bank not recorded in the cashbook of Kshs.419,500.00 representing receipts from Kenya Industrial Training Institute credited in bank in August 2010. No reasons have been provided for failure to record the receipts in the cashbook as at 30 June 2012.

1748. The Statement also reflects a debit balance of Kshs.2,360,973,423.40 as at 30 June 2012, described as Ministry Headquarters Development Bank Account. This balance has however not been supported with any documentation for audit verification.

1749. The Statement also reflects a General Account of Vote (GAV) Account balance of Kshs.528,044,805.35 which includes Kshs.66,684,386.95 relating to the year 2011/2012. However, the Appropriation Account for Vote D.60 for the year ended 30 June 2012, reflects a Net Surplus to be surrendered to the Exchequer of Kshs.31,527,148.15. The difference of Kshs.35,157,238.80 between the two sets of records has not been reconciled or explained.

1750. The Statement also reflects various debit and credit balances amounting to Kshs.4,124,993,876.95 and Kshs.5,769,113,891.60 respectively relating to 2010/2011 and earlier years which have not been cleared as shown below:

Debits	Amount (Kshs)
Exchequer Account	2,437,032,209.70
Temporary Imprest Account	313,075.00
Exchequer Releases/Provisioning Account	1,400,279,592.25
Provisional/District Suspense Account	<u>287,369,000.00</u>
	<u>4,124,993,876.95</u>
Credits	
G.A.V. A/C	461,360,418.40
Provisional/District Suspense A/C	167,833,473.20
Vote Control A/C	<u>5,139,920,000.00</u>
	<u>5,769,113,891.60</u>

However, no reasons have been given for not clearing the above long outstanding balances from the books of account.

STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 60

Basis for qualified opinion

1751. The Statement of Assets and Liabilities for Deposits 60 as at 30 June 2012 reflects a Paymaster General and Retention Money debit and credit balance of Kshs.53,448.00, brought forward from 2010/2011 and earlier years. However, the audited Statement of Assets and Liabilities as at 30 June, 2011 reflects a balance of Kshs.705,411.20 in respect of Paymaster General and Retention Money. The difference of Kshs.651,963.20 relates to 2009/2010 balance omitted from the brought forward balances. No explanation has been provided for the omission.

1752. The Statement also reflects Paymaster General debit balance of Kshs.2,332,945.40 which differs with reconciled Cashbook balance of Kshs.2,209,985.40 as at 30 June, 2012. The difference of Kshs.122,960.00 between the two sets of records has not been reconciled or explained.

1753. The Deposits Cashbook and bank records indicate that the Ministry made a payment of Kshs.47,731,691.20 to Pan African Paper Mills on 30 June, 2012. However, records and other documents supporting the expenditure were not produced for audit confirmation of the nature and purpose of the payment. Propriety of this particular expenditure charged to the Deposit account remains uncertain.

STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

Basis for qualified opinion

1754. The Statement of Outstanding Obligations Guaranteed by the Government of Kenya as at 30 June, 2012 reflects outstanding contingent liability of Japanese Yen 2,922,560,000.00 (Kshs.3,098,702,691.20) in respect of a loan lent by the Japanese Government to the East African Portland Cement Company for rehabilitation of the factory's plant. The financial statements of the Company for the year ended 30 June 2012 however reflect principal loan balance of Kshs.3,318,776,000.00. The resultant difference of Kshs.220,073,308.80 between the two sets of records has not been reconciled or explained.

**INTERIM INDEPENDENT BOUNDARIES REVIEW
COMMISSION (IIBRC)**

**FINANCIAL STATEMENTS FOR VOTE R.61 OF THE FOR THE SIX
MONTHS PERIOD ENDED 31 DECEMBER 2010**

Basis for Qualified Opinion

STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R 61

1755. The Statement of Assets and Liabilities for Vote R.61 as at 31 December 2010 reflects cash book balance of Kshs.2,365,053.90 which has not been reconciled to the bank and differs with the Paymaster General Account balance reflected in the trial balance as at 31 December, 2010 of Kshs.4,249,322.70 by an unexplained difference of Kshs.1,884,268.80. Under the circumstances, it was not possible to ascertain whether all bank transactions and bank balances during the six months period and as at 31 December, 2010 were fairly stated.

1756. The Statement also reflects an Exchequer Account debit balance of Kshs.256,966,000.00, a General Account of Vote and Appropriation-In-Aid credit balances of Kshs.259,297,053.90 and Kshs.34,000.00, respectively, amounts which have not been surrendered to the Exchequer after the winding up of the Commission.

OFFICE OF THE CONTROLLER OF BUDGET

THE FINANCIAL STATEMENTS FOR VOTE 62

Opinion

1757. In my opinion, the financial statements present fairly the financial position of the Office of the Controller of Budget as at 30 June, 2012 and its operations for the year then ended in accordance with Government Financial Regulations and Procedures.

DIRECTOR OF PUBLIC PROSECUTIONS

FINANCIAL STATEMENTS FOR VOTE R.63

Opinion

1758. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Director of Public Prosecutions as at 30 June, 2012 and of its operations for the year then ended in accordance with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

KENYA NATIONAL COMMISSION ON HUMAN RIGHTS.

FINANCIAL STATEMENTS FOR VOTE R.64

Basis for Qualified Opinion

STATEMENT OF ASSETS AND LIABILITIES

1759. The statement of assets and liabilities for Vote R.64 as at 30 June 2012 reflects a Paymaster General (PMG) balance of Kshs.5,539,292.00 which differs with the cash book and board of survey report balance of Kshs.4,845,671.43 as at the same date. The resultant difference of Kshs.693,620.57 has not been reconciled or explained.

1760. The bank reconciliation statement as at 30 June 2012 reflects unknown bank debits of Kshs.330,000.00 dated 14 and 26 September 2007 whose nature and sources have not been explained.

STATEMENT OF FINANCIAL POSITION

1761. The account receivables balance of Kshs.7,499,791.00 shown in the statement of financial position as at 30 June 2012 includes a temporary imprest balance of Kshs.93,792.00 and a staff advance of Kshs.954,201.32 owed by a former employee and a former commissioner, respectively. No evidence has been seen of the action taken to recover the long outstanding imprest and advance.

1762. The statement of financial position reflects under Note (7) Government funding totalling Kshs.304,500,200.00 while exchequer records maintained at the Treasury shows that an amount of Kshs.305,000,000.00 was released to the Commission during the year. Consequently, the Grant Income has been understated by Kshs.499,800.00.

COMMISSION FOR THE IMPLEMENTATION OF THE CONSTITUTION

FINANCIAL STATEMENT FOR VOTE R.65

Basis for Disclaimer of Opinion

APPROPRIATION ACCOUNT

Format and Presentation of Appropriation Account

1763. The Appropriation Account for Vote 65 for the year ended 30 June 2012 submitted for audit does not conform to the Government Financial Regulations and Procedures Chapter 11, Paragraph 11.6.3 on the layout of the Appropriation Account. The Account does not show the Sub Vote, Head, Subhead, Appropriation Account Summary, Summary of the Appropriations-In-Aid and the Net surplus of Kshs.23,133,807.50 to be surrendered to the exchequer. The information presented in the Appropriation Account is, therefore, not complete in all material respects.

Accuracy of the Appropriation Account

1764. The Appropriation Account for the year ended 30 June 2012 reflects gross total expenditure of Kshs.392,006,192.49 which differs with expenditure totalling of Kshs.400,523,872.03 shown in the list of payment vouchers used to prepare the Appropriation Account. The resultant difference of Kshs.8,517,679.54 between the two sets of records has not been reconciled or explained.

Failure to Prepare and Submit Trial Balance and Ledger

1765. The Commission did not provide the trial balance as at 30 June 2012 and ledgers for the period then ended to support the balances shown in the Appropriation Account. As a result, it has not been possible to ascertain the completeness and accuracy of the estimated and actual expenditure figures reflected in the Appropriation Account.

Irregular Expenditure

1766. Expenditure amounting to Kshs.1,286,170.00 was incurred on air tickets and per diems for commissioners and members of staff who attended a Commissioner's brother's burial, a driver's brother's burial and a researcher's father's burial.

1767. The Commission also incurred expenditure totalling Kshs. 4,759,496.75 to facilitate various conferences including payment of per diems; hire of vehicles and communication equipment; hire of security services; hire of venues; purchase of food and beverages; hire of accommodation and conference facilities. However, these conferences had been fully sponsored by other stakeholders. In both cases, the expenditure is considered irregular.

Unsupported Expenditure on Fuel

1768. The Commission incurred an expenditure of Kshs. 10,392,936.40 on petrol and diesel claimed to have been drawn from Optimum Enterprises Limited during the year. However, the Commission failed to provide supporting documents such as detailed orders for fuel drawn, list of vehicles that consumed the fuel and the original work tickets. The validity and propriety of the expenditure could not therefore be ascertained in the circumstances.

Doubtful Expenditure

1769. The Commission also incurred expenditure totalling Kshs.3,369,100.00 on per diem payments to various officers and fuel for motor vehicles in respect of journeys made outside Nairobi. However copies of work-tickets supporting these payments had overlapping dates, an indication that the work tickets were falsified. In addition, the work-tickets were neither signed by the commissioners nor senior staff of the Commission.

Un vouched expenditure

1770. Payment vouchers and other supporting records for expenditure totalling Kshs.16, 439,550.00 incurred on conferences and hire of motor vehicles were not provided for audit review. Consequently, the propriety of the expenditure could not be ascertained.

Payment of Rent for Unoccupied Office Space

1771. During the year under review, the Commission incurred an expenditure of Kshs. 31,456,104.66 on rent for office space at Parklands Plaza for ten months starting from 1 June 2011 to 30 March 2012 while the Commission was occupying offices at Delta House.

Unsupported Expenditure

1772. The Commission also paid an amount of Kshs.20,487,035.00 to various suppliers for provision of conferences, for supply of assorted stationery and equipment and for hire of motor vehicles. However, the payments vouchers were not supported by requisitions, local service orders, local purchase orders, quotations, delivery notes, work tickets as well as certificates indicating that the services had been rendered or goods

supplied to the Commission. As a result it has not been possible to ascertain the propriety of the expenditure of Kshs. 20,487,035.00.

STATEMENT OF ASSETS AND LIABILITIES

Format and Presentation of the Statement

1773. The Commission presented the Statement of Assets and Liabilities for Vote R.65 as part of the notes to the Appropriation Account contrary to the requirements and prescribed format under paragraph 11.8, Chapter 11 of the Government Financial Regulations and Procedures.

Temporary Imprests

1774. The Statements reflects temporary imprest balance of Kshs.9,110,812.75 which differs with the total amount of Kshs.22,773,084.05 captured in the imprest records as outstanding. The difference of Kshs.13,662,271.30 has not been explained or reconciled. No reason has been provided also for failure to surrender or account for the outstanding imprests of Kshs. 22,773,084.05 on or before 30 June 2012.

General Account of Vote [GAV]

1775. The Statement also reflects a General Account of Vote [GAV] balance of Kshs. 21,229,358.00 which differs with the Net Surplus of Kshs. 23,132,807.50 relating to the Appropriation Account for Vote R.65 for the year ended 30 June 2012. The difference of Kshs. 1,902,449.50 has not been explained or reconciled.

Bank Balance

1776. The Statement reflects a Bank Balance of Kshs.10,215,095.25 which differs with the Cash Books balance of Kshs.13,305,867.55. No reconciliation or explanation has been provided for the difference of Kshs.3,090,772.30. In addition, it has not been possible to ascertain the accuracy of the Cash and Bank balances as at 30 June 2012 due to lack of a board of survey report.

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.

A handwritten signature in black ink, appearing to read 'E. R. O. Ouko', written in a cursive style.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

Date 23rd May 2013

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2012

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2012 which are listed in Appendices A, B, C and D 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 explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit for the financial statements listed in Appendix A, B and C.

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 basis for my audit opinion.

Opinion

In my opinion, the financial statements listed in Appendix A, presents fairly, in all material respects, the financial position of the Government of Kenya and its funds as at 30 June 2012, and of its operations for the year then ended in accordance with the Financial Government Financial Regulations and Procedures and Public Finance Management Act, 2012.

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, CBS
AUDITOR-GENERAL

NAIROBI

Date *23rd May 2013*

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2012

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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 basis for my qualified audit opinion.

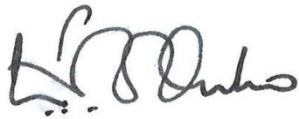
Basis for Qualified Opinion

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 effect of the matters described in the basis for qualified opinion paragraphs, the financial statements listed in Appendix B, fairly present the financial position of the Government of Kenya and its funds as at 30 June 2012, and of its operations for the year then ended in accordance with the Financial Government Financial Regulations and Procedures and Public Finance Management Act, 2012.

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, CBS
AUDITOR-GENERAL

NAIROBI

Date 23rd May 2013

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2012

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2012 which are listed in Appendices A, B, C and D 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 explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit for the financial statements listed in Appendix A, B and C.

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 basis for my adverse audit opinion.

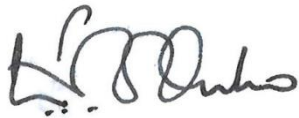
Basis for Adverse Opinion

Details of the basis for adverse opinion are as per the accompanying detailed audit Report. These includes various material misstatements, unexplained discrepancies and omission of expenditure from the Accounts.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the financial statements listed in Appendix C, do not present fairly, in all material respects, the financial position of the Government of Kenya and its funds as at 30 June 2012, and of its operations for the year then ended in accordance with the Financial Government Financial Regulations and Procedures and Public Finance Management Act, 2012.

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, CBS
AUDITOR-GENERAL

NAIROBI

Date 23rd May 2013

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2012

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2012 which are listed below 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 Disclaimer of Opinion

Details of the Basis for Disclaimer of 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 D 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 Basis for Disclaimer of Opinion paragraphs, 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 D.

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, CBS
AUDITOR-GENERAL

Nairobi

Date 23rd May 2013

APPENDIX A

The following is a list of financial statements for which I express an unqualified opinion as I was provided with sufficient and accurate information and explanations.

	Page	Paragraph
CONSOLIDATED FUND SERVICES		
1. Statement of Outstanding Public Debt	12-13	39-40
APPROPRIATION ACCOUNTS - RECURRENT		
1. National Gender and Equality Commission	175	771
2. Controller of Budget	408	1757
3. Director of Public Prosecution	409	1758
STATEMENTS OF ASSETS AND LIABILITIES – DEPOSITS		
1. Ministry of Justice, National Cohesion and Constitutional Affairs	166	738
2. Office of the Prime Minister	367	1571
STATEMENTS OF REVENUE		
1. Office of the Vice President and Ministry of Home Affairs	89	429
2. Ministry of State for Defence	96	429
3. Ministry of Environment and Mineral Resources	195	860
STATEMENT OF OUTSTANDING LOANS		
1. Ministry of Finance	22-23	83-84
STATEMENT OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN QUASI – GOVERNMENT ORGANIZATION AND OTHER STATUTORY ORGANIZATIONS		
1. Ministry of Finance	44	181
FUNDS		
1. Government Press Fund	64	271
2. National Assembly Car Loan Scheme Fund	232	1011
3. Intelligence Service Development Fund	357	1534
4. Water Towers Conservation Trust Fund	368	1572

APPENDIX B

The following is a list of financial statements for which I was able to express qualified opinion as I was not provided with sufficient and accurate information and explanations.

	Page	Paragraph
1. EXCHEQUER ACCOUNT	1	1
CONSOLIDATED FUND SERVICES		
1. The Statement of Assets and Liabilities for Consolidated Fund Services (CFS)	11	35-36
2. Public Debt - Statement of Expenditure	12	38
3. Salaries, Allowances and Miscellaneous Services – Statement of Expenditure	14	44-45
4. Pensions and Gratuities – Statement of Expenditure	30-35	114-140
5. The Statement of Assets and Liabilities - Pensions and Gratuities	35-37	141-149
APPROPRIATION ACCOUNTS - RECURRENT		
1. R.02 – State House	65-66	275-283
2. R.03 – Ministry of State for Public Service	69	291-294
3. R.04 – Ministry of Foreign Affairs	71-73	300-311
4. R.06 – Ministry of Planning, National Development and Vision 2030	90-91	397-404
5. R.07 – Ministry of Finance	2-5	2-19
6. R.08 – Ministry of State for Defence	95-96	422-427
7. R.09 – Ministry of Regional Development Authority	97-98	430-438
8. R.12 – Ministry of Local Government	122-124	542-555
9. R.17 – Ministry of Justice, National Cohesion and Constitutional Affairs	164-165	728-732
10. Commission for Truth, Justice and Reconciliation	167	739
11. R.18 – Ministry of Gender, Children and Social Development	168-170	740-751
12. Public Trustee	216-219	945-961
13. R.27 Public Service Commission	227	994-995
14. R.31 – Ministry of Education	243-248	1050-1077
15. R.32 – Ministry of Information and Communication	259-260	1115-1117
16. R.36 – Ministry of Lands	280-281	1188-1193
17. R.41 – Office of the Vice President and Ministry of State for National Heritage and Culture	314-316	1334-1342
18. R.44 – Ministry of Housing	348-349	1489-1497
19. R.45 – National Security Intelligence Service	356	1530-1532
20. R.46 – Ministry of Tourism	358-361	1535-1551
21. R.48 – Office of the Prime Minister	366	1566-1567
22. R.55 – Ministry of Forestry and Wildlife	374-375	1603-1612
23. R.56 – Ministry of Fisheries Development	378	1622-1623
24. R.57 – Ministry of Nairobi Metropolitan Development	380-381	1628-1633
25. R.58 – Ministry of State for Development of Northern Kenya and Other Arid Lands	383-384	1640-1646
26. R.60 – Ministry of Industrialization	400-402	1729-1735
27. R.61 - Independent Interim Boundaries Review Commission (IIBRC)	407	1755-1756
28. R.64 – Kenya National Commission on Human Rights	410	1759-1762

APPROPRIATION ACCOUNTS – DEVELOPMENT**Votes**

1.	D.02 – State House	67-68	284-287
2.	D.03 – Ministry of State for Public Service	69-70	295-297
3.	D.06 – Ministry of Planning, National Development and Vision 2030	91-93	405-414
4.	D.09 – Ministry of Regional Development Authority	98-101	439-445
5.	D.10 – Ministry of Agriculture	104-106	459-468
6.	D.12 – Ministry of Local Government	124-126	556-565
7.	D.14 – Ministry of Transport	147-150	656-667
8.	D.15 – Ministry of Labour and Human Resource Development	153-155	685-691
9.	D.16 – Ministry of Trade	159-163	710-723
10.	D.24 – Ministry of East African Community	207-208	914-916
11.	D.29 – National Assembly	230	1003-1005
12.	D.32 – Ministry of Information and Communication	260-261	1118-1121
13.	D.41 – Office of the Vice President and Ministry of State for National Heritage and Culture	316-317	1343-1348
14.	D.48 – Office of the Prime Minister	366-367	1568-1570
15.	D.49 – Ministry of Public Health and Sanitation	370-372	1584-1595
16.	D.55 – Ministry of Forestry and Wildlife	375-376	1613-1618
17.	D.56 – Ministry of Fisheries Development	378-379	1624-1625
18.	D.57 – Ministry of Nairobi Metropolitan Development	381-382	1634-1638
19.	D.58 – Ministry of State for Development of Northern Kenya and Other Arid Lands	384-387	1647-1657
20.	D.60 – Ministry of Industrialization	402-405	1736-1750

STATEMENTS OF ASSETS AND LIABILITIES - DEPOSITS**Votes**

1.	02 – State House	68	288-290
2.	03 – Ministry of State for Public Service	70	298-299
3.	05 – Office of the Vice President and Ministry of Home Affairs	86-87	377-383
4.	06 – Ministry of Planning, National Development and Vision 2030	93-94	415-421
5.	08 – Ministry of State for Defence	96	428
6.	09 – Ministry of Regional Development Authority	101	446-448
7.	10 – Ministry of Agriculture	106-107	469-471
8.	11 – Ministry of Medical Services	119-120	527-534
9.	12 – Ministry of Local Government	126-128	566-576
10.	14 – Ministry of Transport	150-151	668-674
11.	15 – Ministry of Labour and Human Resource Development	155	692-696
12.	16 – Ministry of Trade	163	724-727
13.	19 – Ministry of Livestock Development	180-181	797-800
14.	20 – Ministry of Water and Irrigation	188	828-829
15.	21 – Ministry of Environment and Natural Resources	195	858
16.	22 – Ministry of Co-operative Development and Marketing	198-199	874-878
17.	26 – The Judiciary	224	978-980
18.	32 – Ministry of Information and Communication	261	1122
19.	36 – Ministry of Lands	282-283	1201-1204
20.	41 – Office of the Vice President and Ministry of State for National Heritage and Culture	317-318	1349-1350
21.	43 – Ministry of Higher Education, Science and Technology	347	1486-1488
22.	45 – National Security Intelligence Service	356	1533

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23. 46 – Ministry of Tourism	363-364	1560
24. 49 – Ministry of Public Health and Sanitation	372-373	1596-1602
25. 55 – Ministry of Forestry and Wildlife	377	1620-1621
26. 56 – Ministry of Fisheries Development	379	1626
27. 57 – Ministry of Nairobi Metropolitan Development	382	1639
28. 60 – Ministry of Industrialization	406	1751-1753

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1. Development Revenue – Head DR .1	15	46-49
2. 4510000 – Redemption Receipts from Domestic Lending and On-Lending	15-16	50-54
3. 1420000 - Sales of Goods and Services	16-17	55-57
4. 1210000 – Social Security Contributions	17	58
5. 1150000-Taxes on International Trade and Transactions	17-18	59-60
6. 1410000 - Sub Head 1410200 - Property Income	18	61-63
7. 1140000 – Taxes on Goods and Services	18-19	64-66
8. 1410000 – Property Income – Rent of Land	19	67-68
9. 1410000 – Sub-Head 1410100 – Loan Interest Receipts	19-20	69-72
10. 1160000 – Other Taxes (Not Elsewhere Classified)	20	73-74
11. 1450000 – Other Receipts Not Classified Elsewhere	20-21	75-76
12. 1110000 – Taxes on Income, Profits and Capital Gains	21-22	77-82
13. Recurrent Revenue – Head R.01	63-64	267-270
14. Vote 20 – Ministry of Water and Irrigation-Arrears of Water Revenue	189-190	831-835
15. Vote 25 – State Law Office	213	930
16. Vote 32 – Ministry of Information and Communication	262	1124-1125
17. Vote 40 – Ministry of State for Immigration and Registration of Persons	313	1333
18. Vote 46 – Ministry of Tourism	364	1561-1562
19. Head-000000-056 – Fishing Rights	379	1627

STATEMENT OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA

1. Ministry of Industrialization	406	1754
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STATEMENT OF INVESTMENTS BY THE PERMANENT SECRETARY/TREASURY IN VARIOUS COMPANIES

1. Ministry of Finance	50-51	205-208
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STATEMENT OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN QUASI – GOVERNMENT ORGANIZATION AND OTHER STATUTORY ORGANIZATIONS

1. Ministry of Energy	237	1026-1027
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STATEMENTS OF THE SUBSCRIPTIONS BY THE KENYA GOVERNMENT TO INTERNATIONAL ORGANIZATIONS

1. Ministry of Finance	11	37
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STATEMENT OF OUTSTANDING LOANS

1.	Ministry of Tourism	364-365	1563-1565
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1.	Provident Fund	23-25	85-93
2.	Asian Officers Family Pension Fund	25-27	94-101
3.	Pensions and Gratuities – Funds and Deposits - Statement of Assets and Liabilities	27-30	102-113
4.	European Widows and Orphans Pension Scheme Fund	37-39	150-155
5.	District Cash Fund Account-Finance	39-41	156-169
6.	Civil Contingencies Fund	41-42	170-171
7.	Rural Enterprise Fund	42-43	172-175
8.	Kenya Local Loan Support Fund	43	176-178
9.	Asiatic Widows And Orphans Pension Fund	44	179-180
10.	Petroleum Development Levy Fund-Finance	49-50	203-204
11.	District Cash Fund Account-State for Provincial Administration and Internal Security	64	272-274
12.	Kenya Prisons Industries Revolving Fund	87-88	384-389
13.	Kenya Prisons Farms Revolving Fund	88-89	390-395
14.	Local Authorities Transfer Fund (LATF)	128-129	577-580
15.	Road Maintenance Fuel Levy	129-130	581-583
16.	Mechanical and Transport Fund	144-145	642-647
17.	Occupational Safety and Health Fund	156	697-700
18.	Women Enterprise Fund	174-175	766-770
19.	Management, Supervision and Liquidation Fund	199-200	879-886
20.	Parliamentary Mortgage Scheme Fund	231	1008-1010
21.	Petroleum Development Levy Fund-Energy	237-238	1028-1032
22.	Strategic Grain Reserve Trust Fund	267-277	1172-1178
23.	Faza Fire Disaster Fund	277	1179
24.	Nakumatt/Molo Fire Victims Fund	277	1180

FINANCIAL STATEMENT

1.	Nuclear Electricity Project Committee	242	1048-1049
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APPENDIX C

The following is a list of financial statements for which I express an adverse opinion due to materials misstatements.

	Page	Paragraph
APPROPRIATION ACCOUNTS - RECURRENT		
Votes		
1.	R.05 – Office of the Vice President and Ministry of Home Affairs	78-83 328-357
2.	R.11 – Ministry of Medical Services	111-115 489-509
3.	R.14 – Ministry of Transport	146-147 648-655
4.	R.16 – Ministry of Trade	157-159 701-709
5.	R.42 – Ministry of State for Youth affairs and Sports	319-324 1351-1375
6.	R.43 – Ministry of Higher Education, Science and Technology	335-338 1423-1442
7.	R.49 – Ministry of Public Health and Sanitation	368-370 1573-1583
APPROPRIATION ACCOUNTS – DEVELOPMENT		
Votes		
1.	D.05 – Office of the Vice President and Ministry of Home Affairs	83-86 358-376
2.	D.11 – Ministry of Medical Services	115-119 510-526
3.	D.31 – Ministry of Education	248-256 1078-1109
4.	D.42 – Ministry of State for Youth Affairs and Sports	324-329 1376-1401
5.	D.43 – Ministry of Higher Education, Science and Technology	339-347 1443-1485
6.	D.46 – Ministry of Tourism	361-363 1552-1559
STATEMENTS OF ASSETS AND LIABILITIES - DEPOSITS		
Votes		
1.	07 – Ministry of Finance	45-49 185-202
2.	31 – Ministry of Education	256-258 1110-1114
3.	42 – Ministry of State for Youth Affairs & Sports	330-332 1402-1412
STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA		
1.	Ministry of Finance	51 209
2.	Ministry of Information and Communication	
FINANCIAL STATEMENT		
1.	Independent Electoral and Boundaries Commission (IEBC)	263-268 1126-1146

FUND ACCOUNTS

1.	Government Clearing Agency Fund	13	41-43
2.	Treasury Main Clearance Fund	44-45	182-184
3.	Agricultural Information Resource Centre Revolving Fund	108-109	478-483
4.	Health Care Services Fund	120-121	535-538
5.	Political Parties Fund	269-271	1147-1152

APPENDIX D

The following is a list of financial statements for which I was unable express an opinion due to lack of sufficient and accurate information and explanations.

	Page	Paragraph
APPROPRIATION ACCOUNTS - RECURRENT		
Votes		
1.	R.01 – Ministry of State for Provincial Administration and Internal Security	52-58 210-242
2.	R.10 – Ministry of Agriculture	102-104 449-458
3.	R.13 – Ministry of Roads	131-139 584-618
4.	R.15 – Ministry of Labour and Human Resource Development	152-153 677-684
5.	R.19 – Ministry of Livestock Development	176-178 772-785
6.	R.20 – Ministry of Water and Irrigation	184-186 810-817
7.	R.21 – Ministry of Environment and Natural Resources	191-192 836-845
8.	R.22 – Ministry of Co-operative Development and Marketing	196-197 861-866
9.	R.23 – The Cabinet Office	201-203 887-899
10.	R.24 – Ministry of Easter African Community	206-207 909-913
11.	R.25 – State Law Office	210-211 919-924
12.	Official Receiver – State Law Office 2010/2011	214-215 931-937
13.	Official Receiver – State Law Office 2011/2012	215-216 938-944
14.	R.26 – The Judiciary	220-222 962-971
15.	R.29 – National Assembly	228-230 996-1002
16.	R.30 – Ministry of Energy	233 1012-1014
17.	R.35 – Ministry of State for Special Programme	272-273 1153-1159
18.	R.40 – Ministry of State for Immigration and Registration of Persons	308-310 1310-1318
19.	R.59 – Ministry of Public Works	388-389 1661-1673
20.	R.65 – Commission for Implementation of the Constitution	411-413 1763-1776
APPROPRIATION ACCOUNTS – DEVELOPMENT		
Votes		
1.	D.07 – Ministry of Finance	6-10 20-34
2.	D.01 – Ministry of State for Provincial Administration and Internal Security	58-62 243-258
3.	D.04 – Ministry of Foreign Affairs	74-75 312-322
4.	D.13 - Ministry of Roads	139-142 619-629
5.	D.17 – Ministry of Justice, National Cohesion and Constitutional Affairs	165-166 733-738
6.	D.18 – Ministry of Gender, Children and Social Development	170-172 752-760
7.	D.19 – Ministry of Livestock Development	178-180 786-796
8.	D.20 – Ministry of Water and Irrigation	186-188 818-827
9.	D.21 – Ministry of Environment and Natural Resources	193-195 846-857
10.	D.22 – Ministry of Co-operative Development and Marketing	197-198 867-873
11.	D.23 – The Cabinet Office	203-205 900-908
12.	D.25– State Law Office	212 925-926
13.	D.26 – The Judiciary	222-223 972-977
14.	D.30 – Ministry of Energy	234-235 1015-1017
15.	D.35 – Ministry of State for Special Programme	274-275 1160-1169
16.	D.36 – Ministry of Lands	281-282 1194-1200
17.	D.40 – Ministry of State for Immigration and Registration of Persons	310-312 1319-1325
18.	D.44 – Ministry of Housing	349-351 1498-1504
19.	D.59 – Ministry of Public Works	390-397 1674-1713

	Page	Paragraph	
STATEMENTS OF ASSETS AND LIABILITIES - DEPOSITS			
Votes			
1.	01 – Ministry of State for Provincial Administration and Internal Security	62-63	259-266
2.	04 – Ministry of Foreign Affairs	76-77	323-327
3.	13 - Ministry of Roads	142-144	630-641
4.	18 – Ministry of Gender, Children and Social Development	173-174	761-765
5.	24 – Ministry of Easter African Community	208-209	917-918
6.	25 – State Law Office	212-213	927-929
7.	29 – National Assembly	231	1007
8.	30 – Ministry of Energy	235-236	1018-1022
9.	35 – Ministry of State for Special Programme	275-276	1170-1171
10.	40 – Ministry of State for Immigration and Registration of Persons	312-313	1326-1332
11.	44 – Ministry of Housing	351	1505-1507
12.	58 – Ministry of State for Development of Northern Kenya & Other Arid Lands	387	1658-1660
13.	59 – Ministry of Public Works	397-398	1714-1719
STATEMENTS OF REVENUE			
1.	Ministry of Transport	151	675
2.	1430100 – Fines and Forfeitures	224-226	981-993
3.	Land Revenue	285	1211-1216
STATEMENTS OF OUTSTANDING LOANS			
1.	Ministry of Agriculture	108	476
2.	Ministry of Water and Irrigation	189	830
3.	Ministry of Environment and Natural Resources	195	859
4.	Ministry of Energy	236	1023-1024
5.	Government of Kenya Loans Issued to Settlement Fund Trustees	284	1210
STATEMENTS OF OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA			
1.	Ministry of Agriculture	108	477
2.	Ministry of Transport	151	676
3.	Ministry of Energy	236	1025
4.	Ministry of Housing	351-352	1507-1509
STATEMENT OF INVESTMENT BY THE GOVERNMENT OF KENYA IN LOCAL COMPANIES			
1.	Ministry of Agriculture	107	472-474
STATEMENT OF PARTICIPATION BY THE GOVERNMENT OF KENYA IN QUASI – GOVERNMENT ORGANIZATION AND OTHER STATUTORY ORGANIZATIONS			
1.	Ministry of Agriculture	107	475

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1. Demonstration Farms Fund	109-110	484-488
2. Medical Supplies Fund	121	539-541
3. Veterinary Services Development Revolving Fund (VSDF)	181-182	801-808
4. Hides and Skins Cess Fund Account	182-183	809
5. Training Fund	238-240	1033-1041
6. Kenya Energy Sector Environment and Social Responsibility Programme Fund	240-242	1042-1047
7. National Humanitarian Fund	277-279	1182-1187
8. Township Roads and Drains Fund	283-284	1205-1209
9. Agricultural Settlement Fund Trustees -2007/2008	286-290	1217-1234
10. Agricultural Settlement Fund Trustees -2008/2009	290-294	1235-1253
11. Agricultural Settlement Fund Trustees -2009/2010	294-298	1254-1272
12. Agricultural Settlement Fund Trustees -2010/2011	298-302	1273-1291
13. Agricultural Settlement Fund Trustees -2011/2012	303-307	1292-1309
14. National Youth Service (NYS) Mechanical and Transport Fund	333-334	1413-1422
15. Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (Kensuf)	352-353	1511-1519
16. Civil Servants Housing Scheme Fund	353-355	1520-1529
17. Stores and Services Fund	398-399	1720-1728

CERTIFICATE OF THE AUDITOR-GENERAL ON THE STATEMENT OF RECEIPTS INTO AND ISSUES FROM THE EXCHEQUER ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012

I have audited the Statement of Receipts into and Issues from the Exchequer Account for the year ended 30 June 2012 in accordance with Article 229(4) of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Accounting Officer's Responsibility for the Financial Statement

The Permanent Secretary/Treasury is responsible for the preparation and fair presentation of the financial statement and for such internal controls as management determines is necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

The Permanent Secretary/Treasury is also responsible for the submission of the financial statement to the Auditor - General in accordance with the provisions of Section 80 of the Public Finance Management Act, 2012 and Section 3 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 entity's internal controls. 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 statement.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Exchequer Over-Issue

The Statement of Receipts into and Issues from the Exchequer Account for the year ended 30 June 2012 reflects Kshs.39,981,000,000.00 Exchequer issues under the Ministry of Education (Recurrent Vote), against the approved appropriated amount of Kshs.33,928,337,251.00, resulting in an over issue of Kshs.6,052,662,749.00 from the Exchequer Account during the year. The over issue arose from a withdrawal of a sum of Kshs.7 Billion from the Consolidated Fund on 21 June 2012, to cater for the Free Primary and Free Day Secondary Education. However, no evidence has been provided for audit confirmation that Parliamentary approval for the additional expenditure was granted as required under Article 223 of the Constitution.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement presents fairly, Receipts into and Issues from the Exchequer Account during the year ended 30 June 2012.



Edward R. O. Ouko
AUDITOR-GENERAL

Nairobi

27 November 2012

REPUBLIC OF KENYA - THE EXCHEQUER ACCOUNT

RECEIPTS INTO AND ISSUES FROM EXCHEQUER ACCOUNT

FOR THE YEAR 2011/2012

RECURRENT-	ORIGINAL ESTIMATES	ACTUAL RECEIPTS	UNDER/(OVER ESTIMATES)
TAXATION RECEIPTS:-	KSHs	KSHs	KSHs
Opening Balance		64,321,963.75	
Income Tax from Individuals (P.A.Y.E)	152,591,351,261.40	166,035,968,438.30	(13,444,617,176.90)
Income Tax from Corporations	139,002,189,361.75	146,427,375,179.95	(7,425,185,818.20)
Immovable Property	149,940,537.00		149,940,537.00
Second Hand Motor Vehicle Pur. Tax	283,673,881.00		283,673,881.00
VAT on Domestic Goods & Services	111,122,647,793.00	81,495,507,406.95	29,627,140,386.05
VAT on Imported Goods & Services	94,206,467,528.00	94,890,564,084.35	(684,096,556.35)
Excise Taxes	93,262,723,355.00	78,884,256,132.75	14,378,467,222.25
Licences under Traffic Act	191,769,769.00	2,276,826,986.15	(2,085,057,217.15)
Customs Duties	55,569,257,777.00	51,711,783,271.85	3,857,474,505.15
Other Taxes on Int. Trade & Transactions (IDF)	23,513,365,737.00	24,762,071,095.00	(1,248,705,358.00)
Stamp Duty	8,024,464,039.00	7,857,096,516.55	167,367,522.45
Cont. From Govt. Employees To Social	500,000,000.00	46,035,360.10	453,964,639.90
Grants from Foreign Govt. through Exchequer	4,148,910,610.00	7,763,273,490.30	(3,616,362,880.30)
Loan from Foreign Govt. through Exchequer	39,484,965,790.00	19,342,646,217.25	20,142,319,572.75
Grants from International Organitions	8,584,091,422.00		8,584,091,422.00
Interest Received	1,032,900,000.00	1,235,816,306.15	(202,916,306.15)
Other Profits & Dividends	13,278,000,000.00	14,131,540,979.95	(853,540,979.95)
Rent of Land	1,302,637,727.00	1,627,482,108.80	(324,844,381.80)
<i>Administrative Fees and Charges</i>			
Fees Under Traffic Act	1,234,532,280.00		1,234,532,280.00
Motor Drivers Licences	720,299,332.00		720,299,332.00
Land Adjudication and Case Fees	36,028.00		36,028.00
Sale of Freehold Interest in Agri. Land	427,001.00		427,001.00
Immigration Visas and Other Consular Fees	1,127,917,760.00	2,961,950,875.65	(1,834,032,815.65)
Work Permit Fees	1,263,574,240.00	2,100,076,079.00	(836,501,839.00)
Passport Fees	501,810,000.00	512,323,549.50	(10,513,549.50)
Rent of Government Buildings and Housing	451,000,000.00		451,000,000.00
Aviation Fees and Air navigation charges	2,545,000,000.00		2,545,000,000.00
Conveyance Fees	625,000,000.00		625,000,000.00
Kenya Oil Facility Storage Charges	204,000,000.00	204,130,788.85	(130,788.85)
Fishing Rights	149,000,000.00	76,401,800.80	72,598,199.20
Betting Control	112,000,000.00	61,044,874.10	50,955,125.90
Registration Services	168,000,000.00	192,325,115.50	(24,325,115.50)
Fees from trustee Services	26,000,000.00		26,000,000.00
Others	2,069,644,391.00	1,381,997,600.20	687,646,790.80
Fines, Penalties & Forfeitures & other charges	287,049,465.00	1,078,882,684.55	(821,833,219.55)
Miscellaneous Revenue	6,803,260,168.00	2,171,522,091.10	4,631,738,076.90
Loans to Non-Financial Public Enterprises	1,255,000,000.00	1,584,344,103.75	(329,344,103.75)
Loans to Financial Institutions	70,300,000.00	25,593,437.50	44,706,562.50
Net Domestic Borrowing	62,100,000,000.00		62,100,000,000.00
Commercial Loan	52,000,000,000.00	51,258,000,000.00	742,000,000.00
	879,933,207,253.15	762,163,158,238.65	117,834,370,978.25
Recoveries Over-Issues 2009/2010 Recurrent		5,185,428,526.40	(5,185,428,526.40)
Recoveries Over-Issues 2009/2010 Development		11,311,755,948.15	(11,311,755,948.15)
Treasury Bonds		134,681,800,000.00	(134,681,800,000.00)
TOTAL RECEIPTS	879,933,207,253.15	913,342,142,713.20	(33,408,935,460.05)
RECURRENT			
MINISTRY/DEPARTMENT	ESTIMATED ISSUES	ACTUAL ISSUES	
	KSHs	KSHs	
Ministry of State - P. A & I. Security	57,438,869,169.00	57,273,676,627.25	165,192,541.75
State House	1,411,578,460.00	1,407,582,209.90	3,996,250.10
Ministry of State- Public Service	3,517,274,153.00	3,516,865,313.00	408,840.00
Ministry of Foreign Affairs	9,024,605,500.00	8,708,000,000.00	316,605,500.00
Office of V.P. & Ministry of Home Affairs	13,769,383,088.00	13,665,558,509.90	103,824,578.10
Planning & National Dev.	2,759,634,000.00	2,756,280,543.00	3,353,457.00
Ministry of Finance	18,738,332,184.00	18,110,000,000.00	628,332,184.00
Ministry of State for Defence	64,543,917,310.00	61,307,336,128.25	3,236,581,181.75
Ministry of Regional Development & Auth.	762,299,700.00	761,949,026.30	350,673.70
Ministry of Agriculture	8,668,515,229.00	8,668,000,000.00	515,229.00
Medical Services	27,686,205,897.00	26,949,000,000.00	737,205,897.00
D.P.M.s Office & Ministry of Local Govt.	1,164,210,999.00	1,163,911,166.85	299,832.15
Ministry of Roads	1,825,632,403.00	1,762,742,667.60	62,889,735.40
Ministry of Transport	1,423,499,032.00	1,423,263,946.00	235,086.00
Ministry of Labour & HRD	1,728,243,434.00	1,614,671,800.15	113,571,633.85
D.P.M.s Office, Ministry of Trade	1,652,860,548.00	1,608,000,000.00	44,860,548.00

Justice Nat. Cohesion & Const. Affairs	2,092,801,208.00	2,087,825,481.00	4,975,797.00
Ministry of Gender and Children Dev.	4,140,656,579.00	4,135,917,509.40	4,739,069.60
Ministry of Livestock Development	4,020,284,760.00	3,967,347,136.00	52,937,624.00
Ministry of Water & Irrigation	4,167,130,001.00	4,130,000,000.00	37,130,001.00
Ministry of Environment & Mineral Res.	2,328,970,001.00	2,328,963,864.05	6,136.95
Ministry of Coop. Dev. & Marketing	1,107,751,810.00	1,070,000,000.00	37,751,810.00
Cabinet Office	1,391,748,633.00	1,336,860,996.95	54,887,636.05
Ministry of East African Community	1,046,833,244.00	1,046,721,268.70	111,975.30
State Law Office	1,309,830,659.00	1,309,324,011.00	506,648.00
Judicial Department	6,141,509,531.00	6,141,501,077.20	8,453.80
Public Service Commission	665,770,000.00	659,000,000.00	6,770,000.00
Kenya National Audit Office	1,420,660,000.00	1,266,759,082.00	153,900,918.00
National Assembly	8,761,053,181.00	8,604,650,883.20	13,455,337.00
Ministry of Energy	2,278,826,169.00	2,278,575,614.50	156,402,297.80
Ministry of Education	33,928,337,251.00	39,981,000,000.00	250,554.70
Ministry of Information & Comm.	1,799,455,337.00	1,786,000,000.00	(6,052,662,749.00)
Interim Independent Electoral Commission	7,431,881,094.00	3,181,818,384.05	13,455,337.00
Kenya anti-Corruption Commission	1,405,030,000.00	1,292,148,522.00	4,250,062,709.95
Ministry of State for Special Programmes	8,429,769,999.00	8,429,767,522.55	112,881,478.00
Ministry of Lands	2,210,892,198.00	2,126,203,636.55	2,476.45
The Commission on Revenue Allocation	340,760,300.00	340,000,000.00	84,688,561.45
Ministry of State for Immigration & Reg. Pers.	4,287,956,854.00	3,838,498,003.60	760,300.00
Ministry of State for National Heritage & Cult.	1,736,866,606.00	1,736,866,584.00	449,458,850.40
Ministry of State for Youth Affairs & Sports	6,033,122,516.00	5,697,385,977.75	22.00
Higher Education, Science & Technology	25,703,913,412.00	25,703,862,339.90	335,736,538.25
Ministry of Housing	1,251,749,958.00	1,251,592,288.00	51,072.10
National Security Intelligence Service	14,016,113,300.00	14,007,522,613.75	157,670.00
Ministry of Tourism	1,558,564,100.00	1,558,541,848.00	8,590,686.25
The Teachers Service Commission	111,969,000,000.00	110,910,000,000.00	22,252.00
Office of the Prime Minister	1,944,541,420.00	1,944,509,294.00	1,059,000,000.00
Ministry of Public Health and Sanitation	12,260,930,007.00	12,253,275,904.55	32,126.00
Ministry of Forestry and Wildlife	3,799,429,981.00	3,799,397,257.00	7,654,102.45
Ministry of Fisheries Development	1,302,588,509.00	1,301,902,835.40	32,724.00
Ministry of Nairobi Metropolitan Development	302,409,122.00	302,409,112.55	685,673.60
Ministry of DVP of N. Kenya & other A. Areas	547,773,089.00	547,734,735.85	9.45
Ministry of Public Works	1,544,516,626.00	1,491,078,611.95	38,353.15
Ministry of Industrialisation	1,774,280,942.00	1,773,638,447.40	53,438,014.05
The Controller of Budget	62,000,000.00	30,000,000.00	642,494.60
Directorate of Public Prosecution	490,000,000.00	450,000,000.00	32,000,000.00
Human Rights & Equality Commission	307,500,000.00	305,000,000.00	40,000,000.00
Commission For The Implementation of the constitution	414,000,000.00	414,000,000.00	2,500,000.00
The National Police Service Commission	100,000,000.00		100,000,000.00
Total	503,942,269,503.00	497,514,438,780.85	6,427,830,722.15
DEVELOPMENT:-	ESTIMATED ISSUES	ACTUAL ISSUES	
	KSh	KSh	
Ministry of State - P. A & I. Security	4,300,765,000.00	4,300,659,524.00	105,476.00
State House	363,000,000.00	358,455,321.00	4,544,679.00
Ministry of State- Public Service	599,399,100.00	585,125,255.75	14,273,844.25
Ministry of Foreign Affairs	770,032,000.00	769,774,901.75	257,098.25
Office of V.P. & Ministry of Home Affairs	1,485,783,750.00	1,485,372,415.40	411,334.60
Ministry of Planning & National Dev.	24,506,545,594.00	17,809,608,105.80	6,696,937,488.20
Ministry of Finance	23,299,969,900.00	20,216,600,898.15	3,083,369,001.85
Ministry of Regional Development & Auth.	3,334,000,000.00	3,333,944,714.30	55,285.70
Ministry of Agriculture	12,212,706,640.00	9,013,027,493.00	3,199,679,147.00
Medical Services	2,562,759,710.00	2,512,583,525.15	50,176,184.85
D.P.M.s Office & Ministry of Local Govt.	3,760,140,000.00	3,010,368,500.00	749,771,500.00
Ministry of Roads	41,281,101,790.00	39,127,377,805.10	2,153,723,984.90
Ministry of Transport	6,664,945,130.00	3,925,160,680.00	2,739,784,450.00
Ministry of Labour & HRD	455,883,000.00	398,900,879.65	56,982,120.35
D.P.M.s Office, Ministry of Trade	377,300,000.00	375,000,000.00	2,300,000.00
Justice Nat. Cohesion & Const. Affairs	161,850,000.00	160,563,096.25	1,286,903.75
Ministry of Gender & Children Dev.	3,738,146,090.00	3,738,075,569.05	70,520.95
Ministry of Livestock Dev.	3,471,970,990.00	3,468,463,145.00	3,507,845.00
Ministry of Water & Irrigation	19,355,069,996.00	18,715,215,750.00	639,854,246.00
Ministry of Environment & Mineral Resources	3,590,097,683.00	3,135,087,885.45	455,009,799.55
Ministry of Coop. Dev. & Marketing	218,000,000.00	214,276,637.10	3,723,362.90
Cabinet Office	310,000,000.00	126,240,751.35	183,759,248.65
Ministry of East African Community	7,000,000.00	6,997,766.20	2,233.80
State Law Office	26,810,000.00	26,344,416.00	465,584.00
Judicial Department	1,403,951,580.00	1,037,550,000.00	366,401,580.00
National Assembly	1,399,000,000.00	510,000,000.00	889,000,000.00
Ministry of Energy	23,094,752,350.00	19,936,983,614.95	3,157,768,735.05
Ministry of Education	4,875,836,180.00	4,207,421,277.25	667,414,902.75
Ministry of Information & Comm.	4,963,088,186.00	3,533,393,101.00	1,429,615,085.00
Kenya anti-Corruption Commission	12,000,000.00	5,768,287.00	6,231,713.00
Ministry of State for Special Programmes	3,917,251,900.00	2,832,098,807.00	1,085,153,093.00
Ministry of Lands	3,820,944,125.00	3,709,104,406.70	111,839,718.30
Ministry of State for Immigration & Reg. Pers.	2,254,700,000.00	1,658,502,787.40	596,197,212.60
Ministry of State for National Heritage & Cult.	631,000,000.00	623,599,782.40	7,400,217.60
Ministry of State for Youth Affairs & Sports	3,455,673,000.00	3,341,293,395.50	113,679,604.50
Higher Education, Science & Technology	6,364,000,000.00	5,450,873,460.00	913,126,540.00
Ministry of Housing	2,139,299,900.00	2,031,615,392.20	107,684,507.80
Ministry of Tourism	1,034,000,000.00	1,032,690,942.00	1,309,058.00
Office of the Prime Minister	438,165,560.00	426,630,894.30	11,534,665.70
Ministry of Public Health and Sanitation	10,420,119,370.00	8,795,870,030.60	1,624,249,339.40
Ministry of Forestry and Wildlife	2,551,337,800.00	2,076,763,480.00	474,574,320.00
Ministry of Fisheries Development	2,172,004,155.00	2,099,440,918.55	72,523,236.45
Ministry of Nairobi Metropolitan Development	2,005,700,000.00	1,879,440,610.00	126,259,390.00

Ministry of DVP of N. Kenya & other A. Areas	2,075,684,000.00	2,075,684,000.00	
Ministry of Public Works	4,971,000,000.00	4,970,870,516.45	129,483.55
Ministry of Industrialisation	2,367,655,930.00	2,360,973,423.40	6,682,506.60
Total	243,219,560,411.00	211,410,534,162.15	31,809,026,248.85
OTHER ISSUES:-			
IN RESPECT OF:			
CIVIL CONTINGENCIES FUND			
Public Debt	176,847,306,700.00	177,105,832,682.25	(258,525,982.25)
Pensions and Gratuities	29,259,132,221.00	24,100,000,000.00	5,159,132,221.00
Salaries Allowances & Miscellaneous Services	3,363,100,657.00	2,051,906,000.00	1,311,194,657.00
Subscription to International Organisations	500,000.00		500,000.00
TOTAL ISSUES		203,257,738,682.25	
SURPLUS FOR THE YEAR 2011/2012		912,182,711,625.25	1,159,431,087.95

21-9-2012
DATE.....



JOSEPH K. KINYUA, CBS
PERMANENT SECRETARY/TREASURY

