



**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 2012/2013**

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# MINISTRY OF FINANCE

## RECURRENT APPROPRIATION ACCOUNT- VOTE R.107

### Basis for Disclaimer of Opinion

#### 1. Negative Expenditure

The Appropriation Account for Vote R.107 for the year ended 30 June 2013 reflects a negative expenditure of Kshs.30,000.00 under Head 107002100, Item 2211000 – Specialized Materials and Supplies. Apart from failure to explain how the negative expenditure of Kshs.30,000.00 arose, the accuracy of the Net Surplus to be Surrendered to Exchequer of Kshs.703,653,672.90 is also doubtful as it is overstated by the same amount of Kshs.30,000.00. No explanation has been given for the anomaly.

#### 2. Grants to Government Agencies and Other Levels of Government

The Appropriation Account further shows under various Heads expenditure totalling Kshs.14,449,125,257.00 under Item 2630100 – Current Grants to Government Agencies and Other Levels of Government which differ by Kshs.1,689,666,257.00 from the figure of Kshs.12,759,459,000.00 reflected as grants during the year in the financial statements of the following Government Agencies:

	<b>Grants as per Appropriation Account Kshs.</b>	<b>Grants per Statement of the Agency Kshs.</b>	<b>Difference Kshs.</b>
Kenya Revenue Authority	13,701,230,407.00	12,059,459,000.00	1,641,771,407.00
Public Procurement Oversight Authority	348,799,680.00	305,000,000.00	43,799,680.00
Kenya Trade Network	199,935,500.00	200,000,000.00	(64,500.00)
Privatization Commission	<u>199,159,670.00</u>	<u>195,000,000.00</u>	<u>4,159,670.00</u>
<b>Total</b>	<b><u>14,449,125,257.00</u></b>	<b><u>12,759,459,000.00</u></b>	<b><u>1,689,666,257.00</u></b>

The difference of Kshs.1,689,666,257.00 between the two sets of records was not clarified as at the time of the audit.

## Pending Bills

Examination of records maintained at the Ministry of Finance Headquarters revealed that bills totalling Kshs.14,507,419.00 chargeable to the Recurrent Vote were not settled during the year, but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the financial statements for 2012/2013, the Appropriation Account for Vote R.107 for the year ended 30 June 2013 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.689,146,253.90 instead of Kshs.703,653,672.90 currently reflected.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.107

### Basis for Disclaimer of Opinion

### 3. Un-cleared Balances

The Statement of Assets and Liabilities for Vote R.107 as at 30 June 2013 reflects long outstanding debit and credit balances against various account items amounting to Kshs.129,393,013,160.88 and Kshs.13,748,703,726.44 as shown below:-

Particulars	Debit balances Kshs.	Credit balances Kshs.
Exchequer Account	7,330,307,100.75	
Standing Imprest	9,018,753.15	
Temporary Imprests	263,408,427.50	
Advance of Salary	1,958,543.85	
Net Salary Advance	6,681,627.20	
Training – DPM	2,587,481,838.95	
Items Awaiting Clearance	12,511,206,126.95	
Provincial/District Suspense	106,682,946,242.53	
Loss of Cash	4,500.00	
G.A.V		13,655,946,918.24
Excess AIA		38,717,21.25
R/D Stale Cheques		29,269,608.35
Returned Salary		3,363,203.75
Special Imprest		15,903,523.10
R/D Cheques		5,503,151.75
<b>Total</b>	<b><u>129,393,013,160.88</u></b>	<b><u>13,748,703,726.44</u></b>

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

#### 4. Unanalyzed Balances

The Statement further reflects the following balances which have not been analyzed:-

Particulars	Debit balances Kshs.	Credit balances Kshs.
Standing Imprest	9,081,753.15	
Temporary Imprests	263,408,427.50	
Advance of Salary	1,958,543.20	
Net Salary Advance	6,681,627.20	
Training – DPM	2,578,481,838.95	
Items Awaiting Clearance	12,511,206,126.95	
R/D Stale Cheques		29,269,608.35
Returned Salary		3,363,203.75
Special Imprest		15,903,523.10
Returned RTGS Payments		1,813,642.45
R/D Cheques		<u>5,503,151.75</u>
<b>Total</b>	<b><u>15,370,818,316.95</u></b>	<b><u>55,853,129.40</u></b>

In absence of detailed analyses and supporting schedules, the validity, completeness and accuracy of the balances could not be ascertained as at 30 June 2013.

#### 5. Paymaster General (PMG)

The Statement of Assets and Liabilities for Vote R.107 as at 30 June 2013 reflects a Paymaster General (PMG) Account credit balance of Kshs.115,100,989,405.79, while the Cashbook as at the same date shows an amount of Kshs.898,558,686.25 resulting in an unreconciled/ unexplained difference of Kshs.114,202,430,719.54. In the circumstances, the validity and accuracy of the PMG account balance of Kshs.115,100,989,405.79 could not be confirmed as at 30 June 2013.

#### 6. Temporary and Standing Imprests

The Statement in addition reflects Temporary and Standing Imprests Account balances of Kshs.263,408,427.50 and Kshs.9,018,753.15 respectively, relating to 2011/2012 and earlier years. No reasons have, however, been provided for failure to have the imprests surrendered or accounted for as at 30 June 2013. Further, the current year Temporary and Standing Imprest Account balances of Kshs.4,897,129.00 and Kshs.172,642.50, differ from the balances in the Imprest Registers of Kshs.8,636,139.50 and Kshs.2,318,683.15 resulting in unreconciled/ unexplained variances of Kshs.3,739,010.50 and Kshs.2,146,040.65 respectively.

#### 7. Lack of Trial Balance and Ledger

Balances reflected in the Statement under Advance of Salary, Advances to other Ministries and Returned RTGS Payments relating to the year under review of Kshs.400,099.00, Kshs.42,752,607.40 and Kshs.1,813,642.45 respectively, have not

been supported with a Trial Balance or Ledger as at 30 June 2013. Consequently, the validity, accuracy and completeness of these balances could not ascertained as at 30 June 2013.

## **DEVELOPMENT APPROPRIATION ACCOUNT- VOTE D.107**

### **Basis for Disclaimer of Opinion**

#### **8. Under – Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.107 for the year ended 30 June 2013 reflects gross total approved expenditure of Kshs.30,327,034,070.00 while the gross total actual expenditure amounted to Kshs.14,910,267,132.40 resulting in an under-expenditure of Kshs.15,416,766,937.60 or approximately 51% of the approved estimates. The Appropriation Account also reflects Appropriations-In-Aid approved estimates of Kshs.9,793,394,759.00 while the actual applied receipts amounted to Kshs.4,134,,765,493.25.00 resulting in an under-collection of Appropriations-In-Aid of Kshs.5,658,629,265.75 or about 58% of the estimated receipts.

The reasons provided in the footnotes to the account for the under-expenditure and under-collection of Appropriations-In-Aid include delay in certification of on-going works, delay in submission of expenditure returns from project coordinators, lengthy procurement procedures, delays in recruitment of key staff for some activities, delay by donors in releasing funds, delay in delivery of goods by suppliers within stipulated time and non-availability of accounting documents amongst other reasons. However, it has not been explained how the National Treasury is addressing these challenges.

#### **9. Domestic Loans to Financial Institutions**

The Appropriation Account for Vote D.107 for the year ended 30 June 2013 reflects an expenditure of Kshs. 620,167,011.00 under Head 0001, Item 4110300- Domestic Loans to Financial Institutions, which is at variance with the ledger balance of Kshs.621,793,641.45 resulting in unexplained or unreconciled difference of Kshs.1,626,630.45 as at 30 June 2013.

#### **10. Equity Participation in Domestic and Foreign Financial Institutions Operating Abroad**

The Appropriation Account also reflects an expenditure of Kshs.965,770,890.00 under Head 0001, Item 4150200- Equity Participation in Domestic and Foreign Financial Institutions Operating Abroad, which do not agree with the supporting payment vouchers amount of Kshs.1,171,541,950.00. As in the previous instance, the resultant discrepancy of Kshs.205,771,060.00 has not been clarified as at 30 June 2013.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.107

### Basis for Disclaimer of Opinion

#### 11. Un-cleared Balances

The Statement of Assets and Liabilities for Vote D.107 as at 30 June 2013 reflects long outstanding debit and credit balances against various account items amounting to Kshs.51,474,531,279.80 and Kshs.34,055,400,300.25 as shown below:-

<b>Particulars</b>	<b>Debit balances Kshs.</b>	<b>Credit balances Kshs.</b>
Exchequer Account	35,039,369,618.15	
Temporary Imprests	225,862,818.10	
Training – DPM	554,642,720.50	
Advances to other Ministries	15,442,117,156.30	
Provincial/District Suspense	43,070,125.30	
R/D stale cheques	169,468,841.45	
GAV		34,035,367,565.65
Non-Existing Account		6,018,112.00
Standing Imprest		<u>14,014,622.60</u>
<b>Total</b>	<b><u>51,474,531,279.80</u></b>	<b><u>34,055,400,300.25</u></b>

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

#### 12. Unanalyzed Balances

The Statement of Assets and Liabilities further reflects the following balances which have not been supported with detailed schedules:-

<b>Particulars</b>	<b>Debit balances Kshs.</b>	<b>Credit balances Kshs.</b>
Temporary Imprests	225,862,818.10	
Training -DPM	554,642,720.50	
Advances to other Ministries	15,442,117,156.30	
Provincial/District suspense	73,380,866.10	
RD/Stale Cheques	169,468,841.45	
Standing Imprest		14,014,622.60
Non-existing Account		<u>6,018,112.00</u>
<b>Total</b>	<b><u>16,465,472,402.45</u></b>	<b><u>20,032,734.60</u></b>

In absence of supporting detailed schedules, the validity, completeness and accuracy of the balances could not be ascertained as at 30 June 2013.



### 13. Unsupported Balances

The Statement of Assets and Liabilities reflects movements of various Accounts balances during 2012/2013 as shown below:-

<b>Account Description</b>	<b>Amount (Kshs.)</b>
Advances to other Ministries	6,516,779,228.00
Provincial/District Suspense	30,310,740.80
Paymaster General	<u>2,501,730,986.05</u>
	<u><b>9,048,820,954.85</b></u>

However, the relevant documents in support of the amounts were not availed for audit review. In the circumstances, the validity and accuracy of amounts totalling Kshs.9,048,820,954.85 could not be confirmed as at 30 June 2013.

### 14. Paymaster General (PMG)

The Statement of Assets and Liabilities for Vote D.107 as at 30 June 2013 reflects a Paymaster General (PMG) Account credit balance of Kshs.14,917,399,993.60 while the Cashbook reflected a debit amount of Kshs.10,192,776.10 resulting in an unexplained or unreconciled difference of Kshs.14,927,592,769.70 as at the same date. Further, excluded from the cashbook balance of Kshs.10,192,776.10 are stale cheques amounting to Kshs.4,150,154,995.20 some of which have been outstanding for more than two years. Also excluded from the cashbook balance is an amount of Kshs.272,331,319.85 being CBK direct credits whereby some figures have been outstanding for more than seven (7) years. Also excluded from the cashbook balance are payments totalling Kshs.2,921,561,580 in bank statement not in cashbook whereby some of the payments date back to year 2009. Further, included in the cashbook is an amount of Kshs.4,601,454,131.65 being receipts in the cashbook which are not reflected in the bank statement. In the circumstances, the validity, accuracy and completeness of the PMG balance of Kshs.14,917,399,993.6 could not be confirmed as at 30 June 2013.

### 15. General Account on Vote

The Statement of Assets and Liabilities reflects a General Account on Vote balance of Kshs.9,574,544,521.85 for 2012/2013, while the Appropriation Account for Vote D.107 for the year ended 30 June 2013 reflects a Net Surplus to be Surrendered to the Exchequer of Kshs.9,758,137,671.85. The difference of Kshs.183,593,150.00 between the two sets of records has not been reconciled or explained.

### 16. Exchequer Account

The Statement of Assets and Liabilities reflects an Exchequer Account balance of Kshs.35,565,093,185.15, which includes Exchequer Under Issues totalling Kshs.525,723,567.00, relating to the current year. Records maintained at the

Exchequer Section in Treasury show an under-issue of Kshs.700,717,567.00 against the Account. The difference of Kshs.174,994,000.00 between the two sets of records has not been reconciled or explained as at 30 June 2013.

### **17. Accuracy of the Balances**

All balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2013 or Ledger for the period then ended. Therefore, the accuracy and completeness of the Statement as a whole could not ascertained as at 30 June 2013.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS**

### **Basis for Disclaimer of Opinion**

### **18. Paymaster General Account**

The statement of assets and liabilities for Deposits 07 as at 30 June 2013 reflects a Paymaster General Account (PMG) debit balance of Kshs.18,152,629,874.40, while the cashbook as at the same date shows an amount of Kshs.825,851,381.35 resulting in an unreconciled or unexplained difference of Kshs.17,326,778,493.05.

Further, included in the cashbook balance of Kshs.825,851,381.35 are payments in cashbook not in bank statement totalling Kshs.14,208,321,923.70 and includes some figures which date back to year 2005. The cashbook balance does not include an amount of Kshs.22,672,370,312.50 being receipts in bank statement.

Also excluded from the cashbook balance are payments in bank statement not in cashbook totalling Kshs.15,290,813,457.65 whereby some of the figures date back to year 2006. Further included in the cashbook is an amount of Kshs.21,939,709,212.70 being receipts in the cashbook which are not reflected in the bank statement.

In the circumstances, the validity and accuracy of the PMG account balance of Kshs18,152,629,874.40 could not be confirmed as at 30 June 2013.

### **19. Balances not Surrendered to the Exchequer**

The Statement also reflects cash balances totalling Kshs.445,491,633,007.90 in respect of six (6) Statements of Revenue, which had not been surrendered to the Exchequer as at 30 June 2013 as indicated:-

<b><u>Account Description</u></b>	<b><u>Amount (Kshs)</u></b>
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>
<b>Total</b>	<b><u>445,491,633,007.90</u></b>

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

## 20. Overpayments to Exchequer

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

<u>Item</u>	<u>Amount (Kshs)</u>
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>
<b>Total</b>	<b><u>488,728,680,016.43</u></b>

Further, these balances have not been supported with relevant documents. Consequently, it has not been possible to ascertain their origin and accuracy as at 30 June 2013.

## 21. Unanalyzed Balances

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

<u>Item</u>	<u>Amount (Kshs)</u>
Non-existing Other Funds A/cs	63,218,723.35
Non-existing Annual Revenue A/cs	2,780,986,871.35
2- 210 – 8070 – 1140501	6,341,468.00
9 – 125 – 0000 – 9910210	2,682,800.00
9 – 125 - 0000 – 9910217	5,058.00
9 – 128 – 0000 – 9910101	20,000.00
9 – 128 – 001 – 9910209	180.00

In the absence of detailed schedules, it has not been possible to establish what the Accounts represent or confirm the completeness and accuracy of the respective balances as at 30 June 2013.

## 22. Erroneous Balances Brought Forward

As similarly reported in 2011/2012, 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:-

District	Balance as per Statement for 2004/2005 Kshs.	Balance as per Statement for 2012/2013 Kshs.	Difference  Kshs.
Narok	537,046.15 472,846.15		64,200.00
Samburu	44,150.25	13,692.00	30,458.25
Uasin Gishu	3,076,550.65	409,684.00	2,666,866.65
Mombasa	8,339,079.15	6,999,531.00	1,339,547.65
Embu	1,586,552.20	151,603.00	1,434,949.80
Isiolo	157,213.00	22,844.00	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 2013.

## 23. Trial Balance as at 30 June 2013

The balances in the Statement have not been supported with a Trial Balance or Ledger as at 30 June 2013. Consequently, the accuracy and completeness of the Statement as a whole could not be ascertained.

## CONSOLIDATED FUND SERVICES (CFS) – PUBLIC DEBT - STATEMENT OF EXPENDITURE

### Basis for Qualified Opinion

## 24. Ken-Ren Chemical and Fertilizer Company-Loan Repayments

The Statement of Expenditure for Public Debt for the year ended 30 June 2013 reflects actual expenditure of Kshs.284,109,162,494.00 compared to the previous year's figure of Kshs. 187,686,281,189.70 as summarized:-

<b>Sub Vote</b>	<b>Item</b>	<b>Item Description</b>	<b>Amount (Kshs.) 2012/2013</b>	<b>Amount (Kshs.) 2011/2012</b>
501	2420000	Internal Debt Interest	86,283,709,997	85,151,678,967.45
	2410100	External Debt Interest	10,571,511,055	10,039,435,424.35
502	5210000	InternalDebt Redemptions	162,126,000,000	66,829,089,487.75
	5210600	ExternalDebt Redemptions	<u>25,127,941,443</u>	<u>25,666,077,310.15</u>
		<b>Total</b>	<b><u>284,109,162,494</u></b>	<b><u>187,686,281,189.70</u></b>

As similarly observed in the previous year, the expenditure of Kshs.10,571,511,055 and Kshs.25,127,941,443 incurred on External Debt Interest and External Debt Redemptions respectively, includes amounts of Kshs.24,432,802.34 and Kshs.619,991,915.08 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 a total of Kshs.644,424,717.42 was incurred during the year on a project which did not take off and against which no value for money was achieved.

## **STATEMENT OF OUTSTANDING PUBLIC DEBT**

### **25. Outstanding Public Debt**

#### **Emphasis of Matter**

The Statement of Public Debt as at 30 June 2013 reflects outstanding public debt of Kshs.1,767,017,069,021 representing an increase of Kshs.271,060,537,326 (or 18% increase) of the 2011/2012 outstanding debt balance of Kshs.1,495,956,531,695 as follows:-

<b>Loan Description</b>	<b>Amount Outstanding as at 30 June 2012 Kshs.</b>	<b>Amount Outstanding as at 30 June 2013 Kshs.</b>	<b>Increase/ (Decrease) Kshs.</b>
Sterling Loans	1,936,868,403	1,731,622,768	(205,245,635)
Dollar Loans	438,570,138,338	491,531,201,026	52,961,062,688
Euro Loans	92,516,302,769	114,786,068,175	22,269,765,406
Other Currency Loans Security Related	99,340,256,263	102,838,049,274	3,497,793,011
Contracts	14,811,513,988	15,452,475,844	640,961,856
Kenya Currency Loans	29,783,000,000	29,383,000,000	(400,000,000)
Treasury Bonds Short Term Borrowings	686,950,901,934	744,083,901,934	57,133,000,000
<b>Total</b>	<b><u>1,495,956,531,695</u></b>	<b><u>1,767,017,069,021</u></b>	<b><u>271,060,537,326</u></b>

As reported in the previous year, the net increase of Kshs.271,060,537,326 during 2012/2013 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.

## **STATEMENT OF OUTSTANDING LOANS**

### **Basis for Qualified Opinion**

#### **26. Non-Repayment of Loans**

The total outstanding loans' balance of Kshs.166,939,615,742.03 reflected in the Consolidated Statement of Outstanding Loans as at 30 June 2013 includes loans amounting to Kshs.7,354,941,483.00 lent to the following institutions which have however not made any efforts to pay their respective loans upon maturity.

<b>Institution</b>	<b>Amount Lent Kshs.</b>	<b>Effective date of Repayment</b>
Water Resource Management	103,054,639.00	30.9.2008
Water Resource Management	259,557,661.00	30.9.2009
Pyrethrum Board of Kenya	863,368,270.00	30.6.2008
Coffee Board of Kenya	3,000,000,000.00	30.6.2009

Coffee Board of Kenya	260,332,369.00	30.6.2009
National Irrigation Board of Kenya	1,667,932,000.00	30.3.2008
National Irrigation Board Kenya	594,104,544.00	30.9.2008
Cooperative Bank of Kenya	250,000,000.00	04.3.2012
Lake Victoria S.W. Services Board	<u>356,592,000.00</u>	30.9.2010
<b>Total</b>	<b><u>7,354,941,483.00</u></b>	

No reasons have been provided as to why the institutions failed to remit their loan repayments to the Treasury.

## Emphasis of Matter

### 27. Outstanding Loans Balance

The Consolidated Statement of Outstanding Loans as at 30 June 2013 reflects total loans lent balance of Kshs.185,345,544,633.74, out of which an amount of Kshs.18,405,928,890.72 has been repaid/ written off or converted to equity, leaving a balance of Kshs. 166,939,615,743.03 outstanding as at that date as shown below:-

<b>Organization</b>	<b>Amount Lent Kshs.</b>	<b>Amount Repaid Kshs.</b>	<b>Amount Outstanding as at 30 June 2013 Kshs.</b>
Balance b/f	94,635,188,960.28	6,658,055,688.14	87,977,133,272.14
New Loans	90,820,355,673.47	-	90,820,355,673.47
Loans Paid Amounts writtenoff/Converted to Equity/Repaid Loan Repaid	-    <u>(110,000,000.00)</u>	1,921,924,935.58    <u>(110,000,000.00)</u>	(1,921,924,935.58)    -
<b>Balance Outstanding as at 30 June 2013</b>	<b><u>185,345,544,633.75</u></b>	<b><u>18,405,928,890.72</u></b>	<b><u>166,939,615,743.03</u></b>

The total outstanding loans balance of Kshs.166,939,615,743.03 as at 30 June 2013 represents an increase of Kshs.78,962,482,469.89 or approximately 90% of total amount of Kshs.87,977,133,272.14 reported as at 30 June 2012. My opinion is not qualified in respect of this matter.

## **STATEMENTS OF REVENUE**

### **Basis for Adverse Opinion**

#### **28. Statement of Development Revenue – Head DR.1**

The Statement of Development Revenue Head DR.1 for the year ended 30 June 2013 reflects total actual receipts of Kshs.28,724,786,526.60 against estimated collections of Kshs.52,298,827,992.00 resulting in an under-collection of Kshs.23,574,041,465.40 or approximately 45% of the estimated amount. However, no receipts were received during the year in respect of some ninety seven (97) projects/programmes against which collections totalling Kshs.8,430,138,188.00 were expected. As observed in the previous year, it has not been indicated how the National Treasury is addressing the persistent underlying weaknesses in budgeting for Development Revenue.

Further, the reasons for material deviations between the estimated and actual receipts of Kshs.52,298,827,992.00 and Kshs.28,724,786,526.60 respectively, have not been provided in the Statement, contrary to Section 11.9.2 (c) of the Government Financial Regulations and Procedures.

The Statement shows an amount of Kshs.28,724,786,526.60 as having been paid to the Exchequer during 2012/2013 financial year, while records maintained at the Exchequer Section in Treasury reflect an amount of Kshs.28,757,237,523.80 against the item. The difference of Kshs.32,450,997.20 between the two sets of records has not been reconciled or explained.

The actual receipts of Kshs.28,724,786,526.60 have not been supported with a Ledger or Trial Balance as at 30 June 2013, consequent upon which accuracy of the receipts could not be ascertained.

#### **29. Statement of Revenue Head 4510000-Redemption Receipts from Domestic Lending and On-Lending**

The Statement of Revenue Head 4510000-Redemption Receipts from Domestic Lending and On-Lending for the year ended 30 June 2013 reflects actual receipts of Kshs.1,967,219,800.03 against estimated collections of Kshs.1,554,240,106.40, resulting in an over- collection of Kshs.412,979,693.63 representing approximately 26% of the estimated receipts. No reason has however been provided for the material over-collection. Further, the actual receipts figure of Kshs.1,967,219,800.03 differs from the amount of Kshs.1,921,924,935.58 reflected in the supporting receipt vouchers, by Kshs.45,294,864.45. The difference has not been reconciled or explained. In addition, the actual receipts of Kshs.1,967,219,800.03 has not been supported with a Ledger or Trial Balance as at 30 June 2013, consequent upon which accuracy of the receipts could not be ascertained for the year ended 30 June 2013.

The Statement also reflects payments to the Exchequer totalling Kshs.1,967,219,800.03 for the year ended 30 June 2013, while records maintained at the Exchequer Section in



Treasury show receipts of Kshs.2,101,778,380.20. The difference of Kshs.134,558,580.17 between the two sets of records has not been reconciled or explained for the year ended 30 June 2013.

The Statement also reflects nil cash balance as at 30 June 2013, 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 of Kshs.3,217,569,271.05.

The Statement of Arrears of Revenue due and uncollected as at 30 June 2013 indicate that the arrears of revenue decreased by an amount of Kshs.3,957,715,666.88 from Kshs.16,257,677,708.11 as at 30 June 2012 to Kshs.12,299,962,041.23 as at 30 June 2013. However, the total arrears of revenue of Kshs.12,299,962,041.23 include substantial balances amounting to Kshs.8,766,033,160.85 owed by four organizations/institutions as indicated below:-

<b>Organization</b>	<b>Amount as at 30.6.12 Kshs.</b>	<b>Amount as at 30.6.13 Kshs.</b>
Nairobi City Council	4,550,785,854.00	4,550,785,854.00
Agricultural Finance Corporation	551,619,163.00	551,619,163.00
Agro-Chemical and Food Co. Ltd	2,401,241,486.00	2,401,241,486.00
National Water Conservation / Mombasa Pipeline	<u>1,262,386,657.85</u>	<u>1,262,386,657.85</u>
<b>Total</b>	<b><u>8,766,033,160.85</u></b>	<b><u>8,766,033,160.85</u></b>

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.

### **30. Statement of Revenue Head 1420000 – Sales of Goods and Services**

The Statement of Revenue for Head 1420000 – Sales of Goods and Services for the year ended 30 June 2013 reflects actual receipts totalling Kshs.2,431,428,389.25 in respect of Fees Under Traffic Act against estimated receipts of Kshs.2,146,509,610.00. However, records maintained by the Kenya Revenue Authority show total receipts of Kshs.2,384,000,000.00 during the period. The resultant difference of Kshs.47,428,389.25 between the two sets of records has not been reconciled or explained.

The Statement also reflects payments to the Exchequer totalling Kshs.2,431,428,389.25 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.2,422,124,112.80 against the item. The resultant difference of Kshs.9,304,276.45 has not been reconciled or explained.

Further, the Statement as at 30 June 2013 shows an amount of Kshs.192,239.40 as balance carried forward, which is at variance with the amount of Kshs.1,124,547,584.95 reflected under Traffic Revenue in the Statement of Assets and Liabilities for Deposits 07 as at the same date resulting in a difference of Kshs.1,124,355,345.55 which has not been reconciled or explained as at the time of the audit.

### **31. Statement of Revenue Head 1210000 – Social Security Contributions**

The Statement of Revenue Head 1210000 – Social Security Contributions for the year ended 30 June 2013 reflects actual receipts of Kshs.50,467,866.00 against estimated collections of Kshs.857,191,607.00, resulting in an under-collection of Kshs.806,723,741.00 representing approximately 94% of the estimated receipts. Further, the actual receipts decreased by an amount of Kshs.60,399,347.00 from Kshs.110,867,213.00 as at 30 June 2012 to Kshs.50,467,866.00 as at 30 June 2013. No reason has been provided for the material decrease. In addition, the actual receipts figure of Kshs.50,467,866.00 has also not been supported with a Ledger or Trial Balance, consequent upon which validity and accuracy of the receipts totalling Kshs.50,467,866.00 could not be ascertained for the year ended 30 June 2013.

The Statement also reflects payments to the Exchequer Account totalling Kshs.50,467,866.00 for the year ended 30 June 2013, while records maintained at the Exchequer Section in Treasury show a nil balance against the item. The resultant difference of Kshs.50,467,866.00 between the two sets of records has not been reconciled or explained. The payments of Kshs.50,467,866.00 made to the Exchequer were also not supported with any verifiable documentation.

### **32. Statement of Revenue Head 1150000-Taxes on International Trade and Transactions**

The Statement of Revenue Head 1150000-Taxes on International Trade and Transactions for the year ended 30 June 2013 reflects actual receipts totalling Kshs.81,915,392,437.65 against estimated receipts of Kshs.98,783,635,933.00. The actual receipts of Kshs.81,915,392,437.65 include Custom Duties and Other Taxes on International Trade and Transactions balances of Kshs.57,691,186,075.65 and Kshs.24,224,206,362.00 respectively. However, records maintained in respect of the Revenue Head by the Kenya Revenue Authority show receipts of Kshs.82,167,000,000.00 resulting in a difference of Kshs.251,607,562.35 which has not been reconciled or explained.

The Statement also reflects payments to the Exchequer totalling Kshs.81,915,392,437.65 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.81,812,594,969.65 against the item. The resultant difference of Kshs. 102,797,468.00 has not been reconciled or explained.

The Statement further 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 2013. 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 2013.

### **33. Statement of Revenue Head 1410000 – Sub Head 1410200 – Property Income**

The Statement of Revenue Head 1410000, Sub Head 1410200 – Property Income for the year ended 30 June 2013, reflects actual receipts of Kshs.18,505,536,972.55, while the Ledger as at the same date shows a figure of Kshs.16,012,962,677.40. The difference of Kshs.2,492,574,295.15 between the two sets of records has not been reconciled or explained.

The Statement also reflects payments to the Exchequer totalling Kshs.18,505,536,972.55 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.16,925,532,922.15 against the item. As in the previous instance, the difference of Kshs.1,580,004,050.40 has not been reconciled or explained.

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 2013. Again, the difference between the two sets of records has not been reconciled or explained.

### **34. Statement of Revenue Head 1140000-Taxes on Goods and Services**

The Statement of Revenue Head 1140000-Taxes on Goods and Services for the year ended 30 June 2013 reflects total actual receipts of Kshs.270,910,212,783.00 against estimated receipts of Kshs.323,764,832,884.00. The actual receipts of Kshs.270,910,212,783.00 is made up of amounts of Kshs.90,713,834,353.35, Kshs.94,320,620,888.40 and Kshs.85,875,757,541.25 under VAT-Domestic, VAT-Imports and Excise Taxes respectively. Records maintained at the Kenya Revenue Authority however, show total receipts of Kshs.271,250,000,000.00 during the period. The resultant difference of Kshs.339,787,217.00 between the two sets of records has not been reconciled or explained.

The Statement also reflects payments to the Exchequer totalling Kshs.270,910,212,783.00 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.270,576,604,410.00 against the item. As in the previous instance, the difference of Kshs.333,608,373.00 has not been reconciled or explained.

The Statement further reflects a carried forward balance of Kshs.1,256,052,388.15 which however, differs by Kshs.430,477,878,126.60 from the figure of Kshs.431,733,930,514.75 shown against VAT and Excise Taxes in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2013. Again the difference between the two sets of records has not been reconciled or explained.

The Statement of Arrears of Revenue reflects a balance of Kshs.10,133,049,340.00 in respect of Arrears of Revenue due as at 30 April 2013 and uncollected as at 30 June 2013, comprising of VAT on Domestic Goods and Services, Excise Taxes and Withholding Tax arrears of Kshs.7,781,709,855.00, Kshs.374,714,799.00 and

Kshs.1,976,624,686.00 respectively. No reasons have been provided for failure to collect the arrears. Further and as similarly noted in 2011/2012, the Statement does not separately show arrears in respect of 2011/2012 and earlier years, contrary to the requirement of Section 11.9.2(a) of Government Financial Regulations and Procedures.

### **35. Statement of Revenue Head 1410000 – Property Income- Rent of Land**

The Statement of Revenue Head 1410000 - Sub Head 1410401, Rent of Land for the year ended 30 June 2013 reflects actual receipts of Kshs.1,072,504,035.55 realized during the year against estimated receipts of Kshs.1,550,304,702.00, while records maintained at the Kenya Revenue Authority show collections of Kshs.1,076,000,000.00 against the Revenue item. The resultant difference of Kshs.3,495,964.45 between the two sets of records has not been reconciled or explained.

The Statement also reflects payments to the Exchequer totalling Kshs.1,072,504,035.55 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.1,788,668,271.85 against the item. The resultant difference of Kshs.716,164,236.30 has not been reconciled or explained.

The Statement further 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 2013. As in the previous instance, the material difference of Kshs.1,786,675,280.35 between the two sets of records has not been reconciled or explained.

### **36. Statement of Revenue Head 1410000-Sub Head-1410100-Loan Interest Receipts**

The Statement of Revenue Head 1410000, Sub-Head 1410100-Loan Interest Receipts for the year ended 30 June 2013 reflects actual receipts of Kshs.1,399,463,702.78 against estimated receipts of Kshs.913,875,880.37 resulting in an over-collection of Kshs.485,587,822.41 or approximately 53% of the estimated amount. However, the actual receipts figure of Kshs.1,399,463,702.78 differs by Kshs.45,294,864.45 from the amount of Kshs.1,444,758,567.23 supported by receipt vouchers. The difference of Kshs.45,294,864.45 between the two sets of records has not been reconciled or explained.

Further, reasons for material deviations between the estimated and actual receipts of Kshs.913,875,880.37 and Kshs.1,399,463,702.78 respectively, have not been provided in the Statement, contrary to Section 11.9.2 (c) of the Government Financial Regulations and Procedures. In addition, the actual receipts of Kshs.1,399,463,702.78 has not been supported with a Ledger or Trial Balance as at 30 June 2013, consequent upon which validity and accuracy of the receipts of Kshs.1,399,463,702.78 could not be ascertained for the year ended 30 June 2013.

The Statement also reflects Payments to the Exchequer totalling Kshs.1,399,463,702.78 for the year ended 30 June 2013, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.1,356,281,155.30 against the

item. The difference of Kshs.43,182,547.48 between the two sets of records has not been reconciled or explained.

The Statement does not reflect any Revenue on Hand as at 30 June 2013, while the Statement of Assets and Liabilities for Deposits 07 as at the same date shows an amount of Kshs.2,892,862,051.95 against the item. No explanation has been provided for the discrepancy.

The Statement of Arrears of Revenue indicates that during the year, arrears of revenue decreased by an amount of Kshs.15,395,185,420.86 from Kshs.39,616,346,786.39 as at 30 June 2012 to Kshs.24,221,161,365.53 as at 30 June 2013. The decrease is attributed to conversion of the total Kenya Railways Corporation debt into equity and write-off of Horticultural Crop Development Authority debt during the year. However, significant arrears of revenue amounting to Kshs.10,160,506,075.60, Kshs.3,149,419,831.43, Kshs.3,196,553,616.00 and Kshs.2,836,074,305.29 brought forward from 2011/2012 and earlier years against Nairobi City Council, National Water Conservation/Mombasa Pipeline, Agro-Chemical and Food Co. Ltd and Halal Meat Products, respectively amongst others were not recovered during the year. The National Treasury has not explained the measures put in place to recover the arrears totalling Kshs.24,221,161,365.53.

### **37. Statement of Revenue Head 1160000 – Other Taxes not Elsewhere Classified**

The Statement of Revenue Head 1160000 – Other Taxes Not Elsewhere Classified for the year ended 30 June 2013 reflects actual receipts totalling Kshs.8,515,439,166.85 realized during the year against estimated receipts of Kshs.10,799,705,784.00, while records maintained by the Kenya Revenue Authority show receipts of Kshs.8,594,000,000.00 against the Revenue Head. The resultant difference of Kshs.78,560,833.15 between the two sets of records has not been reconciled or explained.

The Statement also reflects payments to the Exchequer totalling Kshs. 8,515,439,166.85 during the year, while records maintained at the Exchequer Section in Treasury show a figure of Kshs.8,537,806,412.85 against the item. The resultant difference of Kshs.22,367,246.00 has not been reconciled or explained.

The Statement further shows Revenue on Hand debit balance of Kshs.75.70 as at 30 June 2013, while the Statement of Assets and Liabilities for Deposits 07 as at the same date reflects a credit balance of Kshs.12,476,389,679.45 against the same item. As in the previous instances, the difference of Kshs.12,476,389,755.15 has not been explained or reconciled.

### **38. Statement of Revenue Head 1450000 – Other Receipts Not Classified Elsewhere**

The Statement of Revenue Head 1450000 – Other Receipts Not Classified Elsewhere for the year ended 30 June 2013 reflects actual receipts of Kshs.11,896,381,061.30

against estimated receipts of Kshs.17,808,551,486.00 resulting in an under- collection of Kshs.5,912,170,424.70 or approximately 33% of the estimated amount.

The Statement of Revenue Head 1450000 – Other Receipts Not Classified Elsewhere for the year ended 30 June 2013 reflects payments to the Exchequer totalling Kshs.11,896,381,061.30 during the year, while records maintained at the Exchequer Section in Treasury show an amount of Kshs.9,245,375,633.55 against the item. The resultant difference of Kshs.2,651,005,427.75 between the two sets of records has not been reconciled or explained.

The Statement also reflects a balance carried forward 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 2013. As in 2011/2012, the difference of Kshs.423,995,085.00 has not been reconciled or explained. Further, and as the 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 2013.

### **39. Statement of Revenue Head 1110000 - Taxes on Income, Profits and Capital Gains**

The Statement of Revenue for Head 1110000 - Taxes on Income, Profits and Capital Gains for the year ended 30 June 2013 reflects actual receipts of Kshs.373,086,041,415.10 against estimated receipts of Kshs.403,637,752,691.00. The actual receipts of Kshs.373,086,041,415.10 is made up of Kshs.199,847,159,544.75 in respect of Income Tax from Individuals (PAYE) and Kshs.173,238,881,870.35 under Income Tax from Corporations (Other Income Tax). However, records maintained by the Kenya Revenue Authority show total receipts of Kshs.374,164,150,000.00, comprising of Kshs.200,507,950,000.00 and Kshs.173,656,200,000.00 relating to PAYE and Other Income Tax, respectively resulting to an unreconciled/ unexplained difference of Kshs.1,078,108,584.90.

The Statement of Revenue also reflects Income Share of Local Authority Transfer Fund (LATF) actual receipts of Kshs.19,652,082,148.65 against estimated receipts of Kshs.20,181,887,635.00, while the records maintained by the Kenya Revenue Authority show receipts of Kshs.19,692,850,000.00 resulting in a difference of Kshs.40,767,851.35 which has not been reconciled or explained. Further, the actual receipts of Kshs.19,652,082,148.65 is at variance with the amount of Kshs.6,021,578,342.85 in the Ledger as at 30 June 2013 resulting in an unreconciled/ unexplained difference of Ksh13,630,503,805.80.

Also the Statement reflects payments totalling Kshs.18,043,143,590.00 made to various Local Authorities in respect of LATF during the year. However, records maintained by the Ministry of Devolution and Planning indicate that such payments totalled Kshs.13,659,522,629.00 during the period resulting in an unreconciled/ unexplained difference of Kshs.4,383,620,961.00. Further, the Statement reflects a nil balance for administrative costs in respect of LATF while the LATF accounts prepared by the

Ministry of Devolution and Planning reflect a figure of Kshs.33,650,000.00 under administrative costs. As in previous year, the differences has not been reconciled or explained.

The Statement also reflects a balance carried forward of Kshs.22,826,891.15 at 30 June 2013 in respect of PAYE and Other Income Tax, while the Statement of Assets and Liabilities for Deposits 07 as at the same date reflects a balance of Kshs.419,494,618,223.46. The difference of Kshs.419,471,791,332.31 between the two sets of record has not been reconciled or explained.

The Statement, in addition, shows a balance carried forward of Kshs.6,021,578,342.21 in respect of Income Share of LATF, while the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2013 reflects a figure of Kshs.18,583,787,356.25 against the item. The difference of Kshs.12,562,209,014.04 has, as in the previous year, not been reconciled or explained. Further, the balance of Kshs.6,021,578,342.21 is at variance with the LATF Cashbook balance of Kshs.5,791,929,293.50 resulting in an unreconciled/ unexplained difference of Kshs.229,649,048 as at 30 June 2013.

The Statement of Arrears of Revenue due and uncollected as at 30 June 2013 reflects a balance of Kshs.88,487,505,848.00, made up of arrears for PAYE and Other Income Tax of Kshs.2,505,687,407.00 and Kshs.85,981,818,441.00 respectively. Besides failure to collect the arrears, the two balances have not been analyzed or supported with the relevant documents and as a result, their completeness and accuracy could not be ascertained. In addition, the Statement does not show separately arrears in respect of the year 2012/2013 and earlier years as required by Section 11.9.2(a) of the Government Financial Regulations and Procedures.

## **STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT**

### **Basis for Qualified Opinion**

#### **40. Outstanding Obligations**

The Statement of Outstanding Obligations Guaranteed by the Kenya Government as at 30 June 2013 reflects total contingent liability outstanding of Kshs.164,286,742.60, made up of contingent liabilities of Kshs.11,814,920.00, Kshs.152,317,825.00 and Kshs.153,997.60 relating to the Kenya Railways Corporation, Cereals and Sugar Finance Corporation and Kenya Post Office Savings Bank respectively. Although these balances have been outstanding for a considerably long period of time, there is no indication that has been given as to when the contingent liabilities will be cleared from the books of account.

# **STATEMENT OF SUBSCRIPTION BY THE KENYA GOVERNMENT TO INTERNATIONAL ORGANIZATIONS**

## **Basis for Qualified Opinion**

### **41. Unsupported Balance**

The Statement of Subscriptions by the Kenya Government to International Organizations as at 30 June, 2013 reflects local value of subscriptions totalling Kshs.107,820,082,897.93 against Kshs.2,285,966,718.45 paid by the Government to various International Organizations as at that date. However, the entire subscriptions of Kshs.107,820,082,897.93 in respect of the twelve (12) Organizations had not been confirmed as at 30 June, 2013. Consequently, and in the absence of the confirmations, accuracy and validity of the subscriptions value of Kshs.107,820,082,897.93 as at 30 June 2013 could not be ascertained.

### **42. Failure to Prepare Bank Reconciliation Statement**

The Cashbook balance of Kshs.2,601,589.25 for Recurrent Account No. 01-010-R053 – Subscriptions to International Organizations as at 30 June 2013 differs by a figure of Kshs.273,810.95 with the Bank balance of Kshs.2,327,778.30 as at the same date. No reconciliation or explanation has been provided for the difference. Consequently, the accuracy of the Cashbook balance of Kshs.2,601,589.25 could not be confirmed as at 30 June 2013.

## **KENYA LOCAL LOANS SUPPORT FUND**

## **Basis for Qualified Opinion**

### **43. Failure to Redeem Stocks**

Information available indicates that Stocks valued at Kshs.10,430,700.00 are past redemption their dates with the last redemption date for a sum of Kshs.17,400.00 being indicated as 6 February 2010. As reported in the previous years, no reasons have been provided for failure to redeem the stocks on maturity as expected.

### **44. Winding Up of the Fund**

Although the Kenya Local Loans Support Fund is in the process of being wound up in line with the Public Accounts Committee recommendations and Treasury instructions on the requirement to wind up dormant Funds, no evidence was made available to show the extent to which the winding up process of the Fund had reached as at 30 June 2013.



## **GOVERNMENT CLEARING AGENCY FUND**

### **Basis for Disclaimer Opinion**

#### **45. Unsupported Assets and Liabilities balances**

The Statement of Assets and Liabilities as at 30 June 2013 for the Government Clearing Agency Fund reflects balances of Kshs.324,931,776.00 under both Assets and Liabilities. These balances have not been supported with relevant analyses, and as a result, their completeness and accuracy could not be ascertained as at 30 June 2013.

The Assets and Liabilities balances of Kshs.324,931,776.00 decreased by Kshs.38,976,662.00 from a balance of Kshs.363,908,438.00 shown against the same items in the audited statement for 2011/2012. However, the decrease of Kshs.38,976,662.00 has not been supported with any verifiable documents.

#### **46. Unsupported/ Unreconciled Paymaster General Account Balance**

The Statement also reflects a Paymaster General (PMG) overdraft balance of Kshs.245,810,387.30 compared to Kshs.284,787,049.15 reflected in the audited statement for the year ended 30 June 2012 resulting in unexplained or unreconciled variance of Kshs.38,976,661.85. The balance of Kshs.245,810,387.30 is also not supported with verifiable documents including a bank balance confirmation certificate, with the result that its accuracy and validity could not be confirmed. Further, the balance of Kshs.245,810,387.30 is at variance with the figure of Kshs.1,639,829,887.85 shown in the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2013, resulting to unexplained or reconciled difference of Kshs.1,394,019,500.55.

## **PETROLEUM DEVELOPMENT LEVY FUND**

### **Basis for Disclaimer of Opinion**

#### **47. Actual Receipts**

The Fund Income and Expenditure Account for the year ended 30 June 2013 reflects receipts of Kshs.1,609,499,720.15 from oil marketers . However, records available from Kenya Revenue Authority reflect an amount of Kshs.1,667,960,000.00 resulting in an unexplained or unreconciled variance of Kshs.58,460,279.85. Further, the receipts of Kshs.1,609,499,720.15 also differ from the amount of Kshs.1,648,112,671.20 appearing in the Ledger for the month of June 2013 by Kshs.38,612,951.05; again the variance has not been explained.

In addition, the actual receipts of Kshs.1,609,499,720.15 is at variance with the amount of Kshs.1,576,924,762.15 supported with receipt vouchers again resulting to unexplained or unreconciled difference of Kshs.32,574,958.00. In the circumstances, it

has not been possible to establish the validity and accuracy of receipts totalling Kshs.1,609,499,720.15 reflected in the financial statements for the year ended 30 June 2013.

#### **48. Paymaster General (PMG) and Cashbook Balances**

The Fund's Balance Sheet as at 30 June 2013 reflects a Paymaster General (PMG) Account balance of Kshs.2,695,783,471.40, while the Fund's Cashbook as at the same date shows an amount of Kshs.606,904,878.50 resulting in an unexplained or unreconciled difference of Kshs.2,088,878,592.90. Further, the Statement of Assets and Liabilities for Deposits 07 as at 30 June 2013 reflects a figure of Kshs.3,170,073,064.63 compared to the Paymaster General (PMG) balance of Kshs.2,695,783,471.40, again resulting in an unexplained or unreconciled difference of Kshs.474,289,593.23. Also included in the cashbook balance of Kshs.606,904,878.50 are payments totalling Kshs.529,283,062.45 not reflected in the bank statement. The payments have been outstanding for more than two years. Further, excluded from the cashbook balance of Kshs.606,904,878.50 is a bank payment of Kshs.1,527,671,433.35 for which the purpose of the payments was not explained. Also excluded from the cashbook balance of Kshs.606,904,878.50 are receipts in bank statement not in cashbook totalling Kshs.3,340,541,408.00. The amounts have been outstanding for more than two years. Further, included in the cashbook is an amount of Kshs.2,410,882,797.30 being receipts in the cashbook which are not reflected in the bank statement. In view of the foregoing material differences and long outstanding bank reconciliation balances, it has not been possible to ascertain the validity and accuracy of the cash book balance of Kshs.606,904,878.50 as at 30 June 2013.

## **RURAL ENTERPRISE FUND**

### **Basis for Disclaimer of Opinion**

#### **49. Loan Beneficiaries**

The Statement of Assets and Liabilities as at 30 June 2013 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 2013. Consequently, and in absence of the analysis, the completeness and correctness of the balance of Kshs.394,559,879.30 as at 30 June 2013 could not be ascertained. Further, no interest on the loans outstanding as at 30 June 2013 was accrued in the accounts and no reason has been provided for the anomaly.

#### **50. Unbanked Cash**

The Statement also reflects unbanked cash balances totalling Kshs.3,348,895.00, brought forward from 2011/2012 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 apart from failure to clarify why the balances had not been banked as at 30 June 2013, there was also no evidence to confirm actual existence of the amount of Kshs.3,348,895.00 at the DC's Office.

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 some five officers working at the DC's Office, Kisumu. The IOUs had not, however, been surrendered as at 30 June 2013.

#### **51. Unreconciled Balance**

The Statement of Assets and Liabilities for Deposits 07 as at 30 June 2013 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.

### **TREASURY MAIN CLEARANCE FUND**

#### **Basis for Adverse Opinion**

#### **52. Sundry Debtors**

The Treasury Main Clearance Fund Balance Sheet as at 30 June 2013 reflects a sundry debtors balance of Kshs.12,503,607,445.65, which includes an amount of Kshs.2,332,170,394.25 that has not been analyzed, with the result that its completeness and accuracy could not be ascertained. Further, no reason has been provided for the inordinate delay in recovery of debts amounting to Kshs.2,353,742,414.10 which have been outstanding for over two years.

#### **53. Sundry Creditors**

The Balance Sheet also reflects a sundry creditors balance of Kshs.12,490,478,940.70, which includes amounts of Kshs.523,686.45 under PMG Special Account, Kshs.2,285,511,054.15 under Advance 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 2011/2012. However, and as in the previous instance, these amounts have not been analyzed or supported with relevant documents. Consequently, the completeness and accuracy of the sundry creditors balance of Kshs.12,490,478,940.70 as at 30 June 2013 could not be ascertained.

#### **54. Excess Income over Expenditure**

The Balance Sheet further reflects an Excess Income over Expenditure of Kshs.871,495.05, while the Statement of Assets and Liabilities Deposit 07 reflects a balance of Kshs.21,790,736.90 as at the same date under the National Treasury Main Clearance Fund resulting in an unexplained or unreconciled variance of Kshs.20,919,241.85. In addition, the balance of Kshs.871,495.05 also differs from the calculated balance of Kshs.2,949,863.30 between the amount received of Kshs.10,174,386,914.70 and the payments made of Kshs.10,171,437,051.40 during the year. The resultant difference has again not been reconciled or explained casting doubt on the accuracy of the Treasury Main Clearance Fund balance sheet as at 30 June 2013.

### **ASIATIC WIDOWS AND ORPHANS PENSION FUND**

#### **Basis for Qualified Opinion**

#### **55. Winding Up of the Fund**

Although the Asiatic Widows and Orphans Pension Fund is in the process of being wound up in line with the Public Accounts Committee recommendations and Treasury instructions on the requirement to wind up dormant Funds, no evidence was made available for audit review to show the status of the winding up process of the Fund as at 30 June 2013.

### **PROVIDENT FUND**

#### **Basis for Adverse Opinion**

#### **56. Income not paid into the Fund Account**

The Income and Expenditure Account for the Provident Fund for the year ended 30 June 2013 reflects an income of Kshs.146,187,997.20 against nil expenditure resulting in excess income over expenditure of the same amount. However, records available indicate that the income of Kshs.146,187,997.20 was in respect of dividends received from East African Breweries Limited and Kenya Power and Lighting Company Limited for the period 2006/2007 to 2012/2013 but not recognized in the books of accounts during the year under review. The income was received at the Treasury and transferred to the Exchequer Account instead of accounting the same under the Fund Account. However, an amount of Kshs.141,459,065.00 was subsequently paid into the Fund Account leaving a balance of Kshs.4,728,932.00 as unpaid. No explanation has been provided as to why the income of Kshs.4,728,932.00 has not been paid into the Fund Account as at 30 June 2013.

## **57. Missing Investment Certificates**

The Fund Balance Sheet as at 30 June 2013 reflects a total investment balance of Kshs.45,860,477.45 on investments made in Kenya Power and Lighting Company Limited (KPLC) and East African Breweries Limited (EABL) for Kshs.31,053,177.50 and Kshs.14,807,299.95, respectively. However, in Kenya Power and Lighting Company limited, share certificates for 1,372,527 ordinary shares and 8,566 preference shares valued at Kshs.3,431,317.50 and Kshs.171,320.00 respectively, were not availed for audit review; and in East African Breweries Limited, 694,002.995 shares valued at Kshs.6,940,029.95 were also not availed for audit review. In the absence of the share certificates, it was not possible to confirm the ownership status of the Investment and that the investment balance of Kshs.45,860,477.45 was fairly stated as 30 June 2013.

## **58. Cash on Deposit - Joint Consolidated Fund (JCF)**

The Balance Sheet further reflects Cash on Deposit - Joint Consolidated Fund (JCF) balance of Kshs.997,655.80. However, deposit certificates in support of the balance of Kshs.997,655,80 were not availed for audit review and the Organizations/Institutions in which the investment was placed were also not identified. In the absence of the deposit certificates and identity of the Institutions/Organizations in which the investment was placed, ownership, existence and valuation of the investment of Kshs.997,655.80 could not be confirmed as at 30 June 2013.

## **59. Cash on Deposit - Cereals and Sugar Finance Corporation**

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 National Treasury 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 2013. Further, the realization of the investment balance of Kshs.3,796,226.25 is highly doubtful.

## **60. Unanalysed Balances**

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 schedules:-

<b>Particulars</b>	<b>Amount (Kshs.)</b>
<b>Credits</b>	
Capital Account (As at 30 June 2011)	18,217,055.15
Surplus Cash Remitted by Departments.	9,622,726.15
Interest due from GOK	<u>92,385.50</u>
<b>Total -Kshs.</b>	<b><u>27,932,166.80</u></b>
<b>Debits</b>	
Provision on Investments	<b><u>482,046.55</u></b>

Although it has been explained that the supporting documents for these balances were lost in early 1970s, no detailed report on the loss was availed for audit review. In the absence of the analyses and report on the loss, the validity, completeness and accuracy of the balances could not be ascertained as at 30 June 2013.

#### **61. Unpaid Dividends**

The Balance Sheet reflects, under assets, a dividends receivable balance of Kshs.104,270,011.30 for 2012/2013 and earlier years, expected from the Principal Secretary-National Treasury. However, it is not clear and the National Treasury has not explained why the income of Kshs.104,270,011.30 was not paid into the Fund Account as at 30 June 2013. Further, the Treasury has not given any indication as to when this amount will be paid into the Fund.

#### **62. Paymaster General (PMG) Account**

The Balance Sheet also reflects a balance of Kshs.366,405,123.30 against the Pay Master General Account, which excludes income totalling Kshs.4,728,932.20 receivable from the Principal Secretary-National Treasury in respect of dividends paid into the Exchequer Account from Kenya Power and Lighting Company Limited and East African Breweries Limited as at 30 June 2013. Had this income been taken into account, the PMG Account would have reflected a balance of Kshs.371,134,055.50 as at 30 June 2013.

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

#### **Basis for Qualified Opinion**

#### **63. Payment under Loan Guarantee Act**

The statement of expenditure for the Consolidated Fund Services – salaries, allowances and miscellaneous services for the year ended 30 June 2013 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.184,689,426.60 and Kshs.1,105,791,255.30 respectively, relating to loans the Government had guaranteed on behalf of two (2) Parastatals and a Local Authority as shown below:-

<b>Organization</b>	<b>Principal Amount Kshs.</b>	<b>Interest Amount Kshs.</b>	<b>Total Kshs.</b>
Kenya Broadcasting Corporation	737,398,003.30	124,772,887.10	862,170,890.40
Tana and Athi River Development Authority	294,732,252.00	57,332,011.00	352,064,263.00
Nairobi City Council	<u>3,661,000.00</u>	<u>2,584,528.50</u>	<u>76,245,528.50</u>
<b>Total</b>	<b><u>1,105,791,255.30</u></b>	<b><u>184,689,426.60</u></b>	<b><u>1,290,480,681.90</u></b>

As similarly reported in 2011/2012, the terms and conditions of taking-over of these loans by the Government have not been seen, and as a result, it has not been possible to establish whether or not the organizations/institutions were required to reimburse the Government the loans and interest it had paid on their behalf. It has also not been possible to ascertain whether or not the repayments of the loan and interest had complied with the terms and conditions of the take-over.

#### **64. Exchequer Issues**

The Statement further reflects an amount of Kshs.3,840,000,000.00 as having been received from the Exchequer during 2012/2013, while records maintained at the Exchequer Section in Treasury reflect an amount of Kshs.4,140,000,000.00 against the item. The difference of Kshs.300,000,000.00 between the two sets of records has not been reconciled or explained.

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

### **Basis for Adverse Opinion**

#### **65. Paymaster General (PMG) Account**

The Statement of Assets and Liabilities for C.F.S. Pensions and Gratuities for the year ended 30 June, 2013 reflects a balance of Kshs.206,865,064.29 against Paymaster General (PMG) Account, while Cashbook balance as at the same date shows a figure of Kshs.488,876,206.10. The resultant difference of Kshs.282,011,141.81 has not been

reconciled or explained. Consequently, the completeness and accuracy of the PMG balance of Kshs.206,865,064.29 as at 30 June, 2013 could not be confirmed.

#### **66. Advances to Postbank**

The Statement also reflects a credit balance of Kshs.129,259,140.15 in respect of Advance Payment to Post bank, which relate to 2006/2007 and earlier years. However, records available indicate that the amount due to Post Bank as at the same period is Kshs.18,475,274.05 resulting to unexplained or unreconciled figure of Kshs.110,783,866.10. Further, 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 Government of Kenya Pensioners on behalf of the Ministry of Finance/National Treasury, Pensions Department. However, during the year under review, a total of Kshs.251,816,157.60 was paid to the Bank leaving a balance of Kshs.18,475,274.05 which has not been refunded to the bank to date.

#### **67. Re-credited Cheques**

The Statement further reflects a balance of Kshs.2,063,180,680.64 against the Re-credited Cheques Account, compared to the figure of Kshs.1,575,125,545.81 recorded in 2011/2012, indicating an increase of Kshs.488,055,134.83 during the year. According to information available, the balance of Kshs.2,063,180,680.64 relates to Pension Cheques/Electronic Funds Transfers dispatched/made 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 the 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.

#### **68. An Amount Paid to Ministry of Finance not Refunded**

As reported in 2011/2012, 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.2,063,180,680.64 appearing against the Account as at 30 June 2013, has been understated by Kshs.270,000,000.00. Further, a verification of returned cheques totalling Kshs.75,945,924.54 reported in 2008/2009 had not been reversed in the Cashbook as at 30 June 2013. No reason has been given on this anomaly.

#### **69. Stale Cheques**

The Statement further shows a Stale Cheques Account debit balance of Kshs.2,360,628.20 brought forward from 2011/2012 and earlier years. No explanation has been provided as to why replacement cheques had 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**

### **70. Payments in Cashbook not in Bank Statement**

Cash book balance of Kshs.488,876,206 as at 30 June 2013 is arrived at after payments totalling Kshs.212,998,592.90 accounted for in the Cashbook but not reflected in the Bank Statement, which include Cheque or EFT No. 39007 for Kshs.977,991.80 in respect of lump sum pension payment that was not honoured by the bank during the year under review. No explanation has however, been provided as to why the bank has not honoured the payment to date.

### **71. Receipts in Bank Statement not in Cashbook**

Excluded from the cashbook balance of Kshs.488,876,206.10 are Receipts in the bank statement not in the cashbook totalling Kshs.201,693,219.20 which include some entries from year 2009. No explanation has been provided as to why these receipts had not been posted into the Cashbook as at 30 June, 2013.

### **72. Payments in Bank Statement not in Cashbook**

The Statement further reflects payments amounting to Kshs.17,199,308.35 in bank statement not recorded in the cashbook which includes some eight (8) cheques totalling Kshs.14,891,204.65 which had been indicated as cancelled and replaced, but later fraudulently presented and paid by some banks in 2008/2009. The figure of Kshs.17,199,308.35 also includes unpaid cheques or Refer to Drawer Cheques totalling Kshs.2,308,063.70, some dating as far back as August 2008. The amount of Kshs.14,891,204.65 had not been recovered as at 30 June 2013. Furthermore, no explanation has been provided as to why the dishonoured cheques totalling Kshs.2,308,063.70 had not been replaced by their respective drawers as at 30 June, 2013.

### **73. Receipts in Cashbook not in Bank Statement**

The Statement in addition reflects Receipts of Kshs.635,127,479.85 in the cashbook not recorded in the bank statement, out of which an amount of Kshs.628,491,580.05 relates to 2011/2012 and earlier years. In addition the figure of kshs.635,127,479.85 includes an amount of Kshs.543,325,872.65 dated 28 June 2010 and described as CBK Reversal Entry.

No explanation has been provided for failure to have the long outstanding receipts banked as at 30 June, 2013. It has also not been clarified what the CBK Reversal amount of Kshs.543,325,872.65 represents. In the circumstances also, the validity and accuracy of the Cashbook balance of Kshs.488,876,206.10 as at 30 June 2013 could not be confirmed.

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

### **Basis for Disclaimer of Opinion**

#### **74. Unsupported Paymaster General Account Balance**

The statement of assets and liabilities for Consolidated Fund Services (CFS) as at 30 June 2013 reflects a Paymaster General (PMG) Account credit balance of Kshs.110,124,154,856.60 which has not been supported with verifiable documents. Further, it has not been clarified what the material PMG credit balance represents as at 30 June 2013.

#### **75. Uncleared Long Outstanding Balances**

The Statement also reflects under agency suspense account, items awaiting clearance and sinking fund balances of Kshs.8,891,343,660.80, Kshs.4,799,955,126.25 and Kshs. 2,093,437.50 respectively. However, it is not clear and the National Treasury has not explained why these outstanding balances have not been cleared from the books of account and some of which have been outstanding for more than two years. Further, the balances have not been supported with verifiable documents. It has therefore not been possible to confirm completeness and accuracy of these balances as at 30 June 2013.

## **STATEMENT OF INVESTMENT BY THE CABINET SECRETARY – TREASURY IN VARIOUS COMPANIES**

### **Basis for Disclaimer of Opinion**

#### **76. Dormant Companies**

The Statement of Investments by the Cabinet Secretary - Treasury in various companies as at 30 June 2013 reflects total Government shareholding of 19,494,609,169 shares with a nominal value of Kshs.24,553,482,577.80, compared to 19,353,374,979.00 shares with a nominal value of Kshs.22,566,775,518.30 reported as at 30 June 2012. However, included in the Statement are some nine (9) dormant

companies in which the Government holds 31,049,307 shares with a nominal value of Kshs.620,986,080.00.

The 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 recoverable.

#### **77. Missing Share Certificates**

As 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 as the relevant share certificates were not availed for audit verification.

#### **78. Telkom Kenya Limited**

The Statement reflects Government shareholding of 35,614,848 shares nominal value of Kshs.712,296,960.00 in Telkom Kenya Limited compared 2,450 shares with a nominal value of Kshs.49,000.00 reported as at 30 June 2012. The additional shareholding in Telkom Kenya Limited is however not supported with share certificates. Further, available information indicates that the Government shareholding in the company has reduced from 49% reported in 2011/2012 to 30% as at 30 June 2013. However, the circumstances leading to the reduction in Government shareholding in the company could not be established in the absence of supporting documentary evidence.

#### **79. Excluded Investments**

Excluded from the total investments of Kshs.24,553,482,577.80 reflected in the statement as at 30 June 2013, is Government investments of 7,743,673 shares with a nominal value of Kshs.535,824,020 in five (5) Companies. Although, the investments in the five (5) companies are reflected in the Investments Register maintained by the Treasury, they are excluded from the statement of investments by the Cabinet Secretary/Treasury in various companies as at 30 June 2013. No explanation has been given for this omission.

In view of the matters dealt with in the preceding paragraphs, the accuracy, validity and completeness of the statement of investments by the Cabinet Secretary - Treasury in various companies as at 30 June 2013 could not be confirmed.

## **EUROPEAN WIDOWS AND ORPHANS PENSION SCHEME FUND**

### **Basis for Qualified Opinion**

#### **80. Income and Expenditure Statement**

The Fund's income and expenditure account for the year ended 30 June, 2013 reflects interest on income of Kshs.9,987,962.40 against an expenditure of Kshs.76,680.00 resulting in an excess income over expenditure of Kshs.9,911,282.40. However, the National Treasury had not remitted this income into the Fund Account by 30 June, 2013.

#### **81. Investments**

The fund's balance sheet as at 30 June, 2013 reflects a balance of Kshs.25,516,932.75 in respect of investment with Kenya Power and Lighting Company Limited.

However, as reported in 2011/2012, 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. A review of the position in 2012/2013 revealed that the position has not changed.

Further, 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. As a result, accuracy of the investment balance of Kshs.25,516,932.75 as at 30 June, 2013 could not be confirmed.

#### **82. Investment in Cereals and Sugar Finance Corporation**

As reported in 2011/2012, the investment of Kshs.16,900,000.00 reflected in the balance sheet as at 30 June, 2013 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 National Treasury 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, 2013, and therefore the recoverability of the investment of Kshs.16,900,000.00 reflected in these financial statements is doubtful.

#### **83. Sundry Debtors**

The balance sheet also reflects a balance of Kshs.24,489,715.50 in respect of Sundry Debtors - Interest Receivable from the Department of Government Investments and Public Enterprises (DGPE) for the period 2011/2012 and earlier years. However, income totalling Kshs.9,987,962.40 received from Kenya Power and Lighting Company Limited in 2012/2013 but accounted for at the National Treasury has not been reflected in the Fund's financial statements for the year ended 30 June, 2013. Had this income been taken into account, the sundry debtors would have reflected a balance of Kshs.34,477,677.90. 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.

#### **84. Proceeds from Redeemed Stocks**

In the Report for 2011/2012, 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, 2013 disclosed that the amount is still being held in the Deposit Account, more than twelve (12) years after the Stocks were redeemed. No reason has been given for this unsatisfactory state of affairs.

#### **85. Paymaster General (PMG) Account**

The balance sheet also reflects a balance of Kshs.84,131,494.35 in respect of the Paymaster General Account. However, the balance excludes dividends received from Kenya Power and Lighting Company Limited totalling Kshs.34,477,677.90 accounted for at the National Treasury. Had this income been included in the Fund accounts, the Paymaster General would have reflected a balance of Kshs.118,609,172.25 as at 30 June, 2013. No explanation has been provided on this anomaly.

### **ASIAN OFFICERS' FAMILY PENSION FUND**

#### **Basis for Adverse Opinion**

#### **86. Income and Expenditure Account**

The income and expenditure account for Asian Officers' Family Pension Fund for the year ended 30 June 2013 reflects an income of Kshs.12,244,770.50 against an expenditure of Kshs.1,349,196.00 resulting in excess income over expenditure of Kshs.10,895,574.50. However, records available indicate that the income of Kshs.12,244,770.50 is in respect of dividends received from Kenya Power and Lighting Company Limited but was paid into the exchequer account instead of the fund account. No explanation has been provided for not paying receipts of Kshs.12,244,770.50 into the Fund Account.

#### **87. Unsupported Balances**

The Fund balance sheet as at 30 June 2013 reflects various credit and debit balances brought forward from 2011/2012 and earlier years, totalling Kshs.135,774,463.90 and Kshs.1,982,243.50 respectively, as shown below:-

<b><u>Particulars</u></b>	<b><u>Amount (Kshs.)</u></b>
<b>Credits</b>	
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	<u>33,393,016.30</u>
<b>Total</b>	<b><u>135,774,463.90</u></b>
<b>Debits</b>	
Provision on investments	<b><u>1,982,243.50</u></b>

As similarly reported in 2011/2012, 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.

#### **88. Investments**

(i) The Balance Sheet also reflects an investment portfolio balance of Kshs.297,460,671.45 as at 30 June 2013 as shown below:-

<b>Accounts Description</b>	<b>Amount (Kshs.)</b>
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>
<b>Total</b>	<b><u>297,460,671.45</u></b>

The investment figure of Kshs.34,238,980.00 representing shares held in Kenya Power and Lighting Company Limited is overstated by an amount of Kshs.7,633,990.00. Although it has been explained that the difference of Kshs.7,633,990.00 represents the premium paid at the initial investment of Kshs.12,976,580.00 in the 1970s, no evidence of the premium paid has however been provided for audit review. As a result, it has not been possible to confirm the validity of the figure of Kshs.7,633,990.00 and accuracy of investment balance of Kshs.34,238,980.00 as at 30 June 2013.

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

(iii) The Cereals and Sugar Finance Corporation (C&SFC) in which Cash on Deposit of Kshs.15,200,000.00 is held is technically insolvent and separate information available indicates that the corporation is in the process of being wound up. The recoverability of the deposits is therefore doubtful.

(iv) 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 status in 2012/2013 disclosed that the proceeds had not been reinvested as at 30 June 2013 and no reason has been given for the omission.

#### **89. Paymaster General Account**

The balance sheet further reflects a figure of Kshs.166,836,175.50 against the Pay Master General Account but which excludes income totalling Kshs.52,856,683.70 receivable from the National Treasury. Had this income been taken into account, the Pay Master General Account would have reflected a balance of Kshs.219,692,859.20 as at 30 June 2013.

#### **90. Sundry Debtors**

The balance sheet also reflects a figure of Kshs.23,402,282.60 against sundry debtors-interest receivable from the Treasury. However, the balance excludes income in form of dividends received from Kenya Power and Lighting Company Limited totalling Kshs.29,454,401.10 that was accounted for at the Treasury. Had this income been accounted for under the Fund, sundry debtors would have reflected a balance of Kshs.52,856,683.70 as at 30 June 2013.

### **MATUGA DISTRICT TREASURY**

#### **91. Long Outstanding Imprests**

Records held at Matuga District Treasury in Kwale County reflects long outstanding imprests totalling to Kshs.3,041,564 which ought to have been surrendered or accounted for on or before 30 June 2013 but were outstanding. The imprests were held by officers from various Ministries and Departments between the years 2001/2002 and 2012/2013, with some having proceeded on transfer or left the service.

It was further observed that some officers were issued with additional imprests before having surrendered the ones previously issued contrary to the Government Financial Regulations and Procedures which require that imprest be accounted for within 48 hours after completion of the particular transaction.No justification has been provided for this irregularity.

## EMBU WEST DISTRICT TREASURY

### 92. Outstanding Temporary Imprests

Government Financial Regulations and Procedures require holders of temporary imprests to account for or surrender imprests within 48 (forty eight) hours after returning to duty station. Further, the regulations require Accounting Officers to recover the full amount from the salary of the imprest holder in the event the officer fails to account for the amount on or before the due date. Imprests totalling Kshs.469,090 which ought to have been accounted for on or before 30 June, 2013 were outstanding as at that date as summarized below:-

<u>Department</u>	<u>Period</u>	<u>Amount (Kshs)</u>
Trade	2008/2009	20,000
Agriculture	2007/2008 – 2009/2010	33,290
Health	2008/2009	30,000
Office of the President	2008/2009 & 2012/2013	113,000
Labour	2009/2010 & 2010/2011	230,500
Gender & Children	2010/2011	3,500
Public Works	2009/2010	33,000
Water & Irrigation	2012/2013	<u>5,300</u>
<b>Total</b>		<b><u>469,090</u></b>

Most of these imprests relate to previous financial years dating back to December, 2007. It was observed that some officers were issued with additional imprests before surrendering the previous ones held, contrary to the financial regulations.

Although this matter had previously been raised with the management, no action appears to have been taken to stop the malpractice.

### 93. Failure to Surrender Un-spent Issues

Section 45(1) and (2) of the Public Finance Management Act, 2012, states that an appropriation that has not been spent at the end of the financial year for which it was appropriated shall lapse immediately at the end of that financial year. An entity shall repay such unspent money into the National Exchequer Account and shall prepare and submit a statement of the same to the Controller of Budget.

The Ministry of Environment and Natural Resources cashbook held at Embu West District Treasury disclosed an accumulated bank balance of Kshs.6,775,331 as at 30 June 2013. The unspent balances relate to financial years 2006/2007, 2007/2008, 2009/2010, 2010/2011, 2011/2012 and 2012/2013. No proper explanation has been provided for the omission.

### 94. Cheques Not Released to Merchants/Suppliers

The National Treasury Memo Ref. MOF/CA/82/TY (B) on closure of 2012/2013 financial year dated 7 June 2013 provides that heads of departments must ensure that goods



and services expected to be supplied/rendered before the end the current financial year must be ordered by 15 June, 2013. Consequently, all contracted goods and services for the current financial year were to be delivered on or before 20 June 2013, and invoices submitted to accounts departments with necessary procurement documents on or before the aforementioned date to allow sufficient time for delivery, inspection, acceptance and payment for goods and services before 30 June, 2013.

In contravention of the above Circular, the District Accountant, Embu West effected cashbook entries by drawing cheques amounting to Kshs.23,156,981 for payment of supply and/or delivery of goods and services for various ministries but the cheques had not been released to the merchants one month after the closure of the 2012/2013 financial year and the same were being held at the District Treasury. As at 15 August, 2013, five cheques with a total amount of Kshs.7,774,313.00 had not been collected or dispatched to the payees.

Further, payment vouchers for construction works were prepared and paid based on apparent false valuation certificates by Ministry of Public Works officials indicates that the works had been inspected and valued and that the payments were due. The reasons given for non-release of the cheques was non-delivery of goods, or services not yet rendered, contrary to financial regulations and procedures.

## **NAKURU DISTRICT TREASURY**

The audit of operations of Nakuru District Treasury for the year 2012/2013 revealed the following unsatisfactory matters:-

### **95. Irregular Alienation of Government Land**

Records examined indicated that the Nakuru Agricultural Training Centre (formerly Soil Conservation Farm) originally had One Hundred and Sixty Five (165) acres of land out of which approximately 33.75 acres were irregularly alienated and occupied by private individuals without authority contrary to Part II (7) of the Government Lands Act, Cap 280 which states that the Commissioner of Lands subject to any general or specific direction by the President may convey Government land.

The Centre which serves as a demonstration facility for both livestock and crop husbandry practices, training and mechanical services for farmers had two blocks of land, Reference LR 7385/2 and LR 7385/3. In the year 1995, twenty (20) acres of the farm was alienated for private allocation by the then Permanent Secretary in the Ministry of Agriculture without proof of authority from the Commissioner of Lands. Subsequently, an additional 13.75 acres were bought by private developers under unclear circumstances bringing the total area that has been alienated to 33.75 acres. According to market estimates, the current value of land in the area is Kshs.9,600,000 per acre which gives an estimated total of Kshs.324,000,000 for the 33.75 acres. Further, some of the parcels alienated had government houses whose values have not been established.

Although, some individuals have since provided documentation to prove that they acquired the land regularly, the management of the Centre has questioned the process of acquisition. It was also noted that the Department of Agriculture does not have documents of ownership for the two blocks of land. Under the circumstances, public land may have been misappropriated and the land is still not secure as further alienation may take place.

## **BAHARI SUB COUNTY**

### **96. Unsurrendered Imprest**

Examination of Imprest records maintained at the Office of the Accountant, Bahari Sub-County revealed long outstanding imprest balances totalling to Kshs.3,790,638 that should have been surrendered on or before 30 June 2013, issued to officers of different Ministries some dating back to year 2001, were outstanding as at that date. Most of the officers were issued with additional imprests before having surrendered or accounted for previously issued imprests contrary to financial regulations and procedures in place. No justification has been provided for this irregularity.

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

### **Basis for Disclaimer of Opinion**

### **97. Unpaid Dividend Income**

#### **Special Funds – European Widows and Orphans Pension Scheme**

The statement of assets and liabilities for Pensions and Gratuities – Funds and Deposits as at 30 June 2013, reflects a balance of Kshs.84,131,494.35 in respect of Special Funds for European Widows and Orphans Pension Scheme. However, records available indicate that the balance of Kshs.84,131,494.35 excluded dividend income totalling Kshs.34,477,677.90 received by the Treasury from Kenya Power and Lighting Company Limited for the period 2012/2013 and earlier years. Had the income been paid into the Fund Account, the Statement would have reflected a balance of Kshs.118,609,172.25 in respect of the Special Funds - European Widows and Orphans Pension Scheme as at 30 June 2013.

### **98. Deposits – Asian Officers Family Pension Fund**

The Statement further reflects a balance of Kshs.166,836,175.50 in respect of Deposits for Asian Officers Family Pension Fund. However, records available indicate that the balance of Kshs.166,836,175.50 excluded dividend income totalling

Kshs.52,856,683.70 received by Treasury from Kenya Power and Lighting Company Limited for the period 2012/2013 and earlier years. Had the income been paid into the Fund Account, the Statement would have reflected a balance of Kshs.219,692,859.20 in respect of the Deposits for Asian Officers Family Pension Fund as at 30 June 2013.

#### **99. Provident Fund**

The Statement also reflects a balance of Kshs.366,405,123.30 in respect of Provident Fund. However, records available indicate that the balance of Kshs.366,405,123.30 excluded dividend income totalling Kshs.104,270,011.30 from East African Breweries Limited and Kenya Power and Lighting Company Limited, received by the Treasury for the period 2012/2013 and earlier years. Had the income been paid into the Fund Account, the Statement would have reflected a balance of Kshs.470,675,134.60 in respect of the Provident Fund as at 30 June 2013.

In the circumstances, it has not been possible to confirm validity, accuracy and completeness of the funds balance totalling Kshs.617,372,793.15 as at 30 June 2013.

#### **100. Revenue Contributions**

##### **Revenue Contributions - 2% Widows and Children Pension Scheme**

The Statement reflects a balance of Kshs.246,409,365.79 in respect of 2% Revenue Contributions for Widows and Children Pension Scheme (W.C.P.S). However, the schedule availed for audit review reflected an amount of Kshs.246,383,157.29 resulting in an unreconciled/unexplained difference of Kshs.26,208.50 as at 30 June 2013.

#### **101. 31% Revenue Contribution**

The Statement further reflects a balance of Kshs.398,605,530.69 under 31% Revenue Contribution. However, the schedule availed for audit review reflected an amount of Kshs.398,511,590.69 resulting in an unreconciled/unexplained difference of Kshs.93,940.00 as at 30 June 2013.

#### **102. Unpaid Revenue Contribution to Exchequer**

The Statement reflects total revenue contribution of Kshs.645,014,896.48. However, there was no evidence availed for audit review to suggest that the accumulated revenue contribution of Kshs.645,014,896.48 was paid to the Exchequer as at 30 June 2013 and as required by Government Financial Regulations and Procedures.

#### **103. Suspense Abatement**

The Statement further reflects a balance of Kshs.85,195,396.53 under Suspense Abatement. However, the schedule availed for audit review reflected an amount of Kshs. 84,422,735.48 resulting in an unreconciled/unexplained difference of Kshs.772,661.05 as at 30 June 2013.

#### **104. Paymaster General Account**

The statement of assets and liabilities for Pensions and Gratuities – Funds and Deposits as at 30 June 2013 reflects a Paymaster General Account (PMG) debit balance of Kshs.1,364,836,038.86, while the cashbook as at the same date shows an amount of Kshs.1,272,460,388.65 resulting in an unreconciled or unexplained difference of Kshs.92,375,650.21.

Further, excluded in the cashbook balance of Kshs.1,272,460,388.65 are receipts in the bank statement not in cashbook totalling Kshs.124,938,457.60 including some figures which date back to year 2010. Also excluded from the cashbook balance are payments in bank statement not in cashbook totalling Kshs.10,204,182.15 where by some of the figures date back to year 2005. Further included in the cashbook is an amount of Kshs.205,073,503.40 being receipts in the cashbook which are not reflected in the bank statement. In the circumstances, the validity and accuracy of the PMG account balance of Kshs.1,364,836,038.86 could not be confirmed as at 30 June 2013.

### **KITUI CENTRAL DISTRICT TREASURY**

#### **105. Outstanding Temporary Imprests**

Examination of imprests records disclosed that Imprests totalling Kshs.664,496.00 which ought to have been surrendered or otherwise accounted for on or before 30 June, 2013 were outstanding as at that date. The imprests were due from various officers attached to seven ministries. Further, imprests totalling Kshs.481,496.00 relating to the previous financial years had not been accounted for. Most of these imprests were issued to officers to purchase goods or services which could have been procured through the normal laid down procedures. No reason has been provided for failure to have the long outstanding imprests accounted for as at 30 June 2013.

#### **106. I Owe You's (I.O.U's)**

In the audit report for year 2007/2008 reference was made to cases of unauthorized advances in form of I.O.Us granted to various officers at the Kitui Central District Treasury. A review of the position in 2012/2013 disclosed that, the situation had not improved as I.O.U's totalling Kshs.1,008,562.00 were noted held by the cashier as at 30 June 2013. The irregular cash advances relate to the period between 2004 and 2009 and were issued to some six officers. No explanation has been provided for failure to recover the public funds from the officers.

## **THIKA WEST DISTRICT TREASURY**

### **107. Bank Reconciliation Statements**

Examination of the bank reconciliation statements for June 2013 at the District Treasury showed that there were the following anomalies:

#### **(i) Treasury**

The bank reconciliation statement indicates that there were unpresented cheques amounting to Kshs.112,592 as at 30 June 2013. However, details of the cheques were not disclosed for audit verification.

#### **(ii) Judiciary**

The bank reconciliation statement indicates that there were unpresented cheques amounting to Kshs.40,000 and receipts in bank not yet recorded in the cash book of Kshs.149,660 while analysis schedules for the same shows figures of Kshs.80,000 and Kshs.483,955 resulting in unexplained differences of Kshs.40,000 and Kshs.334,295 respectively.

#### **(iii) Veterinary Services Development Fund**

The bank reconciliation statement for June 2013 indicates that there were cash deposits amounting to Kshs.327,900 whose deposit details were not disclosed for audit verification.

#### **(iv) Gender and Social Services**

The bank reconciliation statement indicates that there were unpresented cheques amounting to Kshs.291,190 whose numbers and details of issue were not disclosed for audit verification.

#### **(v) Medical Services A/C No. 1102285269**

The bank reconciliation statement indicates that there were unpresented cheques amounting to Kshs.676,372 as at 30 June 2013. However, details of the cheques were not disclosed for audit verification.

#### **(vi) Gender & Social Services A/C No. 1102288624**

The Bank Reconciliation for June 2013 indicates that there were payments in cash book not yet recorded in bank statement of Kshs.1,117,734 out of which Kshs.90,741 were bank charges whose details were not availed for audit verification.

In addition, the bank reconciliation statements also showed that there were long outstanding reconciling items which had not been cleared as at the time of our audit.

## MAKUENI DISTRICT TREASURY

### 108. Outstanding Imprests

A cash survey carried out at Makueni District Treasury revealed outstanding imprests amounting to Kshs.1,894,633.60 as at 30 June, 2013. It was also observed that the outstanding temporary imprests dated back to 2004/2005 financial year, and relate to various Ministries and Departments as summarized below:-

<u>Ministry/Department/CDF</u>	<u>Amount (Kshs)</u>
Makueni CDF	783,548.60
Kaiti CDF	466,744.00
National Heritage	5,000.00
Office of the President	89,300.00
National Youth Affairs	69,109.00
Water & Irrigation	126,032.00
Health	235,810.00
Lands & Settlement	65,690.00
Special Programmes	15,000.00
Livestock Development	9,400.00
National Intelligence Service	11,000.00
Home Affairs	<u>18,000.00</u>
<b>Total</b>	<b><u>1,894,633.60</u></b>

It was further observed that some officers held more than one outstanding temporary imprest, contrary to Government Financial Regulations on management of temporary imprest. In addition, some former officials of the CDFs' who have since left their respective offices did not have Government personal numbers, making it difficult to effect any recoveries or even trace their whereabouts.

No information was made available to the effect that efforts are being made to recover the long outstanding imprests from the defaulters.

## WAJIR NORTH DISTRICT TREASURY

### 109. Bank Reconciliation Statement – Stale Cheques

Audit examination of bank reconciliation statements for cash books for various departments maintained at Wajir North District Treasury revealed payments amounting to Kshs.1,328,589.61 recorded in cash books but not in the bank statements as at 30 June 2013. The payments relate to cheques dated between June, 2011 and November 2012 and are therefore stale. Further, out of the amount of Kshs.1,328,589.61, cheques totalling Kshs.1,284,409.61 relate to domestic taxes due from Government

Ministries. However, no reason has been provided for non-replacement of the stale cheques.

# MINISTRY OF STATE FOR PROVINCIAL ADMINISTRATION AND INTERNAL SECURITY

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 101

### Basis for Disclaimer of Opinion

#### 110. Irregular Cash Transfers

During the year under review, the Ministry transferred a total amount of Kshs.8,368,000,000 to Kenya Police Service through Contra entries in cashbooks and Ministry's Headquarter Recurrent Bank Account amounting to Kshs.1,415,000,000.00 and Kshs.6,953,000,000.00 respectively. However, the transfer of Kshs.1,415,000,000.00 through Contra entries was not supported by payment vouchers contrary to Section 5.5.11 of the Government Financial Regulations and Procedures.

#### 111. Undisclosed and Unauthorized Cash Withdrawals

Examination of records maintained at Kenya Police Service Headquarters revealed that Kshs.8,368,000,000.00 was received out of which only Kshs.5,359,113,895.30 was receipted in the cashbook, resulting in an unreceipted balance of Kshs.2,853,300,000.00 contrary to Section 6.7.1 of the Government Financial Regulations and Procedures. Further, examination of the bank statements at Kenya Police Service shows withdrawal of Kshs.2,853,300,000.00 from the bank account which was not authorized by the Accounting Officer, contrary to Section 68(1) of the Public Finance Management Act, 2012.

#### 112. Unaccounted for Funds

Out of the Kshs.2,853,000,000.00 unauthorized withdrawal at Kenya Police Service, the Ministry purports that cash amounting to Kshs.2,342,300,000.00 was transferred from Kenya Police Headquarters back to Ministry of Interior and Coordination of National Government. However, the justification and utilization of the alleged security funds by a non-security agent has not been explained. Further, the explanation for the remaining Kshs.511,000,000.00 has not been factual as detailed below:-

- (i) Although it has been explained that Kshs.400,000,000.00 was transferred from the Ministry of Interior and Coordination of National Government Vote R.101 to National Intelligence Service Vote R.145, the transfer contravenes Section 43(1)(a) of the Public Finance Management Act, 2012 which prohibits re-allocation of funds from one Government entity to another. An unsigned letter dated 12 July 2013 confirms receipt of the amount by National Intelligence Service. Further, a certificate of declaration that the expenditure was incurred as required by the Minister responsible has not been provided for audit verification.



- (ii) Further, although it has been explained that cash of Kshs.25,000,000 was issued to the Director, Criminal Investigations Department Vide Cheque No. 08619 dated 8 March 2013, audit verification revealed that Cheque no 08619 was issued by the Ministry of Interior and Coordination of National Government Headquarters and not Kenya Police Headquarters.
- (iii) The Ministry of State for Provincial Administration and Internal Security has also explained that Kshs.71,000,000.00 was transferred as Authority to Incur Expenditure to pay various Provincial Commissioners and District Commissioners Vide Cheque No. 080571. However, no supporting documentations have been provided for audit verification.
- (iv) In a further diligence review, I note that similar cash transfers occurred during the financial year 2011/2012 and 2013/2014 in which Kshs.1,427,000,000.00 and Kshs.1,120,000,000.00 respectively was transferred and cash withdrawals made in similar unclear circumstances.

In view of these circumstances, it was not possible to confirm that Kshs.2,853,300,000.00 was used for the intended purposes and that the expenditure was therefore lawful as required by Article 229(6) of the Constitution of Kenya.

### **113. Statement of Confidential Expenditure**

#### **(i) Unsupported Payments**

The Trial Balance as at 30 June 2013 shows Kshs.880,540,100.00 against Item 2211312 - Confidential Expenditure . An examination of copies of payment vouchers indicated that total expenditure incurred under this item was Kshs.786,449,000.00 resulting in an unexplained difference of Kshs.94,091,100.00.

#### **(ii) Undisclosed Expenditure**

Further, unsupported copies of payment vouchers made available for audit review revealed that Kshs.2,047,129,500.00 was incurred on confidential expenditure during the year 2012/2013 relating to security expenses. However, only Kshs.1,977,344,000.00 was disclosed in the statement of confidential expenditure. No reason has been given for the exclusion of Kshs.69,785,500.00 from the expenditure statement.

#### **(iii) Weak Internal Control**

As reported in the previous year, the Ministry has no controls to mitigate any risk arising from using confidential expenditure funds to supplement any officer's emoluments. There is no documentation on how the money is spent. Further, vouchers are authorized by a Senior Accountant, who also examines payment vouchers, contrary to Section 68(1) of the Public Finance Management Act, 2012.

In addition, payment vouchers are paid before they are examined and recorded in the Vote Book.

#### **114. Unexplained Cash Transfer**

Examination of the cashbooks for Recurrent Vote 101 maintained at the Ministry of State for Provincial Administration and Internal Security Headquarters indicates that Kshs.150,000,000.00 was transferred from the Ministry Headquarter Recurrent Bank Account to the Provincial Commissioner - Nairobi on 22 November 2012. However, examination of account records maintained at the then Provincial Commissioner, Nairobi revealed that the said amount was not transferred as indicated. The funds were instead transferred to the Commissioner of Police. In this circumstance, it is not possible to confirm that the transfer was lawful, transparent and that value for money was obtained from the expenditure as required under Section 68 (1) of the Public Finance Management Act, 2012.

#### **115. Loss of Revenue**

Examination of financial records maintained at the Nairobi Regional Coordinator's office during the year under review revealed a loss of revenue of Kshs.7,285,635.00 which was perpetuated through falsified entries in the cash books and cheques. The revenue of Kshs.7,285,635.00 was indicated in the cash book and cheques as having been transferred to the Principal Secretary, Ministry of State for Provincial Administration and Internal Security. However, the amount was not reflected in the bank statements, indicating that the amount had been withdrawn and utilized for undisclosed purposes. Despite the fact that the transactions were fraudulent, no cash has been refunded or recovered.

#### **116. Unexplained Cash Overdraft in the Cashbook**

A review of the cash book maintained at the Nairobi Regional coordinator's office revealed that there are credit entries in the cashbook amounting to Kshs.28,571,045.00 which have been described as overdraft. No explanation has been provided as to the nature of these overdrafts.

#### **117. Discrepancies between the Appropriation Account and the Trial Balance**

The Appropriation Account for Vote R101 for the year ended 30 June 2013 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 2013. No explanation has been provided for the discrepancies between the two sets of records which normally should agree.

#### **118. Under expenditure and under collection of Appropriations-In-Aid**

The Appropriation account for Vote R101 for the year ended 30 June 2013 reflects a Gross under Expenditure of Kshs.3,380,662,590.00 or appropriately 4.83% of the Gross

Approved Estimates of Kshs.69,996,476,482.00. The account also reflects a deficiency in Appropriation-in-Aid of Kshs.33,000,000.00 or about 4.76% of estimated receipts of Kshs.693,000,000.00. Besides giving reasons in the footnotes for the under expenditure and under collection of Appropriations-In-Aid, the Ministry has not shown how these challenges are being addressed.

### **119. Legal Dues, Arbitration and Compensation Payments**

During the year under review, expenditure totalling Kshs.194,216,792.45 was incurred under Account No.0-001-000-2211308 in respect of interest charges on delayed payments for a number of awards relating to various court cases involving the Ministry and other parties. However, the payment of Kshs.194,216,792.45 includes an amount of Kshs.17,464,095.22 representing interest charges on delayed payments. No reasons have been provided for not settling the court awards on time to avoid the huge nugatory expenditure.

### **120. Pending Bills**

Records maintained by the Ministry indicate that bills amounting to Kshs.1,605,734,399.55 chargeable to Vote R101 and relating to 2012/2013, were not paid during the year but were instead carried forward to 2013/2014. Had these bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account would have recorded a reduced net surplus to be surrendered to the Exchequer of Kshs.1,741,928,190.00 instead of Kshs.3,347,662,590.00 now shown. In addition, pending bills amounting to Kshs.32,423,811.60 relating to overtime allowance at Government Press during the financial year 2012/2013 were not disclosed. Further, the Ministry has not explained what they represent and how they will be paid.

## **Ganze Sub County - Administration Police Commissioner**

### **121. Fuel Purchases**

Audit review revealed that fuel was procured in bulk and paid for upfront. However, it was not possible to ascertain the exact number of litres as there was no signed agreement/contract. As a result, expenditure totalling Kshs.579,781.00 relating to bulk fuel purchase by the Deputy County Commissioner could not be verified in the absence of a signed contract, stock records and registers to account for receipt and usage.

## **County Commissioner - Tana River County**

### **122. Unvouched Expenditure**

Examination of financial records at the County Commissioner Office, Tana River revealed that the County Commissioner incurred expenditure totalling Kshs.6,246,030.00. The expenditure included Kshs.4,000,000.00 for refurbishment and celebrations, Kshs.2,000,000.00 for purchase of audio visual equipment and Kshs.135,000.00 for the swearing in ceremony of County Assembly members.

However, the expenditure could not be verified as no supporting documentary evidence was available for audit review. Consequently, it was not possible to confirm the propriety of the expenditure totalling Kshs.6,246,030.00.

### **123. Doubtful Expenditure on Bulk Fuel Purchase – Ganze Sub County**

Expenditure totalling Kshs.1,052,159.00 incurred by Deputy County Commissioner on account of bulk fuel purchases was not recorded in stores and bulk fuel registers to account for receipts and issuance of fuel. No documentary evidence in form of fuel delivery notes from suppliers and issue vouchers were available to support receipts and issue of fuel. In the circumstances, the propriety of the Kshs.1,052,159.00 expenditure could not be confirmed.

### **District Commissioner – Marakwet West**

#### **124. Motor Vehicle Tyres and Tubes not taken on Charge**

The Marakwet West District Commissioner during the year procured 15 tyres and tubes from two (2) suppliers based at Eldoret Town at a total cost of Kshs.473,222.00. The tyres and tubes were meant for three (3) motor vehicles attached to the District Commissioner's office. However, an audit carried out in January 2014 revealed that, the goods were not taken on charge in stores records. It was therefore, not possible to ascertain whether the tyres and tubes ordered were delivered and used for the intended purpose.

### **County Commissioner – Trans Nzoia County**

#### **125. Irregular Procurement of Furniture and Communication Equipment**

- i) The Office of the County Commissioner, Trans Nzoia, made a payment of Kshs.764,250.00 to a communications company and Kshs.1,175,000.00 to an office equipment supplier on 7 June 2013 and 11 June 2013 respectively, for the supply of communication equipment to be used by the County Executive and the County Assembly. However, quotations were not invited for the supply of the equipment and no explanation has been provided as to how the prices were determined.

Further, the Local Purchase Order supporting payment of Kshs.1,175,000.00 to an office equipment supplier, had initially been issued to another company. No reason or documentary evidence has been provided to support why the payment of Kshs.1,175,000.00 was made to the latter company instead of the former which had initially been issued with the order.

- ii) The Office of the County Commissioner also made payments totalling to Kshs.864,200.00 to two firms for the supply of furniture. The first company was paid an amount of Kshs.660,200.00 on 18 April 2013 while the second was paid an amount of Kshs.204,000.00 on 19 April 2013. It was noted that the two firms

are the only ones that submitted quotations instead of the required minimum of three.

- iii) Additional furniture worth Kshs.1,134,800.00 was ordered from a third company and paid for in full on 24 June 2013. However, the furniture was bought through single sourcing and no reason has been provided for not using the competitive bidding process as required by the Public Procurement and Disposal Act, 2005.

## **Office of the Regional Co-ordinator of Police – Eastern Region**

### **126. Doubtful Expenditure on Repair of Motor Vehicles**

Examination of expenditure records at the Provincial Police Office - Embu indicated that the former Provincial Police Officer, Eastern received Kshs.2,000,000.00 vide A.I.E No. A727521 dated 20 November 2012 from the Administrative Secretary, Police Headquarters, for the settlement of outstanding debts and repair of motor vehicles. Out of this amount, Kshs.1,303,058.00 was paid in settlement of outstanding debts due to various suppliers of spare parts and garages for repair of Police vehicles. The balance was used to purchase motor vehicle spares and repair motor vehicles during the financial year under review.

However, examination of the expenditure and subsequent verification of the motor vehicle records held at the Provincial Transport Office revealed the following unsatisfactory matters:-

- i) The debts settled were in respect of expenditure incurred between years 2007 and 2013 on “Local Purchase Orders/Local Service Order to follow basis” as there was no Authority to Incur Expenditure issued.
- ii) No quotations were floated during the purchase of the spares and repair of vehicles, contrary to Section 89 (3) (b) of the Public Procurement and Disposal Act, 2005.
- iii) No stores ledgers cards (S3), requisitions and counter receipt vouchers (S13) were maintained by the Transport Officer to confirm the requisitions, receipt and subsequent issuance of spares to the mechanics for repairs of the motor vehicles.
- iv) No requisitions for the repairs or for purchase of spares were raised by the Provincial Transport Officer after issuance of mechanical inspection reports of the various motor vehicles by the police workshop mechanics.
- v) All the LPOs and LSOs for the purchase of spares and repairs of the various motor vehicles were raised on 6 March 2013, whereas all spares and repairs were purportedly received or carried out in earlier financial years. Also, all the invoices from the various merchants were raised on 12 March, 2013.

- vi) No delivery notes for the supply of spare parts were maintained by the Transport Officer. Further, it was noted that no work tickets or job cards were maintained to confirm that the vehicles were taken to the workshops or private garages for repairs as purported.

Under the circumstances, propriety of the expenditure of Kshs.1,303,058.00 could not be confirmed.

### **Office of the Officer Commanding Police Division - Embu West District**

#### **127. Pending Bills**

Examination of financial records maintained at the Office of the Officer Commanding Police Division, Embu West District revealed that pending bills totalling Kshs.4,106,028.00, some dating back to year 2002/2003, were outstanding as at 30 June, 2013. The debts were incurred in the procurement of auto spares and servicing of police motor vehicles by seven (7) suppliers.

It was, however, noted that no requisition orders from the Divisional Transport Officer (DTO) were maintained to confirm that requisition for the unpaid goods and services were initiated from the mechanical workshop and were therefore authentic.

Although some of the bills have been outstanding for a long time, no efforts appear to have been made to settle the debts and the government risks being sued by the suppliers.

### **District Commissioner – Nandi East**

#### **128. Unaccounted for Bulk Fuel**

During the financial year 2012/2013 the office purchased 16,515 litres of bulk diesel and 2,709.7 litres of bulk petrol fuel worth Kshs.2,562,000.00 from a service station based in Nandi Hills. The office, however, did not maintain fuel register and detailed orders and relevant work tickets on the use of the fuel. The propriety of expenditure could not, therefore, be ascertained.

### **Sub-County Commissioner – Butere**

#### **129. Pending Bills**

Records maintained by the Sub-County Commissioner, Butere indicate that bills totalling Kshs.418,854.00 dating back to 2005/2006 financial year have not been settled to date. No explanation was provided why it has taken too long to settle these bills.

## **Officer Commanding Police Division Butere District**

### **130. Pending Bills**

Records maintained by the Officer Commanding Police Division (OCPD), Butere District revealed that pending bills totalling Kshs.311,927.90 dating back to 2005/2006 financial year have not been settled to date.

No explanation was provided why it has taken so long to settle these bills.

## **Officer Commanding Police Division – Bungoma South District**

### **131. Pending Bills**

Examination of records maintained by the Office of the Officer Commanding Police Division – Bungoma South District revealed that the department issued credit letters/notes to a number of suppliers amounting to Kshs.961,080.00 in respect of supply of food, ration and fuel among other items during the year under review. Failure to settle the bills during the year to which they relate distorts the budgeted provisions for the subsequent year to which they have to be charged.

## **Officer Commanding Police Division - OCPD Samburu Central**

### **132. Doubtful Payments for Domestic Travelling Allowances**

During the period under review, it was observed that the Officer Commanding Police Division (OCPD) Samburu Central irregularly paid Kshs.2,307,600.00 in travel and accommodation to officers said to be on official duty as follows:

<b>Nature of Payment</b>	<b>Kshs</b>
Officers paid on coinciding dates	429,000
Unsupported expenditure	309,600
Payments not acknowledged by recipients	1,569,000
<b>Total</b>	<b><u>2,307,600</u></b>

It is apparent that the payments were made in disregard of Government financial regulations. Consequently, the propriety of the expenditure of Kshs.2,307,600.00 incurred by the Officer Commanding Police Division (OCPD) Samburu Central could not be confirmed.

### **133. Doubtful Cash Purchases of Foodstuff**

The Samburu OCPD further incurred an expenditure of Kshs.489,000.00 towards purchase of foodstuff in respect of police officers who were on operations shifts. The procurement was done on direct cash basis contrary to the provisions of Section 90 of the Public Procurement and Disposal Act, 2005. Further, it was noted that the purchases were not taken on charge in the stores ledger as required. There was no

evidence that any officer signed to receive the foodstuff and as such, it is doubtful if the amount was spent on the purchase of food and ration. Under the circumstances therefore, it has not possible to confirm that the expenditure of Kshs.489,000.00 is a fair charge to public funds.

## **Office of County Commissioner - Molo**

### **134. Unsurrendered Revenue**

During the financial year 2012/2013, the Office of the County Commissioner Molo collected revenue from sale of annual tenders amounting to Kshs.200,000.00 which the office did not surrender but instead spent the funds on purchase of office furniture and stationery and conducting market surveys. Without proof of authority to incur the expenditure to the contrary, the expenditure was in breach of government regulations.

### **135. Unaccounted for Expenditure**

Records maintained at the office of Molo County Commissioner revealed that fuel purchases amounting to Kshs.1,138,491.00 were not accounted for contrary to Government Financial Regulations and Procedures. The fuel register presented for audit examination did not show the reference number of the Local Purchase Orders (LPOs) and the respective quantities of fuel bought, breakdown of consumption by each vehicle, or the running balance after each entry. In addition, Kshs.322,877.00 in respect of purchase of stationery was not accounted for since no records were availed to show the receipt and issuance of the stationery. In the absence of proper records, it was not possible to confirm that the total expenditure amounting to Kshs.1,461,368.00 on fuel and stationery was a proper charge on public funds.

## **County Commissioner - Kilifi County**

### **136. Unspecified AIE and Expenditure**

During the period under review, the County Commissioner received amounts totalling Kshs.6,730,188.00 through various Authority to Incur Expenditure (AIEs). Included in the total amounts are A.I.Es of Kshs.1,650,188.00 received whose purpose was not detailed in the Authority to Incur Expenditure (AIEs). No accompanying sheet for the allocation was made available for audit review and it could, therefore, not be confirmed how the AIEs were recorded in the books and payments made. In the absence of documentation to confirm the AIEs allocations, it was not possible to confirm whether the resulting expenditure was a proper charge to public funds.

### **137. Unsupported Estimated Price**

The estimated price given for the proposed security fence of Kshs.1,826,000.00 which was used as criteria to award the tender had no supporting documents. It has, therefore, not been confirmed how the estimate of Kshs.1,826,000.00 was arrived at.



## **District Commissioner - Balambala**

The following unsatisfactory matters were noted during audit review of financial records maintained at D C's office, Balambala:-

### **138. Unaccounted Fuel and Lubricants**

Examination of records relating to fuel revealed that Kshs.920,731.00 paid during 2012/2013 was not accounted for. The fuel consumed was neither recorded in the bulk fuel register nor in the work tickets of the vehicles which drew it. Further, work tickets and detail orders were not made available for audit review, contrary to Chapter 18.2 of Government Financial Regulations and Procedures and Section KII of the Government Code of Regulations. Consequently, it has not been possible to ascertain how fuel worth Kshs.920,731.00 was utilized during the year.

### **139. Unaccounted Goods & Services**

Examination of payment vouchers and other stores related records revealed that goods and services worth Kshs.680,880.00 were procured at the District Commissioner's Office during the financial year under review. However, the goods purchased were not recorded in the ledger/register and no evidence was availed to confirm that they were subsequently issued to the users contrary to Chapter 18.2 and 18.3 of Government Financial Regulations and Procedures. Further, temporary imprest was used to procure the goods and services whose costs exceeded Kshs.10,000.00 contrary to Treasury Circular ref.no.AG.3/097.IV/(34) of 7 May, 2010 and Public Procurement and Disposal Act, 2005 and related Regulations of 2006.

No explanation has been provided for the irregularities.

## **District Commissioner's Office, Ruiru District**

### **140. Prequalification of Suppliers**

Examination of records for 2012/2013 maintained at the District Commissioner's Office revealed that there were suppliers who were prequalified during the year under review. However, the office did not avail the list of prequalified suppliers for the year, details of the tender documents, and records for the revenue collected from the sale of tender documents were not availed for audit review.

## **Thika West District**

### **141. Prequalification of Suppliers**

Examination of records for 2012/2013 maintained at the District Commissioner's Office revealed that there were suppliers who were prequalified during the year under review. Although the procurement office availed the list of prequalified suppliers for the financial year 2012/2013, the details of the tender documents, and records for the revenue collected from the sale of tender documents not availed for audit review.

## **The Officer Commanding Police Division-Kiambu**

### **142. Unsupported Payments**

Examination of records for 2012/2013 maintained at the Officer Commanding Police Division office - Kiambu revealed that the department made payments amounting to Kshs.759,530.00 for supply of fuel, repair of engine and payment to officers for allowances. However, the payments were not supported by detailed orders, vehicle work tickets, mechanical pre and post inspection reports and a list of officers whose allowances were to be paid and their acknowledgement of receipt of the allowances. In the circumstances, it was not possible to confirm the propriety of the expenditure amounting to Kshs.759,530.00.

## **Githunguri District**

### **The Officer Commanding Police Division - Githunguri**

#### **143. Unsupported payments**

Examination of records for 2012/2013 maintained at the Officer Commanding Police Division office-Githunguri revealed that the department made payments amounting to Kshs.217,100.00 for the supply of spare parts and repair of motor vehicle GK A 540E. However, the payments were not supported by a report to show what was to be done on the vehicle and how the amount was arrived at.

## **Limuru District**

#### **144. Unsupported Payments**

The office made payments amounting to Kshs.300,000.00 payable to a firm for supply of fuel but the amount was not supported by detailed orders and vehicle work tickets to account for the fuel purchased.

## **Kikuyu District**

#### **145. District Commissioner's Office**

Examination of records for 2012/2013 maintained at the District Commissioner's office revealed that fueling of motor vehicles was mostly done at one service station. Further, detailed orders to support an amount of fuel drawn for payments amounting to Kshs.370,000.00 were not attached to the payment vouchers or availed for audit verification.

## **Office of the Deputy County Commissioner- Meru Central Sub County**

#### **146. Irregular Procurement of Office Furniture**

Examination of records maintained in the Office of the Deputy County Commissioner, Meru Central Sub-County, disclosed irregularities in the procurement of furniture. The

District Commissioner's Office procured and paid for assorted office furniture valued at Kshs.1,488,800.00 from a supplier in Nairobi through request for quotation.

The furniture was received on 18 March 2013 and accepted by the inspection and acceptance committee on the same date and recorded in the inventory records.

However, examination of the expenditure revealed the following unsatisfactory matters:-

- (i) The firms invited to quote for the supply of furniture were not in the District approved list of prequalified suppliers, and there were no Tender Committee minutes to confirm how the suppliers were identified.
- (ii) The registration or certificates of incorporation of the firms invited to participate in the procurement were not confirmed by the procurement Department while approving the firms during the procurement process.
- (ii) The quotation to supply the furniture was awarded to a supplier in Nairobi, but the invoices and delivery notes were received from a firm with an identical name but with a different address. No explanation was given for the different addresses.
- (iii) The invoices and delivery notes from the firm that was awarded the tender did not indicate the PIN number, VAT number or any verifiable evidence of the firm's registration with the Kenya Revenue Authority for taxation purposes and compliance.
- (iv) The invoices did not indicate the amount of VAT or any other taxes included in the total price of the furniture invoiced and therefore, no VAT was paid to the Commissioner of VAT in respect to the goods supplied.

In view of the above, it was not possible to confirm the identity, qualification, existence and capability or eligibility of the firm which participated and won the tender to supply the furniture to the District Commissioner's Office.

## **County Commissioner - Samburu**

### **147. Irregular Subsistence Allowances and Other Purchases**

Financial records held at the office of the Samburu County Commissioner, revealed that Kshs.5,600,000.00 was spent on payment of subsistence allowances, purchase of food for security personnel and participants in peace meetings. However, the following anomalies were noted:

- (i) The list of recipients attached to the payment vouchers did not have the personal numbers of the officers;
- (ii) Lists of same persons as (i) above attached to other payment vouchers had different signatures against the same names;
- (iii) Payment schedules for local chiefs and other civilians did not indicate their administrative locations and Identification (ID) numbers;
- (iv) Imprests that were taken to buy meals were surrendered without providing the list of the guests involved;
- (v) There was no documentary evidence to support some procurements and that the same were received and taken on charge as a control measure; and
- (vi) Other payments were not acknowledged by the recipients indicated on the lists.

This was contrary to Circular OP/PA.2/27A of 4 April 2013 which required the expenditure returns to have bio data details which include name, wards, Identification Number, amount paid, signatures and relevant receipts. Under the circumstances, the authenticity of the expenditure of Kshs.5,600,000.00 could not be ascertained and there is a possibility that the funds were misappropriated.

#### **148. Doubtful Fuel Expenditure**

Records examined revealed an expenditure of Kshs.656,135.00 in respect of purchase of fuel on cash basis. However, counter receipt vouchers were raised for bulk fuel purchases without corresponding evidence of any recording in the fuel register for subsequent utilization. There were also cases of fuel expenditure entries in work tickets for travels that were not authorized. Additionally, there were instances where copies of the same work ticket attached to different payment vouchers reflected conflicting entries for fuel consumption.

### **Office of District Commissioner, Nakuru North – Financial Irregularities**

#### **149. Stalled District Headquarters Project**

On 6 June 2013, the District Commissioner, Nakuru North entered into a contract with a local building and civil engineering company to construct the Headquarters of the newly created Nakuru North District at a contract sum of Kshs.40,486,860.00 for a duration of 28 weeks ending in January 2014. The payment records revealed that the Contractor was paid a total of Kshs.7,713,705.00 on 29 June 2013 for the first and second certificates. A fee note for Kshs.13,560,000.00 dated 28 October 2013 in respect of Certificate No. 3 had not been settled.

Physical verification of the project on 27 March 2014 established that the building was approximately 55% complete but the contractor was not on site and no work was going on. Further enquiries however, revealed that the Contractor had abandoned the project due to non-payment for the works already done. It was also noted that in 2012/2013 the only funding received for the project was Kshs.8,000,000.00. Under the circumstances, it is apparent that the project has stalled and the funds already spent may go to waste. Due to escalation of costs, more funds may be required to revive the project.

### **Regional Police Coordinator's Office – Garissa**

The following unsatisfactory matters were noted during audit of financial records at the former Provincial Police Office (PPO) – North Eastern relating to the financial year 2012/2013:-

#### **150. Slow Progress of Works at the Proposed Construction and Completion of Office Blocks Buna and Balambala Police Stations**

The Police Department advertised an open tender on 18/1/2012 for the construction of two (2) police stations at Buna and Balambala. The main contracts were awarded to two firms at a contract sum of Kshs.121,240,000.00 and Kshs.116,983,883.00 for Buna and Balambala respectively. The sub-contracts were awarded to various firms for Kshs.28,407,702.30 for Buna Police Station and included electrical and mechanical works and generator installations, and Kshs.31,578,488.00 for Balambala Police Station.

Audit inspection conducted in the months of September/October, 2013 revealed that no payment was done in the financial year 2011/2012, an indication that the contracts were awarded without confirming availability of funds, contrary to requirements of the Public Procurement and Disposal Act, 2005. The department did not avail BQs for the two projects as the same could not be traced. This contravened Section 45(1) of the Act, which requires a procuring entity to keep records for each procurement for at least 6 years after the resulting contract was entered into. It was further noted that the department did not prepare a procurement plan for the period under review.

Examination of payment vouchers and project files revealed that by 30 June, 2013, only Kshs.19,260,000.00 and Kshs.21,952,000.00 had been paid for Buna and Balambala projects, respectively. Physical verification carried out in February 2014 revealed that, both projects are at lintel stage. No proper explanation has been given for the slow implementation of the two (2) projects, which ought to have been completed by 10 May 2013.

#### **151. Procurement of Construction of Masonry Fence and Renovations at Anti-Terrorism Police Unit (ATPU) - Garissa**

The Regional Police Coordinator (former PPO – NEP) procured the above contract using restrictive tendering method at a contract sum of Kshs.3,995,150.00 in June,

2012. There was no proper explanation as to why the department used restricted tendering contrary to section 73(1) of the Public Procurement and Disposal Act, 2005. Also, there was no contract agreement signed between the user department and the contractor, contrary to Section 68(1) of the Act.

Records held in the project file indicated that minutes of the inspection and acceptance committee dated 3 December, 2012 and a certificate of practical completion issued on 5 December, 2012 were prepared two (2) months after the office block got burnt in October 2012, from a mysterious fire. However, there were no progress reports from the Ministry of Public Works to ascertain status of the project before the fire.

Physical verification done in June, 2013 revealed that the perimeter wall was incomplete and the main door had not been installed as required. However, a full payment to the contractor was made on 25 March, 2013. In view of the above, the propriety of the expenditure of Kshs.3,995,150.00 and the realization of value for money could not be established.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 101**

### **Basis for Disclaimer of Opinion**

#### **152. Unreconciled Opening Balances**

The Statement of Assets and Liabilities for Recurrent Vote 101 as at 30 June 2013 reflects various balances brought forward from 2011/2012. However, these balances do not agree with the corresponding closing balances at the end of the previous year as shown below:-

<b>Item/Period</b>	<b>Closing Balance 2011/2012 (Kshs.)</b>	<b>Opening Balance 2012/2013 (Kshs.)</b>	<b>Variances (Kshs.)</b>
<b>Assets</b>			
PMG	5,106,038,528.75	1,532,912,740.20	3,573,125,788.55
Exchequer 2011/12 & Earlier Yrs	226,156,482.75	8,725,535,395.85	8,499,378,913.10
<b>Liabilities</b>			
Clearance	259,959,705.40	3,678,852,113.85	3,418,892,408.45
GAV for 2011-2012 & Earlier Yrs	11,936,683,610.25	4,944,665,413.25	6,992,018,197.00

### **153. Inaccuracies of the Statement and Trial Balance**

The Statement of Assets and Liabilities for Recurrent Vote 101 as at 30 June 2013 reveals differences on five items reflected in the trial balance amounting to Kshs.30,120,207,748.90.

Further, the statement did not disclose balances reflected in the trial balance as at 30 June 2013 under various accounts totalling Kshs.82,030,638,632.48.

The statement also shows various account balances brought forward from 2011/2012 which were cleared during the year under review as follows:

<b><u>Account Balance</u></b>	<b><u>Amount in Kshs.</u></b>
Agency	(30,578,560.00)
Salary Advance	75,646.70

However, no evidence was provided in support of these clearances.

### **154. District Suspense, Clearance and General Balances**

The Statement further reflects three credit balances for which no analyses have been provided.

<b><u>Description</u></b>	<b><u>Credit Balances- Kshs.</u></b>
District Suspense	1,422,809,223.15
Clearance	1,019,081,048.40
General Suspense	<u>490,145,123.20</u>
	<b><u>2,932,035,394.75</u></b>

The validity and accuracy of these balances could not be confirmed.

### **155. Exchequer Account Debit Balance**

The statement also shows an Exchequer Account debit balance of Kshs.11,069,031,878.75 which includes an amount of Kshs.2,343,496,482.90 relating to the year 2012/2013. However, the amount of Kshs.2,343,496,482.90 shown under 2012/2013 differs with the balance of Kshs.2,351,476,483.00 reflected in the records maintained by the Controller of budget. The difference of Kshs.7,980,000.10 has not been reconciled or explained.

### **156. Outstanding Imprest**

The statement shows an Imprest Account debit balance of Kshs.10,222,966.20 which differs from that of Kshs.12,686,935.40 shown in the Ministry's Imprest Registers and the statement of Outstanding Imprest prepared as at 30 June 2013. The difference of Kshs.2,463,969.20 has not been reconciled or explained.

Further, examination of imprest register and other records maintained by the

Ministry revealed that imprests totalling Kshs.12,686,935.00 which ought to have been surrendered by 30 June 2013 were still unaccounted for.

#### **157. Paymaster General Balance**

The Statement reflects a Paymaster General Balance of Kshs.178,108,554.05 which is different from Kshs.38,798,069.30 disclosed in the Board of Survey report resulting in an unexplained difference of Kshs.139,310,484.75.

#### **158. General Account on Vote**

The statement reflects a General Account on Vote balance of Kshs.8,325,328,004.25 which includes Kshs.4,944,665,413.25 relating to 2011/2012 and earlier years and Kshs.3,380,662,591.00 relating to the financial year 2012/2013, which differs from Kshs.3,347,590.00 being the net surplus to be surrendered to the exchequer disclosed in the Appropriation Account. The difference of Kshs.33,000,000.00 has not been reconciled.

#### **159. Clearance Accounts**

The Trial Balance as at 30 June 2013 reflects debit balances amounting to Kshs.2,169,570,127.25 against clearance accounts for which no explanation has been given. Further, the bank reconciliation statement reflects receipts in the bank which have not been posted to the cashbook of Kshs.31,474,234.95, out of which Kshs.8,428,621.00 relates to revenue which ought to have been transferred to deposit account for onward payment to the exchequer.

#### **160. Unbanked and Unrecorded Revenue**

Further, the statement reflects receipts in the cashbook not in the bank statement totalling Kshs.4,126,619,511.05, out of which receipts amounting to Kshs.126,619,511.05 were correctly deposited to deposit bank account as revenue. However, an entry was not made in recurrent cash book and no correction has been made.

#### **161. Net Surplus to be surrendered to the Exchequer**

The Appropriation Account as at 30 June 2013, reflects Net Surplus of Kshs.3,347,662,590.00 to be surrendered to the Exchequer attributed to Exchequer Under issues of Kshs.2,351,476,483.00 among other reasons. Further, the Statement of Assets and Liabilities under General Account on Vote (GAV) reflects an amount of Kshs.3,380,662.590.00 being Gross Surplus to be surrendered to the Exchequer resulting in overstating the General Account on Vote balance in the Statement of Assets and Liabilities for the financial year ended 30 June 2013 by Kshs.33,000,000.00.



## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 101**

### **Basis for Disclaimer of Opinion**

#### **162. Pending Bills**

Bills amounting to Kshs.115,224,925.20 chargeable to Development Vote 101 which relate to 2012/2013 were not settled during the year, but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account for Development Vote 101, would have recorded a reduced Net Surplus of Kshs.861,242,645.00 instead of Kshs.976,467,570.20 now shown.

#### **163. Discrepancy between the Appropriation Account and the Trial Balance**

The Appropriation Account for vote D101 for the year ended 30 June 2013 reflects total net expenditure of Kshs.5,572,500,000.00 while the Trial Balance as at 30 June 2013 shows a corresponding figure of Kshs.4,907,879,007.00. The resultant difference of Kshs.1,064,620,992.50 has not been explained or reconciled.

#### **164. Unvouched Expenditure at the Directorate of Criminal Investigations**

An expenditure of Kshs.127,900,896.00 incurred for purchase of specialized equipment at the Directorate of Criminal Investigations during the year 2012/2013 has not been supported by Minutes of the special security tender committee and approved procurement plan. As a result, it was not possible to verify authorization and existence of these goods and services.

#### **165. Under expenditure and under collection of Appropriations-In-Aid**

The Appropriation Account for Vote D101 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.1,061,540,053.00 representing approximately 19% of the Approved Estimates of Kshs.5,572,500,000.00. The account also reflects a deficiency in Appropriations-in-Aid of Kshs.85,072,482.80 or about 44% of estimated receipts of Kshs.191,500,000.00. Besides giving reasons in the footnotes for the under expenditure and under collection of Appropriations–In-Aid, the Ministry has not shown how these challenges are being addressed.

#### **166. Irregular Procurement of Residential Houses and Commercial Units**

In my report for 2011/2012, reference was made to seven payments totalling Kshs.1,308,450,000.00 made between 15 June 2012 and 23 November 2012 to a firm for procurement of 300 residential units for the Kenya Police and the Administration Police. Direct procurement method was used instead of Open Tender. Invitation of sealed bids was made to a single firm. The Ministry of Lands, without priced bills of quantities and a technical report or confirmation of the vendor's bid price, confirmed the

vendor's bid price as the value of the property. It could not be ascertained whether or not the Government obtained value for money.

In addition, during audit for 2012/2013 financial year, the following unsatisfactory matters were observed:-

- (i) Although, the entire amount of Kshs.1,843,200,000.00 under the contract, has been paid to the vendor, there is no evidence in form of title deeds showing that the land and 300 units purchased have been transferred to the Ministry of Provincial Administration and Internal Security. Further, Section 4.15 of the contract agreement does not obligate the vendor to transfer the property to the purchaser after receipt of full payment. The Ministry completed payment of Kshs.1,843,200,000.00 by 30 June 2013 and nine (9) months later, title deeds had not been issued to the purchaser, an indication that the contract agreement was carefully crafted to be vague as the Ministry did not seek legal advice from the Attorney General who is listed in the document as the purchaser's advocate.
- (ii) On 05 November 2012, the contracted firm wrote to the then Permanent Secretary Ministry of State for Provincial Administration and Internal Security indicating that additional 68 units of houses comprising of Twenty Nine (29) 2 bedroom houses, Twenty Eight (28) 3 bedroom houses and Eleven (11) 4 bedroom houses.

On 09 November 2012, the Chief Finance Officer wrote to the then Permanent Secretary, Ministry of State for Provincial Administration and Internal Security informing him that the firm was willing to offer for sale additional 68 (Sixty Eight) units of houses under the previous terms and conditions of the earlier sale agreement and therefore to seek approval for additional funds from Treasury and grant the Police Department authority for direct procurement for the 68 units through Ministerial Tender Committee at a total cost of Kshs.441,100,000.00.

- (iii) On 24 January 2013, the Ministerial Tender Committee met and approved Direct Procurement method for purchase of 68 units of houses for Kenya Police Service from the contracted firm at a cost of Kshs.441,000,000.00. However, the reasons given by Kenya Police Service for using direct procurement method contravenes Section 74 (1), (2), (a), (b) and (3) (a), (b), (c) of the Public Procurement and Disposal Act, 2005 and Section 62 (2) of the Public Procurement and Disposal Regulations, 2006. In the absence of competitive bids, it is not possible to confirm that value for money was obtained in the expenditure amounting to Kshs.441,100,000.00 incurred through a letter of credit on the additional houses.
- (iv) The Ministry reported to the Public Procurement and Oversight Authority the use of direct procurement to procure the additional 68 houses on 29 May 2013, five (5) months after the approval of the method by the tender committee contrary to Section 62(3) of the Public Procurement and Disposal Regulations, 2006.

- (v) The Ministry awarded a firm Contract No. OOP/APHQS/01/2012/2013 for the direct purchase of ten (10) commercial units. Although the Technical Evaluation Committee has indicated that the total plinth area is 542m<sup>2</sup>, an audit inspection on 5 September 2013 revealed that the total plinth area is 314m<sup>2</sup>, an indication that the plinth area paid was overstated by 228m<sup>2</sup> resulting in overpayment of Kshs.30,193,971.63 which has not been explained.

#### **167. Construction of Administration Block, Flats and Associated Civil Works at Ngong Police Station**

The first contract for the construction of Police houses at Ngong was awarded to a contractor at a contract sum of Kshs.109,857,673.00 and a second contract was later awarded to another contractor on 30 November 2011 at a contract sum of Kshs.108,000,000.00 to complete outstanding works on the houses. However, contract documents and related contract records have not been availed for audit review, contrary to Section 37 of the Public Audit Act, 2003.

Further, records made available for audit indicate that the scope of work for the first contract included erection and completion of an Administration Block and two (2) Blocks each comprising of twelve (12) Type 'E' flats and associated civil works at Ngong Police Station. However, the scope of works for the second contract has not been availed for audit review.

In addition, available records also indicates that the first contractor had been paid Kshs.61,073,848.84 before a dispute arose in which the contractor claimed Kshs.102,449,200.50 citing extended preliminaries, labour fluctuations, escalation in material costs, post-election skirmishes, general inflation and interest on delayed payments. Instead of sorting out the dispute, the ministry awarded a second contract to complete outstanding works to another contractor at a contract sum of Kshs.108,000,000.00 which is Kshs.5,550,800.00 more than the amount claimed resulting in a nugatory payment of Kshs.5,550,800.00.

In view of lack of contract records and lack of transparency in the management of this contract, it is not possible to confirm that Kshs.162,621,511.03 paid to the two contractors is free from fraud and I am unable to confirm that the expenditure is lawful and effective as required by Article 229 (6) of the Constitution of Kenya.

#### **Office of The Regional Commander, Nakuru – Financial Irregularities**

##### **168. Irregularities in Construction Works at Kainuk Police Post**

Records examined at the office of the Regional Commander, Nakuru indicate that on 19 March, 2012, a contract was signed between the then Provincial Police Officer, Nakuru a construction company for the construction of a Type E flat comprising 16 two-bedroom units at Kainuk Police Post at a sum of Kshs.108,908,583.60. The works commenced on 15 May 2012 for 36 week to 22 January 2013. However, the following documents were not availed for audit verification:

- (i) Tender Committee minutes that awarded the tender,
- (ii) Tender documents for all the bidders,
- (iii) The Engineer's Estimate, and
- (iv) The Bill of Quantities (BQs) and building plans which form the basis for awarding the tender and implementing the project.

The cost of the contract at Kshs.108,908,583.60 appears exaggerated compared to a similar Type E flat at Cherangany Police Station which cost Kshs.58,758,616.80. The payment records indicated that the Contractor claimed and was paid Kshs.11,946,248.93 in respect of interest, security and additional site works. However, the payments were not justified since they were contrary to the dates for the fee notes, the invoiced amounts and contract terms. No evidence was provided to support the extra works and the claims for security charges amounting to Kshs.4,902,392.00 was contrary to paragraph B of the of the BQs which factored the item at Kshs.150,000.00 only.

Physical inspection of the project on 1 April 2014 confirmed that although construction work was complete, it was not the Type E design (Flats) but 16 two-bedroom single units spread all over the compound. It was not clear at what stage the original design was changed.

Further, the Contractor had not done the parking, roadwork and flower beds and did not purchase a Toyota Hilux Pick-up Deluxe Type (3000cc engine capacity) factored in the contract at Kshs.5,548,500.00, Kshs.733,400.00 and Kshs.5,448,000.00 respectively.

Under the circumstances, it appears the contract sum of Kshs.108,908,583.60 was exaggerated to the advantage of the contractor who did not adhere to the contract specifications, thus fleecing the public.

### **169. Irregularities in Construction Works at Kaimosi Police Post**

On 3 December 2009 a construction company was awarded a contract to construct an Administration Block and 2 No. type E residential flats each with 12 units at a sum of Kshs.151,300,632.80. The Works commenced on 1 February 2010 and was to be completed on 9 April 2012. The following vital documentation was not availed for audit verification:

- (i) Tender Committee minutes that awarded the tender,
- (ii) Original tender documents for all the bidders,
- (iii) The Engineer's Estimate, and

- (iv) The Bill of Quantities (BQs) and building plans which form the basis for awarding the tender and implementing the project.

Physical inspection of the project on 31 March 2014 revealed that the Project was incomplete and for unexplained reasons, the Contractor had not been on site for seven months since October 2013. The payment records revealed that a total of Kshs.152,238,561.60 (or 100.62%) had been paid out against a percentage of works done of approximately 55%. It is not clear why the contractor was paid Kshs.937,928.60 above the contract sum. Additionally, the Project was behind schedule by 24 months. Further, the Contractor had not accounted for a total of Kshs.5,800,000 in respect of purchase of a vehicle, staff training and payment of NEMA fees which had been provided for in the contract. Under the circumstances, it is apparent that the Project has stalled and the public may not receive value for the Kshs.152,238,561.60 invested in this project.

#### **170. Delayed Construction of Staff Houses at Cherangany Police Station**

On 23 March 2012, a local general company was awarded tender to construct Type E flat comprising 16 units of staff houses at Cherangany Police Station at a sum of Kshs.58,758,616.80. The work was to take 69 weeks commencing on 14 May 2012 to 15 July 2013. However, the following vital documentation was not availed for audit verification:

- (i) Tender Committee minutes that awarded the tender,
- (ii) Original tender documents for all the bidders,
- (iii) The Engineer's Estimate, and
- (iv) The Bill of Quantities (BQs) and building plans which form the basis for awarding the tender and implementing the project.

Physical inspection of the project on 1 April 2014 revealed that the status of the work done was about 47% completion for which the contractor had been paid a total of Kshs.28,182,200.00 and the Project was behind schedule by 8 months. It was also established the contractor had not been on site for two months since the month of February 2014 and no reasons were provided for the delay or absence of the contractor from site.

Under the circumstances, the contract seems to have stalled and there is a possibility that the public may not receive Value for Money.

## **District Commissioner – Nandi North**

### **171. Construction of District Headquarters at Kabiyet**

#### **(i) Initial award of the Contract**

Available information indicates that the District Commissioner entered into a contract on 20 March 2012 with a local construction company to construct the District Headquarters at a contract sum of Kshs.7,623,530.00. However, tender documents, structural drawing designs and contract agreement were not made available for audit review.

#### **(ii) Irregular Variation and Termination of Contract**

Further, examination of records for the contract indicate that the County Works Officer prepared a new bill of quantities with variations in works and cost thus increasing the cost from the initial estimate of Kshs.7,623,530.00 to Kshs.14,962,010.00 without justified reason.

In addition, the initial contract was terminated on 10 May 2013 by the County Works Officer on the reasons that the contractor had suspended works for more than 30 days and for failure to deliver on the works as stipulated in the contract agreement. No assessment was carried out to establish the level of completion of works at the time of termination of contract, although the contractor had been paid a total of Kshs.5,954,865.00 or 78% of the initial contract sum.

#### **(iii) Irregular award of new Contract**

Upon termination of the initial contract, another engineering company was on 21 May 2013 awarded the same works at a contract sum of Kshs.5,266,771.00 bringing the total cost of the building to Kshs.11,221,636.00. However, no Bill of Quantities and relevant records were made available for audit review. Further, the contractor was single sourced and awarded the new contract contrary to Section 17(c) of the Public Procurement and Disposal Regulations, 2006.

#### **(iv) Progress of work and Payments**

An inspection carried out in February 2014 revealed that the new contractor had been paid a total of Kshs.5,000,000.00 as at 30 June 2013, representing 95% of the contract sum of Kshs.5,266,771.00. However, several works including electrical works, plumbing and sewerage, window panes, ceiling, interior doors and painting had not been done. Further, all the payments were not certified by an inspection and acceptance committee in accordance with the Public Procurement and Disposal Act, 2005.

No satisfactory explanation has been provided by the County Works Office for the poor handling and management of the contract.

Consequently, the propriety of the total project expenditure incurred of Kshs.10,954,865.00 as at 30 June 2013 is in doubt.

## **District Commissioner – Marakwet West**

### **172. Construction of District Headquarters – Wing 1 at Kapsowar**

#### **(i) Over expenditure**

Construction of Marakwet West District Headquarters at Kapsowar started in the financial year 2009/2010. Available information indicates that the three phased project has received A.I.Es funding amounting to Kshs.21,500,000.00 against total expenditure of Kshs.22,686,913.00, since inception to the period 2012/2013. The difference of Kshs.1,186,913.00 between the total A.I.Es and the actual total expenditure was not explained or supported.

#### **(ii) Scope of Work and Award of Tender**

The construction which involved erection and completion of a twin-one (1) storey building was planned to be carried out in phases. Phase I was competitively awarded on 6 February 2010 to a local construction company at a contract sum of Kshs.2,403,913.00. After completion of Phase I, the same company was again in 2010/2011 period awarded Phase II of the construction. However, tender documents, bills of quantities and certificates of work done were not made available for audit review. Expenditure records showed that a sum of Kshs.2,866,231.60 was paid to the contractor, but in the absence of the Phase II relevant records, the propriety of the expenditure could not be ascertained.

#### **(iii) Phase III of the Construction**

According to a contract agreement signed on 12 June 2012 by the District Commissioner and a contractor for the completion of Phase III of wing I of the building, the contract was awarded at a contract sum of Kshs.16,460,991.00 to the same company which carried out Phase I and II of the construction. However, no tender documents including evaluation minutes were made available for audit review. It has not been possible therefore to confirm whether the contract was competitively awarded as required by Section 29 of the Public Procurement and Disposal Act, 2005.

#### **(iv) Irregular Variation of Contract**

Examination of payment vouchers and interim certificates for Phase III works done indicates that the contract sum was varied from Kshs.16,460,991.00 to Kshs.17,500,000.00 as indicated in interim payment certificate Nos.8 and 9 dated 28 June 2013. The variation was irregular as no evidence was provided showing whether the variations amounting to Kshs.1,039,009.00 was requested by the contractor and approved by the Tender Committee as required by the Public Procurement and Disposal Act,2005. Further, examination of expenditure records revealed that the contractor had been paid a total of Kshs.17,416,768.40 for Phase III as at 30 June 2013

resulting to an overpayment of Kshs.955,777.40 as compared to the initial contract price of Kshs.16,460,991.00.

**(v) Progress of Work**

An audit inspection carried out in January 2014 revealed that the construction of wing I was estimated to be at 90% completion level. However, several works in the bills of quantities including painting, steel casement doors, box gutters, fascia and plumbing all valued at Kshs.1,115,310.00 had not been done.

It is not clear why the public works officer certified for payment, works which had not been done leading to overpayment to the contractor.

**District Commissioner, Tigania West**

**173. Procurement of works for the extension and completion of D.C.'s office block, Phase I**

**(i) Flawed Procurement Process and Stalled Project**

Examination of records maintained in the Office of the District Commissioner, Tigania West, revealed irregularities in the procurement of works for the extension and completion of D.C.'s office block Phase I which eventually stalled at 60% completion stage due to lack of funding as detailed in the ensuing paragraphs:-

**(ii) Irregular Funding of the Project**

The District Commissioner, Tigania West received Kshs.8,000,000.00 vide AIE No.A687589 of 10 April, 2013 from the Permanent Secretary, Provincial Administration and Internal Security to cater for extension and completion of DC's office Phase 1. However, the project was not part of the 2012/2013 work plan and therefore not budgeted for.

**(iii) Award of Tender**

Tenders for the construction works were advertised on undisclosed date locally (within the District) instead of nationally, contrary to the first schedule of the Public Procurement and Disposal Regulations, 2006 and opened on 26 June, 2012. Five bidders responded but three were declared non-responsive, thereby leaving two bidders. The lowest evaluated responsive bidder was awarded the contract on 28 June 2013 vide DTC minutes which were noted as signed on 16 October 2013. The contractor was notified of the award vide a letter dated 29 June, 2013 and the site handed over on 5 July, 2013. The contract sum was Kshs.7,948,160.00 with 16 weeks project duration and completion date of 25 October, 2013.

**(iv) Payments**

Examination of expenditure records showed that Kshs.7,109,110.10 had been paid to the contractor as at 30 June 2013 as evidenced by payment vouchers prepared on that



date. It was, however, noted that the payment vouchers were prepared before the District Works Officer issued certificates for release of payments.

#### **(v) Project Status**

Physical verification of the project on 6 February 2014 and project status report by the District Works Officer dated 18 December 2013, disclosed that the project was 60% complete and amount certified represented 99% of the contract sum. The contract period had elapsed but was indicated in the report as revised from 16 to 25 weeks. However, no Tender minutes approving extension of the project duration were availed. Further, no funding had been provided during the year 2013/2014 for the project completion and it has since stalled.

No explanation has been provided for the hurried manner in which the project was funded, and implemented even without a proper plan, leading to the project stalling. Consequently, no value for money has so far been realized on funds spent on the project.

#### **District Commissioner – Nandi East**

##### **174. Construction of Nandi East District Headquarters**

The contract for the completion of the building which commenced on 12 April 2010 was to take forty two (42) weeks to 10 February 2011. However, an inspection carried out on 14 February 2014 revealed that the works were at 72% completion level while 400% of contract period had elapsed. Further, several cracks were visible on the walls of the building indicating poor workmanship by the contractor. In addition, the contractor was paid for works not done vide Interim Certificate No. 10 and 12 for electrical works and materials on site valued at Kshs.357,500.00 and Kshs.676,000.00 respectively. No reason was provided for non completion of the project on time yet it had been adequately funded.

The District Commissioner failed to provide the following items for audit review; complete details of certificates of works done, bank statements and payment vouchers amounting to Kshs.53,686,012.00. Consequently, it has not been possible to establish the validity and propriety of the expenditure so far spent on the project as at 30 June 2013.

#### **District Commissioner - Tigania East District**

##### **175. Irregular Procurement of Contract for Construction of Phase II of Tigania East District Headquarters**

Examination of records maintained in the Office of the District Commissioner, Tigania East, disclosed irregularities in the procurement of works for the construction of Phase II of the District Headquarters as explained below:-

- (i) The Permanent Secretary, Provincial Administration and Internal Security, issued AIE NO. 673167 for Kshs.10,000,000.00 dated 29 October 2013 to cater for the construction of Phase II of Tigania East District Headquarters at Muriri. Subsequently, the District Commissioner, Tigania East invited bids through an advertisement on the DC's notice board dated 19 February 2013 instead of advertising the bids through a newspaper of nation wide circulation as required by Section 54 (2) of the Public Procurement and Disposal Act, 2005.
- (ii) Four (4) bids were opened on 12 March 2013 and evaluated on 13 March 2013. However, three (3) bids did not meet the evaluation criteria leaving only one single firm to be awarded the contract at Kshs.9,871,898.00 by the District Tender Committee (DTC) on 15 March 2013.
- (iii) An audit inspection undertaken on 6 February 2014 revealed that the project has been completed and a handing over certificate was issued by the County Works Officer, Meru on 16 October 2013.

However, a review of the Project Final Account prepared on 15 October 2013 by the County Works Officer, Meru, reveals that the value of works on completion is Kshs.11,284,130.00, which exceeds the original contract sum of Kshs.9,871,898.00 by Kshs.1,412,232.00 resulting in unauthorized payment which has not been explained.

#### **District Commissioner – Balambala**

#### **176. Refurbishment of District Commissioner's Residence, Office and Rehabilitation of the Air Strip Run Way**

Audit review of records revealed that during 2012/2013, a total sum of Kshs.8,997,387.00 was paid to various firms who were contracted to carry out refurbishment works at the DC's residence, office and the Airstrip runway. However, the original Bills of Quantities (BQs) for the winning bidder who carried out the refurbishment of DC's office were not made available for audit review. The Tender Committee used restricted tendering in all the three projects costing Kshs.3,997,950.00; Kshs.3,499,488.00 and Kshs.1,499,949.00, instead of open tendering. Further, some of the projects were awarded to the contractors who did not fill the Confidential Business Questionnaires, had no letters of notification of award and acceptance, while some contractors were paid without certificates of completion attached.

Further, a total amount of Kshs.950,000.00 set aside for project management and contingencies in the three (3) BQs of the three winning bidders was not accounted for since there was no supporting documentary evidence or even explanation given on how the money was utilized.

Consequently, it has not been possible to ascertain competitiveness of the three contracts with a total cost of Kshs.8,997,387.00 and proper usage of Kshs.950,000.00 for project management and contingencies.

## **District Commissioner- Kiambu District**

### **177. Refurbishment of Non-Residential Buildings**

Examination of records for 2012/2013 maintained at the Kiambu District Commissioner's office revealed that Kshs.1,000,000.00 was allocated to cater for the renovation of Kimuga and Njiku Assistant Chiefs' Offices. However, payment vouchers, Bills of Quantities and other supporting documents were not availed for audit verification.

## **Limuru District**

### **178. Proposed Construction of Limuru District Headquarters**

Examination of records for 2012/2013 maintained at the District Commissioner's office revealed that the third phase of the contract was awarded to a company at a sum of Kshs.36,411,756.00 and was to take 32 weeks commencing 30 May 2011 and end on 9 January 2012. However, by end of January 2014 or 136 weeks later, the project completion was estimated to be 70%. The reason given for the time over run was non-servicing of part completion certificates in time by the Ministry. This delay in payments has resulted in contractual penalties being sought by the contractor which stood at Kshs.4,445,583.00 by 1 November 2013.

## **Office of the Deputy County Commissioner – Meru Central Sub County**

### **179. Procurement of Works for Construction of One Wing at Imenti Central District Headquarters.**

The Meru District Tender Committee in its meeting held on 14 May 2013 awarded a contract valued at Kshs.13,457,975.00 for construction of one wing at Imenti Central District Headquarters to a construction firm in Meru through a restricted tendering procedure. According to the Tender opening minute no MRU/DC/23/2012 of 19 April, 2013, only seven firms submitted their bids for the works instead of ten as required by Section 54 (3) of the Public Procurement Regulations for restricted tendering. Reasons for this shortfall of bidders were not disclosed. Further, the Tender Committee used restricted tendering to procure works that were above the allowed maximum threshold of Kshs.4,000,000.00 for class 'B' procuring entities.

Although physical verification of the project on 7 February, 2014 confirmed that the project was complete and in use, the procurement irregularities cited above were not explained.

### **180. Inappropriate Office Design for Persons with Disability**

The entire design of the two-floor office block at the Meru Central District Headquarters was made without a disability ramp connecting the floors. This was contrary to Section 54. (1) c of the Constitution Kenya which states that a person with disability is entitled to reasonable access to all places. This fundamental right is only achievable when the

needs of the people with disability are integrated in the design of all public buildings. No explanation was given for failure to include a ramp in the design of the building.

## **County Commissioner – Samburu**

### **181. Irregular Procurement for Civil Works**

A local firm was contracted to do fencing of residential quarters and renovation of the office of the Samburu County Commissioner at a sum of Kshs.2,158,100.00. However, it is not clear how the firm was identified since no procurement documents were availed for audit verification. Also included is an expenditure of Kshs.373,000.00 used to purchase paint on cash basis for office refurbishment during the swearing in of the County Governor. Given that no Bills of Quantities were availed for audit verification, it was not possible to verify the painting work or renovations done by the firm. As a result, the propriety of the expenditure could not be ascertained.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 101**

### **Basis for Disclaimer of Opinion**

### **182. Unexplained Discrepancies between the statement and Trial Balance**

The Statement of Assets and Liabilities for Development Vote 101 as at 30 June 2012 reflects the following account balances which differ with the corresponding balances shown in the trial balance as at the same date as follows:-

	<b>Account Statement Balance (Kshs.)</b>	<b>Trial Balance Figure (Kshs.)</b>
<b><u>Assets</u></b>		
District Suspense	820,594,150.90	1,529,861,647.90
<b><u>Liabilities</u></b>		
PMG	2,318,589,531.60	45,365,115.00

The discrepancies have not been reconciled or explained.

### **183. Undisclosed Balances**

In addition, the statement does not disclose the following balances reflected in the Trial Balance for Development Vote of the same date.

<b>Item</b>	<b>Trial Balance (Kshs.)</b>
Cash Clearing A/c Ministry's / County HQ	5,193,596,020.10
Recurrent Bank A/c Ministry's / County HQ	27,100,000.00
Development Bank A/c	45,365,115.00
District Development Bank A/c	<u>734,951,573.00</u>
	<b><u>6,001,012,708.10</u></b>

No explanation has been provided for this omission.

#### **184. Inaccurate Opening Balances**

The Statement further reflects opening balances against three items which differ from the corresponding closing balances shown in the previous year statement. No explanations have been provided for these differences.

	<b>2011/2012 Statement Closing Balance (Kshs.)</b>	<b>2012/2013 Statement Opening Balance (Kshs.)</b>	<b>Difference (Kshs.)</b>
			<b><u>Assets</u></b>
General Suspense	385,918,220.60	325,843,915.45	60,074,305.15
Paymaster General (PMG)	(2,155,898,922.50)	(2,215,096,271.95)	(59,197,349.45)
GAV 2011 / 2012 and earlier years	3,515,050,535.30	3,514,173,579.60	876,955.70

#### **185. Unanalyzed General Suspense and District Suspense**

The Statement reflects a General Suspense Account Credit balance of Kshs.22,599,526.00 and a District Suspense Account debit balance of Kshs.820,594,150.00 which have not been analyzed or explained.

#### **186. Unsupported Retention Money**

The Statement further reflects Contractor's Retention Money account balance amounting to Kshs.37,346,083.90 (CR) brought forward from 2011/2012 which was cleared during the year under review. However no evidence was provided in support of this clearance.

#### **187. Paymaster General Account**

The Statement further reflects Paymaster General Account debit balance of Kshs.2,318,589,531.60 while the Cashbook and Board of Survey as at 30 June 2013

shows a balance of Kshs.5,067,739.15. No explanation or reconciliation has been provided for the difference of Kshs.2,313,522,792.45 between the two sets of records.

#### **188. General Account of Vote**

The Statement also reflects General Account of Vote credit balance of Kshs.3,514,173,579.60 and an exchequer Account debit balance of Kshs.1,010,579,476.10 all relating to 2011/2012 and earlier years. No reason has been given for failure to clear these long outstanding balances.

#### **189. Exchequer Account Balance**

In addition, the Ministry's Appropriation Account for Development Vote D.101 as at 30 June 2013, reflects a net surplus to be surrendered to the exchequer of Kshs.976,467,570.20. However, the Statement of Assets and Liabilities for Development Vote 101 as at 30 June 2013, reflects a credit balance of Kshs.1,061,540,053.00 against General Account of Vote. No explanation or reconciliation has been given for the difference of Kshs.85,072,482.80.

#### **190. Bank Reconciliation**

The Bank Reconciliation Statement for Development Vote 101 as at 30 June 2013 reflects the following uncleared items: -

<b><u>Item</u></b>	<b><u>Amount (Kshs.)</u></b>
Payments in cash book not in bank	365,449,168.35
Receipts in bank not in cash book	533,000.00
Payments in bank statement not in cash book	70,757,403.40
Receipts in cash book not in bank	300,000,000.00

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

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 101**

#### **Basis for Disclaimer of Opinion**

#### **191. Irregular Use of Deposits**

The Nairobi Regional Coordinator withdrew cash totalling Kshs.15,169,800.00 from the deposits bank account maintained at Kenya Commercial Bank Nairobi on behalf of estates of deceased persons and various deposits for maintenance of lifts and payment of utilities at Nyayo House Building. However, the money was used for undisclosed purposes.

In addition, examination of payment vouchers, deposits cash book and cash office records revealed that payments totalling to Kshs.10,589,531.80 relating to recurrent expenditures were made from the deposits account contrary to Section 8.6.2 of the Government Financial Regulations and Procedures.

### **192. Unsupported Balances**

The Ministry did not maintain deposits registers or analyses to support two debit balances amounting to Kshs.79,815,662.00 and two credit balances amounting to Kshs.85,176,301.40 as shown below: -

<b>Description</b>	<b>Debit balances (Kshs.)</b>	<b>Credit Balances (Kshs.)</b>
General Suspense	8,800,000.00	
Revenue	71,015,662.00	
Contractors retention Money		75,988,493.50
General deposits		9,187,807.90
<b>Total</b>	<b>79,815,662.00</b>	<b>85,176,301.40</b>

The completeness and accuracy of these balances could not be confirmed as at 30 June 2013.

### **193. General Suspense Account**

Receipts and payments vouchers totalling Kshs.41,696,900.00 and Kshs.18,300,000.00 respectively relating to General Suspense were not made available for audit verification. Similarly receipts and payment vouchers totalling Kshs.52,294,475.48 and Kshs.24,746,297.65 respectively relating to Contractors Retention Money were also not made available for audit verification.

### **194. District Suspense Account**

The Statement shows that District Suspense account balance amounting to Kshs.25,036,299.05 (DR) and District Cash Fund account balance amounting to Kshs.150,672,788.90 (CR) brought forward from 2011/2012 were cleared during the year under review. However no evidence was provided in support of these clearances.

### **195. Paymaster General Balance**

The Statement as at 30 June 2013 reflects a Paymaster General Balance of Kshs.44,048,425.40 which differs from Kshs.469,055,538.95 reflected in the cashbook as at the same date by Kshs.425,007,113.55 for which no reconciliation or explanation has been provided.

The Statement further reflects a Revenue Balance of Kshs.71,015,662.00 which differs from Kshs.338,195,867.80 reflected in the revenue statement for the year by Kshs.267,180,205.80 for which no reconciliation has been provided.

In addition, the Statement reflects a credit balance of Kshs.38,687,786.00 against Government Press Fund which differs from Kshs.68,777,780.40 reflected in the trial balance by Kshs.30,089,994.40 for which no reconciliation has been provided.

#### **196. Unrecorded and Unposted Retention Money**

Examination of the Deposits ledger under Account 7320201 (Contractors Retention Money) revealed that there were Payments and Receipts totalling Kshs.60,354,627.45 and Kshs.39,785,014.60 respectively. Apart from the fact that the respective payment and receipt vouchers were not availed for audit verification, they were not recorded in the cash book.

Further, an examination of the cashbook and receipt vouchers revealed that receipts totalling Kshs.64,033,311.28 were not posted to the ledger.

#### **197. Unsupported District Cash Fund**

Although the statement shows that District Cash Fund amounting to Kshs.150,672,788.90 was cleared during the year, there is no evidence made available for audit review to show that the amount was paid to the exchequer.

#### **198. Unsurrendered Revenue**

The Bank Reconciliation Statement for Deposits Account reflects receipts in bank not in the cashbook totalling to Kshs.243,351,482.65 which relate to revenue received from various sources but has not been paid to the exchequer. No explanation has been given for this anomaly.

#### **199. Unsupported Payments**

The statement further reflects payments in bank not in the cashbook totalling Kshs.979,450.00. However, payment vouchers in support of these transactions were not made available for audit verification.

#### **200. Unbanked Contractors' Retention Money**

In addition, the statement reflects receipts of contractor retention money amounting to Kshs.13,340,903.60 recorded in the cashbook but was not banked in the deposits bank account. No explanation has been given for failure to transfer and bank the monies in the deposit bank account.



## **STATEMENT OF REVENUE FOR VOTE 101**

### **Basis for Qualified Opinion**

#### **201. Unsurrendered Revenue**

As disclosed in the audit report for 2011/2012, the Ministry did not surrender revenue totalling Kshs.92,109,332.05 to the Exchequer. A review of the matter in the audit of 2012/2013 revealed that the revenue of Kshs.92,109,332.05 has still not been paid to the Exchequer. Audit review of the amended revenue statement has disclosed that the Ministry collected and surrendered revenue amounting to Kshs.1,079,425,717.10 to the exchequer during the financial year 2012/2013. However, the actual revenue collected by the Ministry during the year under review is Kshs.1,140,655,615.55 resulting in un-surrendered revenue amounting to Kshs.61,229,898.45.

No explanation has been given for failure to surrender revenue totalling to Kshs.153,339,230.50.

#### **202. Unreceipted Revenue**

As reported in the audit report for 2011/2012, the Ministry did not receipt revenue totalling Kshs.19,902,229.30. No evidence has been provided during the year to show that this revenue was later receipted and paid to the Exchequer.

Further, audit of the amended revenue statement submitted for audit on 30 October 2013 has revealed that revenue amounting to Kshs.19,772,008.00 received from Administration Police Training College (APTC) and Kenya Commercial Bank (KCB) bank account number 1119759730 during the financial year 2012/2013 was not receipted. No explanation has been given for failure to receipt revenue on authorized form or standard miscellaneous receipts as required by Section 6.7.1 of the Government Financial Regulations and Procedures.

#### **203. Uncredited Interest Earnings**

Further, the audit report for 2011/2012 disclosed that interest earned in Kenya Commercial Bank account number 1119759730 amounting to Kshs.9,864,170.90 was not credited to the account and was also not receipted. No explanation has been provided for this anomaly and the interest has not been recovered.

#### **204. Unaccounted Revenue at Directorate of Criminal Investigation**

A review of F.O. 17s and receipts that have been made available for audit indicate that miscellaneous receipt No.8824003 dated 09 August 2012 for Kshs.3,581,000.00 and No.9545913 dated 20 July 2012 for Kshs.1,474,390.00 all totalling to Kshs.5,055,390.00 were received against various cheques to Principal Secretary, Ministry of Interior and Coordination of National Government.

However, examination of revenue records reveals that Kshs.5,055,390.00 has not been disclosed in the revenue statements for 2011/2012 and 2012/2013 financial years. In the circumstances, the existence and availability of Kshs.5,055,390.00 cannot be confirmed.

## **FINANCIAL STATEMENTS OF THE GOVERNMENT PRESS FUND**

### **Basis for Qualified Opinion**

#### **205. Loss of Money**

The Ministry paid Kshs.2,750,000.00 to a firm for supply of 500 bundles of 450gsm straw boards 24X34 at a unit price of Kshs.5,500.00 vide tender No.GP/9/2012-2014. However, examination of the original tender document shows that the firm had tendered for the item at a rate of Kshs.4,500.00 per bundle resulting in a loss of Kshs.500,000.00 which has not been recovered.. In the circumstance, it is not possible to confirm that value for money was obtained in the expenditure amounting to Kshs.2,750,000.00 as the Ministry lost Kshs.500,000.00. No evidence of recovery of Kshs.500,000.00 has been availed.

#### **206. Irregularly Awarded Tender**

The Ministry paid Kshs.1,378,500.00 to a firm for the supply of 100 packets of 250gsm white eggshell board size 500x707mm at a unit price of Kshs.13,785.00 through tender no. GP/9/2010-2012. However, an examination of the original tender documents indicate that the firm did not submit a tender for the procurement of this particular item contrary to Section 31(1)-(3) of the Public Procurement and Disposal Act, 2005 and Part 3.13.1 of the Tender Document. It was therefore not possible to confirm the basis for awarding the tender to a non-bidder and whether value for money was obtained in the expenditure of Kshs.1,378,500.00.

## **FINANCIAL STATEMENTS FOR THE DISTRICT CASH FUND**

### **Basis for Disclaimer of Opinion**

The Ministry of Provincial Administration and Internal Security did not prepare and submit for audit the 2012/2013 District Cash Fund financial statements as required. No explanation has been provided for failure to prepare and submit the financial statement.

## **STATE HOUSE**

### **APPROPRIATION ACCOUNT FOR RECURRENT VOTE 102**

#### **Basis for Qualified Opinion**

##### **207. Unsupported Expenditure**

Examination of payment vouchers revealed that a supplier was paid Kshs.56,278,330.30 for supply of fuel, oil and lubricants. However, the expenditure has not been accounted for through work tickets, logbooks, monthly fuel returns, certified receipts bills and proof of acknowledgement of receipts of fuel drawn as required by Section K 15 (2), and K19 (4) of the Code of Regulations and Section 5.5.14 (c) of the Government Financial Regulations and Procedures.

In the circumstance, it has not been possible to confirm the propriety of the expenditure of Kshs.56,278,330.30 as at 30 June 2013.

##### **208. Unsupported Expenditure on Other Operating Expenses**

Examination of records indicate that payments amounting to Kshs.125,730,668.00 were made through item number 2210300 for Other Operating Expenses. However, payments for Kshs.94,050,000.00 made to Nairobi Heart Clinic (Kshs.75,000,000.00) and Agricultural Development Corporation (Kshs.19,050,000.00) have not been supported by payment vouchers contrary to Section 5.5.14 of the Government Financial Regulations and Procedures. Consequently, it was not possible to confirm the propriety of the expenditure.

### **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 102**

#### **Unqualified Opinion**

There were no material issues noted in this statement.

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 102**

### **Basis for Qualified Opinion**

#### **209. Stalled Project**

Examination of available records indicates that a contractor was awarded a contract to construct a workshop and a petrol station at State House at a contract price of Kshs.105,000,000.00. The contract commenced on 23 May 2011 for a contract period of 52 weeks and was scheduled to be completed on 23 May 2012.

Although, the contractor had been paid Kshs.88,826,396.00 or 85% of the contract sum by 30 June 2013, a review of contract details in January 2014 indicates that the contract stalled in June 2011.

It was not clear how State House had intended to handle the matter considering that the contractor has not been issued with a default notice and the process of recovery of liquidated damages had also not commenced as required by clause 27 of the General Conditions of Contract.

Further, no evidence was availed to show that the contractor submitted a performance guarantee in accordance with clause 28 of the General Conditions of the Contract and that the guarantee had been recalled and discharged against uncompleted works.

In view of the foregoing, it was not possible to confirm the propriety of Kshs.88,826,396.00 paid without any certified works and whether State House got value for money in the said expenditure in accordance with Section 68 (1) of the Public Finance Management Act, 2012.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 102**

### **Unqualified opinion**

There were no material issues noted in this statement.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 102**

### **Unqualified opinion**

There were no material issues noted in this statement.

# MINISTRY OF STATE FOR PUBLIC SERVICE

## APPROPRIATION ACCOUNT - R.103

### Basis for Adverse Opinion

#### 210. Pending Bills

Bills amounting to Kshs.22,989,697.52 chargeable to vote R.103 and relating to 2012/2013 were not paid during the year but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account would have recorded an over expenditure of Kshs.20,300,416.22 instead of an amount of Kshs.2,689,281.30 now shown.

#### 211. Personal Emolument

The Appropriation Account reflects personal emolument expenditure of Kshs.507,569,751.00 while the Integrated Payroll and Personnel Data (IPPD) reflects Kshs.484,434,148.80 resulting to a variance of Kshs.23,135,602.20. No explanation has been provided for failing to reconcile the two sets of records. Consequently, the accuracy of the personal emoluments balance of Kshs.507,569,751 in the appropriation account for the year ended 30 June 2013 could not be confirmed.

#### 212. Unauthorised Reallocation of Funds

The Appropriation account reflects reallocation of funds totalling Kshs.27,239,213.50 to various wrong expenditure accounts. However, no Parliamentary approval was availed to support the reallocation of expenditure in line with Section 10.19(a) of the Government Financial Regulations and Procedures.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.103

### Basis for Adverse Opinion

#### 213. Long Outstanding Balances

The statement of Assets and Liabilities for Vote R.103 as at 30 June 2013 reflects Long Outstanding Assets balance of Kshs.161,728,077.45 and Liabilities balance of Kshs.192,222,211.60 relating to 2011/2012 and earlier years which were not cleared during the year as detailed below:-

	<b>Assets Kshs.</b>	<b>Liabilities Kshs.</b>
Exchequer (under issue)	124,275,940.00	
Temporary Imprest	308,500.00	
Salary Advance	174,779.00	
General Suspense Account	36,655,228.20	
District Suspense Account	313,630.25	
GAV (under Expenditure)		175,020,606.40
District Suspense Account		2,494,144.75
Excess A.I.A		14,707,460.45
<b>Total</b>	<b><u>161,728,077.45</u></b>	<b><u>192,222,211.60</u></b>

No explanation has been provided as to why these long outstanding balances have not been cleared. Consequently, the validity and accuracy of the long outstanding Assets of Kshs.161,728,077.45 and Liabilities balance of Kshs.192,222,211.60 in the statement as at 30 June 2013 could not be confirmed.

#### **214. Paymaster General (Cash and Bank)**

The cash and bank (PMG) of Kshs.4,176,348.10 as at 30 June 2013 includes payment in Cash book not in bank of Kshs.1,318,279 and receipts in bank statement not in cash book of Kshs.117,567,401.35. Further, the reconciliation statement reflects payments in Bank statement not in cash book of Kshs.3,202,531.90 and receipts in cash book not in bank statement of Kshs.31,639. No explanation has been provided as to why these long outstanding items have not been cleared. In addition, excluded from these financial statements is an amount of Kshs.3,000,000 paid on 27 June 2013 to the Principal Secretary, Ministry of State for Public Service. It was not explained why the payments were made and the reason for the exclusion of the amount in these financial statements. Consequently, the accuracy and validity of Cash and Bank (PMG) balance of Kshs.4,176,348.10 in the statement as at 30 June 2013 could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.103**

### **Basis for Adverse Opinion**

#### **215. Long Outstanding Balances**

The Statement of Assets and Liabilities for vote D.103 as at 30 June 2013 reflects a long outstanding Assets balance of Kshs.51,573,826.00 and Liabilities of Kshs.83,083,215.00 relating to 2011/2012 and earlier years which were not cleared during the year.



# MINISTRY OF FOREIGN AFFAIRS

## APPROPRIATION ACCOUNT FOR VOTE R.104

### Basis for Disclaimer of Opinion

#### 218. Under Expenditure

The Appropriation Account for Vote R.104 for the year ended 30 June 2013 reflects actual gross expenditure of Kshs.10,499,565,538.30 against the approved estimate of Kshs.11,153,281,478.00 resulting to gross under expenditure of Kshs.653,714,940.10. The gross under- expenditure occurred mainly under sub-vote 040101,040104 and 040107 relating to Headquarter Administrative Services, New York & Moscow missions, respectively. The under expenditure has been attributed to failure to recruit new staff, delay in promotions and austerity measures.

#### 219. Pending Bills

Bills amounting to Kshs.31,809,438.00 chargeable to Vote R.104 and relating to 2012/2013 were not paid during the year but were instead carried forward to 2013/2014. Had these bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account would have recorded a reduced net surplus of Kshs.603,743,401.80 instead of an amount of Kshs.635,552,839.80 reflected under appropriation account for the year ended 30 June 2013.

#### 220. Discrepancy between the Appropriation Account and Ledger Balance

The Appropriation Account reflects actual expenditure of Kshs.1,995,634,138 under item (2110100 to 3111100) Headquarters Administrative Services while the ledger reflects Kshs.1,995,144,138 resulting to a variance of Kshs.490,000. Consequently, the accuracy of the Headquarters Administrative Services actual expenditure of Kshs.1,995,634,138 in the Appropriation Account for the year ended 30 June 2013 could not be confirmed.

#### 221. Lack of Foot Notes

Appropriation Account reflects variance in excess of Kshs.1,000,000.00 between the approved estimates and actual expenditure under London Embassy-Routine Maintenance (2220200) of Kshs.1,307,720.00 for which no foot notes have been provided as required by Government Financial Regulations and Procedures. No explanation has been provided for failing to provide foot notes as required by the Government Financial Regulations and Procedures.



## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.104

### 222. Long Outstanding Balances

The statement of Assets and Liabilities for Recurrent R. 104 as at 30 June 2013 reflects Long Outstanding Assets of Kshs.804,677,003.40 and Liabilities balance of Kshs.1,368,752,658.40 relating to 2011/2012 and earlier years which were not cleared during the year as detailed below:-

	<b>Assets Kshs.</b>	<b>Liabilities Kshs.</b>
Advances	1,030,765.30	
Exchequer Account (under)	316,605,500.00	
GAV Account (Excess)	449,541,250.15	
Temporary Imprest	37,433,569.95	
Standing Imprest	65,918.00	
GAV Account (under)		478,569,235.15
Excess A.I.A		<u>890,183,423.25</u>
<b>Total</b>	<b><u>804,677,003.40</u></b>	<b><u>1,368,752,658.40</u></b>

No proper explanation has been provided as to why these long outstanding balances have not been cleared. Consequently, the validity and accuracy of the Long Outstanding Assets of Kshs.804,677,003.00 and Liabilities balance of Kshs.1,368,752,658.40 in the statement as at 30 June 2013 could not be confirmed.

### 223. Cash and Bank (PMG)

The statement reflects Cash and Bank (PMG) balance of Kshs.622,078,381.60 while the cash book reflects Kshs.532,067,054.70 resulting in a variance of Kshs.90,011,326.90. Further, Cash and Bank balance of Kshs.622,078,381.60 excludes Headquarters payments in cash book not in Bank Statement of Kshs.324,683,430.96 and receipts in Bank Statement not in cash book of Kshs.22,353,863.55. In addition, the cash and bank balance excludes payments in bank statement not in cash book of Kshs.29,899,783.60. Also the cash and bank balance of Kshs.622,078,381.60 reflect receipts in cash book not in bank statement of Kshs.352,408,369.65. No explanations have been provided as to why these long outstanding items have not been cleared. Consequently, the accuracy and validity of cash and bank (PMG) balance of Kshs.622,078,381.60 in the statement as at 30 June 2013 could not be confirmed.

### 224. Inaccuracies of Accounts

The Statement of Assets and Liabilities for vote R.104 as at 30 June 2013 reflects Assets and Liabilities balances which differs with the corresponding figures shown in the Trial Balance as detailed below:-

<b>Account</b>	<b>Statement Balances</b>	<b>Trial Balance</b>	<b>Differences (Kshs.)</b>
Advances	1,088,518.60	(11,508,507.30)	12,409,721.10
Exchequer Under	568,873,400.00	-	569,699,922.00
Temporary Imprest	63,241,332.30	114,668,152.50	(51,461,159.20)
Standing Imprest	65,918.00	(9,713.00)	75,631.00
PMG Account	622,078,381.60	(2,109,095.55)	619,730,462.85
G.A.V under	816,168,674.85	(23,004,052,213.95)	23,836,188,785.25
G.A.V excess	449,451,250.15	12,000.00	449,529,250.15
Salary Clearance	1,463,297.45	64,185,108.75	(59,264,839.30)
A.I.A Over Collection	890,183,423.25	(1,150,568,522.25)	2,058,914,045.80
<b>Total</b>	<b>3,412,614,196.20</b>	<b>(23,977,874,283.50)</b>	<b>27,435,821,819.65</b>

The management has confirmed that they are unable to reconcile the variances.

## **APPROPRIATION ACCOUNT D.104**

### **Basis for Disclaimer of Opinion**

#### **225. Omitted Expenditure**

The Development Appropriation Account for the year ended 30 June 2013 reflects a total expenditure of Kshs.4,969.00 under item 2211300 incurred on Building Capacity for Diaspora Project while the project statements of receipts and payments reflects Kshs.4,526,564.50 resulting to unexplained or unreconciled variance of Kshs.4,521,595.50. Consequently, the accuracy of the Diaspora Project expenditure of Kshs.4,969.00 in the Appropriation Account for the year ended 30 June 2013 could not be confirmed.

#### **226. Direct Procurement of Goods**

The Appropriation Account for the year ended 30 June 2013 reflects Refurbishment of Buildings under item (3110300) of Kshs.26,903,347.00 under Addis Ababa Embassy which includes the procurement of kitchen cupboard and electrical appliances at a cost of Kshs.4,604,322.55. However, the procurement appears to have been single sourced contrary to the requirements of the Public Procurement and Disposal Act, 2005. Consequently, the propriety of the refurbishment of buildings expenditure of Kshs.4,604,322.55 for the year ended 30 June 2013 could not be confirmed.

## STATEMENT OF ASSETS AND LIABILITIES D.104

### 227. Long Outstanding Balances

The Statement of Assets and Liabilities for Vote D. 104 as at 30 June 2013 reflects Long Outstanding Assets of Kshs.163,678,358.10 and liabilities balance of Kshs.227,481,514.50 relating to 2011/2012 and earlier years which were not cleared during the year as detailed below:-

	<b>Assets Kshs.</b>	<b>Liabilities Kshs.</b>
Exchequer (Under Issues)	130,032,000.00	
General Suspense	33,646,358.10	
GAV (Under Expenditure)		<u>227,481,514.50</u>
<b>Total</b>	<b><u>163,678,358.10</u></b>	<b><u>227,481,514.50</u></b>

No proper explanation has been provided as to why these long outstanding balances have not been cleared. Consequently, the validity and accuracy of the Long Outstanding Assets of Kshs.163,678,358.10 and Liabilities balance of Kshs.227,481,514.50 in the statement as at 30 June 2013 could not be confirmed.

### 228. Cash and Bank (PMG) Balance

The statement further reflects Cash and Bank (PMG) balance of Kshs.10,785,365.80 while the cashbook reflects Kshs.9,402,263.74 resulting to a variance of Kshs.1,383,102.06. Further, the Cash and Bank (PMG) balance of Kshs.10,785,365.80 excludes Headquarter's payments in cash book not in bank statement of Kshs.28,148,414.15 and receipts in the bank statement not in the cash book of Kshs.1,642,804.70. In addition, the reconciliation statement reflects payments in bank statement not in cash book of Kshs.1,059,866.05 and receipts in cash book not in bank statement of Kshs.35,000,000. No explanation has been provided as to why these long outstanding items have not been cleared. Consequently, the accuracy and validity of Cash and Bank (PMG) balance of Kshs.10,785,365.80 in the statement as at 30 June 2013 could not be confirmed.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

### Basis for Disclaimer of Opinion

### 229. Long Outstanding Balance

The statement of Assets and Liabilities for Deposit 104 as at 30 June 2013 reflects Long Outstanding Assets of Kshs.163,627,192.85 and liabilities balance Kshs.658,211,906.30 relating to 2011/2012 and earlier years which were not cleared during the year as detailed below:-

	<b>Assets Kshs.</b>	<b>Liabilities Kshs.</b>
General Suspense Account	163,200,033.55	
Deposit Clearance	427,159.30	
Agency Account		442,729,926.00
Miscellaneous		<u>215,481,980.30</u>
<b>Total</b>	<b><u>163,627,192.85</u></b>	<b><u>658,211,906.30</u></b>

No proper explanation has been provided as to why these long outstanding balances have not been cleared. Consequently, the validity and accuracy of Long Outstanding Assets of Kshs.163,627,192.85 and liabilities balance of Kshs.658,211,906.30 in the statement as at 30 June 2013 could not be confirmed.

### **230. Cash and Bank (PMG)**

The statement further reflects cash and bank balance of Kshs.561,083,318.90 while the cash book reflects Kshs.395,582,345.36 resulting in a variance of Kshs.165,500,973.54. Further, excluded in the cash and bank balance of Kshs.561,083,318.90 is Headquarter's payments in cash book not in bank statement of Kshs.28,510,757.65 and receipts in bank statement not in cash book of Kshs.22,079,056.94. In addition, the bank reconciliation statements reflects payments in bank statement not in cash book of Kshs.62,607,679.30 and receipts in cash book not in Bank Statement of Kshs.3,903,092.40. In the circumstances, the validity and accuracy of cash and bank balance of Kshs.561,083,318.90 as at 30 June 2013 could not be ascertained.

# OFFICE OF THE VICE-PRESIDENT AND MINISTRY OF HOME AFFAIRS

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 105

### Basis for Adverse Opinion

#### 231. Loss of Funds

Records maintained at the Office of the Vice President and Ministry of Home Affairs show that Kshs.288,826,608.00 was received in the Ministry's Deposit Account No.100012209 during the financial year 2012/2013. However, an examination of the records maintained by the Ministry during the year under review shows that only Kshs.184,426,080.00 was receipted in the cash book on various dates between 3 September 2012 and 19 February 2013.

No explanation has been given for failure to receipt Kshs.104,400,528.00 in accordance with Section 6.7.1 of Government Financial Regulations and Procedures.

#### 232. Pending Bills

Bills totalling Kshs.116,590,223.70 relating to 2012/2013 and chargeable to Recurrent Vote 105 were not settled during the year but were instead carried forward to 2013/2014. Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions for the subsequent year to which they have to be charged.

Further, had the bills amounting to Kshs.116,590,223.70 been paid and expenditure charged to the accounts for 2012/2013, the Recurrent Appropriation Account would have reflected an Excess Vote of Kshs.85,807,156.40 instead of a surplus of Kshs.30,783,067.30 to be surrendered to the Exchequer now shown.

In addition, the Ministry has not availed payment vouchers that support the pending bills for audit verification. Therefore, it is not possible to ascertain their correctness, completeness and accuracy.

#### 233. Irregular Procurement of Air Transport Services

The Ministry single sourced a firm to provide Air Transport Services and charged Kshs.3,600,125.00 to Item 2210300 for Domestic Travelling and Subsistence Allowance during the financial year 2012/2013.

The Ministry further single sourced three (3) other firms and charged Kshs.38,830,254.40 to Item 2210400 for Foreign Travel and Subsistence Allowance.

In addition, the Ministry single sourced another firm and charged Kshs.36,448,308.25 to Item 2210600 for Rental of Produced Assets.

Although, it has been explained verbally that the procurement process considered the security of the personnel involved, the explanation contravenes Section 133 of the Public Procurement and Disposal Act, 2005 in which the Ministry is not listed among institutions authorized to procure air tickets as security items.

#### **234. Unvouched Expenditure**

Expenditure totalling Kshs.10,765,050.00 charged to Vote R.105 during the year 2012/2013 relating to Purchase of Specialized Equipment – Item 3111100 was not supported by payment documents and other related records. As a result, the propriety and accuracy of the expenditure could not be ascertained.

#### **235. Unrecovered Overpayment**

Audit of payroll revealed that some staff serving at the Ministry were overpaid by Kshs.538,411.85 which has not been recovered. No reason has been given for the anomaly.

#### **236. Construction of Bio Digester at Industrial Area Remand Prison**

A firm was awarded a contract to construct a Bio Digester at Industrial Area Remand Prison at a contract sum of Kshs.7,681,462.00. The contract was supposed to be completed by 19 May 2013. Kshs.5,039,002.00 or 66% of the contract price was paid to the contractor on 18 June 2013.

However, management did not provide for audit review the following documents related to the contract: Tender and Contract Documents, Tender Evaluation Reports, Ministerial Tender Committee Minutes, Contractor's approved Programme of work and Work Performance Guarantees, Progress Reports and Site Meeting Minutes. Further, an audit inspection undertaken on 3 January 2014 indicates that work was still outstanding and no explanation has been given for the delay. In addition, no justification has been provided for failure to recover the liquidated damages as required under Clause 27 of the General Conditions of Contract.

#### **Kapsabet GK Prison**

#### **237. Purchase of Food and Other Ration**

Records maintained by the management indicate that during the year under review, food and other ration worth Kshs.10,973,548.00 was ordered from pre-qualified suppliers through credit letters. It was however, observed that quotations were not invited and LPOs raised, contrary to Public Procurement and Disposal Act, 2005 which requires at least three (3) quotations be floated to ensure competitive bidding. No explanation was given for non-compliance with the Procurement Regulations.

### **238. Pending Bills**

Audit of expenditure records maintained at the GK Prison indicate that bills totalling Kshs.9,727,468.00 were outstanding as at 30 June 2013. The bills in respect of food and ration and purchase of firewood relating to 2012/2013 were not settled during the year but carried forward to 2013/2014 financial year. No explanation was provided for the failure to settle the bills during the year they were incurred.

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

### **Kitale Main Prison**

#### **239. Pending Bills**

During the year 2012/2013, the Kitale Main Prison received AIEs totalling Kshs.41,708,035.00 to settle pending bills which related to supply of food and fire wood for financial years 2010/2011 and 2011/2012.

A review of the paid bills revealed that they were not properly supported as Local Purchase Orders were raised at the time of payment instead of being raised before the supply of the items, therefore posing a high risk of price and quantity manipulations.

Further, bills amounting to Kshs.5,304,170.00 relating to 2008/2009, 2009/2010 and 2011/2012 chargeable to Recurrent Vote R105 were not settled during the year 2012/2013 but were instead carried forward to 2013/2014. No reason was provided for not clearing bills relating to earlier years while clearing those that relate to recent periods.

In addition, the pending bills carried forward to 2013/2014 were not supported by Local Purchase Orders (LPOs) to confirm that the said supplies were actually ordered for.

### **Taveta GK Prisons**

#### **240. Pending Bills**

Records maintained at Taveta GK Prisons indicate that bills totalling Kshs.9,778,150.00 mostly relating to 2011/2012 in respect to supplies made to the institution were not settled during the year but were instead carried forward to 2013/2014. The AIEs received during the year of Kshs.3,352,510.00 were irregularly utilized to pay previous years' bills leaving the current year's bills unpaid.

Failure to settle bills during the years they relate to adversely affects the budgetary provisions for the subsequent years to which they have to be charged.

## **Kwale GK Prisons**

### **241. Pending Bills**

An examination of records maintained at Kwale GK Prisons for the year ended 30 June 2013 indicates that bills amounting to Kshs.6,513,766.00 were still outstanding in respect of supplies made to the Prisons. The bills relate to the financial years 2011/2012 and 2012/2013 which have been carried forward to the current financial year. Bills amounting to Kshs.5,828,766.00 relate to supply of food and rations and the balance of Kshs.685,000 is in respect of firewood supplied to the Prisons in 2011/2012. Failure to settle bills during the years they relate to adversely affects the budgetary provisions for the subsequent years to which they have to be charged.

## **G.K. Prisons-Bungoma South District**

### **242. Pending Bills**

Examination of records maintained by the G.K. Prison – Bungoma, during the year under review revealed that the department issued credit letters/notes amounting to Kshs.34,446,330.00 in respect of food and ration and fuel among other items purportedly delivered to the department which were still not paid for as at the close of the 2012/2013 financial year. Failure to settle the bills during the year to which they relate adversely distorts the budgeted provisions for the subsequent year to which they have to be charged.

## **Ruiru Prisons**

### **243. Unauthorized expenditure**

Examination of records for 2012/2013 maintained at the Ruiru Prison revealed that the prison management had incurred expenditure amounting to Kshs.4,522,347.00 relating to food and rations and firewood without the relevant authority. Although the items were properly received in the records and accounted for, there was no Authority to Incur Expenditure. In addition, many procurements of goods and services were done using cash imprest.

## **Thika Main Prison**

### **244. Unauthorized expenditure**

Examination of records for 2012/2013 maintained at the Thika Main Prison revealed that the prison management had incurred expenditure amounting to Kshs.31,697,935.00 relating to food and rations and firewood without the relevant authority. Although the items were properly received in the records and accounted for, there was no authority to Incur Expenditure. In addition, many procurements of goods and services were done using cash imprests.



## **Thika Women Prison**

### **245. Unauthorized expenditure**

Examination of records for 2012/2013 maintained at the Thika Main Prison revealed that the prison management had incurred expenditure amounting to Kshs.4,242,935.00 relating to food and rations and firewood without the necessary authority. Although the items were properly received in the records and accounted for, there was no Authority to Incur Expenditure. In addition, there was rampant procurement of goods and services using cash imprests.

## **Kiambu Prison – Kiambu District**

### **246. Unsupported Payments**

Examination of records for 2012/2013 maintained at the Kiambu Prison revealed that the prison management made payments amounting to Kshs.717,875.00 in respect of foodstuff supplies. However, the payment vouchers were not supported by tender documents, quotations and prequalification documents for audit verification.

## **Kangeta Prison – Igembe South District**

### **247. Doubtful Pending Bills**

Examination of financial records maintained at Kangeta Prison, Igembe South District, disclosed that bills totalling Kshs.13,196,440.00, some dating back to year 2010/2011 were outstanding as at 30 June 2013. These debts were incurred in the procurement of food & ration and firewood during 2010/2011, 2011/2012 and 2012/2013.

It was however noted that no requisition orders were maintained to show how the goods supplied were requisitioned from the stores and used for intended purposes. Further, no explanation has been given for not settling the long outstanding debts. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the following year's budgetary provisions to which they have to be charged.

Further, no efforts appear to have been made to settle the long outstanding debts and the Government risks being taken to court by the suppliers for failure to meet its obligations.

## **Nakuru Main Prison**

### **248. Loss of Prisoners' Cash Deposits**

Review of prisoners and remand deposit warrants and ledgers at Nakuru Main Prison revealed that as at 30 June 2013, the Prison received deposits totalling Kshs.9,825,737.00. It was however discovered that Kshs.7,271,016.00 out of total receipts of Kshs.9,825,737.00 was neither banked in the deposit account nor kept in the

safe and could not be accounted for. The Prison's own investigations attributed the loss to five officers. As at the time of the audit, three officers had repaid a total of Kshs.1,091,787.75 in installments leaving a balance of Kshs.6,179,228.25 as unpaid. The prison management has not demonstrated resolute measures it is taking to recover the misappropriated funds.

#### **249. Pending Bills**

The Nakuru Main Prison accumulated pending bills comprising food supplies, firewood and fuel amounting to Kshs.103,921,888.00 as at 30 June 2013. Although the Prison received AIEs totalling Kshs.60,000,000.00 on 23 October 2013 thus reducing the liability to Kshs.43,921,888.00, the Prison administration attributed the cause of the liabilities to increase in commodity prices and inadequate funding as disclosed in Treasury Circular Reference Number AG 3/101/75 of 26 September 2001 which affects service delivery.

#### **Embu Prisons**

##### **250. Doubtful Pending Bills**

Examination of financial records maintained at Embu Main Prison and Embu Women Prison disclosed that bills totalling Kshs.18,799,315.00 and Kshs.1,155,864.00 respectively were outstanding as at 30 June 2013. These debts were in respect of procurement of food and ration, firewood, travelling and accommodation allowances. However, no requisition was made available for audit review. Failure to settle bills in the year they relate to distorts the financial statements for that year and adversely affects the following year's budgetary provisions to which they have to be charged. No efforts appear to have been made to settle the long outstanding debts.

#### **Kisii G.K. Prison**

##### **251. Pending Bills**

Records maintained at Kisii G.K. Prison indicate that bills totalling Kshs.11,195,370.00 owed to various suppliers in respect of supply of food and ration, wood and fuel relating to 2012/13 and prior years were not paid during the year but were instead carried forward to 2013/2014. Failure to settle bills in the year they relate to distorts the financial statements for the year and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE105**

### **Basis for Adverse Opinion**

#### **252. Unusual Exchequer Balance**

The Statement of Assets and Liabilities for Vote R105 as at 30 June 2013 reflects a credit balance of Kshs.142,378,345.68 which has not been analyzed. Further, It is not clear how an account which under normal circumstance should be a debit or a nil balance reflects a credit balance.

#### **253. Unanalysed Balance**

The Statement of Assets and Liabilities reflects an Advances Account balance of Kshs.209,961.20 which relates to 2011/2012 and earlier years contrary to Section H.11 of the Code of Regulations. No explanation has been provided for failure to analyze or clear this long outstanding balance.

#### **254. Imprest Account**

The Statement of Assets and Liabilities reflects imprest balances amounting to Kshs.10,687,079.75 which ought to have been accounted for by 30 June 2013. No reason has been provided for failure to account for or recover this outstanding amount.

#### **255. Unanalysed Balance**

The Statement further reflects a General Suspense Account debit balance of Kshs. 2,855,636,706.45 which includes an amount of Kshs.2,080,294,153.29 relating to 2011/2012 and earlier years. However, no analysis was provided in support of this balance and as a result, the validity and accuracy of the balance could not be ascertained.

#### **256. Unanalysed Balance**

The Statement further reflects District Suspense credit balance of Kshs.47,399.60 which has not been analyzed, therefore, the validity and completeness of the balance could not be confirmed.

#### **257. Paymaster General (PMG)**

The Statement reflects a Paymaster General Account credit balance of Kshs.1,850,204,597.49 which differs with the Board of Survey Report as at 30 June 2013 which shows a balance as Kshs.2,656,408.50. The resultant difference of Kshs.1,847,548,188.99 has not been reconciled or explained.

#### **258. General Account of Vote**

The Statement reflects a credit balance of Kshs.738,613,981.08 against General Account of Vote which includes Kshs.708,262,186.78 relating to financial year 2011/2012 and earlier years. No reasons have been provided for failure to surrender Kshs.708,262,186.78 to the Exchequer. In addition, the Statement further reflects Kshs.30,351,794.30 against General Account on Vote for 2012/2013 while the Appropriation Account reflects Kshs.30,806,745.80 for the same period as the Net Surplus to be Surrendered to the Exchequer. The resulting difference of Kshs.454,951.50 has not been explained or reconciled.

#### **259. Excess AIA**

The Statement reflects Kshs.17,365,863.05 against Excess Appropriations-In-Aid relating to 2010/2011 and earlier years which has not been surrendered to the Treasury. No reasons have been provided for failure to surrender excess Appropriations-In-Aid to the Exchequer.

#### **260. Long Outstanding Balance**

The Statement reflects a credit balance of Kshs.1,512,993.25 against Agency Account which relates to 2011/2012 and earlier years. No reason has been provided for failure to clear the long outstanding balance from the books of Account.

#### **261. Long Outstanding/Unanalysed Balance**

The Statement reflects a credit balance of Kshs.107,170,408.75 against General Suspense Account which includes Kshs.78,210,592.75 relating to financial year 2011/2012 and earlier years. No reasons have been provided for failure to clear the outstanding balance. In addition, the Statement further reflects Kshs.28,959,816.00 for General Suspense Account for 2012/2013 which has not been analyzed. Therefore, the validity and accuracy of these balances could not be ascertained.

#### **262. Unanalysed Balance**

The Statement reflects a credit balance of Kshs.9,334,957.70 against Clearance Account which has not been analyzed. Therefore, the validity and accuracy of the balance could not be ascertained.

The Statement further reflects a credit balance of Kshs.321,162,322.05 against Clearance Account for 2011/2012, out of which Kshs.311,827,364.35 was cleared during the year. However, no supporting documents were availed for audit verification. Under the circumstances, the validity and propriety of the transaction could not be confirmed.

### 263. Inaccurate Opening Balances

The Statement further reflects opening balances which differ with those reflected in the Statement of Assets and Liabilities as at 30 June 2012 as shown below.

<u>Account Assets</u>	<u>2011 /2012 Statement (Kshs)</u>	<u>2012/2013 Statement (Kshs.)</u>	<u>Difference (Kshs)</u>
Imprest	52,931,891.00	52,398,935.70	532,955.30
District Suspense	3,087,413,351.55	2,080,294,153.20	1,007,119,198.35
PMG	(2,247,761,553.19)	861,411,303.00	3,109,172,856.19
<b><u>Liabilities</u></b>			
GAV	564,339,500.63	708,262,186.78	143,922,686.15
Excess AIA	17,225,432.35	17,365,863.05	140,430.70
General Suspense	146,323,049.40	78,210,592.75	68,112,456.65
Clearance	18,414,886.75	321,162,322.05	302,747,435.30

The discrepancies have not been reconciled or explained to date.

### 264. Bank Reconciliation Statements

The Bank Reconciliation Statement for Vote R105 as at 30 June 2013 reflects the following uncleared balances:

<u>Items</u>	<u>Amount (Kshs)</u>
Payments in cashbook not in Bank Statement	1,222,131,755.35
Receipts in Bank Statement not in Cashbook	195,419,286.95
Payments in Bank Statement not Cashbook	190,341,526.70
Receipts in Cashbook not in Bank Statement	921,102,319.65

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

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 105**

### **Basis for Qualified Opinion**

#### **265. Under Expenditure and Pending Bills**

The Appropriation Account reflects gross expenditure of Kshs.1,519,204,458.30 against approved estimates of Kshs.1,583,740,010.00 resulting in an under expenditure of Kshs.64,535,551.70. The Vote had pending bills totalling Kshs.214,204,379.56. Had these bills been paid, the Vote would have reflected an Excess Vote of Kshs.149,668,827.86 and not the surplus of Kshs.64,535,551.70 now shown.

#### **266. Construction and Completion of Prisons Staff Housing at Nakuru G.K. Prison and Eldoret G.K. Prison**

The audit review for the on-going construction and completion of proposed prisons staff housing at Nakuru GK Prison and Eldoret GK Prison revealed the following matters:-

##### **(i) Extension of the Contract Period**

The contract for the erection and completion of proposed Prison Staff Housing at Nakuru GK Prison and Eldoret GK Prison which initially was estimated to take 52 weeks effective from 13th September 2006 and with an estimated completion date of 12th September 2007 was extended beyond the contract period. However, an inspection of the project undertaken in September 2013 and a review of the valuation certificates, statements and other supporting payments indicated that the contract duration was extended to 222 weeks to end on 30 November 2010. It was further noted during audit that the contract was still on-going. However, no approval for the extension was availed for audit verification.

##### **(ii) Variation of Contract Sum**

Available records indicate that the contract was varied from the original contract sum of Kshs.102,385,587.50 to a revised contract sum of Kshs. 198,159,360.39. However details of contract variations and approvals were not availed for audit verification to determine the circumstances giving rise to the variation by over Kshs.95,773,772.89.

Further, information available indicates that the contract variation was not executed within the contract period contrary to Section 31(c) and (d) of the Public Procurement and Disposal Regulations 2006 which provides for a variation not exceeding 15% of the original contract sum for works and such contract variation to be executed within the period of the contract.

## **267. Supply and Delivery of Energy Saving Jikos with Sufurias to Quartermaster of Prisons**

The Ministry procured 100 energy saving Jikos with a capacity for 300lts and another 100, 200lts at a total cost of Kshs.58,000,000.00. The request for authority to procure the items as shown by the letter ref. PRI./5/12/VOL.11/160 of 9th November 2012 does not specifically indicate the user Prison Station which would be supplied with the energy saving Jikos and Sufurias. Further, review of the transactions has not clearly shown the distribution list of the stations supplied with the items procured. The expenditure for these items was charged to item-3110601- Overhaul and Refurbishment of Construction and Civil Works.

In the circumstances, it has not been possible to vouch for the procedures of receiving and issue of the items supplied while wrong expenditure coding leads to misclassification and weak budgetary controls.

## **268. Loss of Prisons Land**

Examination of Prisons Land records show that only five (5) Prisons based at Kilgoris, Naivasha, Athi River, Mararal and Busia have land title deeds measuring approximately 1,567.70 acres while the remaining one hundred and fifteen (115) Prisons do not have title deeds for land measuring approximately 26,345.19 acres. Further, records also show that 6,166.5 acres of prison land have been grabbed in various stations across the country while 5 houses have been grabbed in Woodley Estate, Nairobi.

No reasons have been given for failure to acquire land title deeds and recover the grabbed land.

### **Kapsabet GK Prison**

## **269. Development Expenditure - Building Materials**

The Department during the year procured building materials worth Kshs.3,599,850.00 for construction of a perimeter wall around the GK Prison and for staff residential units. Labour for the construction was provided by the prisoners. However, no bills of quantities for the building materials were provided for audit review. Further, the goods were received in bulk and issued to the building section officers also in bulk. Due to uncontrolled receipt and issuance of materials, it was not possible to verify whether all the materials were used for the intended purpose.

### **Kisii GK Prison**

## **270. Construction of Office Block for Probation Department**

During the year 2010/2011, the Probation Department started construction of an office block at Kisii G.K Prison for which they used quotations method of procurement as opposed to open tender or restricted tendering and awarded the contract at a contract

sum of Kshs.15,522,845.00 contrary to the provisions of Public Procurement and Disposal Act, 2005. Further, in 2012/2013 the contract was varied upwards by 41% to Kshs.21,922,845.00 due to extra works without satisfactory explanations. The contractor was paid Kshs.4,477,660.00 in the year under review. In the circumstances, the propriety of the expenditure of Kshs.21,922,845.00 could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 105**

### **Basis for Qualified Opinion**

#### **271. Exchequer Account**

The Statement reflects a balance of Kshs.13,680,231.55 which is made up of previous year's balance of Kshs.4,940,221.55 and the current year's figure of Kshs.8,740,010.00. Although the current year's balance has been verified during audit, no satisfactory explanation has been given on why the previous year's balance of Kshs.4,940,221.55 has not been cleared resulting to the accumulated balance of Kshs.13,680,231.55 shown in the Statement.

#### **272. District Suspense**

As reported in the previous year, the Statement reflected a debit balance of Kshs.1,632,267,602.94 in respect of District Suspense which differed with the ledger balance and the analysis provided of Kshs.1,412,883,678.14 and Kshs.1,524,894,727.14 by Kshs.219,383,924.80 and Kshs.107,372,875.80 respectively. The Ministry has not provided any explanation for the discrepancy between the three records to date.

In the year under review, the Statement reflects Kshs.1,052,227,050.00 under District Suspense Account as at 30 June 2013. No analysis has been provided to support the current year's balance of Kshs.580,040,552.94. Consequently, the correctness of the balance could not be ascertained.

#### **273. Paymaster General Account**

As reported in the previous year, the PMG debit balance of Kshs.861,411,303.43 differed with the cashbook balance of Kshs.493,531.80 by Kshs.860,917,717.63 as at 30 June 2012. To date the differences between the two sets of records has not been explained or reconciled.

The Statement further reflects Paymaster General Account balance of Kshs.265,569,432.69 as at 30 June 2013. The reconciled cashbook balance of Kshs.1,923,323.95 differs with the figure in the Statement of Assets and Liabilities by Kshs.267,762,187.59. The variance between the two records has not been explained.



## **274. Bank Reconciliation Statements**

### **(i) Payments in the Cashbook not in Bank Statement**

The bank reconciliation statement reflects payments in cashbook not in the bank statement totalling Kshs.171,949,880.80. This figure includes an amount of Kshs.51,772,958.50 representing stale un-presented cheques. No explanation has been given why the payments have been outstanding for long and why the same have not been reversed in the cashbook. The amount of the stale cheques includes Kshs.3,278,583.10 shown as excess exchequer but relating to the period 2008/2009 and earlier years which have not been surrendered to the Exchequer.

Further, the stale cheques include Kshs.1,427,235.05 relating to the Commissioner of Prisons, Kshs.9,616,226.55 to the Permanent Secretary, Ministry of Home Affairs but the reason why the same have not been cleared or reversed in the cash book have not been given. The records relating to the payments in the cashbook shown in the bank reconciliation statements were not availed for physical verification.

In addition, the figure also reflects an amount of Kshs.7,593,857.45 as either payments to the Commissioner of VAT and or Income Tax. No explanation has been given by the Ministry why these payments to the Tax Authorities have not been resolved and which may result to tax penalties and or liabilities.

### **(ii) Receipts in the Bank Statement not in the Cashbook**

The Bank Reconciliation Statement also reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.4,137,199.85. Out of this, an amount of Kshs.4,136,989.85 relates to 2010/2011 financial year. Further, included in the above receipts are amounts shown as VR OC 00000609 of Kshs.1,500,000.00 and another shown as VR OC 06637392 amounting to Kshs.1,650,162.50 respectively. No explanation was given on what the two figures relate to and also why these items have remained outstanding for long in the books.

### **(iii) Payments in the Bank Statement not in Cashbook**

The Bank Reconciliation Statement also reflects an amount of Kshs.100,245,405.95 as payments in the bank not recorded in the cashbook. This figure includes an amount of Kshs.22,760,730.35 representing payments relating to 2010/2011 financial year and earlier years. No reasons have been provided as to why the Ministry did not record all transactions in the cash book. Further, the Ministry has not been able to explain what the payments represent.

### **(iv) Receipts in the Cashbook not in the Bank Statement**

The bank reconciliation statement also reflects an amount of Kshs.77,272,447.55 as receipts in the cashbook not in the bank, where the reconciliation shows the amounts

relate to adjustments for under casts, and exchequer issues not reflected in the bank. The reasons that necessitate the shown adjustments have not been explained.

#### **275. District General Suspense**

The Statement of Assets and Liabilities reflects an opening balance brought forward of Kshs.37,000.00 which relates to 2010/2011 and earlier years. However, no explanation has been given for lack of analysis or clearance of this long outstanding balance.

#### **276. General Account of Vote**

The Statement reflects a General Account of Vote balance of Kshs.784,326,310.76 which includes Kshs.719,790,759.06 from the 2011/2012 and earlier years and Kshs.64,535,551.70 for 2012/2013. However, the opening balance of Kshs.719,790,759.06 has not been analysed and cleared from the Statement.

#### **277. General Suspense**

The Statement reflects a General Suspense credit account balance of Kshs.16,048,538.10 that is made up of an opening balance of Kshs.54,727,803.50 from 2011/2012 and earlier years and a debit balance of Kshs.38,679,265.40 for the current year.

Information available indicates that the opening balance of Kshs.54,727,803.50 is made up of Kshs.28,468,445.40 from 2010/2011 and earlier years and Kshs.26,259,358.10 for the year 2011/2012. No explanation has been provided for non-clearance of the previous year's balance. Further, no analysis has been provided on what constitutes the Suspense Account.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 105**

### **Basis for Adverse Opinion**

#### **278. Accuracy of the Statement**

The Ministry did not produce "Below the Line" ledger and trial balance as required by Section 5.5.16 of Government Financial Regulations and Procedures. Consequently, the accuracy of figures reflected in the Statement of Assets and Liabilities Deposit 105 could not be confirmed as they are not supported by statements of every ledger account and trial balance.

#### **279. District Suspense Clearance**

The balance brought forward in respect of District Suspense is Kshs.135,808,430.57 while the Statement of Assets and Liabilities for Deposits reflects a nil balance against the same item, an indication that the balance was cleared during the year. However, no

evidence was made available for audit review to confirm that the District Suspense was indeed cleared during the year 2012/2013.

#### **280. Paymaster General (PMG)**

The Statement further reflects a debit balance of Kshs.119,993,016.10 against Paymaster General Account which differs with Kshs.19,147,611.95 shown in the Board of Survey Report as at 30 June 2013 resulting in a difference of Kshs.100,845,404.15 which has not been reconciled or explained.

#### **281. Prison Industries Revolving Fund**

The Statement reflects a credit balance of Kshs.47,363,194.35 against Prison Industries Revolving Fund Account which differs with Kshs.119,965,675.51 reflected in the Prison Industries Revolving Fund Report as at June 30 2013 resulting in a difference of Kshs.72,602,481.16 which has not been reconciled or explained.

#### **282. Prison Farm Revolving Fund Account**

In addition, the Statement reflects a credit balance of Kshs.16,628,522.15 against Prison Farm Revolving Fund Account which differs with Kshs.56,021,755.07 reflected in Prison Farm Revolving Fund Account report as at 30 June 2013 resulting in a difference of Kshs.39,393,232.92 which has not been reconciled or explained.

#### **283. Agency/ Headquarter Deposits**

The Statement further reflects a credit balance of Kshs.56,001,299.60 in respect of Agency/Headquarter Deposit Account as at 30 June 2013 which has not been analysed. Consequently, it has not been possible to ascertain what the balance relates to or represents.

#### **284. Suspense Balance**

The Statement reflects a nil balance against Suspense Account Balance, an indication that the previous year's balance of Kshs.73,791,139.00 was cleared during the year under review. However, no evidence has been made available for audit review to confirm that the Suspense Account balance was indeed cleared during the year under review

#### **285. Bank Reconciliation Statement**

The Bank Reconciliation Statement for Deposit Vote 105 as at 30 June 2013 reflects payments in cashbook not in bank statement totalling Kshs.44,608,817.15, some of which date back to the year 2005. The Statement also reflects Receipts in Bank not in cashbook totalling to Kshs.77,409,646.35 which relate to the period between May 1998 and June 2013.

The Statement further reflects payments in bank statement not in cashbook amounting to Kshs.63,067,695.25 all of which relate to the period starting February 1998 to May 2013. Further, the Statement reflects receipts in Cashbook not recorded in the bank statement of Kshs.40,315,702.95 which relate to the period between November 1997 and 28 June 2013. No explanation or reconciliation has been provided for these anomalies.

## **STATEMENT OF REVENUE FOR VOTE 105**

### **Basis for Qualified Opinion**

#### **286. Unsurrendered Revenue to Exchequer**

Records made available for audit review show that total revenue collected during the year 2012/2013 is Kshs.169,043,565.40. However, examination of the Deposit cashbook reveals that only Kshs.74,341,349.50 was surrendered to the Finance Secretary- Treasury as required. Consequently, Kshs.94,702,175.60 has not been surrendered to Exchequer to date.

Further, approval of the receiver of revenue exempting collectors from managing revenue in accordance with Section 6.8.3 of Government Financial Regulations and Procedures had not been provided.

## **FINANCIAL STATEMENTS OF PRISON INDUSTRIES REVOLVING FUND**

### **Basis for Adverse Opinion**

#### **287. Accuracy of the financial statements**

As similarly reported in the previous year, the Prisons Industries Revolving Fund financial statements for the year ended 30 June 2013 have been prepared from manual records instead of the Trial Balance or Ledger. As a result, it has not been possible to confirm the accuracy and completeness of the financial statements for the year ended 30 June 2013.

#### **288. Fixed Assets Balance**

Included in the Statement of Financial Position as at 30 June 2013 is a Fixed Assets balance of Kshs.2,926,440.00 worth of scrap metal. However, the balance has been static in the books of account for a long period without revaluation/depreciation or efforts to dispose off. Further, the Fund does not maintain a Fixed Assets register.

### **289. Uncollected Debtors Balances**

The Statement of Financial Position further reflects under Debtors Account a balance of Kshs.6,203,442.25 (2011/2012- Kshs.36,916,444.25 ) as at 30 June 2013. An amount of Kshs.5,374,222.25 was owed by Government Agencies and Kshs.451,221.50 was owed by private entities while Kshs.377,998.00 was not disclosed. Further, no provision for bad and doubtful debts was made although some of the debts have been outstanding since 1978.

### **290. Paymaster General Account (PMG)**

The Statement of Financial Position further reflects a Paymaster General Account of Kshs.119,965,675.51 whereas the bank certificate balance reflects an amount of Kshs.26,521,247.00. No explanation was provided for the discrepancy of Kshs.93,44,428.51 between the two records.

The Ministry's Statement of Assets and Liabilities for Deposit Account as at 30 June 2013 reflects a debit balance of Kshs.47,363,194.35 against Prison Industries Revolving Fund Account which differs with Kshs.119,965,675.51 reflected in the Prison Industries Revolving Fund Report as at the same date. The resulting difference of Kshs.72,602,481.16 has not been reconciled or explained.

### **291. Creditors Balance**

The Statement of Financial Position reflects an amount of Kshs.73,090,082.00 owed to suppliers during the year ended 30 June 2013. No explanation was provided for failure to settle the Funds' obligations to its suppliers as required.

### **292. Accumulated Revenue Reserve**

As reported in 2011/2012, the balance of Accumulated Revenue Reserve had been understated by Kshs.1,759,541.00. The amount has not been reconciled as at 30 June 2013.

### **293. Unanalyzed Suspense Account**

The Statement of Financial Position reflects a Suspense Account balance of Kshs.1,730,243.00 as at 30 June 2013. The balance has not been supported by any analysis or explanation.

# FINANCIAL STATEMENTS OF PRISON FARM REVOLVING FUND

## Basis for Adverse Opinion

### 294. Accuracy of the financial statements

The Fund's Balance Sheet as at 30 June 2013 and Profit and Loss Account for the year reflects balances not reflected in the Ministry's ledger or Trial balance and have been derived from manual records kept by the Prisons Department. Consequently, the accuracy of the financial statements for the year ended 30 June 2013 could not be confirmed.

### 295. Doubtful Paymaster General Account

The Balance Sheet of Prisons Farm Revolving Fund Account as at 30 June 2013 reflects a Paymaster General (PMG) Account debit balance of Kshs.56,021,755.07. However, the Ministry's Statement of Assets and Liabilities for Funds and Deposits as at the same date reflects a credit balance of Kshs.16,628,522.15 against the item. The resultant difference of Kshs.39,393,232.92 between the two sets of records has not been reconciled or explained.

### 296. Long Outstanding Debtors

The Balance Sheet as at 30 June 2013 shows a Debtors balance of Kshs.143,924,973.60 (2011/2012- Kshs.135,736,223.93) which is about 49% of the net assets. Being a Revolving Fund, the operations risk liquidity problems since substantial amount is held by debtors. No reasons have been given for failure to collect the long overdue debts.

### 297. Unanalysed Suspense Account

The Balance Sheet of the Fund shows a Suspense Account balance of Kshs.15,639,558.44 (2011/2012-Kshs.38,346,155.25) as at 30 June 2013. Besides failure to provide an analysis for the figure of Kshs.15,639,558.44, no records in support of the decrease of Kshs.22,706,596.81 during the year 2012/2013 have been provided for audit review.

### 298. Creditors

The Balance Sheet as at 30 June 2013 shows a creditors balance of Kshs.34,651,316.30 (2011/2012-Kshs.1,254,256.30). As previously reported, no reason has been given for not settling the outstanding payables.

### **299. Investments In Shares**

The Balance Sheet of the Kenya Prison Farm Revolving Fund indicates that the Fund invested Kshs.2,364,895.00 in shares of Kenya Tea Development Authority (KTDA) factories of Kericho, Githongo, Imenti Leaf Base, Kionyo and Kenya Planters Cooperative Union (KPCU). However, no receipt of dividends has been disclosed in the financial statements of the Fund. As a result, the accuracy and receipt of investment returns could not be confirmed.

### **300. Scrap Machinery**

The Balance Sheet further reflects a Scrap Machinery balance of Kshs.1,096,300.00 for the year 2012/2013 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 2013.

# **MINISTRY OF PLANNING, NATIONAL DEVELOPMENT AND VISION 2030**

## **APPROPRIATION ACCOUNT - VOTE R.106**

### **Basis for Qualified Opinion**

#### **301. Pending Bills**

Records held by the Ministry indicate that as at 30 June 2013, bills totalling Kshs.5,228,456.90 chargeable to the Recurrent Vote had not been settled but were instead carried forward to the financial year 2013/2014. Out of these bills, Kshs.1,993,843.90 had been cleared by 15 January 2014 leaving a balance of Kshs.3,073,068.00 outstanding. Had these bills been paid and charged to the accounts for 2012/2013, the Appropriation Account would have reflected a reduced Net Surplus of Kshs.198,573,174.80 instead of a Net Surplus of Kshs.203,801,631.70 now reported. The Ministry has not given the action it intends to take to clear the outstanding bills.

#### **302. Unsupported Expenditure - District Youth Office – Tana Delta Sub-County**

Payments totalling Kshs.1,059,360.00 paid to a staff member in form of reimbursement for expenses incurred were not supported with documentary evidence. Two other staff members were paid Kshs.1,070,000.00 and Kshs.305,000.00 totalling Kshs.1,375,000.00 for environmental promotion activities for which no documentary evidence was availed for audit. Consequently, the propriety of Kshs.2,434,360.00 expenditure charged to public funds could not be ascertained.

## **STATEMENT OF ASSETS AND LIABILITIES - R.106**

### **Basis for Qualified Opinion**

#### **303. Failure to Provide Trial Balance and General Ledger**

The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2013 or Ledger for the month of June 2013. Consequently, the source, accuracy and completeness of the Statement balances could not be ascertained.

#### **304. Non-Clearance of Long Outstanding Balances**

The Statement reflects balances of Kshs.153,300,766.95(Dr), 94,555,377.35(Dr) and Kshs.278,842,647.85(Cr) against Provincial/District Suspense, Exchequer Account and General Account of Vote respectively, relating to 2011/2012 and earlier years. No reason has been provided for failure to clear the long outstanding balances.



## **APPROPRIATION ACCOUNT-VOTE D.106**

### **Basis for Qualified Opinion**

#### **305. Under-Expenditure**

The Appropriation Account for Vote D.106 reflects Gross Under-Expenditure of Kshs.7,749,141,751.55 or 30% of the Gross Estimated Expenditure of Kshs.27,231,199,581.00 in various items under various Heads. Although the under-expenditure has been explained as due to delays in project implementation activities, delays in disbursements of funds by donors and savings in some items due to high turnover of technical advisors, the Ministry has not given the measures put in place to ensure that the expenditure on voted funds is within the budget.

#### **306. Unsupported expenditure**

##### **(i) Wages to Temporary Employees**

The Appropriation Account reflects unsupported expenditure on wages paid to temporary employees, construction and civil works, research, feasibility studies, project preparation and design, and projects under various Heads amounting to Kshs.252,155,426.05. No explanation has been provided for failure to avail the relevant documents for audit verification. Consequently the propriety of the expenditure could not be confirmed.

##### **(ii) Refurbishment of Buildings at DDO's Office - Matungulu**

The District Development Officer, Matungulu, received an AIE amount of Ksh.591,608.00 out of which an amount of Kshs.315,160.00 was charged to refurbishment of buildings. Examination of payment vouchers revealed that an amount of Kshs.299,700.00 was paid to a contractor for partitioning of the DDO's office. However there was no inspection and acceptance report or completion certificate for the works done hence it was not possible to ascertain the specific works carried out, and the period the work was undertaken.

Although documents available indicate that some specific works were carried out, e.g. construction of benches, shelves and doors, physical verification indicated that the benches were not done. Further, no market surveys were done nor were quotations raised prior to acquisition of the works and hence cases of overpricing were notable. This raises doubt on whether there was value for money in respect of the works done and whether the whole amount thereby paid for the works purported to have been done was a proper charge to public funds.

### 307. Pending Bills

Records maintained by the Ministry indicate that pending bills totalling Kshs.14,338,733.00 relating to 2012/2013 financial year and chargeable to Development Vote were not settled during the year, but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the financial statements for 2012/2013, the Appropriation Account for the year ended 30 June, 2013 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.6,298,357,006.65 instead of the Kshs.6,312,695,739.65 now shown. Out of these bills, Kshs.11,924,819.00 had been cleared by 15 January 2014 leaving a balance of Kshs.2,413,914.00 outstanding. The Ministry has not given the action it intends to take to clear the outstanding bills.

### 308. Failure to Provide Expenditure Documents for Funds Received from Swedish International Development Partners (SIDA)

The Government of Kenya and the Government of Sweden signed a grant agreement for funding amounting to Kshs.320 million equivalent to 32MSEK to support Capacity Development Programme for the operationalisation of the National Integrated Monitoring and Evaluation System (NIMES). An amount of Kshs.96,786,800.00 was received in form of Exchequer issues during the year as analyzed below;

<b>Date</b>	<b>Receipt Voucher no</b>	<b>Amount (Kshs)</b>
03.12.12	15	16,700,000.00
11.12.12	17	41,800,000.00
26.06.13	30	<u>38,286,800.00</u>
<b>Total</b>		<b><u>96,786,800.00</u></b>

The Ministry has provided payment vouchers and other supporting documents for an amount of Kshs.65,367,335.55 leaving an unsupported balance of Kshs.31,419,464.45.

### 309. Transfer of Non-Current Assets and Cash Balances

As reported in the previous year, the Central Kenya Dry Areas Projects (IFAD Loan 547-KE and Grant No BG 033-KE) closed on 30 June, 2011 and the financial statements for the 2010/2011 financial year reflected a non-current assets figure of Kshs.137,365,812.95 and a cash balance of Kshs.2,692,000.90 as at 30 June 2011. The Ministry has not provided records on the hand-over of the assets and utilization or surrender to the Ministry of the cash balance after the project closed.

## **STATEMENT OF ASSETS AND LIABILITIES - D.106**

### **Basis for Qualified Opinion**

#### **310. Non-Submission of Trial Balance and Ledger**

The Statement reflects total assets of Kshs.8,075,687,033.10 and total liabilities of an equivalent amount. However, the balances were not supported with General Ledgers and Trial Balance as at 30 June, 2013. In the absence of the support documents, the accuracy of the balances in the Statement could not be confirmed.

#### **311. Outstanding Imprest**

The Statement reflects an outstanding Imprest balance of Kshs.455,900.00 owed by a deceased officer which relates to 2011/2012 and earlier years. The Ministry has not provided reasons as to why the imprest has not been accounted for.

#### **312. Unanalyzed Balances**

The Statement of Assets and Liabilities as at 30 June 2013 reflects balances of Kshs.7,561,861,226.20(Dr), Kshs.499,851,779(Dr) and Kshs.1,762,991,293.45(Cr) against Exchequer Account, Provincial/District Suspense Account and General Account of Vote respectively, relating to 2011/2012 and earlier years. No reason has been provided for failure to clear the long outstanding balances.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 106**

### **Basis for Qualified Opinion**

#### **313. Paymaster General (PMG) Account**

The Statement of Assets and Liabilities for Deposits as at 30 June 2013 reflects a PMG Account debit balance of Kshs.7,442,213.85. The bank reconciliation statement for Deposits cashbook as at 30 June 2013 reflects payments totalling Kshs.191,000.00 in the cashbook not yet recorded in the bank statement. It also reflects payments amounting to Kshs.1,353,899.60 in the bank statement not yet recorded in the cashbook. The amount is made up of four entries relating to January and June 2004 and November 2011. Finally, the bank reconciliation statement reflects Kshs.437,600.00 as receipts in cashbook not yet recorded in the bank statement. No reason has been provided for failure to clear the long outstanding balances.

#### **314. Unsupported Balances**

The Statement further reflects a Paymaster General Account debit balance of Kshs.7,442,213.85 and a similar credit balance under three items which have not been

supported with a Ledger or Trial Balance as at 30 June 2013, contrary to the requirements of Government Financial Regulations and Procedures. Consequently, the accuracy of the balances reflected in the statement as at 30 June, 2013 could not be ascertained.

## **CONSTITUENCIES DEVELOPMENT FUND**

### **Basis for Disclaimer of Opinion**

#### **NAIROBI COUNTY**

##### **315. Kasarani Constituency Development Fund (CDF)**

###### **(i) Under Funding**

During the year under review the Constituency was allocated Kshs.85,286,908.00 for use on various projects which were earmarked for financing. However, the CDF Board released only Kshs.77,839,049.00 resulting in a shortfall of Kshs.7,447,859.00. No explanation has been provided as to how the projects listed would be financed without adequate funding.

###### **(ii) Provisional Sums Included in Project Contracts**

Several projects were planned to be implemented at a cost of Kshs.23,431,387.00. A review of the Bills of Quantities (BoQ) revealed that provisional sums amounting to Kshs.4,450,000.00 were included as part of the total cost. No supporting documentation was produced to show how the pricing of the works done within the provisional sums were arrived at. Consequently, the propriety of the expenditure amounting to Kshs.4,450,000.00 could not be confirmed.

##### **316. Embakasi Constituency Development Fund (CDF)**

###### **(i) Failure to Prepare and Submit Bank Reconciliation Statements**

The cashbook and bank closing balances as at 30 June, 2013 were Kshs.3,961,877.00 and Kshs.40,563.00 respectively. However, bank reconciliation statements for the fund as at 30 June, 2013 were not made available for audit review and the last one availed was for the month of January, 2013. Further, it was also noted that the cashbook was not updated and balanced on a daily basis. Consequently the accuracy of the cash and bank balances could not be ascertained. No explanation has been given for failure to prepare the bank reconciliation statements.

###### **(ii) Improperly Supported Payments**

The Constituency Development Fund made payments amounting to Kshs.19,256,900.00 to various contractors undertaking different projects. However, all the contractors were paid similar amounts without regard to the level of completion of the projects and use of standard contract documents for works as provided for by the Ministry of Public Works. It was not clear how the various projects at different levels of completion and whose total contract sums were different would be paid similar amounts.

### **(iii) Irregular Procurement of Goods, Works and Services**

The CDF Committee prequalified suppliers of goods, works and services who were thereafter requested to quote for various works. A review of the quotations raised and the procurement process revealed that the bids produced by the CDF Committee were not stamped while several contractors who were competing for these jobs appear to be related. This is in contravention of the Public Procurement and Disposal Act, 2005. Consequently, the competitiveness of the contract sums could not be ascertained.

### **(iv) Failure to Effect Statutory and Contractual Deductions**

A review of payment vouchers, cashbook and the bank statements revealed that although the payment vouchers were properly analyzed to show the total payment certificate amount, retention amount, withholding and the VAT amounts, the contractors were paid the value of the full certificate amount including the 3% withholding tax and 10% retention which amounted to Kshs.481,045.00 and which should have been withheld as per the Income Tax Act and the Contract agreements. The CDF committee therefore made these payments in contravention of the Public Finance Management Act, 2012 and contract agreements.

### **(v) Irregular Payment**

During the year under review, an officer acting as a representative of the employer in the implementation of the contracts awarded, received Kshs.777,897.00 from the CDF Committee bank account vide cheque number 2781. This payment related to consultancy fees from the Emergency allocation which was not approved by the Board. It was also apparent that the officer is an employee of Nairobi City County as a Quantity Surveyor and was therefore not eligible for any payment from the CDF Committee kitty. No recovery from the officer had been made at the time of audit for this irregular payment.

## **317. Westlands Constituency Development Fund (CDF)**

### **Construction of Classrooms Block at Highridge Secondary School**

Records availed for audit of Westlands CDF for 2012/2013 revealed that Kshs.44,655,014.00 was allocated to the fund for construction of Classroom Blocks at Highridge Secondary School. The contract for this project was awarded to a construction firm at a cost of Kshs.44,655,014.00. At the time of audit, the CDF Committee had paid the contractor Kshs.42,619,463.60 excluding retention money of Kshs.2,232,751.00. During the project site visit, it was confirmed that the construction was complete but a few beams had cracks. The work appeared to have been poorly done. Further, Westlands CDF Committee did not provide for audit review a list of prequalified suppliers for 2012/2013 as a result of which we could not ascertain how the firm was sourced/identified and the competence to undertake this contract.

### **318. Starehe Constituency Development Fund (CDF)**

#### **(i) Irregular Procurement of Garbage Truck**

The Starehe CDF Committee advertised a tender for purchase of a 14 ton garbage truck vide advert number ST/TR/GRB/12 of 13 July, 2012. Five firms responded and submitted their bids between 7 and 14 May, 2012 while the advertisement of the same tender was dated 13 July, 2012. The quotations were opened before the tender closing date of 16 July, 2012. Further, the tender was awarded to the second lowest bidder at a sum of Kshs12,950,000.00 instead of the lowest bidder who had quoted Kshs.12,438,840.00. The Constituency may have incurred an apparent loss of Kshs.511,160.00 by awarding this contract to the second lowest bidder. This was in breach of the Public Procurement and Disposal Act, 2005 and Regulations 2006.

Further, Starehe CDF transferred Kshs.5,500,000.00 from the Fund Bank Account to the Garbage Truck Project Management Committee Bank Account which approved an advance payment of Kshs.4,500,000.00 to the supplier of the truck. However, as at the time of the audit, the truck had not been delivered and the supplier was demanding payment of the balance of Kshs.8,450,000.00 which was due. No explanation was provided for the non delivery of the truck.

#### **(ii) Single Sourcing of a Supplier**

During the year under review, Starehe CDF Management contracted a Driving School to give 320 people driving lessons at the rate of Kshs.14,950.00 per person giving a total sum of Kshs.4,784,000.00. However, the service provider was not identified through a competitive process contrary to the provisions of the Public Procurement and Disposal Act, 2005. It is also not clear how the 320 people were identified to undertake the training. Consequently, the propriety of this expenditure could not be confirmed.

#### **(iii) Proposed Extension of a Kitchen at Pangani Girls High School Nairobi**

Starehe CDF advertised for the proposed extension of a Kitchen Block at Pangani Girls High School, Nairobi on 1 February, 2012. Five firms responded upon which the tender was awarded to a construction firm at a contract sum of Kshs.5,859,647.00. The contract period was 16 weeks commencing on 25 April, 2012 and ending on 25 August, 2012. The contract was however terminated on 16 June, 2012 after the contractor had requested for variation of the contract sum by Kshs.1,996,859.00 (approximately 34.08%) for additional works. At the time of termination, the contractor had already been paid Kshs.1,177,557.00 excluding retention amount of Kshs.130,840.00. Starehe CDF Committee awarded a second contract for the above mentioned project to a different contractor at a contract sum of Kshs.6,678,945.00. It was however not clear how the new contractor was identified. As at the time of audit, the project was far from completion and the contractor was not on site. The Starehe CDF Committee is likely to continue incurring losses on this project due to lack of adherence to the procurement procedures.

#### **(iv) Unaccounted for Goods**

During the year 2012/2013, Starehe CDF Committee procured 53 plastic tanks, 80 wheelbarrows, garbage collection kits among other items worth Kshs.6,904,890.00 through Starehe/Mathare Environmental Project Management Committee. However, no records were provided to show where the items bought were delivered, casting doubt on proper accountability for the items procured.

#### **(v) Weak Internal Control Systems**

During the year under review, Starehe CDF Committee approved disbursement of Kshs.51,242,996.00 to Community Based Organizations (CBOs) in the Constituency to implement approved development projects. It was however observed that these CBOs are managed by Project Management Committee members. This is a case of conflict of interest and is contrary to the requirements of the Public Finance Management Act, 2012.

### **319. Makadara Constituency Development Fund (CDF)**

#### **Failure to Prepare Project Proposals**

During the year under review, the Constituency was allocated Kshs.81,087,412.00. The CDF Board remitted only Kshs.2,281,836.00 being administration budget for the year under review. The CDF Committee Bank Account had an opening balance of Kshs.9,774,247.00 as at 1 July, 2012. The CDF Committee did not have project proposals for the period under review and therefore the funds could not be released. It was also noted that, the Project proposals for the financial year 2012/2013 were approved in January 2014 and AIE for Kshs.38,261,870.00 was submitted on January 22, 2014. As at the time of audit the CDF Committee had not utilized the released funds and was in the process of undertaking the procurement process.

### **320. Dagoretti Constituency Development Fund (CDF)**

#### **Irregular Procurement of Goods and Services**

During the year under review, the Dagoretti CDF Committee awarded a contract for Construction of Office block at Hon. Beth Mugo High School to a construction firm for Kshs.8,567,255.00. A review of the procurement documents revealed that the lowest bidder had quoted Kshs.7,627,248.00 for the same contract. The contract was therefore awarded contrary to Public Procurement and Disposal Act, 2005. As a result of this the CDF lost Kshs.940,007. Further, the tender committee awarded the contract for the above quoted contract at a sum of Ksh.8,567,255.00 while the budget allocation was Ksh.5,500,000.00 contrary to section 10 (2) (d) of the Public Procurement and Disposal Regulations, 2006. A visit to the site revealed that the construction works on the ramps and stairs were poorly done.



## **KAJIADO COUNTY**

### **321. Kajiado North Constituency Development Fund (CDF)**

#### **(i) Arrears of Project Implementation Due to Delay in Funding**

Records at the Kajiado North CDF show that allocations for projects in 2012/2013 financial year totalled Kshs.88,620,560.00. An amount of Kshs.20,243,979.50 was released to the constituency during the year and an amount of Kshs.68,388,618.00 is due from the CDF Board in respect of 2012/2013 financial year. The disbursed amount represents approximately 23% of the allocations for 2012/2013 financial year.

#### **(ii) Change of CDF Activity**

Whereas Section 9(4) of the Constituency Development Fund Act, 2007 indicates that every constituency which has unspent funds at the end of the financial year shall, in the form set out in the fifth schedule submit a request to the Board detailing how they intend to re-allocate the unspent funds, the projects listed below re-allocated funds provided to finance other activities:

- (a)** Nkoroi Mixed Day Secondary School, Lemelepo was allocated funds for construction of a laboratory and toilets at Kshs.1,500,000.00 and Kshs.500,000.00 respectively vide the CDF Committee meeting held on 4 January, 2013. The funds were subsequently disbursed to the school vide Cheque No. 2907 dated 16 January, 2013. However, the school requested for re-allocation of the funds for completion of classrooms in July, 2013.
- (b)** Ngong Boys and Girls Primary School was allocated Kshs.1,500,000.00 for construction of 20 toilets vide the CDF Committee meeting held on 4 January, 2013. However, it later emerged that the Diocese of Ngong was intending to construct toilets for the boys. Consequently, the management of the school requested CDF to apply the allocated funds for general renovations of the school.

No approval for the change of activity was availed for audit verification in both cases as required by the CDF Act, 2007 and CDF Board circulars.

#### **(iii) Emergency Allocation Utilized Without Board Approval**

Payments totalling Kshs.1,415,000.00 were charged to the Emergency allocation in disregard to Constituency Development Fund Board Secretariat circular reference no. CDF Board/Circulars/Vol.1/109 dated 24 August, 2010 which provides that re-allocations from unspent emergency funds to other (non-emergency) projects to be undertaken after closure of a financial year with the approval of the CDF Board.

**(iv) Project Files and Procurement Records not Availed for Audit Verification**

Project procurement files for projects worth Kshs.10,336,615.00 were not made available for audit verification. It was, therefore, not possible to confirm whether proper procurement procedures were followed or to determine the levels of completion of the projects.

**(v) Outstanding balances in the Bank Reconciliation Statement**

**(a) Stale Cheques**

The Bank Reconciliation Statement as at 30 June, 2013 reflects payments in the cash book not yet recorded in the bank statement totalling Kshs.506,038.00 which includes cheques of Kshs.45,657.00 which have remained outstanding for a period beyond six (6) months. No explanation has been provided for not passing the appropriate entries in the cash book to write them back.

**(b) Payments in Bank Statement not yet Recorded in the Cash Book**

The statement reflects payments in bank statement not yet recorded in cashbook of Kshs.91,650.00 which includes bank charges of Kshs.85,650.00. Further, the bank statement had Kshs.2000.00 and Kshs.4,000.00 indicated as bank overcast and suspense respectively.

**322. Kajjado Central Constituency Development Fund (CDF)**

**(i) Arrears of Project Implementation due to Delay in Funding**

Records at the Kajjado Central CDF show that allocations for projects in 2012/2013 financial year totalled Kshs.82,756,303.00. An amount of Kshs.47,378,151.50 was released to the Constituency during the year while an amount of Kshs.35,378,151.50 is due from the CDF Board in respect of 2012/2013 financial year. The disbursed amount represents approximately 57% of the allocations for 2012/2013 financial year.

**(ii) Cash and Bank Balances**

**(a) Payments in Cashbook not Recorded in Bank Statement**

The bank reconciliation statement for Kajjado Central Constituency - CDF cashbook as at 30 June 2013 reflects payments in cashbook not recorded in the bank statement (unpresented cheques) totalling Kshs.381,289.40 which includes stale cheques amounting to Kshs.75,755.40. It has not however, been clarified why the cheques had not been reversed in the cashbook as at 30 June 2013.

**(b) Payment in Bank Statement not yet Recorded in Cashbook**

Further, the statement reflects receipts totalling Kshs.2,249.00 in cashbook not recorded in bank statement. Failure to bank the long outstanding receipts of Kshs.2,249.00 as at 30 June 2013 has not been explained.

**(iii) Difference in Cashbook, Monthly and Annual Returns Balances**

Monthly and annual expenditure returns and the cashbook provided shows a balance of Kshs.1,869,896.85. However, analysis of the annual receipts and payments for the year show credit balance of Kshs.1,268,321.41 resulting in unanalyzed and unexplained difference of Kshs.601,575.44.

**323. Kajjado South Constituency Development Fund (CDF)**

**(i) Arrears of Project Implementation due to Delay in Funding**

Records at the Kajjado South CDF show that allocations for projects in 2012/2013 financial year totalled Kshs.82,223,690.00. An amount of Kshs.47,116,845.00 was released to the Constituency during the year and that an amount of Kshs.35,106,845.00 is due from the C.D.F Board in respect of 2012/2013 financial year. The disbursed amount represents approximately 57% of the allocations for 2012/2013 financial year.

**(ii) Cash and Bank Balances**

**(a) Payments in Bank Statement not Yet Recorded in Cashbook**

The Bank Reconciliation Statement reflects payments totalling Kshs.1,414,052.95 in cashbook not recorded in bank statement. Failure to recognize these payments in the cash book has not been explained.

**(b) Receipts in Cashbook not Yet Recorded in Bank Statement**

The Statement also reflects receipts totalling Kshs.1,782,824.80 in cashbook not recorded in bank statement. Failure to bank the long outstanding receipts of Kshs.1,782,824.80 as at 30 June 2013 has not been explained.

**(c) Difference in Cashbook, Monthly and Annual Returns Balances**

The monthly and annual expenditure returns and the cashbook reflected a balance of Kshs.1,219,642.70. However, analysis of the monthly and annual returns indicated a credit balance of Kshs.595,000.00 resulting in unanalyzed and unexplained difference of Kshs.1,814,642.70.

## **MACHAKOS COUNTY**

### **324. Kangundo Constituency Development Fund**

#### **(i) Project Implementation and Status**

During the period under review, the Constituency had an approved budget of Kshs.112,714,059.00. Records obtained indicated that several projects were funded by CDF in form of grants to various Projects Management Committees. A review of the projects status for the Constituency revealed that a total of 96 projects for the period under review and prior years had been budgeted for implementation. However, no expenditure returns or inspection and acceptance reports had been filed with the Constituency Development Fund Committee (CDFC). Further the CDF Committee had not started to implement the 2013/2014 projects despite the fact that by the time of this audit, it was six months into the financial year.

#### **(ii) Stalled Project : Dining Hall-Matungulu Girls Secondary School**

An amount of Kshs.3,000,000.00 was released to Matungulu Girls Secondary School in respect of completion of dining hall roofing, fittings, plastering, flooring and painting. A contract had been signed between the School Management and the contractor.

A physical verification indicated that there was no contractor on site and no recent works seemed to have been done. Although the funds had been received, no substantial works had been done to the project and the structure was exposed to dilapidation due to extreme weather conditions. There were no progress certificates, valuation reports or completion certificates made available for audit review. Further, no documentation was provided to show how the funds were utilized or the custody there of.

### **325. Kathiani Constituency Development Fund**

#### **(i) Outstanding Imprests**

Records at the Kathiani CDF indicated that imprest amounting to Kshs.2,066,670.00 was outstanding as at 30 June 2013. Most of the amounts were held by the Fund Manager who has already left the station and the Treasurer who is no longer in the CDF Committee (CDFC) Although some of the funds were purportedly taken for monitoring and evaluation, no reports were made available for verification. The recoverability of the amount outstanding as imprest is therefore in doubt.

#### **(ii) Supply of Medical Equipment**

During the year under review, the Constituency Development Fund Committee procured assorted medical equipment for dispensaries amounting to Kshs.5,979,675.00 from a diagnostics firm without following the laid down procurement procedures. The payment was made through an undated invoice No. 2781 and an undated delivery note No.

2979. There were no tender opening or evaluation committee minutes presented for audit review, neither was there evidence available to show that market surveys were conducted to ascertain the prevailing market prices at the time. The preliminary evaluation was done by only two officers who seem to be duplicated in all other projects. There was no Inspection and Acceptance committee constituted prior to the payment and no certificate was presented for audit review. Records to show how the equipment was issued or distributed were not made available for audit.

### **(iii) Rehabilitation of Kauti Water Project**

The CDF Committee procured services for rehabilitation of Kauti Water Project Tender NO. CDFKATH/068/WT/40/12, vide LSO No.0754110 of 20/3/2013 issued to a supplier. Invoice No. 126 dated 25 February 2013 amounting to kshs.1,000,000.00 was raised by the contactor. The tender amount as per the documents available was Kshs.1,065,032.20. A completion certificate was issued on 25 February 2013.

From the documents available, it is apparent that works were carried out even before they were ordered. Documents available for audit review show that Tender opening and preliminary evaluation were carried out at an undisclosed date and no minutes were available for audit verification. No market surveys were conducted to ascertain the prevailing market prices at the time. There were no technical and financial evaluation reports done or produced for audit review. The preliminary evaluation was done by only two officers who seem to be duplicated in all other projects. There was no Inspection and Acceptance Committee constituted prior to the payment and no report was presented for audit review. It was not possible to ascertain whether the goods were actually procured or that value accrued to the public in view of lack of proper documentation to support the payment.

### **(iv) Kombu Water Project**

The CDF Committee procured services for carrying out repair works to Kombu Water Project Tender NO. CDFKATH/069/WT/19/12 at an amount of Kshs.2,000,000.00. Invoice No.003 dated 21 December 2012 amounting to Kshs.2,000,000.00 was issued by the Contactor. There were no Tender documents and Bills of Quantities made available for audit review. A completion certificate was issued on 20 December 2012. From the documents available it is apparent that works were carried out in a record 4 days. Tender opening, evaluation and Tender Committee minutes were not made available and none was attached to the payment voucher for audit verification. No market surveys were conducted to ascertain the prevailing market prices at the time. There was no technical and financial evaluation report done or produced for audit review. There was no Inspection and Acceptance Committee constituted prior to the payment and no report was presented for audit review. Physical verification indicated that there was no water kiosk in place as purported in the completion certificate and further the laying of the main line was not complete as there were incomplete sections along the pipeline. No Tender documents were available for audit verification and to ascertain the scope of works to have been carried out. In the absence of the necessary documentation with respect to tendering, evaluation and awarding, it is not possible to

ascertain the method of procurement used and whether economy, efficiency and value for public funds was realized in procurement for these services.

**(v) Muindi Mbingu Water Project**

The CDF Committee procured services through Tender No. CDFKATH/069/WT/01/13 for pump house repair, laying of distribution line and fabrication elevation structure and installation of 2 No. 10m<sup>3</sup> plastic tanks for Muindi Mbingu Water Project. An unnumbered and undated invoice was issued for Kshs.3,534,000.00. A completion certificate was issued on 1 March 2013 by the District Water Officer, Kathiani District. From the documents available, it is apparent that works were carried out, inspected and certified even before they were ordered. No documents were made available for audit review in respect of tender opening, technical and financial evaluation and tender committee awarding. No market surveys were conducted to ascertain the prevailing market prices at the time. There was no Inspection and Acceptance Committee constituted prior to the payment and no certificate was presented for audit review. No minutes were made available to show that the withdrawal from the fund was authorized. No progress or completion reports were made available to support the works carried out, certified and paid for.

**(vi) Purchase of Motorcycles and Parts**

Examination of payment vouchers revealed that the CDF Committee spent Kshs.5 million, on the purchase of 47 motorcycles (HADJIN BIKES -150CC) at a cost price Kshs.120,000.00 each for use by chiefs in various locations in Kathiani. However, it was noted that Procurement rules were flouted as the amount involved warranted open tender. Instead the purchase was done through quotations, and no market survey was done.

The bikes had not been registered nor distributed up to the time of audit and are wasting away. There was an Evaluation Committee comprised of only two members and who happen to sit permanently on the Committee regardless of the nature of items purchased which is irregular.

**(vii) Kyumbi Bore Hole**

A total sum of Kshs.2,473,200.00 was paid to a contractor for Kyumbi Bore Hole servicing, construction of concrete base and installation of a water tank as per the availed documentations. However, it was noted that the LSO No. 0432515 was dated 24 September 2012, the invoice was dated 25 September 2012 and a completion certificate issued on 25 September 2012 on the same day. There was no Inspection and Acceptance report to certify the work done.

The District Development Officer-Athi River who was the Authority to Incur Expenditure (AIE) holder did not certify that the expenditure as detailed had been incurred for the authorized purpose and charged to the correct expenditure item.

### **(viii) Construction of Green Houses**

Payments amounting to Kshs.4,080,000.00 for construction of green houses at a cost of Kshs.230,000.00 each were made to a consulting firm. However, no distribution list was prepared and signed by the recipients to confirm that the green houses were constructed according to the specifications and are in good order. Further, no evidence was availed to show that the activity was budgeted for.

It was therefore not possible to confirm that the expenditure was used for public good and funds were utilized for the intended purposes.

### **(ix) Payment for Sports Activities**

Payments were made relating to Kathiani Constituency sports activities amounting to Kshs.3,823,007.00 for purchase of sports equipment amounting to Kshs.2,199,944.00 and tournament cost of Kshs.1,623,063.00. However, no distribution list of the equipment was provided for audit purposes and no evidence was provided to show that the activities took place and the funds were properly accounted for.

### **(x) Piping of Kwangingi Water Projects**

A payment of Kshs.7,277,755.00 was made to two contractors for piping extension and fencing of Kwangingi water projects. However, there was no evidence provided to show when the piping and fencing works were carried out and certified at each stage of performance. Also no contract documents were provided for audit verification.

### **(xi) Road Gravelling**

A payment of Kshs.2,099,840.00 was made for carrying out of gravelling and grading of roads near Mlolongo. However, there was no evidence when the works were carried out, the distance covered and the scope of works carried out. It was therefore, not possible to confirm that the works were carried out.

### **(xii) Excavation of Muthwani Dam**

A payment of Kshs.4,800,000.00 was made on 18 February for excavation of Muthwani dam. However, it was noted that the invoice was not dated. Further, there was no evidence to show when the works were carried out and no contract agreement was provided for audit purposes. It was not possible to confirm that the works were carried out as per the scope of works.

## **326. Masinga Constituency**

### **Project Implementation Status**

A review of the projects status for the Constituency revealed that a total of 20 projects for the period under review, had not started or been completed in time despite the fact

that the funds had been released in time to the CDF account. 11 projects for prior years were still ongoing. Several other projects were funded by CDFC though no expenditure returns were submitted.

Inspection and Acceptance reports and Monitoring and Evaluation reports had been filed with the CDFC office even though records showed that funds had been released to the various Project Management Committees.

### **327. Mwala Constituency**

#### **Project Implementation and Status**

During the period under review, records obtained indicated that several projects were funded by CDF in form of grants to various Projects Management Committees. A review of the projects' status for the Constituency revealed that a total of 41 projects for the period under review and prior years had not started or been completed in time despite the fact that the funds had been released in time to the CDF account and cheques had been written to the PMCs but remained uncleared for some time.

Further, expenditure returns, and Inspection and Acceptance reports had not been filed with the Constituency Development Fund Committee (CDFC). The CDFC has not started to implement the 2013/2014 projects despite the fact that by the time of this audit, it was six months into the financial year.

### **328. Yatta Constituency**

#### **Project Implementation and Status**

The Constituency had an AIE total allocation of Kshs.102,488,340.00 out of which Kshs.60,244,170.00 was funded and Kshs.42,244,170.00 unfunded for the year 2012/2013. There were several projects that were funded by CDF in form of grants to various Projects Management Committees but expenditure returns, and Inspection and Acceptance reports had not been filed with the Constituency Development Fund Committee (CDFC).

The Constituency had 30 projects which were funded during the 2010/2011 but the projects had not yet started 3 years later. There were no Project Management Committee (PMC) reports from the previous Committee stating why the projects had stalled or whether the funds disbursed were still in the respective project accounts and how they intend to implement the projects. Further, the CDFC had not started to implement the 2013/2014 projects despite the fact that by the time of this audit, it was six months into the financial year.



## **KIAMBU COUNTY**

### **329. Lari Constituency**

#### **(i) Rehabilitation of Damaged Roads Sections**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office, revealed that damaged roads sections in the constituency were rehabilitated at a cost of Kshs.1,200,000.00. However, the bills of quantities prepared for the works, completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit review.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,200,000.00 during the year ended 30 June 2013 could not be confirmed.

#### **(ii) Construction of a Dormitory**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's office revealed that a dormitory was constructed at a cost of Kshs.1,000,000.00. However, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,000,000.00 during the year ended 30 June 2013 could not be confirmed.

### **330. Gatundu South Constituency**

#### **Implementation of Projects**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that projects which cost Kshs.19,342,857.00 were started and completed during the year under review. However, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.19,342,857.00 during the year ended 30 June 2013 could not be confirmed.

### **331. Githunguri Constituency**

#### **(i) Construction of a Laboratory at Nyaga Secondary School**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that a contractor was awarded the construction of a

laboratory at a contract sum of Kshs.2,987,750.00. However, no approved building plan and bills of quantities were availed for audit verification and the works were not done as per the draft plans. In addition, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were also not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.2,987,750.00 during the year ended 30 June 2013 could not be confirmed.

#### **(ii) Purchase of Ambulance**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that an ambulance for Githunguri Health Centre was procured at a cost of Kshs.3,400,000.00. However, pre-delivery mechanical inspection was not done on the vehicle by the Chief Mechanical and Transport Engineer before it was bought as required by the Public Procurement and Disposal Regulations, 2006. Under the circumstances, the propriety of the expenditure amounting to Kshs.3,400,000.00 during the year ended 30 June 2013 could not be confirmed.

#### **(iii) Outsourcing of Project Supervision Services**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that project supervision and implementation services were outsourced from a consultancy firm and a total of Kshs.1,776,600.00 was paid during the year under audit. However, no reason was given as to why officers from the Ministry of Public Works and other Government agencies could not supervise the work. The basis of arriving at the fee was not given. In addition, resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,776,600.00 during the year ended 30 June 2013 could not be confirmed.

### **332. Limuru Constituency**

#### **(i) Construction of Jua-Kali Sheds at Kamirithu**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that Kshs.7,000,000.00 has been spent on the project so far including Kshs.2,000,000.00 in 2012/2013. However, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports for works and materials supplied to the site and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.2,000,000.00 during the year ended 30 June 2013 could not be confirmed.

## **(ii) Face Lift for Schools in the Constituency**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that Kshs.10,500,000.00 was allocated to different schools for supply of materials and labour. However, documents availed for audit review indicated that only Kshs.8,146,379.00 was spent on the projects resulting in unexplained difference of Kshs.2,353,621.00.

Under the circumstances, the propriety of the expenditure amounting to Kshs.10,500,000.00 during the year ended 30 June 2013 could not be confirmed.

### **333. Kikuyu Constituency**

#### **Proposed Completion of Gikambura Health Centre Phase II**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that completion works for the Health Centre project (phase II) were contracted out at a contract sum of Kshs.5,910,050.00. However, physical verification of the works revealed that the first floor of the project was still incomplete and the site was not fenced off to secure it from break-ins and vandalism. In addition, the project manager gave a certificate of practical completion which was not supported by Bill of Quantities for phase II of the project. Further, completion certificates at specific predetermined stages and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.5,910,050.00 during the year ended 30 June 2013 could not be confirmed.

### **334. Juja Constituency**

#### **Construction of Classrooms at Mwihoko Primary School**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that the Constituency Development Fund Committee (CDFC) allocated Kshs.2,500,000.00 for the construction of 4 classrooms at Mwihoko Primary School during the year under review. This project was successfully completed and handed over. In addition, the school was allocated another Kshs.3,000,000.00 to construct a similar number of classrooms. However, the completion certificates at specific predetermined stages of the works, Inspection and Acceptance reports and resolutions for withdrawing funds from the CDF account for the completed project and documents to support the new allocation were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.3,000,000.00 during the year ended 30 June 2013 could not be confirmed.

### **335. Kiambaa Constituency**

#### **(i) Construction of Ndenderu Dispensary**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that Kshs.6,800,000.00 has been spent on the project so far, including Kshs.1,300,000.00 for 2012/2013. However, it was constructed next to a high voltage power line and no impact assessment for the project on the effects of the high voltage power line on the users was done. In addition, completion certificates at specific predetermined stages of the works, Inspection and Acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.1,300,000.00 during the year ended 30 June 2013 and the effects of the high voltage power line on the users could not be confirmed.

#### **(ii) Project Implementation Status in the Constituency**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that the Constituency had a budget allocation of Kshs.90,585,572.00. However, Kshs.50,280,000.00 (56%) had not been utilized by the 30 June 2013. No explanation was given for this low absorption of funds.

Under the circumstances, the intended community did not receive value for funds allocated during the year ended 30 June 2013.

### **336. Gatundu North Constituency**

#### **Construction of One Block of 10 Toilets at Munyaka Primary School**

Examination of records for 2012/2013 maintained at the Constituency Development Fund's (CDF) office revealed that construction of one block of 10 toilets at Munyaka Primary School was awarded at a cost of Kshs.500,000.00. However, the block of toilets constructed had 8 toilets instead of 10 as per the bills of quantities. In addition, the completion certificates at specific predetermined stages of the works, inspection and acceptance reports and resolutions for withdrawing funds from the CDF account were not availed for audit verification.

Under the circumstances, the propriety of the expenditure amounting to Kshs.500,000.00 during the year ended 30 June 2013 could not be confirmed.

## **GARISSA COUNTY**

### **337. Lagdera Constituency Development Fund**

#### **(i) Irregular Procurement of Civil Works**

The CDF Management, Lagdera made payments amounting to Kshs.42,300,000.00 to various contractors who undertook civil works within the constituency in respect to some eighteen projects. However, examination of payment vouchers, minutes and procurement documents revealed that some bills of quantities were missing or incomplete and Confidential Business Questionnaires were not filled and, therefore, the contracts undertaken may not have been awarded fairly as the procurement procedures were flouted, contrary to section 227(1) of the Constitution which requires a public entity to award contracts in a fair, equitable, transparent, competitive and cost effective manner. No satisfactory explanation was provided as to why the procurement law, regulations and procedures were not adhered to in awarding these contracts.

In view of the above, the expenditure could not be ascertained as a proper charge to public funds.

#### **(ii) Stalled Project at Bahuri Primary School**

The CDF approved project listing for the period 2012/2013 included construction of a dormitory at Bahuri Primary School at a cost of Kshs.2,500,000.00. The CDF office did not avail both the project file and the B/Qs for the project. Examination of payment vouchers revealed that a payment of Kshs.1,400,000.00 was made vide Cheques No. 247 and 419 of 2/08/2012 and 18/10/2012 respectively for construction of two (2) classrooms instead of a dormitory as per the approved project listing. The payment vouchers were supported by a certificate of work done dated 29 September, 2012 from Public Works and which indicated that the construction of two (2) classrooms was complete.

Physical verifications conducted on 4 February, 2014 revealed that works had been done up to foundation level (slab). No satisfactory explanation was provided as to why the project stalled. As a result of the above, the public did not benefit from this project as earlier intended, and also no value for money was realized on the expenditure incurred. The certificate of completion therefore is in doubt.

In view of the above, the expenditure of Kshs.1,400,000.00 could not be ascertained as a proper charge to public funds.

#### **(iii) Unsupported Bursary Expenses**

The CDF Management - Lagdera awarded bursaries amounting to Kshs.7,100,000.00 to students studying in various schools, colleges and universities. It was noted that the level of studies for the beneficiaries was not indicated and there were no acknowledgement documents from the learning institutions. It was further noted that

some students appeared more than once in the lists supporting different payments made to different learning institutions. No proper explanation was given for the irregularity. This could be fraudulent disbursement of bursary to non-existent beneficiaries.

Under the above circumstances, it was not possible to ascertain that the funds were used for the intended purpose.

#### **(iv) Unsupported Monitoring and Evaluation/ Capacity Building Expenses**

The CDF Office - Lagdera spent Kshs.4,965,000.00 on monitoring and evaluation/capacity building activities in the period under review. It was noted that imprest warrants supporting payment vouchers were not properly processed as accountants in-charge of both vote book control and imprest section did not sign them. List and progress reports of the projects visited were not attached to the payment vouchers. It was further noted that training expenses were not supported by invitation letters, training time tables, attendance certificates/registers to justify the allowances paid to participants.

It was, therefore, not possible to confirm the expenditure as a proper charge to public funds.

#### **(v) Unsupported Administration Expenses**

Examination of payment vouchers revealed that the management spent Kshs.1,575,000.00 on administration and other related activities during the period under review. It was noted that payment vouchers were not supported by payment schedules to justify the payments made. It was further noted that imprest warrants were not signed by accountants in-charge of both imprest and vote book control sections.

In view of the above, the expenditure could not be ascertained as a proper charge to public funds.

### **338. Fafi Constituency Development Fund**

#### **(i) Irregular Award of Contracts**

Examination of payment vouchers, project files and other records held at the CDF FAFI office revealed that contracts amounting to Kshs.10,770,376.00 were awarded irregularly during the financial year under review. Scrutiny of the project files showed that they lacked notices of tender, technical evaluation reports, letters of award, bill of quantities, contract agreements and relevant tender committee minutes.

In the absence of relevant documentation, it has not been possible to confirm that proper procurement procedures were followed in the identification and eventual award of the contracts to various firms which won the tenders.

## **(ii) Unaccounted for Bursaries**

During the financial year under review, the CDF FAFI awarded bursaries totalling to Kshs.2,010,000.00 to students studying in various secondary schools and universities/colleges. However, it was observed that the level of studies for the students were not indicated and students who had no admission numbers were given the bursaries. It was further observed that there were no acknowledgement letters/receipts from the institutions to confirm that the bursaries were received. In the absence of the above, it was not possible to ascertain whether the funds were utilized for the intended purpose.

## **(iii) Monitoring and Evaluation**

An amount of Kshs.696,000.00 was paid in respect of monitoring and evaluation expenditure during the financial year under review. However, the respective payment vouchers were not supported by temporary work tickets, copies of the logbooks and work plans, contrary to government financial regulations and procedures. In the absence of the supporting documents, it was not possible to ascertain whether the CDF undertook the exercise and that the expenditure was a proper charge to public funds.

## **WAJIR COUNTY**

### **339. Dujis Constituency Development Fund**

#### **(i) Irregular Award of Contracts**

Examination of payment vouchers and other records related to a contract for construction of a maternity wing at Medina Dispensary revealed that a contract for Kshs.4,000,000.00 was irregularly awarded in that tender documents such as Bills of Quantities (BQs), letter of agreement, letter of offer and acceptance were not availed for audit review. This was contrary to section 52 of Public Procurement and Disposal Act, 2005 which requires that full tender documents must be prepared by the procuring entity. In the absence of any tender documents completed in full, it has not been possible to determine how the contract was awarded to the firm and whether it was executed properly. As at 30 June 2013, a total of Kshs.2,000,000.00 had been paid to the firm and subsequent payments made in October and November 2013. It has however not been possible to confirm that value for money was realized on the expenditure of Kshs.4,000,000.00 incurred on the project.

#### **(ii) Unsupported Expenditure on Monitoring & Evaluation**

The Government Financial Regulations and Procedures require that all payments must be properly supported with relevant documentation. Contrary to the above regulations, the Dujis Constituency Development Fund Office made payments amounting to Kshs.949,000.00 in respect of monitoring and evaluation of on-going projects during the year under review. However, the supporting documents attached to two payment

vouchers dated 18 September, 2012 did not include a list of projects visited and progress reports arising from the visits. In some cases, copies of log books, temporary work tickets, insurance covers and registration numbers of the vehicles hired for this particular exercise were not available for audit review.

Under the circumstances, it was not possible to confirm propriety of the expenditure totalling Kshs.949,000.00 indicated incurred on monitoring and evaluation of on-going projects during 2012/2013.

## **MARSABIT COUNTY**

### **340. North Horr Constituency Development Fund**

#### **(i) Doubtful Payments for Repairs of Motor Vehicles**

The Constituency Development Fund Committee (CDFC) in a meeting held on 7 February, 2013 under MIN/NORTH HERR/CDFC/03/02/2013 approved payments for completed projects. Included among the completed projects was a payment to a Motor Garage for servicing of two (2) CDFC motor vehicles at a cost of Kshs.1,108,500.00.

Examination of payment voucher No. 387 of 14 March 2013 revealed that three (3) bidders had quoted for the repair of the two motor vehicles at a cost of Kshs.1,108,500.00, Kshs.1,162,800.00 and Kshs.1,217,100.00, and award made to the lowest bidder at Kshs.1,108,500.00.

However, audit verification revealed the following anomalies:

- a) Tender committee minutes awarding the tender to the lowest bidder were not made available for audit.
- b) The two motor vehicles had not been inspected before the quotations were floated.
- c) The amount involved surpassed the threshold of Kshs.500,000.00 for the request of quotations as the repairs costed Kshs.565,500 and Kshs.543,000.00 for each vehicle.
- d) Copies of log books and work tickets were not made available for audit and it was, therefore, not possible to confirm whether the repairs were undertaken.

In view of the above, the propriety of the expenditure of Kshs.1,108,500.00 could not be confirmed.

#### **(ii) Irregular Payment for an Overpriced Dormitory at Umuro Youth Polytechnic**

The CDFC Tender Committee in a meeting held on 14 September 2012 under Min.2/14/9/2012-2013 resolved to float quotations for the construction of a dormitory at Umuro Youth Polytechnic. Three unreferenced and undated quotations were floated



and returned by the bidders indicating amounts of Kshs.3,500,000.00, Kshs.3,600,000.00 and Kshs.3,650,000.00.

The tender committee in its meeting held on 12 October, 2012 vide minute no. 2/12/10/2012/13 opened, deliberated and awarded the contract for the construction of the dormitory block and supply of 20 double decker beds and 40 no. 3” mattresses to the lowest responsive bidder at a contract price of Kshs.3,500,000.00. The letter of award was written to the contractor on 18 October 2012. However, the contract agreement between the parties was not made available for audit review and, therefore, the project duration could not be ascertained. Certificate of Completion no. MBTN/GN15/VOL.1/26 was however issued by the project manager on 28 December, 2012.

Examination of expenditure records revealed that a similar project also funded by the CDFC for construction of a boy’s dormitory block of exact measurements, bill of quantities (B.Q’s), specifications, architectural drawings, 20 no. double decker’s beds and 40 no. 3” mattresses was at the same time being constructed at the Polytechnic but at a far lower cost of Kshs.2,400,000.00.

The grant for this project was approved by the CDFC as per Minute No. North Horr/CDFC/07/12/2012 part (9) of 26 December, 2012 and disbursed to Umuro Youth Polytechnic vide payment voucher and cheque no.334 and 002342 for Kshs.2,400,000.00 respectively, on 29 December 2012.

It was, therefore, not clear why within a span of two months, the cost of a similar project within the same institution and awarded by the same tender committee shot up by Kshs.1,100,000.00. There was no explanation of what economic fundamentals occasioned the abnormal increase of contract price in a span of two months. Consequently, Kshs.1,100,000.00 was apparently lost due inflated project costs.

### **(iii) Flawed Procurement Process for Construction of a Theatre at Kalacha Health Centre**

The Constituency Tender Committee on an undated local advertisement purportedly invited local firms to bid for the construction of an operating theatre with basic theatre equipment at Kalacha Health Centre .The advertisement attracted six (6) tenderers who bought the tender documents but only five (5) returned bids that were opened on 3 August 2012. According to the evaluation committee minutes dated 24 August 2012, only one (1) bidder was responsive and was consequently awarded the tender at a contract price of Kshs.17,441,685.00 on 29 August 2012.

However, the following anomalies were noted:-

- a) The advertisement for the construction works was done within the Constituency instead of a national open tender as prescribed by Section 54(2) of the Public Procurement and Disposal Act, 2005 and the thresholds provided by the First Schedule of the Public Procurement and Disposal Regulations, 2006.

- b) The project's contract price was composed of project management and contract administration expenses, builder's works and prime cost & provisional sums costing Kshs.325,000.00, Kshs.10,276,685.00 and Kshs.6,840,000.00 respectively, hence a total cost of Kshs.17,441,685.00.

Under the prime cost and provisional sums, it was noted that though the procurement law requires the procuring entity to prepare specific requirements relating to the works being procured that are clear, that give a correct and complete description of what is to be procured to allow for fair and open competition among those who may wish to participate in the procurement including technical requirements, the items as described in the Bills of Quantities (BQ) did not adhere to the requirement as explained here below:-

- There was no clear distinction between the provision of Kshs.500,000.00 for plumbing and drainage works (item A) and Kshs.1,000,000.00 for theatre sanitary fittings (item J).
- There was no complete description and or technical requirements of the Kshs.2,500,000.00 provisions for basic theatre equipment (item K).
- A complete description and technical requirements of Kshs.700,000 provision for air conditioning of theatre (item H), the kind of air conditioning and technical specifications, was not provided.
- There was no clarification as to what eventually comprised the Kshs.800,000.00 provision for contingencies (item G).
- A complete description of electrical works provision of Kshs.1,200,000.00 was not provided.
- The provisional sums were irregularly added a profit component totalling Kshs.95,000.00 and attendance for Kshs.45,000.00

The Constituency Development Fund Committee may not have obtained value for money on the expenditure of Kshs.17,441,685.00 due to the flawed procurement process.

#### **(iv) Un-accounted for Expenditure**

During the year under review, the CDFC allocated and issued grants to three (3) institutions all totalling Kshs.6,300,000.00.

However, scrutiny of Projects files revealed that no expenditure returns to support the utilization of the grants had been submitted to the CDFC office by the Project Management Committees. It was, therefore, not possible to confirm whether the grants were utilized or not.

Further, the project files maintained at CDF offices lacked vital information such as project proposals, copies of minutes of PMCs, bank statements, contract agreements etc.

In absence of the expenditure returns, it was not possible to ascertain whether the funds disbursed to PMCs were utilized for the intended purposes.

### **341. Saku Constituency Development Fund (CDF)**

#### **(i) Construction of Maternity Ward at Jirime Dispensary**

A Building Construction Company was awarded a contract for construction of a maternity ward at Jirime Dispensary at a contract price of Kshs.1,995,450.00 by Saku Constituency Development Committee (CDFC). The firm emerged the lowest responsive bidder among four others who had responded to quotation no. CDF/SAKU/11-12/28 of 8/5/12 of April 2012. The contract agreement was signed on 24 May 2012 and the project was to be completed by 30 September 2012. However, except for the winning bidder's priced Bill of Quantities (BQs), BQs for other bidders were not made available for audit review.

In a meeting held on 21 December 2012, the CDFC vide minute no. SAKU-CDFC/21/12/12 part 1 approved payment of Kshs.1,995,450.00 to the contractor and the payment was made vide payment voucher no.061499 and cheque no. 003058 of 14 January 2013. The payment was based on a Certificate of Practical Completion issued by the District Works Officer, Marsabit, on 11 January 2013 and which indicated that the construction works, electrical and mechanical installations were complete and tested.

However, the CDFC vide minute no. SAKU-CDFC/28/02/13 part 12 approved another payment of Kshs.249,900.00 to M/s Thevenin Electrical Sales for installation of electricity at Jirime maternity (same project) which was paid for vide payment voucher and cheque no.061652 and 003151 respectively of 26 February 2013. These works had however been included and paid for under the main contract.

Physical verification of the project carried out on 27 November 2013 disclosed that the maternity ward was shoddily constructed and was not in use eleven months after completion. The ward can indeed not be used for its intended purpose in its present state since the District Medical Officer of Health (DMOH) Marsabit had already stated it was not suitable for use as a maternity ward. It was noted that the CDFC did not involve the DMOH, Marsabit in the implementation of the project as required by Section 35 (2) of the CDF Act, 2003. Although these matters were brought to the attention of the CDFC and the Fund Account Manager, no explanation has been given for the wasteful use of public funds.

Consequently, expenditure totalling Kshs.2,245,350.00 incurred on the project may not provide the intended benefits to the community and is therefore a waste of public funds.

## **(ii) Irregular payment for Shoddy works at Marsabit Jua Kali Centre**

The Saku Constituency Development Fund Tender Committee invited three (3) construction firms to bid for the construction of semi-permanent structures at the Marsabit Jua Kali Centre vide Quotations no. CDF/SAKU/12-13/36 of 8 October 2012. The firms responded and the Tender Committee vide minute no. CDFTC/02/10/12 (b) of 15 October 2012 deliberated on the three bids and awarded the tender to the lowest responsive bidder at a contract price of Kshs.500,000.00. Subsequently, a contract agreement was signed on 25 October 2012 between the contractor and the CDFC and the project was to be completed by 30 December 2012. However, no evaluation minutes, letters of notification, award and acceptance letter were made available for audit review.

The project was completed and a Certificate of Practical Completion ref. MARS/DWO/CERT/VOL.1/157 of 26 November 2012 issued by the then Ministry of Public Works. The CDFC in its minute no. SAKU-CDFC/21/12/12 (19) of 21 December 2012 noted that the Marsabit Jua Kali Shed (construction of shed and supply of car wash machine) had been completed by the contractor and approved the payment. The payment was made vide payment voucher and cheque no. 061617 and 003117 respectively of 26 February 2013.

Physical verification of the project on 28 November 2013 revealed the following anomalies:-

- i) The provisional sums set by the Ministry of Public Works on the BQ of the winning bidder was Kshs.150,000.00 (Kshs.20,000.00 for supervision and Kshs.130,000.00 for supply of three Phase Power supply), but other bidders provisional sums was Kshs.190,000.00 (Kshs.20,000.00 for supervision, Kshs.10,000.00 for wall sign writing and erection of signboard, Kshs.40,000.00 for supply of car wash machine and Kshs.120,000.00 for supply of three phase power supply). It was therefore not clear why the Ministry of Public works provided different provisional sums for the same project.
- ii) The Jua Kali Centre, though completed, cannot be used during the rainy seasons as the roof length was short.
- iii) The three phase power supply though paid for at Kshs.130,000.00 was not supplied and no evidence was adduced to show that the same had been paid to KPLC.
- iv) Although the CDFC approved the payment for construction and supply of car wash machine, no car wash machine was supplied.

In the circumstances, the propriety of the expenditure of Kshs.500,000 could not be confirmed.

**(iii) Irregular Procurement for Construction Works at Saku Youth Empowerment Centre**

The Saku CDFC floated quotations for construction of an ICT Laboratory, Carpentry Class, Tailoring Clsss and a Gymnasium Hall at the Saku Youth Empowerment Centre instead of inviting tenders through the open tendering method as required by the Public Procurement and Disposal Act, 2005. Four firms responded and during a Saku CDF Tender Committee meeting held on 14 September 2012, the contract was awarded at a contract price of Kshs.6,398,560 as analysed below:-

<b>Particulars</b>	<b>Tender Sum (Kshs)</b>
Construction of ICT Lab	1,617,760
Construction of Carpentry Class	1,794,400
Construction of Gymnasium Hall	1,493,200
Construction of Tailoring Class	<u>1,493,200</u>
<b>Total</b>	<b><u>6,398,560</u></b>

The contractor was paid the first payment of Kshs3,057,020 vide cheque no. 003030 dated 16 November 2012 and the final payment of Kshs.3,338,540 was made on 25 February 2013 vide cheques no. 003126, 003129, 003130 and 003128 of Kshs.697,250.00, Kshs.707,250.00, Kshs.956,590.00 and Kshs.977,450.00 respectively.

However, the following irregularities were noted:-

- i) The contractor who won the tender was not among the Pre-qualified Contractors in Marsabit Central District.
- ii) The contractors' profiles were not made available for audit verification.
- iii) The tender costing a total of Kshs.6,398,560.00 was split into four to avoid open tendering method of procurement.
- iv) The CDFC paid the Contractor directly instead of transferring the funds to the PMC – Saku Youth Empowerment Centre.
- v) The minutes for the PMC – Saku Youth Empowerment Centre were not made available for audit review.
- vi) No retention fee was withheld although some cracks were visible on the walls.
- vii) No project returns for Saku Youth Centre were in the file.

Physical verification of the project on 3 December 2013 revealed that it was complete but the ICT Lab and Carpentry class were being used by CDF staff as offices, and hence not put to intended purpose.

In view of the above, the CDFC was in breach of the CDF Act, 2003 Public Procurement and Disposals Act, 2005 and the Regulations of 2006.

**(iv) Irregular Procurement of Equipment and Non Utilization at the Saku Youth Empowerment Centre**

The Saku CDFC floated quotations No.CDF/SAKU/12-13/25 dated 04 October,2012 to five contractors / suppliers for supply of equipment for Saku Youth Empowerment Centre. The five firms responded and in the meeting of 15 October, 2012, the CDF Tender Committee awarded the contract to the lowest bidder at a price of Kshs.6,601,000. The contract was signed on 19 October, 2012 with the last date of delivery of the supplies being 19 December, 2012. The goods were delivered vide delivery notes dated 8 January, 2013. Subsequently, the funds were transferred to Saku Youth Centre PMC account maintained at the Kenya Commercial Bank (KCB) Marsabit on 14 January 2013. On 19 January 2013, the PMC transferred Kshs.6,601,000.00 to the firm in respect of goods supplied to the Youth Centre.

However, the following irregularities were observed:-

- i) The contractor/supplier who won the tender was not among the Pre-qualified Contractors in Marsabit Central District.
- ii) The contractors'/suppliers' profiles were not made available for audit review.
- iii) Purchase of equipment for the Centre was far above the threshold for request for quotations.
- iv) The invoices attached to the payment voucher were dated 18 December 2012 while the delivery notes were dated 08 January 2013, implying that the CDF was billed before delivery of the goods. The equipment was to cater for tailoring, capacity gymnasium and ICT lab.
- v) The specifications list/schedule of equipment from the relevant departments was not made available for audit scrutiny to confirm that equipment delivered met the users' specifications and needs.
- vi) The minutes for the PMC – Saku Youth Empowerment Centre approving the transfer of funds to the supplier were not made available for audit verification.
- vii) Although the equipment was delivered on 8 January 2013, no report of the Inspection and Acceptance Committee were made available for audit to confirm that the equipment met the required specifications.
- viii) A visit made to the Youth Centre on 3 December 2013 revealed that the equipment had not been installed 11 months after delivery.

No explanation was given for failure to put the equipment into the intended use.

In the circumstances, the need for the equipment by the institution was in doubt, and therefore, the funds were not put to proper and beneficial use.

## **ISIOLO COUNTY**

### **342. Isiolo North Development Fund (CDF)**

#### **(i) Construction of Gotu Bridge**

During Isiolo North CDFC meeting held on 1 November 2011, a proposal for construction of Gotu Bridge was discussed and Kshs.40,000,000.00 approved for the project with a similar additional amount provided during 2012/2013, bring the total allocation for the construction of Gotu Bridge to link Merti and Isiolo Districts to Kshs.80,000,000.00.

Subsequently, in a letter dated 29 August 2012, the Fund Account Manager requested the Kenya Rural Roads Authority (KeRRA) - Isiolo Region, to prepare Bill of Quantities (BQ's) for the construction of Gotu Bridge. In response, the General Manager, in a letter dated 21 September 2012 indicated that KeRRA had already undertaken to construct the bridge and a firm of Consulting Engineers was already on the ground working on the design of the bridge with the work expected to be completed by mid-2013. The project was to be implemented in financial year 2013/2014. Therefore KeRRA advised the CDFC to take short measures in the improvement of the drift and offered to send two engineers to assist in formulation of the short term measures and prepare cost estimates for the improvement of the drift using CDF funds, as the design of the bridge progressed.

However and for unexplained reasons, the CDFC hurriedly decided to implement the bridge project and on 20 September 2012 through the Fund Account Manager requested the District Tender Committee to allow the use of restricted tendering method for procurement of works citing complexity of the work, short time left before CDF accounts were frozen, effects of the on-coming short rains season and security for the community who uses the bridge. The Chief Engineer (Structural), Ministry of Public Works was on the same day requested to provide a prequalified list of contractors.

The District Tender Committee in its deliberations supported by minute no. MIN.1 DTC/Sept/2012 of 24 September 2012 also felt that the use of open tendering would take a longer process yet the CDF accounts were to be frozen by 3 December 2012 due to the forth coming general elections. The Committee also expressed fear that after the general elections, the incoming new CDF committee may not consider the bridge a priority and hence approved the use of restricted tendering and the prequalified list of contractors presented.

Subsequently, quotations no.ISL/CDF/1/2012-2013 were floated whereby eight (8) bids were returned and opened on 15 October 2012 but only 3 bidders were considered responsive by the evaluation committee made up of the CDFC Chairman, Secretary and one Member. The committee recommended a contractor based in Nanyuki for the award at a contract price of Kshs.84,945,086.10, being the lowest responsive bidder. The District Tender Committee endorsed the recommendation on 24 October 2012 vide minute no. 2DTC/OCT/2012 and the contractor was notified of the award on the same

day. However, letter of acceptance by the contractor and contract agreement signed by the parties were not produced for audit review although appendix to form of tender dated 18 October, 2012 indicated the project duration as 20 weeks, implying that the project should have been completed by 11 April 2013.

## **(ii) Implementation of the project**

Available information indicate that immediately after the award of the contract, the contractor through letters dated 5 December, 2012 and 22 March 2013 raised several complaints ranging from insecurity, rains, long distances of getting ballast, unsettled claims and some unsubstantiated threats, and requested for unspecified extension of time to complete the project. The Fund Account Manager on behalf of CDF committee vide letter dated 23 March, 2013 granted extension of the project duration by 24 weeks, bringing the contract period to 56 weeks ending 30 January, 2014.

Delays in completion and apparent lobbying for termination of the contract continued until 29 June 2013 when the Fund Account Manager communicated to the contractor the decision to terminate the contract vide letter ref: no. CDF/ISILOLO NORTH/ADM/01/06/2013, which the contractor accepted on condition that clause 65 (special risks) is observed and on 5 July 2013, presented a winding up claim totalling Kshs.58,914,445.58 made up of work done (Kshs.13,893,552.00), loss of 35% (Kshs.29,730,780.17), demobilization of 8% (Kshs.6,795,606.88), damages of 8% (Kshs.6,795,606.88) and miscellaneous of 2% (Kshs.1,698,901.72) of the contract sum of Kshs.84,945,086.00. This represented about 69% of the contract sum while the actual work done including materials on site totalled to only Kshs.13,930,994.10 or 16.4% as per Ministry of Lands, Housing and Urban Development letter dated 15 July, 2013. However, the minutes of the negotiations meetings were not made available for audit scrutiny and it was not explained why the CDF Board was not represented in the negotiations.

## **(iii) Winding up of construction of the project**

According to a letter from CDF Board dated 18 October 2013, negotiations between the contractor, CDFC and the Ministry of Public Works agreed on winding up amount of Kshs.21,204,046.55 to be paid to the contractor.

According to the winding up agreement dated 25 October 2013, works done was agreed as Kshs.13,893,552.00 (materials worth Kshs.3,036,091.60 inclusive), Loss of Profit 18% (Kshs.12,789,276.14), Demobilization 4% (Kshs.2,842,061.36) and Damages 6% (Kshs.4,263,092.05), all totalling Kshs.33,787,981.55 less payment of certificate no. 1 of Kshs.12,583,935.00 made on 15 February 2013 vide payment voucher no. 270377. The balance of Kshs.21,204,046.55 was paid to the contractor vide payment voucher no.270520 of 22 October 2013 and cheques no. 408109 and 40810.



During the review of the project cycle, the following issues were noted:-

- i) The project proposal was not made available for audit review and it was therefore not clear how it was identified and prioritized as a CDF project for funding.
- ii) The relevant Government Agency for the type of project (Kenya Rural Roads Authority) had indicated its intention to implement the project and had indeed contracted a consultancy firm of Engineers to provide detailed designs of the project. The Agency advised for short term measures to improve the existing drift using CDF funds but not a whole bridge which it had commenced work on. No evidence was provided to show that KeRRA was later involved in the project and it was not ascertained how the District Works Officer, Isiolo (a Quantity Surveyor) was appointed the project manager of a project previously described as complex to justify the use of restricted tendering.
- iii) The thresholds for a national open tender were exceeded while justification for restricted tendering was unsatisfactory.
- iv) Although the request for restricted tendering stated that the project was complex, no evidence was adduced to show that the technical department was involved in evaluation of the bids said to be complex.
- v) The letter of acceptance, contract agreement, formal termination letter and the negotiation minutes that lowered the contractor's claim from Kshs.58,914,447.55 to Kshs.33,787,981.55 as per the winding up agreement were not made available for audit review.
- vi) Although the contractor had sought for unspecified extension of project duration, no evidence was provided to show that extension of time by the Engineer as per the general conditions of contract 2.1 (b) (iii) was granted. Further, reasons for request of extension due to rains and distances of obtaining materials were not justified according to Clause 44.1 of general conditions of contract which stated that neither rains falling between 1 November and 31 December and between 1 February and 31 May, nor floods caused by such rains shall be deemed exceptional weather conditions such as may fairly entitle the contractor to an extension of time for the completion of the work; and clause 4.1 where the tenderer is advised to visit and examine the site and its surroundings and obtain for themselves all information that may be necessary for preparing the tender and entering into a contract.

The project was visited on 30 January 2014 and the following was observed:-

- a) According to the District/County Works Officer letter ref: MOPW/ISL/B.38/VOL.1/10 of 15 July 2013, materials on site as at 8 July 2013 were valued at Kshs.3,036,091.20 and were handed over to the Constituency

Development Fund Committee when the project was terminated. However, only materials estimated at Kshs.325,032.00 were found on site during the physical verification. Materials valued at Kshs.2,711,066.20 remain unaccounted for.

- b) The 2no. Piers with concrete and 1no. Pier without concrete that had been done by the contractor appeared to be below the level which the waters rises during the rainy season and would therefore be submerged.
- c) According to the statement for payment on account no.1 of 18 January 2013, value of work done was Kshs.9,312,596.00 and that of materials on site was Kshs.3,271,339.20, both totalling to Kshs.12,583,935.00. Ten(10) months later, the winding up agreement dated 25 October 2013 based on valuation no. 2 shows work done as Kshs.10,922,571.00 and materials on site as Kshs.3,036,091.00, both totalling to Kshs.13,958,662.80. If both certificates were accurate, the contractor over a period of ten months did works valued at only Kshs.1,374,727.00.

Had the CDFC followed advise of KeRRA to take short term measures on the improvement of the drift, the total amount of Kshs.33,787,981.55 spent on the project could not have been lost. No explanation has been provided for the poor conception and implementation of a project which has resulted in the loss of Kshs.33,787,981.55.

#### **(iv) Payments for Incomplete Works and Flawed Procurement Procedures**

In a meeting held on 15 March 2012, the CDFC vide minute no. MIN 06/03/2012 agreed that the conditional grant of Kshs.17,442,857.00 from the CDF Board, would be used to finance the construction of staff houses and fencing at Biliqo Marara and Matarba Dispensaries at a cost of Kshs.3,000,000.00 per Dispensary, among other projects. The funds were subsequently disbursed to the respective Project Management Committees (PMC's) vide payment voucher no. 12 and 17 both of 18 October 2012 and cheque no. 103914 and 103920 for Kshs.3,000,000.00 each, respectively.

A scrutiny of the procurement records for the works in both dispensaries revealed flawed procurement processes. According to Biliqo Marara Dispensary Project Management Committee minutes of a meeting held on 20 September 2012, the quotation for the lowest bidder was Kshs.2,499,999.00 for type 'F' staff house and Kshs.500,000.00 for fencing works. Similarly, the Martaba Dispensary Project Management Committee minutes of a meeting held on 06 September 2012, the quotation for the lowest bidder was Kshs.2,499,999.00 for type 'F' staff house and Kshs.500,000.00 for fencing works. According to the tender documents made available for audit review, the prices as per the priced Bills of Quantities of the two different and lowest bidding contractors who were awarded the contracts were similar in all aspects and the totals for each contract was equivalent to the conditional grant allocation by the CDFC of Kshs.3,000,000.00.

The projects were visited on 30 January 2014 and the following observations made:-

- i) Both projects were located at the sites where the CDFC had in previous years financed construction of dispensaries that were not operational as at the time of audit verification in January 2014. Records maintained by the CDFC show that Biliqo Marara and Martaba Dispensaries had been funded to the tune of Kshs.5,200,000.00 and Kshs.5,150,000.00 respectively, as at the time of audit.
- ii) Besides poor finishing works, certain visible items included in the BQ for Biliqo Marara Dispensary valued at Kshs.415,480.00 were not done.
- iii) At Matarba Dispensary, works were generally poorly done and the ceiling boards were falling off and infested with bats. Further, the items in the BQs valued at Kshs.465,480.00 were not done.
- iv) No expenditure returns were filed in the respective project files to show how the various disbursements to the Project Management Committees of the two projects were expended.

In the absence of the expenditure returns and apparent poor workmanship, the propriety of the expenditure of Kshs.6,000,000.00 incurred on the two projects during the year under review could not be confirmed.

**(v) Payment of Sitting Allowances to Non - CDFC Members**

Examination of expenditure records relating to allowances disclosed that Kshs.1,919,000.00 was incurred in respect of sitting allowances for the CDFC members during the year ended 30 June 2013. According to payments schedules supporting payment vouchers for the eight (8) CDFC meetings and tours during the year under review, the meetings were apparently attended by twenty one (21) persons instead of the maximum sixteen (16) allowed by the CDF Act. This resulted to an irregular expenditure of Kshs.450,000.00 made up of payments to members who exceeded the authorized limit. Further, no attendance register was made available for audit to confirm the full attendance of all meetings by all members.

Consequently, the expenditure totalling Kshs.450,000.00 was not allowable.

**(vi) Payments for Construction of a Computer Laboratory**

During the financial year 2012/2013, Isiolo Boys Secondary School was allocated Kshs.592,857.00 for the completion of the School's computer laboratory and the amount was disbursed to the School vide payment voucher no.270275 of 18 October 2012. The procurement process was done by the school but no tender documents and/or quotations were availed for audit review.

It was further observed that, the computer laboratory had earlier been funded to completion at a cost of Kshs.1,257,390.00 which was paid for in installments of Kshs.950,000.00 and Kshs.257,390.00 to a Construction Company and a further amount of Kshs.50,000.00 paid as implementing committee allowance in March, 2007.

The contractor did not however complete the construction and hence the need to hire the services of a second contractor to do the finishing works. Also, no tender documents and/or quotations were made available by the school management for audit review.

The project was visited on 30 January 2014 and the computer laboratory was confirmed complete and in use.

No explanation was given as to why the first contractor failed to complete the project yet the funds were allocated for completion of the project, resulting to an additional expenditure of Kshs.592,857.00 being incurred during 2012/2013.

## **MERU COUNTY**

### **343. Igembe South Constituency Development Fund (CDF)**

#### **(i) Procurement of Bridges Construction Works**

The Igembe South Constituency Development (CDF) Tender Committee invited bids for construction of four (4) bridges within the Constituency vide quotations reference no. IG/S/CDFC/1- 4/2012 dated 16 July 2012. Three (3) bidders for each bridge responded to the quotations to construct Antubangai, Akumbwe, Mutua and Anchenge Bridges. The Tender Committee in a meeting held on 23 July, 2012 as per Min: 5 CDFC/TENDER/2012 awarded the construction of the four (4) bridges to the lowest bidders.

The contractors were paid for the works done between August and October 2012 based on valuation certificates of work done issued by Kenya Rural Roads Authority (KeRRA).

However, the following irregularities were noted:-

- i) The construction of the four (4) bridges was implemented by the Constituency Development Fund Committee (CDFC) instead of the Project Management Committee, contrary to Section 35 (2) of CDF Act, 2003 and Section 1.3 of operations Manual for Project Management Committee (PMC) of 6 March, 2011.
- ii) The Bills of Quantities (BQ's) lacked detailed specifications such as drawings indicating the sizes of the bridges.
- iii) The construction for the bridges was procured through use of quotations instead of open tender.
- iv) No Project proposals (s) from the community were made available for audit verification.
- v) The sizes of guardrails for both sides of the bridge had not been indicated.

- vi) The Antubangai Bridge may not be used by motor vehicles due to its size and strength as noted during the physical verification on 31 January, 2014.
- vii) The two firms which had quoted for Akumbwe Bridge were not among the prequalified building contractors.
- viii) Unauthorized overpayment of Kshs.58,713.00 was incurred in the construction of Anchange bridge.
- ix) No Certificates of Practical Completion of the works were issued.

In view of the above, it was not possible to ascertain whether value for funds paid to contractors were actually realized.

### **(ii) Un accounted for Grants**

During the year under review, the Igembe South CDF Committee allocated and issued grants totalling Kshs.50,016,357.00 to four(4) sectors for various projects as follows:-

<b>Sector</b>	<b>Amount (Kshs)</b>
Education	26,623,500
Health	8,642,857
Water	11,450,000
Roads & Bridges	<u>3,300,000</u>
<b>Total</b>	<b><u>50,016,357</u></b>

Scrutiny of the projects files revealed that no expenditure returns to support utilization of the grants had been submitted to the CDFC office by the PMC's as at the time of audit in January, 2014.

Further, the project files maintained at CDF offices lacked vital information such as project proposals, copies of minutes of PMCs' meetings, bank statements and contract agreements.

In absence of the expenditure returns, it was not possible to ascertain whether the funds disbursed to PMCs were utilized for the intended purposes.

### **(iii) Un-supported Expenditure**

Examination of expenditure records relating to four sectors disclosed that various payments made during the year under review had not been accounted for or supported as shown below:-

<b>Sector</b>	<b>Amount (Kshs)</b>
Environmental	1,000,000
Administration	1,508,500
Monitoring & Evaluation	558,000
Roads & Bridges	<u>1,642,000</u>
<b>Total</b>	<b><u>4,708,500</u></b>

In the circumstances, the propriety of the expenditure totalling Kshs.4,708,500 could not be confirmed.

#### **(iv) Irregularities in Payment of Bursaries**

In a meeting held on 10 October 2012, the CDFC vide MIN 56/CDFC/10/2012 (a) approved bursaries totalling Kshs.1,011,000.00 to be paid to students in various learning institutions. A payment voucher No. 326 of 05 October 2012 for the same amount was prepared and duly authorized for payment.

However, it was observed that:-

- i) Bursary cheques were all not drawn as per approval of the CDF in that bursaries amounting to Kshs.355,000.00 out of Kshs.1,011,000.00 approved for payment are yet to be paid while bursaries totalling to Kshs.291,000.00 were paid even though not approved by the CDF Committee.
- ii) No acknowledgement from the learning institutions was seen.

It has not been explained why the bursaries were not issued as approved by the CDF Committee.

#### **344. Tigania West Constituency Development Fund (CDF)**

##### **(i) Flawed Procurement Process and Poor workmanship at Kamaroo Ntombo Bridge**

An amount of Kshs.2,000,000.00 was disbursed to Kamaroo Ntombo Bridge Project Management Committee (PMC) by the CDFC for construction of a bridge. The project was approved by the Constituency Development Fund Committee (CDFC) vide minute number 5 of a meeting held on 22 September 2012. The funds were released to the PMC through payment voucher number 407 dated 5 November 2012 and cheque number 002187 dated 24 November 2012.

It was observed that no bids were invited for the works as required by the Public Procurement and Disposal Act, 2005 but instead seven prospective bidders wrote application letters to the PMC. The basis of the applications was therefore not clear in the absence of tender advertisements. Out of the seven firms, only three applicants indicated their tender sums for the construction of the bridge of Kshs.1,893,250.00, Kshs.1,960,000.00 and Kshs.2,500,000.00. The remaining four applicants did not indicate the tender sums and the applications were not accompanied by bills of quantities and bridge design plans. The PMC allegedly interviewed the bidders on 15 June 2012 as documented in the minutes of the same date although documents made available indicate that all the bidders made their applications in the month of December 2012. In that meeting, a construction company was awarded the contract at a price of Kshs.1,960,000.00. Further, the criteria for selection was not known as the interview statistics were not made available for audit review. Details regarding the registration of

the contractor and evidence of the firm having undertaken similar works previously were not made available for audit review. Further, the PMC Executive Committee did not minute approvals for the various payments made to the contractor, neither were there documents from the contractor indicating the amounts received. In addition, the bank statement showed that there were a series of cash withdrawals totalling Kshs.2,000,000.00 made between 28 December, 2012 and 14 March, 2013.

Physical verification of the bridge on 30 January 2013 revealed that the bridge had collapsed and fallen into the river. The protruding iron bars revealed that the bars fitted were of light weight which could not strongly support a bridge of such magnitude. It was however not possible to confirm whether or not the right materials were used due to lack of bills of quantities. A printout of the project site book showed that an officer from KERRA had inspected the bridge on a regular basis in the months of January 2013, with a general observation that there was good progress.

No explanation was given for the haphazard manner in which the procurement process was handled and why the contract was not awarded to the lowest bidder who had quoted Kshs.1,893,250.00 and also gave a detailed quotation. Also, no action had been taken against the contractor for the collapsed bridge. The Constituency therefore did not get value for money from the expenditure of Kshs.2,000,000.00 incurred to construct the bridge.

## **(ii) Delayed implementation of Urru Stadium**

The CDFC in a meeting held on 22 September 2012 under minute number 5/22/09/12 approved Kshs.8,000,000.00 for fencing Urru Stadium, by erecting a perimeter wall and a gate. The payment to the project was made through payment voucher number 404 dated 5 November 2012 and cheque number 002190.

A project tender committee meeting held on 10 January 2013 at Tigania West CDF offices resolved to invite tenders locally due to time limit. An advertisement was placed in various public places within the Constituency. Seven bids were received and tender opening was done on 23 January 2013 and eventually evaluated on 30 January 2013, with the lowest bidder quoting a price of Kshs.11,880,656.20.

These tenders were sourced locally within Meru County, as opposed to open tendering where the advertisement should have been placed in the major dailies as required by the Public Procurement and Disposal Act, 2005.

Audit verification revealed two evaluation reports both dated 30 January 2013 and which were similar in all aspects except for the recommendation minutes done. One of the evaluation reports recommended that the works be awarded to the lowest bidder while the other recommended the sixth lowest bidder for the award. No explanation was given for the discrepancy.

The above recommendations were later disregarded without any reasons provided and the tender re-advertised on 09 September 2013. Twelve bids were received and opened on 30 September 2013 and tender evaluation done on 15 October 2013.

Out of the bidders, nine firms were non-responsive and therefore disqualified. Three firms went through financial evaluation with one firm being disqualified due to significance deviation from the engineers estimate. The contract was finally awarded to the most responsive bidder at a contract sum of Kshs.11,849,777.00. The contractor was notified of the award on 22 October, 2013 and contract agreement signed on 14 November, 2013. Details of expenditure and payments from the disbursement were not produced for audit. However, examination of the bank statements disclosed a balance of Kshs.7,773,891.25 as at 31 October 2013. No bank statements for the period November 2013 to January 31 2014 were produced for audit review despite several requests. In addition, the expenditure of Kshs.226,108.75 which had been incurred from the account was not explained or supported.

Although the project duration was four months from the date of the contract, a site visit made on 29 January 2014, two and a half months after award, revealed that only the foundation trenches had been done and a few building materials like sand and building stones supplied. However, apparently, no works were going on as the contractor was not on site. It is also important to note that the contract was funded to the tune of Kshs.8,000,000.00 and therefore the contract sum of Kshs.11,849,777.00 exceeded available funds by Kshs.3,849,777.00. The would be source of extra funds was not disclosed. Further, in the absence of the bank statements, the balance of funds still held in the account for implementation of the project could not be confirmed.

### **(iii) Doubtful Ownership of Laciathuriu Resource Centre and Reallocation of Funds**

A sum of Kshs.1,500,000.00 from the year 2012/2013 allocation was disbursed to Laciathuriu Resource Centre by the CDFC for the construction of a library and offices to completion. The approval for the disbursement was made vide minute number 5/22/09/2012 of a CDFC meeting held on 22 September 2012. The disbursement was made through payment voucher number 400 dated 5 November 2012 and cheque number 2197.

However, the official registered name of the Project could not be determined as different documents gave different names. Whereas the payee on the payment voucher, cheque counterfoil, and cash book was Laciathuriu Resource Center, a project bank statement for account number 1040199972041 maintained at the Equity bank showed the name as Laciathuriu Resource Centre Self Help Group. Further, the expenditure summary filed in the project's file showed the name as Women Resource Centre, while the CDF board's approved project code list indicated the name as Laciathuriu Resource Centre. Expenditure summary in the project file indicated the construction works were done by a firm based in Meru, but only the bill of quantities from the contractor who had a quote of Kshs.1,723,650.00 was found in the project file. It was therefore not clear how the contractor was identified and awarded the contract.



The expenditure summary further showed that a total of Kshs.1,509,600.00 had been transferred from the project account to the contractor between 24 January 2013 and 22 July 2013. This represented about 87.6% of the total contract price quoted. Physical verification of the project revealed that works totalling Kshs.637,400.00 had not been done, implying that the actual works done were only about 63%. The works which had not been done as per the bill of quantities were as shown below:-

<b>Works Description</b>	<b>Quantities</b>	<b>Amount (Kshs.)</b>
External pointing	138 SM @400.00	55,200.00
Formwork to soffits of suspended slab	97 LM @500.00	48,500.00
Formwork to edge of slab	41 LM @250.00	10,250.00
150mm Suspended slab	97 SM @1800.00	174,600.00
Reinforcement	1759 Kg @ 150.00	263,850.00
Doors to details	2 @20,000.00	40,000.00
Window to details	3 @15,000.00	45,000.00
<b>Total</b>		<b><u>637,400.00</u></b>

Site visit made on 29 January 2014 revealed that a circular grain bank to stock 100 bags of maize was constructed instead of the library and offices approved for construction. This amounted to a reallocation of project funds without proper authority. It was also observed that the sign post placed just outside the compound, on which the project stood, indicated the project name as TVT Community Grain Bank and not the name in the approved projects code list and payment vouchers details of Laciathuriu Resource Centre. On enquiry, it was explained that TVT stood for "The Village Trust", which is a registered non governmental organization. However, no details of the NGO such as registration documents were made available for audit. The relationship between the NGO and the Laciathuriu Resource Centre was also not disclosed. It could also not be justified how the grain bank was a community project as only members were to benefit. The proposal for the project was not made available for confirmation that the project was proposed by the community. In addition, land ownership documents were not made available to enable audit authentication of the ownership of the land on which the project stands.

**(iv) Failure to Install Transmission Equipment at the Community Knowledge Centre**

The CDFC allocated and disbursed a total of Kshs.1,500,000.00 to a project known as Community Knowledge Centre from the year 2012/2013 disbursements. The approval to release the funds to the project was given during a CDFC meeting held on 22 September 2012 vide minute number 5. The funds were for acquiring equipment to boost the transmission of a community radio. The project is housed by the CDFC at the Tigania West CDF offices where there is a studio and a computer room for computer studies.

Quotations were received from four companies for the supply and installation of transmission equipment. However, no advertisement for the provision of the services

appears to have been made as no supporting documentation was made available for audit review.

It was further observed that none of the four bids were signed by the bidders hence their authenticity could not be confirmed. The bids were said to have been opened on 22 August 2013 and therefore it was not clear how the opening of the bids was possible on that date given that one bidder has his bid document dated 5 September 2013. The contract was eventually awarded to the lowest bidder at Kshs.661,986.00 on 30 August 2013. The contract agreement for the supply and installation of transmission equipment was signed on 5 September 2013, the same date of the quotation from the winning bidder.

The transmission equipment was delivered on 25 October 2013 vide delivery note number 1307 and physical verification in January, 2014 revealed that the equipment had not been installed but were kept at the Centre Offices.

No explanation was given for failure to install the transmission equipment and the flawed procurement process in its acquisition.

#### **(v) Unaccounted for Expenditure**

An amount of Kshs.3,650,000 was disbursed to various projects under the emergency reserve fund. The payment was made through voucher no. 424 dated 10 December 2013 as supported by minute number 6/24/11/12 of a CDFC meeting held on 24 November 2012. The identification criteria of these projects was not clarified and thus the nature of the emergencies was not explained.

Project Management Committees of the projects funded had not submitted expenditure returns and therefore, Kshs.3,650,000 could not be accounted for.

Comparison of the CDFC minutes and the cashbook also revealed that six projects which had not been approved by the CDFC as per the minutes had been funded at a total of Kshs.680,000 as shown below while five other approved projects were replaced:-

<b>Chq. No.</b>	<b>Date</b>	<b>Non approved Projects</b>	<b>Amount Kshs.</b>	<b>Approved but replace Projects</b>
2310	31/12/12	Mwatheru Dispensary	150,000.00	Kanyuru Culvert
2311	31/12/12	Kithanga Culvert	100,000.00	Mwathene Dispensary
2319	31/12/12	Nchooro Gulley	80,000.00	Access Road
2320	31/12/12	Kinwe-Kathima W/P	50,000.00	Kagaene Imani Group
2322	31/12/12	Kathima-Kimwimbi Road	150,000.00	MumbaRutiti
2323	31/12/12	Kagaene-Mucegene Road	<u>150,000.00</u>	MumbaRutiti
<b>Total</b>			<b><u>680,000.00</u></b>	

It was not clarified under what authority the projects were funded.

Physical verification of one of the projects, Kithanga culverts, revealed that the project had been implemented. However, reconciliation of the work done on the ground with amount of Kshs.100,000.00 disbursed to the project was not possible due to lack of project returns and bank account statements.

In the absence of expenditure returns for Kshs.3,650,000.00 disbursed to the projects, the amount remains unaccounted for.

#### **(vi) Irregular Award of Bursary**

A driving school located in Meru County, was paid Kshs.1,000,000.00 vide two payments dated 10 December 2012 and 26 February 2013 for Kshs.600,000.00 and Kshs.400,000.00 respectively, for training boda boda cyclists. The payments were approved vide CDFC MIN 8/24/11/12 during a meeting held on 24 November 2012.

However, there was no evidence of bid invitations giving the specifics of the kind of training required and the number of trainees. Perusal of the project file revealed one bid from a driving school and a letter from another driving school, alluding to an agreement to offer training. One of the driving school had indicated it could train 285 No. of boda boda operators at a unit cost of Kshs.3,508.80 excluding Kshs.700 per operator for interim driving license. The other driving school agreed to train 250 No.s of boda boda operators at Kshs.4,000.00 inclusive of Kshs.700.00 per operator for interim driving license.

However, there was no evidence of evaluation of the bids by the bursary committee. It was therefore not clear how one of driving school, Meru Branch, was awarded the contract to train the boda boda cyclists at a cost of Kshs.1,000,000.00.

It was also noted that there were no applications from the beneficiaries, requesting for financial assistance in paying fees for the riding lessons. There was also no evidence of a bursary committee having set up the criteria for identifying the potential beneficiaries of the bursary funds. Names of the participants were apparently drawn up from different wards within the Constituency, without any clear vetting process.

Further, most of the beneficiaries were already operating as boda boda riders, as they had motor cycle registration numbers against their names. It was therefore concluded that they had earlier undergone training and already acquired driving licenses. The additional cost of Kshs.700.00 per person was therefore not warranted in some cases.

The only evidence availed for the training was that of 49 beneficiaries who received interim licenses. It is therefore not clear if the remaining 201 beneficiaries actually attended the training

In view of the above, the propriety of the expenditure of Kshs.1,000,000.00 could not be confirmed.

### **(vii) Flawed Procurement Procedures**

An amount of Kshs.1,000,000.00 was disbursed to a Secondary School for construction of a dormitory to completion vide Min: 5/22/09/12 of a CDFC meeting held on 22 September 2012. The funds were disbursed to the project management committee through payment voucher number 400 of 05 November 2012 and cheque number 2204. However, there were no Locational Committee minutes for the identification and prioritization of the project for funding by CDF. It was therefore not clear how the project was identified for funding. Further, it was noted that the contract for labour was awarded to the highest bidder at a contract price of Kshs.324,000.00 instead of the lowest bidder who had a bid price of Kshs.49,095.00. No explanation was provided for not awarding the contract to the lowest bidder.

In the circumstances, it could not be confirmed whether value for money was realized from the expenditure.

### **(viii) Un- supported Expenditure**

A Primary School was allocated Kshs.1,500,000.00 for the construction of three classrooms to completion. The funds were disbursed to the Project Management Committee vide payment voucher number 400 of 05 November 2012, following the approval by the CDFC vide MIN no 5/22/09/2012 of a meeting held on 22 September 2012.

Perusal of the project file revealed that no bills of quantities from the Ministry of Public Works were prepared and there was no evidence of tendering for the materials and labor. Therefore, all items were single sourced, contrary to the Public Procurement and Disposal Act, 2005.

Further, the project bank statement was not made available for audit verification and as a result, confirmation of grant receipt, withdrawals made and the unspent balance could not be confirmed. However, the project file returns showed payments totalling Kshs.1,113,700.00 made to various payees for supply of materials and labor. These payments were made vide payment vouchers which were not supported by LPO's, LSO's, delivery notes, invoices and other relevant supporting documents.

A physical verification of the project on 30 January 2014 revealed that three classrooms had been done but finishings and fittings were outstanding due to lack of funds.

In the absence of supporting documents, the expenditure incurred on the project could not be confirmed.

### **(ix) Non Implementation of College Project**

A Medical Training College was allocated Kshs.6,000,000.00 for constructions of classes and the funds disbursed vide payment voucher no. 412 of 5 November

2012. The payment was made on the strength of CDFC minutes for the meeting held on 22 September 2012.

However, a site visit on 30 January 2014 revealed that project implementation had not commenced due to lack of enough space to construct classes. It was explained that a piece of land should first be sourced. This was a clear indication of lack of involvement of the community in projects' identification and poor prioritization of projects for funding by the CDFC. In addition, no bank statements or project files were made available for audit to confirm whether the funds had been spent or not.

In the circumstances, existence or utilization of Kshs.6,000,000.00 disbursement to the college for the project could not be confirmed.

**(x) Irregular Payment and Un- authorized Reallocation of Funds**

An amount of Kshs.500,000.00 was paid to a supplier as part payment for publishing of 2000 copies of CDF magazine. The amount was paid vide payment voucher number 453 of 6 February 2013 and cheque no. 2347. It was however noted that the CDFC had not identified and prioritized publishing of the magazine as a project to be funded and undertaken in the financial year 2012/2013, and was therefore not budgeted for. As a result, Kshs.500,000 paid for publishing CDF magazines was reallocated from other components without authority of the Board. Further, no records were maintained to confirm that the magazines were delivered and distributed.

In the circumstances, the propriety of the expenditure of Kshs.500,000 could not be confirmed.

**(xi) Stalled Projects**

A review of project implementation status report revealed that some six projects funded at a total cost of Kshs.5,300,000.00 by the CDFC since inception of CDF had stalled. The details of the projects are as indicated below:-

	<b>Uringu Imani Water Project</b>	<b>Mwanika Borehole</b>	<b>Kianjai Borehole W/P</b>	<b>Kianjai W/P</b>	<b>Mutionjuri Dispensary</b>	<b>Kilindo Bridge</b>
<b>2003/04</b>			1,000,000			
<b>2004/05</b>	200,000		1,200,000			
<b>2005/06</b>	100,000					200,000
<b>2006/07</b>		200,000	500,000			200,000

<b>2007/08</b>		200,000				
<b>2008/09</b>				1,000,000		
<b>2009/10</b>					500,000	
<b>Total</b>	<b>300,000</b>	<b>400,000</b>	<b>2,700,000</b>	<b>1,000,000</b>	<b>500,000</b>	<b>400,000</b>

As at the time of audit in January 2014, no evidence was made available to show the action being taken or intended to be taken to ensure that the stalled projects are funded to completion for the community to realize the benefits from the funds so far spent on these projects.

### **345. Tigania East Constituency Development Fund (CDF)**

#### **(i) Failure to Implement the Required number of Projects**

The Tigania East Constituency Development Committee (CDFC) allocated and disbursed funds to three hundred and forty three (343) projects instead of the maximum recommended number of twenty five (25) projects. It was further observed that CDF Board assisted the CDFC in the implementation of the projects contrary to the Act by approving funding of more than the required no of projects during the 2012/2013 financial.

It was not explained why the CDFC and the Board failed to adhere to the requirement of the CDF Act.

#### **(ii) Stalled projects**

According to the Project Status Report as at 30 June 2013, several projects worth Kshs.165,606,192.00 were not complete as at that date and no funding had been provided for their completion during the year under review. The projects include construction of classrooms, health facilities and provision of water services, among others. Although the projects had been commenced in earlier years, and were at various stages of completion, no explanation was given for failure to fund the projects to completion as required by CDF Act.

#### **(iii) Unaccounted for Expenditure**

During the period under review, the CDFC allocated and disbursed funds totalling Kshs.92,792,923.00 for implementation of projects by various Project Management Committees (PMC's) as shown below:-

<b>Sector</b>	<b>Amount Kshs</b>
Education	41,460,000.00
Water	12,900,000.00
Health	9,350,000.00
Security	17,867,790.00
Roads and Bridges	4,215,133.00
Markets	2,000,000.00
Sports	1,500,000.00
Stadium	3,500,000.00
<b>Total</b>	<b>92,792,923.00</b>

The expenditure was incurred on cash basis as authorized by the Fund Account Manager. The Fund Manager had designed withdrawal authority forms which he had to authorize before any PMC could transact in the project bank account. This measure was contrary to Government Financial Regulations and Procedures. Further, no project proposals and expenditure returns for the projects funded were made available for audit.

In the absence of project proposals and expenditure returns, it was not possible to confirm whether the projects were initiated by the community and that the funds were utilized for the intended purposes.

Further, an expenditure of Kshs.6,668,600.00 incurred on Monitoring and Evaluation exercise was not supported by any Monitoring and Evaluation reports. The schedules attached to the various payment vouchers only indicated the number of days allowances were claimed but did not include the specific dates of visit and particular projects visited. The subsistence allowances paid were also not supported by work tickets or bus tickets to show that the officers/ committee members were out on official duties. Further, items bought were not received in S13 nor S11 was updated to reflect the items issued out of store.

In the circumstances, the propriety of the expenditure of Kshs.6,668,600.00 could not be confirmed.

#### **(v) Purchase of Ambulances**

The CDFC in a meeting held on 30 August 2012 approved the procurement of two ambulances at a cost of Kshs.3,390,450.00 each, totalling Kshs.6,780,900.00. The two ambulances were paid for, delivered on 16 November, 2012 and issued to Muthara and Mikinduri Sub District Hospitals. However, the logbooks for the two ambulances were not made available for audit during the physical verification of the ambulances on 31 January 2014. Therefore, the ownership of the two ambulances could not be confirmed.

**(vi) Unsupported Expenditure**

Funds totalling Kshs.11,987,790.00 were disbursed to various PMC's for some seven projects implementation during the year under review. However, there was no evidence that the relevant Government departments were involved in projects implementation as required by the CDF Act, 2007. Failure to involve the departments casts serious doubts on the above expenditure in view of the observations made during the physical verifications of the projects as detailed below:-

**(vii) Muriri AP Houses**

It was not clear how Kshs.3,700,000.00 was spent on Muriri AP Houses when only eight units measuring sixteen feet by thirteen were complete. The houses were also not in use as at February 2014. It was explained that electricity had not been connected at that time.

**(viii) Nguthiru Stadium**

It was also not clear how Kshs.3,500,000.00 was spent on Nguthiru Stadium yet at the time of audit inspection, it was a plain field as no pavilion had been erected and no works were ongoing. There was no indication of any work having been done on the ground.

**(ix) OCPD Houses**

At the Tigania East OCPD's houses, Kshs.1,187,000.00 had been spent to build six units of single rooms which were complete and in use. However, it was noted that cheap interlocking blocks had been used to build the houses and one of the houses was already wearing out due to poor workmanship and low quality materials used. There was no evidence that Ministry of Public Works or Ministry of Housing recommended the use of low quality interlocking blocks.

No project expenditure returns for the projects were maintained by the CDFC and therefore, proper utilization of the funds could not be confirmed.

**(x) Failure to Handover/Takeover CDF Assets and Projects during Transition**

Handing over report between the incoming and outgoing CDFC's was not made available for audit and therefore, it was not possible to ascertain the assets and projects of the Tigania East CDF handed over to the new management. Although it was explained that the signed report was sent to the CDF Board in Nairobi with no copy being retained by the CDF office, the circumstances under which no copy was retained could not be explained.

In the absence of the handing over reports, the CDF assets and their values as at the time of taking over could not be established.



**(xi) Inaccurate Project Implementation Status Report**

The Project implementation status report submitted for audit was not countersigned by the CDF Committee Chairman or an authorized representative of the committee as required by the CDF Act, 2007. Further, out of Kshs.13,200,000.00 disbursed to some nine projects, disbursements totalling Kshs.9,222,018.00 were not reflected in the status report, since only Kshs.3,977,982.00 was disclosed.

No explanation was given for failure to include projects worth Kshs.9,222,018.00 in the status report.

**(xii) Failure to Adhere to Budgetary Provisions**

Available records indicate that CDFC budgeted for projects costing Kshs.92,019,947.00 during the period under review and spent funds totalling Kshs.107,092,423. The actual expenditure exceeded the budgeted amount by Kshs.31,799,091.00. It was however noted that the over expenditure was not approved by the Board as required by CDF Act.

No explanation was given for this irregularity.

**(xiii) Diversion of Funds**

Karama Secondary School was allocated Kshs.500,000.00 for purchase of a School bus during the year. However, it was observed that the funds were utilized to finish the multipurpose hall and the works carried out included floor finishing, putting glass on windows, painting walls, putting up boilers in the kitchen and fitting one door and windows. It was also noted that the school did not maintain a separate bank account for the funds.

No explanation was given for the diversion of the funds.

**(xiv) Unaccounted for Fuel**

The CDFC bought fuel worth Kshs.850,000.00 during the year for office use from a supplier in Meru and the payment was made through various cheques drawn to the supplier. However, motor vehicle work tickets made available by the CDFC for audit did not relate to the period under review. Therefore, the consumption of fuel worth Kshs.850,000.00 could not be confirmed. Further, no delivery notes from the supplier were provided for audit verification, hence casting doubt as to whether the paid fuel was actually supplied.

In the circumstances, the propriety of the expenditure of Kshs.850,000.00 could not be confirmed.

**(xv) Inappropriate use of Emergency Fund**

The CDFC used funds allocated for emergency totalling Kshs.5,100,000.00 on different projects which did not warrant to be treated as emergency because the projects could have been planned for and implemented in the next financial year as shown below:-

<b>PV No. &amp; Date</b>	<b>Payee</b>	<b>Amount (Kshs)</b>
547-16/1/13	Project documentation and publishing	750,000
544-16/1/13	Project documentation and publishing	800,000
521-2/11/12	Miciimukuru Tea Sacco	50,000
520-2/11/12	Tigania Women Sacco	50,000
438-20/9/12	Nyambene Girls Sec School	1,000,000
446-20/9/12	Rumanthi Day Secondary school	650,000
412-20/9/12	Rumanth Pri School	300,000
329-20/9/12	Tigania East Sport	1,500,000
<b>Total</b>		<b>5,100,000</b>

The above projects lacked subject files, proposals from communities, bills of quantities where contracts were involved, and monthly or quarterly expenditure returns. In addition, the laid down government procedures were not followed in terms of identification of suppliers of goods and services and confirmation of actual delivery of the goods/services. Further, procurement of computers for SACCOs was against the CDF Act which requires funding of projects with wide benefit to the society since the computers bought were mainly used to generate income to the SACCOs and not the society as a whole.

No explanation was provided for the irregularity.

#### **(xvi) Apparent Utilization of Funds for Political Activities**

The CDFC in its meetings held on 26 October 2012 and 26 November 2012, resolved to withdraw Kshs.1,550,000.00 for a Documentation and Publishing project. Two cheques for Kshs.800,000.00 and Kshs.750,000.00 were drawn from the emergency funds for the project which was to increase awareness to the public about CDF projects. However, the minutes in which withdrawal of Kshs.750,000.00 on 26 November 2012 was discussed was only signed by the former Member of Parliament. The Secretary and Treasurer did not sign the minutes. However, the minutes supporting the payment voucher were signed by the three persons. It was not explained why the file copy of the minutes was not signed by the two officials. Further, the Project file was not made available for audit review and in its absence, it could not be confirmed whether the project was community based in compliance with section 21(1) of CDF Act, 2007.

In addition, the following unsatisfactory matters were noted:-

- i). The CDF office procured services of preparing the documentary in form of DVDs and magazines from a Company. The documentary was meant to sensitizing the community of what the CDF had done since year 2003 to 2012. Relevant procurement documents were not provided for audit verification. It was therefore not possible to establish how the cost of Kshs.1,550,000.00 paid vide payment voucher number 547 and 544 of 16 January 2013 for Kshs.800,000.00 and Kshs.750,000.00 respectively was arrived at.
- ii). The payment was made to the payee for Project documentation and Publishing. However, the cheques counterfoils were not made available for audit and in their absence, the payees could not be established.
- iii) Perusal of the magazine prepared under the project revealed that in his message, the former Member of Parliament stated that “he has been a true servant of the people of Tigania East Constituency since 2002 and wants to extend the same service to the people of Meru County as their first Governor after the elections expected in the following year, 2013”. Clearly, the message in the magazine was a campaign tool, implying CDF funds were utilized to fund political activities.

**(xvii) Expenditure not approved by the Board**

The CDFC incurred an expenditure totalling Kshs.7,000,000.00 which was not in the Second Schedule and was therefore not approved by the Board. The funds were spent as shown below:-

<b>Sector</b>	<b>Amount (Kshs.)</b>
Markets	2,000,000.00
Sports	1,500,000.00
Stadium	3,500,000.00
<b>Total</b>	<b>7,000,000.00</b>

No explanation was given for funding unapproved projects.

**346. Central Imenti Constituency Development Fund (CDF)**

**(i) Fraudulent Double Payment of Project Funds**

An amount of Kshs.1,400,000.00 was paid to a secondary school vide cheque no.3011 of 21 September 2012 and payment voucher no.72 for construction of a science laboratory.

A similar payment of Kshs.1,400,000.00 was made to the same school vide cheque no. 3032 dated 28 September 2012 allegedly in replacement of the previous cheque

no.3011 dated 21 September 2012 which was purportedly cancelled. Cheque no 3011 was reversed in the cashbook and replaced by cheque no.3032.

However, in unclear circumstances, both cheques were paid by the bank on 24 September and 10 October 2012 respectively as evidenced by the bank statement from Cooperative Bank of Kenya. The school received a total of Kshs.2,800,000.00 into its bank account maintained at the National Bank of Kenya, Meru Branch on 1 October 2012. According to the school bank statement, Kshs.1,400,000.00 was withdrawn on 3 and 27 October 2012 vide cash cheques numbers 00001 and 00002 of Kshs.700,000.00 each. It was however not clear for what purpose the two cash withdrawals totalling Kshs.1,400,000.00 were made.

There were no expenditure returns in the school project file maintained at the CDF offices to show how the amount was spent. Further, it has not been explained how a replaced cheque reversed in the cashbook was presented for payment.

#### **(ii) Non Maintenance of a Payroll**

The Central Imenti CDF committee employed five regular employees during the financial year 2012/2013. However, no payroll was maintained during the year to show payments to staff and deductions made from their salaries. Further, staff salaries were paid by way of individual vouchers.

It was also noted that the employees had not signed any formal contracts for confirmation of their terms and conditions of service. Consequently, the terms of service and the correctness of payments totalling Kshs.1,030,656.00 made in the year 2012/2013 could not be confirmed. Further, no explanation was given for failure to have a payroll system in place.

#### **(iii) Bursary Awards**

Records maintained at the Meru Central District Treasury indicated that the Constituency Development Fund Committee (CDFC) paid Kshs.11,350,055 towards bursary applications during 2012/2013. Out of the bursaries awarded to students in various institutions, only a few institutions made their acknowledgement by issuing acknowledgement letters or receipts for bursaries totalling Kshs.2,264,000.00. The balance of Kshs.9,086,055.00 was not acknowledged as received by the beneficiary institutions.

Under the circumstances, it was not possible to ascertain whether the listed students benefited from the amounts disbursed for their educational support, and that the funds were used for the intended purpose.

#### **(iv) Un-accounted for Disbursements**

The CDFC disbursed Kshs.4,756,380.00 for implementation of various activities within the Constituency during the year which had unsatisfactory matters as detailed below:-

### **(a) Sports Activities**

Examination of expenditure records maintained at the Central Imenti District Treasury disclosed that Kshs.1,628,540.00 was spent on Central Imenti Constituency- wide sports tournament kit during the year. The payment was made on 21 September 2012 vide cheque number 3027 and payment voucher number 55. However, the following anomalies were noted:-

- i) There was no evidence that a budget was prepared for any sporting activities during the year.
- ii) There was no detailed sporting activities schedule or expenditures schedule to show how the disbursed amount was spent.
- iii) There was no evidence that any sporting activity took place and neither was there any application made by any sporting group/organization for funding of their sporting activities.
- iv) The amount was disbursed to Central Imenti Community Based Organization (CBO). However, there was no record to show that the District Sports Committee or the Ministry of Sports and Youth Affairs were involved in the preparation or approval of the alleged sporting activities.
- v) There were no expenditure returns from the CBO confirming the activities that were planned to be undertaken and the expected costs of the activities.

In the circumstances, propriety of the expenditure of Kshs.1,628,540.00 could not be confirmed.

### **(b) Environmental Activities**

Payments vouchers made available for audit indicated that the CDFC approved payments of Kshs.1,628,540.00 to various environmental groups towards implementation of environmental activities within the Constituency.

Examination of the supporting payment voucher dated 21 September, 2012 revealed the following:-

- i) There was no evidence of any application for funding made by the beneficiary groups specifying actual activity and cost that was to be funded from the public funds.
- ii) There were no expenditure returns made to the CDFC office on the amount disbursed to the group.
- iii) A site visit to one of the beneficiary groups (Makandune Nurseries) on 30 January 2014 revealed that very few activities were taking place at the nursery site.

- iv) There was no evidence that the beneficiary groups had carried out any environmental activities within the area.

There was no evidence of any involvement of the relevant Government Departments such as NEMA, or Ministry of Agriculture as required by the CDF Act, 2007. In absence of any report from the relevant Government Departments and expenditure returns from the groups, the propriety of the expenditure of Kshs.1,628,540.00 could not be confirmed.

### **(c) Procurement of Equipment**

A payment of Kshs.1,499,300.00 was made to a supplier of goods through payment voucher no.28 of 31 August 2012 and cheque no.002983 of same date against LPO no.0995901 of 11 July 2012 for the supply of the following items:

<b>Item</b>	<b>Description</b>	<b>Amount (Kshs)</b>
6 Hp computers@	73,600	441,600
6 uninterapted power supply units @	18,500	110,000
5 computer tables @	29,500	147,500
5 computer chairs @	13,500	67,500
1 laserjet printer @	49,000	49,000
30 pre-installed softwares @	8,000	240,000
Supply and commissioning of computer network		399,700
32 inch plasma television set@	43,000	<u>43,000</u>
	<b>Total</b>	<b><u>1,499,300</u></b>

However, the following unsatisfactory matters were noted:-

- i. The serial numbers of the computers and the accompanying equipment were not indicated in the delivery note, the invoice or the assets registers.
- ii. The expenditure on procurement of office computers and equipment was an unapproved diversion of funds allocated for office.
- iii. A physical verification of the computers and equipment on 30 January 2014 revealed that there were no computers or equipment in the office with the explanation that the items were stolen from the CDF offices.

Although it was explained that the matter was reported to the police, documents to confirm this were not made available for audit review. It was also not possible to confirm the exact date that the theft took place in the absence of relevant

documentation. Further, there was no insurance cover for the computers and equipment hence, no compensation for the loss is expected.

In the circumstances, the propriety of the expenditure of Kshs.1,499,300.00 could not be confirmed.

**(v) Irregular Utilization of Emergency Funds**

Examination of payments vouchers made available for audit revealed that the CDFC approved payments of Kshs.6,430,000.00 against Kshs.5,026,217.00 approved under the emergency fund account. It was observed that the expenditure was incurred on activities that would have fitted well under ordinary activities without causing danger or harm to the public. The expenditure exceeded the approved amount by Kshs.1,403,783.00 without approval of the board.

No explanation was given for failure to seek approval for the over expenditure

**(vi) Irregular Reallocation of Funds**

An audit verification carried out on 30 January 2014 at the various CDF projects revealed that Kshs.8,300,000.00 disbursed during 2012/2013 for implementation of approved projects had been applied for execution of activities which were not specified in the second and third schedules and in the Authority to Incur Expenditure. Further, there was no authority from the Constituency Development Fund Board. The funds were reallocated as shown below:-

<b>Institution</b>	<b>Approved Project</b>	<b>Executed Project</b>	<b>Amount (Kshs)</b>
Igane Dispensary	Completion of an Administration Block	Construction of gate and gate house	1,300,000
Kaongo Dispensary	Construction of female wards	Construction of incinerator, staff houses and toilet block	3,000,000
Kirwirwa Day School	Construction and completion of laboratory	Completion of two classrooms	1,300,000
Ntonyero Day School	Completion of a dining hall	Construction of two classrooms	1,200,000
CDF Offices	Completion of office building	Procurement of computers/equipment	<u>1,500,000</u>
<b>Total</b>			<b><u>8,300,000</u></b>

No explanation was given for failure to seek approval from the Board.

**(vii) Wasteful Expenditure**

An amount of Kshs.300,000.00 was allocated to Kiagu Kauthene Administration Police (AP) lines PMC for the construction of an armory room in the financial year 2012/2013. This was in addition to Kshs.300,000.00 allocated the previous year for flooring and

plastering of the APs office. The allocation was disbursed and the armory constructed and completed at the AP lines.

However, a site visit to the Kiagu Kauthene AP lines on 30 January 2014, revealed that three AP's living houses had been constructed and completed using previous years allocations and that the construction of the armory room was also complete. However, these facilities had not been put to intended use since no Administration Police had been deployed in the area to boost security.

No explanation was given for funding a project to completion while no plans had been made to post staff to the area to provide the intended services.

### **(viii) Procurement of Sign Posts**

The CDFC procured sign posts to mark CDF projects through a quotation ref no. CDF/12/12/13 issued on 6 November 2012. The closing date for submitting the quotations to the CDFC was indicated as 10 November 2012. The quotations were opened by only one person, the Fund Manager, who then awarded the tender to supply fifty signposts to four artisans at a unit cost of Kshs.10,000.00 totalling Kshs.500,000.00.

It was however noted that, a CDFC meeting held on 5 November 2012 under minute no. 5/5/11/2012, approved the procurement of the sign posts and subsequent payment for the services to the artisans. This is a clear indication that the approval for award for the supply of the sign posts was done before the quotations were invited, contrary to the requirements of Public Procurement and Disposal Act, 2005 and related 2006 regulations.

## **THARAKA NITHI COUNTY**

### **347. Nithi Constituency Development Fund (CDF)**

#### **(i) Poor Implementation of Projects**

During the period between the financial years 2004/2005 and 2011/2012, the Government disbursed a total of Kshs.12,738,176.00 for construction of various projects which included class rooms, dispensaries, maternity wards, cultural centres, social halls, training schools, chiefs' camps and purchase of musical instruments among others. However, physical verification carried out revealed that as at the time of audit in January 2014, projects costing Kshs.6,378,177.00 had been abandoned while those completed had not been put into use at all. In other cases, musical equipments costing Kshs.1,765,000.00 procured during 2006/2007 could not be traced. In addition, some three projects for a maternity ward, police station and chief's camp costing Kshs.1,350,000.00 were noted to have stalled.

Consequently, no value for money appears to have been realized against the total expenditure of Kshs.12,738,176.00 incurred by the Government on these projects.



**(ii) Non-acknowledgment of Bursary Disbursements and Lack of Policy Frame Work**

A total sum of Kshs.5,923,506.00 was paid in October/November 2012 to various educational institutions as bursary to assist bright and needy students to pursue further education. However, the entire system of bursary funds lacked guiding policies on the criteria to be applied when identifying and awarding bursaries to the needy but bright students. At the same time, no school fees receipts, or acknowledgement letters from the institutions, or locational/ward committee minutes identifying and awarding the needy students the bursaries, were made available for audit review. In the circumstance, it was not possible to confirm the propriety of the expenditure incurred on bursaries.

**(iii) Irregular Request for Quotations on Sourcing of Road Works Maintenance**

Quotations for grading of three (3) different roads within the Constituency were requested, responded to, evaluated and awarded at a total cost of Kshs.5,278,999.00 on 6 August, 2012. The grading works were immediately undertaken, completed and certified for payment and the resultant payments effected on 22 August, 2012.

It was, however, noted that the grading works were procured by requesting for quotations yet the value of the works to be undertaken exceeded the Kshs.500,000.00 threshold indicated under class C where Constituency Development Fund entities fall. This was contrary to the provisions of Section 88(b) of the Public Procurement and Disposal Regulations, 2006 and Section 174 of the Public Procurement and Disposal Act, 2005. Further, no documents such as appointment letters were maintained to indicate that the tender committee was formally established as required under Section 26 (4) of the Public Procurement and Disposal Act, 2005. Similarly, the membership of the technical evaluation committee were not disclosed in the minutes of the meetings held on 6 August, 2012 at the CDF Boardroom. Further, no bills of quantities were provided for audit verification, and as a result, it was not clear how the works were costed.

**(iv) Unclear Payments for Electrification Matching Facility**

Under the Rural Electrification Matching Facility for the financial year 2010/2011, Nithi Constituency was allocated Kshs.11.9 million for implementation of rural electrification projects. According to Rural Electrification Authority (REA) letter ref. BEA/CP/T/14/NM/CMK dated 3 November 2010, the Constituency was to pay part of the funds and Rural Electrification Authority was to match the same amount subject to maximum contribution of Kshs.5,000,000.00. Although, the Constituency made a payment of Kshs.5,000,000.00 to REA on 10 September, 2012, no evidence was made available to show the matching amount from Rural Electrification Authority.

**(v) Misapplication of Emergency Funds**

A total of Kshs.1,550,000.00 was spent from Emergency Vote A/C No. 4-480-054-2640 201-101-010-001 in the month of October, 2012 on funding activities that are not related to Emergency cases without any document to justify the same. The funds were used for construction of classrooms and a foot bridge. Further, no Constituency Fund Committee Minutes or Fund Board Approvals were maintained in regard to the reallocation of funds for application to other unrelated areas. Evidently therefore, the approved budgetary allocations were not utilized for the intended purpose.

**(vi) Unaccounted for fuel**

Fuel worth Kshs.937,190.00 was supplied to the CDF on diverse dates during 2012/2013 and subsequently drawn by vehicle registration no. GKA 501S. The amount was settled in installments vide seven cheques dated between July 2012 and February, 2013. However, the expenditures could not be confirmed as no fuel register, motor vehicle work tickets and delivery notes were made available for audit verification. Under the circumstances, it could not be confirmed whether fuel drawn was used for official duties.

**(vii) Irregular Payment of Allowances**

A total of Kshs.572,000 was paid out to CDF committee members on 31 December, 2012, 15 January, 2013 and 3 March 2013 for journeys made within the Constituency while monitoring and evaluating the implementation of various projects. However, authenticity of these payments could not be confirmed as there were no approval letters for monitoring and evaluation allowance rate of Kshs.2,000.00 applied as field allowance per day, and lack of travel documentary evidence in some cases.

In this regard, the total expenditure on allowances remains irregular. Similarly, in absence of travel documents, it was not possible to confirm that the journeys were undertaken, and therefore propriety of the expenditure cannot be ascertained.

**348. Tharaka Constituency Development Fund (CDF)**

**(i) Un-submitted Expenditure Returns for Emergency & Education Funded Projects**

During the year under review, the CDF Fund Committee disbursed Kshs.5,026,217.00 and Kshs.14,834,952.00 to fund emergency and education oriented projects respectively. However, contrary to Section 33 (1) of the CDF Act, 2007 which requires the District Development Officer to make returns for every project implemented under the Act, no expenditure returns were made for projects on Emergency and Education amounting to Kshs.3,590,752.00 and Kshs.11,034,952.00 respectively.

In the circumstance, it was not possible to confirm the accuracy and propriety of expenditure totalling Kshs.14,627,704.00 incurred on the CDF projects.

## (ii) Stalled Projects

During the audit of CDF records, it was observed that some twenty six projects amounting to Kshs.3,950,000.00 were at various implementation stages but not completed, with most of the projects having been initiated as early as financial years 2004/05, 2006/07 and 2007/2008 as shown below:-

Commencement Period	No. of Project	Amount (Kshs.)
i) 2004/2005	5	500,000
ii) 2005/2006	1	300,000
iii) 2006/2007	14	1,800,000
iv) 2007/2008	4	750,000
v) 2010/2011	1	300,000
vi) 2011/2012	<u>1</u>	<u>300,000</u>
<b>Total</b>	<b>26</b>	<b><u>3,950,000</u></b>

There was no indication that these projects will be revived, and also no explanation was provided for initiating new projects while others had stalled.

## (iv) Cash and Bank Balance

The CDF Office maintained a current account bank at Cooperative Bank, Chuka Branch. However, the cash book was updated only up to 31 December, 2012. Bank reconciliation statements had also been prepared up to December 2012. Bank statements for the period January to June 2013 were not made available for audit review. Consequently, it was not possible to confirm account movements during the six months period from January to June 2013.

Also, a Board of Survey to confirm cash and bank balances as at the end of the financial year was not constituted.

In the circumstance, it was not possible to confirm the accuracy of the CDF's cash and bank balances as at 30 June, 2013.

## EMBU COUNTY

### 349. Manyatta Constituency Development Fund (CDF)

Audit review of the expenditure incurred on various projects funded by CDF – Manyatta during 2012/2013 revealed the following unsatisfactory matters:

## **Un accounted for Expenditure**

### **(i) Gichegeri Water Project**

An amount of Kshs.876,080.00 was disbursed to Gichegeri water project by the CDFC for purchase of water pipes through payment voucher number 44 of 11 December, 2012 and cheque number 4251. However, no records were maintained at the CDF offices to show how tendering, if any, for the utilization of the grant of Kshs.876,080.00 was done. Information available indicated that the cheque was collected from the CDF offices by an individual on 28 December 2012, who according to information made available for audit was a former employee of the Fund. There were no expenditure returns maintained at the CDF office to support the utilization of the grant. Consequently, it was not possible to confirm how the grant of Kshs.876,080.00 was utilized. Although the Fund Manager had indicated that the matter was under investigation by the District Criminal Investigations Officer (DCIO) Embu, the outcome of the investigations had not been communicated to this office as at the time of reporting.

In addition, a total of 296 pieces of 90mm upvc pipes plus rings worth Kshs.523,920.00 were allegedly supplied to the water project by a hardware store based in Meru vide delivery note number 29704 of 8 August, 2012. Although the delivery note was signed on behalf of the water project, the person signing was unknown to the Manyatta CDF officials and therefore, the receipt and utilization of the pipes could not be confirmed. Further, no physical verification of the water project could be carried out as the details of project location and its officials were not made available to the audit team.

Under the circumstances, propriety of the expenditure totalling Kshs.1,441,320.00 incurred on the project during the year could not be confirmed.

### **(ii) Runga Irrigation Water Project**

The Runga Irrigation water Project Management Committee officials confirmed having received 207 pipes out of 238 pipes of 200mm diameter that were indicated supplied by the hardware store based in Meru. However, the whereabouts of the balance of 31 pipes worth Kshs.41,320.00 could not be explained.

### **(iii) Embu Jua Kali Project**

The Embu Jua Kali project was an initiative of the Embu Municipality Jua Kali Association of Embu. The project, according to Environmental Impact Assessment Report of December 2009, involved leveling of land parcel number 1295 in Embu Municipality, construction of perimeter fence and subsequently construct sheds and sanitary facilities on the ground. The facilities were meant to be used by the Association members for carrying out private businesses which mainly entails motor vehicle repairs and maintenance. The Manyatta CDFC has spent a total of Kshs.13,380,000.00 on the project over the years.

During the period under review, the CDFC allocated and disbursed Kshs.2,000,000.00 to the project for ground graveling, terracing and construction of a staircase way. Quotations were floated for spreading of gravel and construction of the staircase and four firms responded.

The tender was awarded to the lowest responsive bidder at a contract sum of Kshs.722,100.00 on 31 October 2012.

Audit verification revealed that the bid from the same bidder for supply and delivery of 2300 tons of approved Murrum had a bill of quantity appended at a cost of Kshs.1,250,000.00. However, no records were made available to show how the tender for supply of murrum was advertised and quoted for by the other firms. Further, there was no evaluation report for the same or minutes for the award of the contract and it was therefore not clear how the contract was awarded.

Physical verification of the project revealed that the gravelling was poorly done despite the fact that a Ministry of Public Works official had issued a certificate of practical completion of the project dated 14 January 2013. In addition, the contractor had been paid Kshs.2,000,000.00 by 16 January, 2013 an amount which exceeded the total contracted sum of Kshs.1,972,100.00 by Kshs.27,900.00. No explanation has been provided for the over payment. Further, the mode of payments was not disclosed as no payment vouchers were produced for audit review. The only available information were acknowledgement letters from the contractor.

Under the circumstances, the award of contract for supply of gravel was irregular as no bids were invited as required by the Public Procurement and Disposal Act, 2005.

### **Poor workmanship on CDFC Funded Projects**

#### **(v) Ngimari Primary School**

A grant of Kshs.450,000.00 was issued to Ngimari Primary School vide payment voucher number 10 of 25 September 2012 for construction of one classroom. Quotations were floated and three bids were received and award made to the lowest bidder at a contract sum of Kshs.451,318.00.

Two valuation certificates were made by the Ministry of Public Works on 27 December 2012 and 6 February 2013 of Kshs.241,738.00 and Kshs.209,580.00 respectively.

A physical verification on 22 May 2013 revealed that the classroom was complete and already in use. However, there were visible cracks on the walls which run upwards from the floor, an indication of poor workmanship.

#### **(vi) Igumo Primary School**

A grant of Kshs.500,000.00 was issued to Igumo Primary School vide payment voucher number 10 of 25 September 2012 for the construction of one classroom. Quotations were floated and three bids were received, and the tender awarded to the lowest

responsive bidder at Kshs.651,230.00. Two valuation certificates were made by the Ministry of Public Works on 2 September 2012 and 16 January 2012 of Kshs.325,000.00 and Kshs.326,230.00 respectively.

A physical verification on 22 May 2013 revealed that the classroom was complete and already in use. However, there were visible cracks on the walls which run upwards from the floor, an indication of poor workmanship.

**(vii) Kiangoci Primary School**

A grant of Kshs.500,000.00 was issued to Kiangoci Primary School vide payment voucher number 12 of 25 September 2012 for the construction of one classroom.

As at the time of audit, expenditure returns had not been filed at the CDF office. It was, therefore, not possible to establish how the tendering was done, who the contractor was and the subsequent award of the contract and the payment to the contractor.

A physical verification on 22 May 2013 revealed that the classroom was complete and already in use. However, there were visible cracks on the walls which run upwards from the floor, an indication of poor workmanship.

**(viii) Kairuri Social Hall**

The tender for construction of Kairuri Social Hall was opened on 30 March 2012 and subsequent evaluation done on 3 April 2012. Ten firms had presented their bids and award was made to a contractor at a contract price of Kshs.2,491,855.00. An amount of Kshs.2,328,540.00 was paid to the contractor vide payment voucher number 36 of 8 November 2012 and was supported by a statement for payment on account dated 02 November 2012 from the District Works Officer. The second and final payment was made vide payment voucher number 54 of 19 December 2012 for Kshs.233,171.00. The retention fee of Kshs.232,854.00 was paid vide payment voucher number 53 of 14 January 2013. This was barely a month after making the first payment which is contrary to the provision that the retention money should be paid after six months. No explanation was obtained as to why the payment was made that soon.

Physical verification of the project on 16 May 2013 revealed that the building was complete though a completion certificate had not been produced by then. However, there were visible cracks which ran from the floor slab upwards to the window levels. This is an indication of poor workmanship.

It is apparent that the CDFC failed to monitor the projects during the implementation resulting to poor workmanship by the contractors. No explanation has been provided for the omission.

### **(ix) Stalled Njukiri Water Project**

The above project had been funded with a total of Kshs.1,000,000.00 during the year 2011/2012 and the funds were disbursed on 22 March 2012 for construction of a water intake. Audit review of the project file revealed that funds were reallocated from expanding the water intake to construction of offices. No additional funding has been provided towards the completion of the project. The building also stalled as confirmed during physical verification carried out on 22 May 2013. However, no funds for its completion had been allocated during the financial year under audit.

No explanation was provided by the CDFC for failure to fund the project to completion as required by CDF Act.

## **KITUI COUNTY**

### **350. Mutito Constituency Development Fund (CDF)**

#### **(i) Irregular Procurement and Doubtful Supply of Medical Equipment and Drugs**

The CDF committee spent Kshs.960,000.00 during the year under review procuring drugs for six (6) newly constructed dispensaries. However, propriety of the expenditure could not be confirmed due to the following factors:-

- (i) The Committee did not make available for audit review original Constituency Development Fund Committee (CDFC) minutes for the meeting held on 3 July, 2012 which authorized the expenditure.
- (ii) Examination of a copy of minutes provided revealed that the last meeting was held on 23 January, 2012 yet it is a requirement that the CDFC hold meetings on monthly basis.
- (iii) A schedule of list of drugs requested by the District Medical Officer of Health (DMOH) Mutito district for supply to the identified dispensaries was not produced, making it difficult to confirm the correctness of the drugs procured.
- (iv) The drugs were procured through imprest which was issued in the name of CDFC Treasurer who is not a Government employee. Also, no documentary evidence was provided to prove that the pharmacy where the drugs were purchased on cash basis was among the prequalified suppliers of drugs.
- (v) No documentary evidence, such as delivery note or acknowledgement note from the dispensaries was provided to confirm actual delivery of the drugs.
- (vi) The CDFC minutes had approved procurement of drugs amounting to Kshs.140,000.00 for each dispensary, but the cash sale receipts show an expenditure of Kshs.160,000.00 each, resulting to unexplained over expenditure of Kshs.120,000.00. This was contrary to Section 28 (a) of CDF Act, 2007.

Due to the above concerns, the expenditure of Kshs.960,000.00 could not be confirmed as a proper charge on public funds.

**(ii) Doubtful Payments for Project Writing Seminar**

Contrary to Section 51 of the CDF Act of 2007, Mutito CDFC spent Kshs.960,000.00 training 8 (Eight) officers on a Project Writing course at Jomo Kenyatta University of Agriculture and Technology (JKUAT) Mombasa CBD. The workshop was approved under minute reference Min/06/08/2012 with authority to use Kshs.560,000.00 from Monitoring and Evaluation vote and Kshs.400,000.00 from the Administration vote. The imprest was issued to CDF secretary on 6 September, 2012. However, the following matters were noted:-

- (i) The invitation letter supporting the expenditure was addressed to Mr. Patrick Nzula, while application letter was not made available. Also, no documentary evidence was provided to show that the invitation was extended to the rest of the team.
- (ii) Among those trained were a Copy Typist, Personal Assistant to the MP, former Secretary and former Treasurer. However, no reason was given for involving these officers in the training since the course was not relevant to their duties.
- (iii) No documentary evidence such as bus tickets or work tickets indicating mode of transport used by the officers to travel to Mombasa was provided to support the journeys to the training venue.
- (iv) Examination of CDF motor vehicle work tickets showed that the Chairman and the District Development Officer (DDO) were authorizing journeys of vehicle No. GKA 915T during the period they should have been attending the training.
- (v) Original receipt no. 436200 from JKUAT covering tuition for the whole team was not made available for review and no explanation was given as to why individual receipts were not issued to all the officers yet payment was made in cash.
- (vi) No certificates of participation or any other related reports were produced for audit review. Further, no report or course materials were filed in the CDF office for use by other officials.

In the circumstances, it was not possible to confirm the authenticity of the expenditure.



## **KWALE COUNTY**

### **351. Msambweni Constituency Development Fund (CDF)**

#### **(i) Borehole and Classroom Contracts**

A Kshs.3,920,450.00 contract to drill a borehole at Mwamose was awarded on 26 September 2012 and contract agreement signed on 7 October 2012. However the project progress report by the District Water Officer based on a site visit on 20 September 2012 stated that work worth Kshs.1,651,675.00 had been done and paid, and indicates work done before contract award contrary to the procurement laws and regulations.

Further a contract was awarded to drill a borehole at Sagalato on 7 October 2012 at a contract sum of Kshs.4,044,000.00 against a budget of Kshs.4,000,000.00. Two days after the award, i.e. 9 October 2012, a certificate of work done costed at Kshs.2,428,160.00 was issued by the District Water Officer for which payment was processed and paid on 10 October 2012 against a contractor's invoice dated 12 October 2012. The Management has not provided justification of the irregularity of payment being made before work done.

In addition, a contract was awarded on 26 September 2012 for construction of two classrooms at a budgeted amount of Kshs.2,802,246.00 and administration block budgeted at Kshs.1,980,108.00 at a Secondary school. Two certificates of work done were issued on 7 November 2012 of Kshs.2,000,000.00 and Kshs.2,400,000 for classrooms and administration block respectively and Kshs.4,398,000.00 payment done on 26 November 2012. The dates of contract award and issue of the certificate of work done of 42 days are not realistic to have any meaningful work done to project completion.

#### **(ii) Payments of Goods and Services not Rendered**

Physical verification of projects implemented by the CDF Msambweni revealed an estimated loss of Kshs.2,429,280.00 for construction of a laboratory, classrooms and a library at a secondary school and wards and a laboratory at a dispensary. This was as a result of the following irregularities:

- (1) Inferior and low quality materials were supplied.
- (2) Quantity of goods supplied was less than the ordered materials.
- (3) Some materials were not supplied at all.
- (4) Incomplete works.

### **(iii) Substandard Work done at Shimoni Dispensary**

The contract to construct Shimoni Maternity Wards was awarded at a contract sum of Kshs.4,553,460.00. Though the project was completed and handing over done in March 2013, the facility has not been utilized due to the following issues:

- (i) The laundry room has no drainage and the floor has cracks.
- (ii) Water storage tanks were not installed and shower and taps have all broken.
- (iii) The rooms cannot be accessed by patient trolleys because of steps put at the room entrance.
- (iv) Some rooms were fitted with flash doors instead of wooden ones.
- (v) There is no ramp to access the room as an alternative to stairs.
- (vi) Plastic waste water drainage pipes were installed above the ground instead of underground.
- (vii) Despite having not been used, the building is in deplorable state.

Similarly, a project to construct two wards and laboratory at Shimoni was awarded and fully paid in 27 November 2013 at a contract sum of Kshs.6,993,199.00. Though the project is classified as completed, the facility has never been put to use as drainage pipes were not fully connected. Further, the contractor did not perform part of the contract activities worth Kshs.840,800.00 even after he was fully paid.

The management have not provided justification for these irregularities. The investment of Kshs.4,553,460.00 and Kshs.6,993,199.00 paid for developing the facility may not benefit the intended community.

### **(iv) Direct Payments to the Contractor by CDF**

Records maintained at the Msambweni CDF Office indicated that direct payments totalling Kshs.25,342,886.00 were made to contractors contrary to CDF regulations which stipulate that these kind of payments are to be done through the Project Management Committees (PMCs) who are directly responsible to the projects.

These payments of which no project has been identified have not been justified by the CDF management.

## **352. Matuga Constituency Development Fund (CDF)**

### **Un-accounted for Project Funds**

During the period under review, Matuga CDF Committee disbursed a total of Kshs.136,656,453.00 to 84 projects within the Constituency. However the receipt and

utilization of these funds at the project level could not be verified as the project managers could not avail essential accounting records and documentary evidence for audit despite numerous requests. In the circumstances, the propriety of the Kshs.136,656,453.00 expenditure incurred on the CDF projects could not be confirmed.

## **KILIFI COUNTY**

### **353. Kaloleni Constituency Development Fund (CDF)**

#### **Purchase of Land for Mombasa Polytechnic University College-Kaloleni Campus**

The Kaloleni Constituency Development Fund (CDF) made a payment of Kshs.5,022,000.00 to the District Commissioner, Kaloleni District for acquisition of land for the expansion of Mombasa Polytechnic University College, Kaloleni Campus. The amount deposited was for payment to the vendor for land measuring 55.80 acres located at Gotani in Kayafungo Location.

There was no evidence confirming that the proposal for acquisition of the land for expansion of the Mombasa Polytechnic University College was made by the community from the area or the University College.

The list of approved proposed projects was not produced to confirm that the University College expansion project was among the approved projects to be undertaken by Kaloleni Constituency Development Fund.

No valuation report was attached when project submission was being done as required for all projects that involve purchase of land contrary to Constituency Development Fund Board circular reference CDFBOARD/CIRCULARS/VOL.I/108 dated 24 August 2010 on guidelines on land ownership for constituency development fund related projects.

Similarly, no documentary evidence has been made available for audit verification confirming that the vendor family indeed owned the land they sold to Kaloleni Constituency Development Fund.

## **TAITA TAVETA COUNTY**

### **354. Taveta Constituency Development Fund (CDF)**

#### **(i) Irregular Awarding of Project Contracts**

The Taveta CDF awarded three (3) projects namely, Bishop Njenga Secondary School Dormitory at a cost of Kshs.7,300,000.00, Construction of OCPD Headquarters at Kshs.11,395,620.00 and Youth Empowerment Project Phases II & III at Kshs.10,000,000.00 through floatation of quotations. It was observed that the individual

project values exceeded Kshs.5,000,000.00 which is the threshold for open tender as stipulated by the Public Procurement and Disposal Act 2005 and its 2006 Regulations.

Explanation was not given as to why procurement procedures were not followed.

## **(ii) Construction of a Medical College**

During the period under review, the Taveta CDF initiated a project to construct a medical college at a contract sum of Kshs.345,892,488.00 of which as at 30 June 2013, amounts totalling Kshs.37,000,000.00 had been disbursed towards the project. There was no evidence of approval from Parent Ministry to commence the project and the contract was signed without reference to the CDF Act which requires the Principal Secretary, Medical Services and CDF Board approval. Further, the project does not have a provision for other sources of funding considering the huge amount involved.

It was also noted that the contractor had abandoned the project and moved out of the site at the time of audit, hence the completion of the project remains doubtful. The management has not provided justification for the Kshs.37 million expenditure.

## **TURKANA COUNTY**

### **355. Turkana South Constituency Development Fund (CDF)**

#### **(i) Unvouched Expenditure**

The Fund Manager of the Constituency Development Fund (CDF) for Turkana South Constituency received Kshs.133,816,745.00 during the year 2012/2013. The amount relates to allocations for 2011/2012 and 2012/2013 financial years of Kshs.63,795,997.50 and Kshs.70,020,747.20 respectively.

Disbursements for various activities amounting to Kshs.119,484,593.80 were made to Project Management Committees (PMCs). However, expenditure returns for Kshs.78,677,263.00 as tabulated below from the various PMCs were not provided for audit verification.

<b>Activity</b>	<b>Amount (Kshs.)</b>
Education	59,160,000.00
Bursaries	296,000.00
Environment	1,023,840.00
Health	8,200,000.00
Monitoring and Evaluation	576,200.00
Sports	2,473,223.00
Water	5,000,000.00
Others	<u>1,943,000.00</u>
<b>Total</b>	<b><u>78,672,263.00</u></b>

Consequently, it was not possible to confirm that the funds disbursed to the PMCs were used for intended purpose and in accordance with the law.

## **(ii) Irregular Procurement of School Buses and Insurance**

The Turkana South Constituency Development Fund management made a payment of Kshs.26,540,000.00 to a transport company on 25 October 2012 for supply of four 51-seater buses to four schools i.e. AGC Lokichar, Kainuk Secondary School, Katilu Boys and AIC Kangit Girls. The supplier is indicated as the lowest bidder of the three firms that were invited to quote. The following unsatisfactory matters were noted:

- i) The specifications of the buses to be bought were not properly given to enable the firms to quote for same item that is comparable.
- ii) The minutes of the Evaluation Committee and Tender Committee were not provided for audit review;
- iii) The Inspection and Acceptance Committee Certificate was not provided to confirm that the right buses were supplied and received in good order before making payment.
- iv) The value of the buses exceeded the limit for use of request for quotations as a procurement method and no reason has been provided for not using the open tender method.
- v) The ownership of the buses could not be confirmed due to lack of motor vehicle registration documents and logbooks.

The Fund further made a payment of Kshs.2,768,392.00 to an insurance agency on 14 December 2012 in respect of insurance for the four buses. Although the firm was the lowest bidder of the three firms that quoted, it was not indicated whether the insurance was comprehensive or for third party only. The fund had not made provision in the budget for insurance of the buses and the amount exceeded the limit of Kshs.1,000,000.00 for use of quotation. No reason has been provided for not using the open tender method.

Further, valuation report, minutes of the Evaluation Committee and Tender Committee and the Insurance Policy documents were not provided for verification.

Consequently, the propriety of the expenditure of Kshs.29,308,392.00 could not be confirmed.

## **(iii) Unconfirmed Fuel expenditure**

The Constituency Development Fund made payments to a local company (supplier) totalling Kshs.1,675,935.00 on various dates for the supply of fuel in bulk as tabulated below:

<b>Date</b>	<b>cheque No.</b>	<b>Amount (Kshs)</b>
31.10.2012	2937	440,500.00
31.10.2012	2970	400,000.00
13.2.2013	Not indicated	354,095.00
7.7.2012	2894	<u>481,340.00</u>
	<b>Total</b>	<b><u>1,675,935.00</u></b>

The following unsatisfactory matters were however noted;

- (i) There was no information on how the firm was identified to supply fuel; and
- (ii) Fuel register, copies of detailed orders and work tickets were not provided to show how the fuel paid for was utilized.

In the absence of these documents, the usage and propriety of fuel worth Kshs.1,675,935.00 could not be confirmed.

## **WEST POKOT COUNTY**

### **356. Kapenguria Constituency Development Fund (CDF)**

#### **(i) Drilling of Boreholes on Privately Owned Land**

Records maintained at the Kapenguria CDF office indicate that an amount of Kshs.7,250,000.00 was incurred during the year on drilling of five (5) boreholes and installation of pumps at Bendera, Kamito, Kapchepkai, Kaplelachkaror and Psigirio areas. However, the land on which the boreholes are located was indicated as donated by private individuals and the ownership has not been transferred to the community for use as public land. No explanation has been provided for sinking the boreholes on private land.

#### **(ii) Irregular Advance Payments**

An audit carried out on the expenditure records at the CDF office indicates that on 6 November 2012, the Constituency Development Funds Committee (CDFC) awarded a contract to a Kapenguria based company to drill and equip three boreholes at Polol, Keringet and Kaplelachkaror areas within the Constituency at a contract sum of Kshs.1,500,000.00, Kshs.2,200,000.00 and Kshs.1,500,000.00 respectively. It was however observed that the contract sum was paid in advance to the contractor on the same day of awarding the contract before the service was rendered. Further, 10% retention fee was not withheld contrary to Section 14.8 of the Government Financial Regulations and Procedures.

A site inspection carried out on 6 February 2014 revealed that boreholes at Polol and Keringet had not been equipped with water pumps and none had water. It is not clear

whether the District Water Office was involved in identifying and carrying out geological assessment before drilling was done. It was also established that the borehole at Kaplelachkaror was dry and the water pump was broken.

It is not clear why the CDFC paid the contractor in advance the full contract sum before service was rendered. It appears also that no remedial action is being taken by the CDFC to ensure that the Government gets value for money on the above expenditure.

### **(iii) Doubtful Expenditure on Mtelo Water Project**

Available information indicates that the CDFC disbursed funds amounting to Kshs.6,942,857.00 to Mtelo Water Project Management Committee (PMC) during the years 2007 to 2013. The project was intended to serve residents of Endugh and Chepkomor locations at estimated total cost of Kshs.107,745,095.00 when it is complete. The expenditure returns on the disbursement of Kshs 6,942,857.00 were not made available for audit review. In addition, the site inspection carried out in February 2014 revealed that little work had been done on the ground despite the fact that money disbursed was meant for water intake construction and piping.

It has not been possible, therefore, to confirm that funds were used only for the intended purpose.

## **357. Sigor Constituency Development Fund**

### **(i) Drilling and Construction of Boreholes**

The Sigor Constituency Development Fund Committee (CDFC) entered into a contract with a local company to drill and equip three (3) boreholes at Kalikwon, Korellach and Chepurkut locations in the Constituency at a total cost of Kshs.6,900,000.00.

According to available information, there was no competitive bidding in identifying the contractor and the construction was single sourced contrary to Section 74 of the Public Procurement and Disposal Act, 2005.

Further, a physical verification carried out on the borehole at Korellach revealed that the borehole was dry and without water, indicating that the amount spent on the project may have gone to waste.

### **(ii) Roads Maintenance**

Examination of records maintained at the CDF office revealed that during the year, a total of Kshs.10,500,000.00 was paid to various contractors for maintenance of Lomut-Cheptokol, Amaler-Akolo, Psupen, Tapach, Sikow-Tilak and Tomusiro roads in the Constituency. However, procurement records, contract agreement, bills of quantities, inspection and certificates of work done were not made available for audit review. Consequently, the propriety of the expenditure of Kshs.10,500,000.00 incurred on the roads could not be ascertained.

### **(iii) Grants to Schools, Water Projects and Construction of Security Offices**

The CDF office made disbursements in August and September 2012 to various schools and water Projects Management Committees (PMCs) totalling Kshs.3,900,000.00 and Kshs.4,200,000.00 respectively. Further, payments were made to other PMCs for the construction of Security Offices at Amaler Police Post, Tamkal and Wakor Chief's Offices amounting to Kshs.3,000,000.00, Kshs.200,000.00 and Kshs.500,000.00 respectively. An audit carried out in January 2014 revealed that expenditure returns from the Project Management Committees (PMCs) had not been submitted to the CDF office for verification.

As a result, the propriety of the expenditure totalling Kshs.11,800,000.00 could not be ascertained.

### **358. Kacheliba Constituency Development Fund**

#### **(i) Construction of CDF Office at Alale**

The tender for construction of CDF Office at Alale was awarded by the District Tender Committee on 5 May 2010 to a construction company based in Kapenguria, at a contract sum of Kshs.10,000,000.00.

#### **Scope of Work**

According to records available, the scope of work for the project involved erection and completion of an office block including ground floor slab, walling, ceiling and roofing, plastering and installation of doors and windows, electrical works and plumbing works.

#### **Contract Period and Progress of Work**

The contract period was 54 weeks running from 7 June 2010 to 7 July 2011. However, as at January 2014, records show that approximately 40% of the physical work had been completed, while the contract period had been surpassed by over 19 months. No reasons have been provided for the apparent slow progress of the works.

#### **Payments**

A review of payment certificate and expenditure records showed that a sum of Kshs.5,808,753.00 had been paid to the contractor as at 30 June 2013 against the contract sum of Kshs.10,000,000.00. The payment represent approximately 58% of the contract sum, while 40% of the physical work had been completed. The payments made therefore were not commensurate with the work done on the ground.



## **(ii) Construction of CDF Office at Konyao**

### **Award of Contract and Scope of Work**

A contract for construction of CDF office at Konyao was also awarded by the District Tender Committee on 5 May 2010 to a firm based in Kapenguria at a contract sum of Kshs.8,428,753.00. The scope of work involved erection and completion of an office block comprising of 6 rooms.

### **Contract Period and Progress of Work**

The contract period was to run for 32 weeks starting from 7 June 2010 to 28 February 2011. However, physical inspection carried out in January 2014 revealed that 90% of the works had been completed. Payments made to the contractor as at 30 June 2013 amounted to Kshs.5,175,290.00 or approximately 61% of the contract sum.

The CDF Management did not provide satisfactory explanation for the delay in construction of the office block.

## **(iii) Incomplete Projects**

Examination of records for various projects at the Kacheliba Constituency Development Fund Office disclosed that grants amounting to Kshs.481,009,650.00 were received in the office between 2004/2005 and 2012/2013 out of which Kshs.60,177,367.00 was incurred on several water projects, roads, schools and dispensaries spread across the Constituency.

An audit verification of the projects conducted in January 2014, however, revealed that the above mentioned projects worth Kshs.60,177,367.00 are incomplete and have stalled, and the funds spent may go to waste. The Fund Office has not provided satisfactory reasons for the poor management of the projects.

## **UASIN GISHU COUNTY**

### **359. Eldoret East Constituency Development Fund**

Examination of Eldoret East Constituency Development Fund records as at 30 June 2013 revealed the following anomalies:

#### **Construction of Office Block**

According to records available, the CDF office, received disbursements amounting to Kshs.2,000,000.00 and Kshs.750,000.00 in the financial years 2011/2012 and 2012/2013 respectively for the construction of a proposed office block in Eldoret. The contract was awarded to a local construction company on 31 July 2012, through restricted tendering.

An advertisement for construction of the office block at Eldoret was done on 11 June 2012 and closed on 27 June 2012. Subsequently, three (3) bids were received and according to the tender opening minutes of 27 June 2012, the three bidders had quoted sums of Kshs.4,732,830.00, Kshs.3,596,087.00 and Kshs.3,087,500.00. After evaluation, the tender committee meeting of 31 July 2013 awarded the tender to the lowest bidder at a contract sum of Kshs.3,087,500.00.

The audit revealed the following unsatisfactory matters:

### **Cost Estimate**

The engineer's estimated cost of the office block was Kshs.8,382,302.00, which reflects that the bid was 63.2% below the engineer's estimated cost.

#### **i) Award of Contract**

The lowest bidder was notified of the award of tender through undated letter reference CDF/OFFICE/1/2012 and separately accepted the contract vide letter dated 6 July 2013; a date before awarding of the tender. This appears to indicate that the Tender Committee meeting of 31 July 2012 was just a procedure to formalize what had been decided earlier.

#### **ii) Contract Agreement and Duration**

According to available information, the contract agreement was to be prepared by the CDF Office for signing by both parties and duration of work was to be completed within a period of twenty (20) weeks from the date to be determined by the Public Works Officer, Eldoret. No written contract agreement appears to have been drawn between the two parties as at 20 September, 2013.

An inspection carried out on 20 September 2013 revealed approximately 58% of work had been done according to the engineer's estimate against fifty nine (59) weeks or 295% of the time elapsed since the award of the contract. It has not been possible therefore to establish the contract terms and payment in absence of the contract agreement.

#### **iii) Scope of Works and Payments**

The scope of works involved construction of an office block with (9) columns above ground floor slab, natural stonework walling, ceiling and roofing, plastering, painting and installation of doors and windows.

An audit inspection of the project carried out in July 2013, however, revealed that the contractor used bricks and blocks on walling up to lintel level instead of natural stonework as stipulated in the bills of quantities. Further, the works has apparently stalled and the contractor was not on site after completing substructure work, concrete and walling all valued at Kshs.1,808,490.10 as per interim completion certificate number

1 dated 30 October 2011. The payments on the above interim certificate were made on 19 December 2012.

No reason was given on the change of specifications on walling and failure to complete the building within the specified period.

There is thus uncertainty of quality of work, completion and risk of escalation in cost considering the slow rate of progress of works and lack of critical documents including contract agreement.

### Stalled Projects

An examination of CDF records on projects implementation revealed that several projects which were funded several years back have stalled at various stages of completion and others have not started despite the disbursement of funds.

According to available information, between the period 2004/2005 and 2010/2011, disbursements totalling Kshs.4,189,100.00 were made to Project Management Committees from the Constituency Development Fund to finance projects and programmes under Education, Health and Water sectors as detailed below. No evidence has been provided on the action being taken by the management to complete the projects.

S/No	Year	Name of Project	Cheque No	Date of cheque	Amount	Contractual /Labour based( LB)	Remarks
		<b>Education Institutions</b>					
1	2009/2010	Saito Primary-construction of green house	2398	17.7.11	262,000	LB	Green house failed
2	2008/2009	Toloita Primary-construction of 3 classrooms	2728	8.2.12	400,000	LB	40% complete
3	2008/2009	Kapsiliot Secondary-construction of Admin block	2745	23.2.12	300,000	LB	
4	2009/2010	Kalyet Secondary	2042	29.10.10	400,000	LB	No reason given for failure to spend amount issued
5	2009/2010	Kaperi Primary	2191	17.3.11	300,000	LB	Money released but not yet spent

		<b>Health/ Dispensaries</b>					
6	2009/2010	Kapkeno Dispensary	2078	22.11.10	307,100	LB	Stalled at lintel level because of underfunding
		<b>Water Projects</b>					
7	2010/2011	Konyalil water project	2725	8.2.12	560,000	LB	Money not yet spent
8	2010/2011	Cheptigit water project	2075 2642 1427	11.11.10 10.10.11 18.11.09	200,000 700,000 200,000	LB	Work not commenced because of land dispute
9	2010/2011	Ainet water project	2460	30.8.11	560,000	LB	Work yet to commence
		<b>Other Projects</b>					
10	2004/2005	Mara Primary- const of 2 classrooms	-	-	-	-	No information provided
11	2004/2005	Ngarua Primary- const of one classroom	”	”	”	-	“
12	2004/2005	Chepngoror Secondary- const of 2 classrooms	-	-	-	-	No information on % completion/pa yment
		<b>Total</b>			<b><u>4,189,100</u></b>		

### Construction of Moiben-Kose Bridge

The Constituency Development Fund disbursed Kshs.700,000.00 for the construction of Moiben - Kose Bridge in Eldoret East Constituency and a further Kshs.2,000,000.00 in 2012/2013 for the construction of a bridge across Moiben River. Although indications are that the funds were spent, a site visit carried out in July 2013 revealed that substantial work had been done but the project was incomplete. Further, details on the procurement, award of tender and contract agreement for the project were not made available for audit review.

Consequently, the propriety of the expenditure of Kshs.2,700,000.00 could not be ascertained.

## **ELGEYO MARAKWET COUNTY**

### **360. Marakwet East Constituency Development Fund**

#### **(i) Unsupported Expenditure on Projects**

During the year under review, disbursements totalling Kshs.13,963,112.00 were made from the Constituency Development Fund to finance various projects and programmes under Health, Water, Security and Cattle dips comprising amounts of Kshs.4,691,175.00, Kshs.2,200,000.00, Kshs.5,671,937.00 and Kshs.1,400,000.00 respectively. However, expenditure records showing how the amount of Kshs.13,963,112.00 was utilized and accounted for have not been made available for audit review. The propriety of the expenditure therefore could not be confirmed.

#### **(ii) Procurement of construction works**

Available information indicates that the CDF office made payments to four (4) firms for the construction of Kapyego Police Post, partitioning and wiring of D. O's Office at Cheboi, construction of Police Post at Tot and construction of Kamoge Police staff houses at Kshs.400,000.00, Kshs.463,965.00 Kshs.105,000.00 and Kshs.1,500,000.00 respectively. However, bills of quantities, structural drawing designs, tender documents and certificate of works done were not produced for audit review. As a result, it has not been possible to establish how the contracts were awarded and whether the funds were used for the intended purpose.

#### **(iii) Doubtful Expenditure**

During the year under review, the CDF office further purchased tree seedlings from two local women groups at a cost of Kshs.174,000.00 and Kshs.143,000.00 respectively. The seedlings were intended to be distributed to various schools and institutions in the constituency. Details of the recipients were not attached to the payment vouchers.

Further, expenditure amounting to Kshs.6,000,000.00 was incurred on renovation of CDF office at Chesoi. However, relevant records including tender documents, bills of quantities and certificate of work were not maintained. The CDF management also never accounted for the emergency funds amounting to Kshs.614,340.00 allocated to schools after heavy rainfall floods during the year. Under the circumstances, the propriety of the expenditure of Kshs.6,931,340.00 could not be ascertained.

### **361. Marakwet West Constituency Development Fund**

#### **(i) Sports and Games**

A total of Kshs.2,357,200.00 was paid to various organizations and individuals in support of various sports activities in the constituency. The funds were spent in purchasing sports items such as boots, T-shirts, track suits, cornet stockings among others. However, no details of the beneficiaries duly acknowledging receipt of the items

was provided. Further, a payment of Kshs.100,000.00 was paid to Athletics Kenya Association, Keiyo Marakwet County to support home coming party to London 2012 Olympians. The association request for funding was not supported by relevant documents to confirm whether it is duly registered with the Social Services Department. In addition, the donation request letter did not have the physical location of the association or its postal address. It was also not clear why the payment to the association was made in cash instead of cheque. The propriety of the expenditure amounting to Kshs.2,457,200.00 could therefore, not be confirmed.

**(ii) Payments for trips outside the County**

Payments amounting to Kshs.1,342,800.00 were made for trips outside the county. However records presented only showed that the Constituency Development Fund Committee approved the trips but there were no details to confirm the purpose and need for the trips. Further, there were no reports from the participants which could form the basis of assessing the benefits accruing from the trips and as evidence of services rendered. Consequently, the expenditure of Kshs.1,342,800.00 could not be verified.

**(iii) Primary and Secondary Schools Projects**

The CDF office made disbursements amounting to Kshs.11,800,000.00 to finance various projects in schools spread across the constituency. However, expenditure returns including completion certificates were not made available for audit verification. In absence of relevant records, the funds remain unaccounted for and the validity of the payments could not be confirmed.

**(iv) Bank Reconciliation Statement – Payments in Cashbook not in Bank Statement**

Examination of the bank reconciliation statement for the month of June 2013 revealed overdue outstanding reconciling items amounting to Kshs.1,850,599.40 relating mainly to bursary payments to various institutions of learning with some dating back to the year 2011. The cheques are already stale and therefore cannot be presented for payment. No reason was provided as to why replacement cheques have not been issued.

**362. Keiyo North Constituency Development Fund**

**(i) Unaccounted for funds - Kaitalel Primary School**

Kaitalel Primary School received funding totalling Kshs.1,550,000.00 from Keiyo North Constituency for purchasing land and construction of classrooms. The funds were disbursed in tranches of Kshs.250,000.00, Kshs.800,000.00 and Kshs.500,000.00 in the financial years 2010/2011, 2011/2012 and 2012/2013 respectively. However, as at the time of audit in February 2014, the land had not been acquired and construction had not started. There were no records available to proof that the funds were still intact in the project management bank account. The funds disbursed to the project therefore have not been accounted for.

## **(ii) Purchase of Sports and Games Materials**

An expenditure amounting to Kshs.1,012,500.00 was incurred from the sports and games budget allocation. An amount of Kshs.151,000.00 was paid for purchase of footballs, uniforms and football boots. However, the supplier was single sourced contrary to Section 74 of the Public Procurement and Disposal Act, 2005. No records were provided confirming receipt and issuance of the items to the intended institutions. Further, Kshs.861,500.00 was paid for supply and delivery of calendars for the year 2013. This expenditure was irregularly charged to sports and games vote while counter issue and receipt note (S11) for calendars was not provided for audit review. The propriety of the expenditure is therefore, doubtful.

## **(iii) Construction of CDF Office at Iten**

### **Award of Tender**

Available information indicates that construction of CDF office block commenced in 2011. As at 30 June 2013, disbursements to the project amounting to Kshs.8,000,000.00 had been made for the office block and septic tank. Records maintained by the office also indicate that contract for the construction of the office and septic tank was awarded to a Kabarnet based company at a sum of Kshs.5,307,292.00 and Kshs.490,000.00 respectively. However, tender documents including bills of quantities and tender evaluation minutes were not made available for audit review. We could not establish, therefore, whether competitive tendering was adhered to as required by Public Procurement and Disposal Act, 2005.

### **Payments**

The contractor had been paid a total sum of Kshs.5,497,292.00 as at 30 June 2013. However, payment vouchers, relevant certificates and other supporting documents were not made available for audit review. Further, the CDF office used part of the project funds totalling Kshs.129,565.00 on purchase of furniture without floating quotations so as to ensure value for money is achieved.

A review of the project bank statement also revealed that the balance in bank account as at 21 November 2012 was only Kshs.879,238.00 an indication that a total of Kshs.7,120,762.00 had been spent as at that date. An amount of Kshs.1,493,905.00 could therefore not be accounted for taking into consideration of payments to the contractor, purchase of furniture and balance in the bank.

Consequently, it could not be determined whether the Government got value for money in the above transactions.

## **(iv) Unsupported Monitoring and Evaluation and Insurance Expenditure**

During the year under review, the Keiyo North CDF spent Kshs.1,660,444.00 on payment of allowances in monitoring and evaluation of projects within the constituency.

However, examination of expenditure records maintained at the CDF office disclosed that specific location of the projects visited was not indicated and could not be established and no reports were prepared to support the monitoring and evaluation exercises undertaken. In addition, the CDF office made payments amounting to Kshs.230,100.00 to an insurance company for insurance cover of motor vehicle GK A 363U for the period from 15 December 2012 to 14 December 2013. However insurance policy document was not made available for audit review.

In the circumstances, it has not been possible to establish the propriety of the above payments totalling to Kshs.1,890,544.00.

#### **(v) Construction of Medical Training College**

The construction of Kenya Medical Training College (KMTC) – Iten started in 2011. The first phase of the project involved the construction of six (6) classrooms in a one storey building. Examination of bank statements for the project indicates that Keiyo North CDF financed the project at a total of Kshs.19,445,031.00 from the year 2011 to 2013. Contracts for the construction were split into labour and material contract. Labour contract was awarded to an Iten-based company at a contract sum of Kshs.3,470,854.00 while the Project Management Committee was to purchase materials for the project. No tender documents, bills of quantities, payment to the contractor and material purchases supporting documents were made available for audit review. Further, a review of the project bank statements indicated that a balance of Kshs.15,806.60 remained unutilized in the bank account as on 27 July 2013 indicating that a total of Kshs.19,429,225.00 of the total funds disbursed of Kshs.19,445,031.00 had already been spent. Expenditure returns and reports from the project management committee and certificates from Ministry of Public Works were not provided for audit verification.

In the absence of relevant records, the propriety of the expenditure of Kshs.19,445,036.00 could not be ascertained.

#### **(vi) Electricity Projects**

Examination of records maintained by Keiyo North CDF indicated that a total of Kshs.5,600,000.00 was paid out to various electricity projects in the 2012/2013 financial year, including an amount of Kshs.1,000,000.00 that was paid in respect for Iten town lighting project. The implementation of Iten town lighting project could not be verified due to lack of relevant records and the unavailability of Project Management Committee to identify the works done. Further, no project files were provided for audit review. Therefore, the propriety of Kshs.5,600,000.00 could not be ascertained.

#### **(vii) Irregular Re-allocation of Emergency Funds**

In the financial year 2012/2013, a total of Kshs.4,443,274.00 was allocated by the CDF Board for emergency purpose in the constituency. However, an amount of Kshs.1,145,131.00 and Kshs.1,600,000.00 was paid out of the vote to KMTC Iten and



CDF office construction respectively. The two cases do not fit the emergency criteria as stipulated in the CDF Act, 2013 and therefore the funds totalling to Kshs.2,745,131.00 were irregularly diverted and utilized on unauthorized projects.

## **NANDI COUNTY**

### **363. Tinderet Constituency Development Fund**

#### **(i) Unaccounted for Bulk Fuel**

Examination of records maintained at Tinderet CDF office indicate that the office purchased 7258 litres of bulk diesel fuel worth Kshs.750,505.00 from a service station based in Nandi Hills. However, the fuel had not been accounted for as at 30 June 2013, as the detailed orders, fuel register and relevant work tickets were not maintained. The propriety of the expenditure could not therefore, be ascertained.

#### **(ii) Purchase of Land for Projects**

During the year the Constituency Development Fund Committee (CDFC) funded various schools to purchase parcels of land for projects spread across the Constituency. It was however, established that four(4) parcels of land did not have title deeds as proof of ownership contrary to CDF Board Circular No.VOL.1/108 dated 24 August 2010. Further, sale agreements and valuation reports prepared by the relevant Ministry were not provided for audit review. Consequently, the propriety of expenditure amounting to Kshs.4,100,000.00 as shown below could not be confirmed.

	<b>Date</b>	<b>Cheque No.</b>	<b>Name of School</b>	<b>Size of Land (acres)</b>	<b>Amount (Kshs)</b>
1.	10.9.2012	002841	Kabikwen Primary school	2.5	900,000
2.	10.9.2012	002846	Matumon Primary school	2.0	600,000
3.	10.9.2012	002845	Chepkitlel Primary school	3.2	600,000
4.	19.9.2012	002893	Cheplelachbei Sec. school	4.0	<u>2,000,000</u>
	<b>Total</b>				<b><u>4,100,000</u></b>

#### **(iii) Non-implemented Water Projects**

Available information indicate that the CDF office disbursed funds totalling Kshs.3,500,000.00 in September 2012 to five(5) water Project Management Committees(PMC) namely: Chemamul, Kapkerio, Tuiyobei, Chebarus 'B' and Keben/Koilot for construction of water tanks, laying of pipes from the mains to the storage tanks and construction of intake points.

An audit inspection carried out in February 2014, however, revealed that the projects had not been implemented more than one (1) year after the funds were released. Further, it could not be established whether the funds were still intact in the bank account because relevant bank statements were not made available for audit review.

Consequently, it has not been possible to confirm the propriety of the expenditure incurred on the water projects.

#### **(iv) Construction of Nandi East District Headquarters**

##### **a. Project Over-funding**

As previously reported the Nandi East District Treasury received a total of Kshs.58,686,012.00 from various stakeholders between 2008/2009 and 2012/2013 for the construction of Phase I and completion of District Headquarters. The CDF contributed a total of Kshs.32,000,000.00, the Ministry of State for Provincial Administration and Internal Security (District Commissioner, Nandi East) contributed Kshs.25,766,696.00, the Eastern Produce of Kenya (EPK) Kshs.653,400.00 while Kenya Tea Growers Association (KTGA) contributed Kshs.265,916.00.

The tender for the final phase was competitively awarded on 30 March 2010 to an Eldoret based company at a contract sum of Kshs.43,065,100.00 being the same company that had undertaken the construction of the first phase at a cost of Kshs.4,945,020.00 bringing the total of the project cost to Kshs.48,010,120.00. The project therefore, received unexplained over-funding of Kshs.10,675,892.00.

##### **b. Progress and Quality of Work**

The contract for the completion of the building which commenced on 12 April 2010 was to take forty two (42) weeks to 10 February 2011. However, an audit inspection carried out on 14 February 2014 revealed that the works was at 72% completion level while contract period had been exceeded by thirty six (36) months. Further, several cracks were visible on the walls of the building indicating poor workmanship by the contractor. In addition, the contractor was paid for works not done vide Interim Certificates No. 10 and 12 for electrical works and materials on site valued at Kshs.357,500.00 and Kshs.676,000.00 respectively. No reason was provided for the anomaly.

##### **c. Doubtful Expenditure**

The District Commissioner failed to provide the following items for audit review; complete details of certificates of works done, bank statements and payment vouchers amounting to Kshs.53,686,012.00.

Consequently, it has not been possible to establish the validity and propriety of the expenditure so far spent on the project as at 30 June 2013.

## **364. Mosop Constituency Development Fund**

### **(i) Construction of CDF Office Block**

The construction of Mosop CDF office block was funded by the Constituency Development Fund Committee (CDFC) with a total of Kshs.4,940,930.00 and Kshs.3,902,857.00 in 2011/2012 and 2012/2013 respectively.

Expenditure records maintained at the CDF office further indicate that labour contract was awarded to a Housing Corporation on 16 September, 2011 at a contract sum of Kshs.1,419,852.00 being the lowest evaluated bidder. On 16 December 2012, the CDFC entered into a new labour contract with an individual to construct the same building at a sum of Kshs.1,197,600.00. It is not clear why the initial winner of the contract was terminated and for what reasons. Tender documents including evaluation minutes were also not provided for audit review. No contract agreement appears to have been entered into between the CDF office and the contractors and therefore start and completion dates of the project could not be determined. Further, expenditure details on purchase of materials and use of Kshs.7,646,187.00 of balance of funds disbursed for the project was not provided for audit review and remain unaccounted for.

A site inspection carried out in February 2014 revealed that the project was about 95% completion level.

### **(ii) Funding of Primary Schools in Privately Owned Land**

Examination of records maintained by the CDF office further indicates that funds amounting to Kshs.800,000.00 and Kshs.5,600,000.00 were disbursed to Kabiyeet Township Primary School and St. Mary's Teresia Primary School respectively. The funds were meant for purchase of land at Kabiyeet School while the amount sent to St. Mary's Teresia School was to be utilized in purchase of land and construction of 10 classrooms.

However, no valuation reports, sale agreement and title deed were made available for audit review and no explanation was provided for funding project on privately owned land instead of public land as required by the CDF Act, 2003.

### **(iii) Purchase of a Private School**

The Mosop CDF office during the year incurred a total of Kshs.4,750,000.00 on purchase of St. Peters Sangalo Central Primary School, a privately owned school in Sangalo area. Records available indicate that the expenditure was incurred on land, furniture and building development at a cost of Kshs.400,000.00, Kshs.334,500.00 and Kshs.4,350,000.00 respectively. However, an audit carried out on the expenditure revealed that valuation of the property was done by a private valuer contrary to the Government Financial Regulations and Procedures which require that a Government valuer should be engaged for such work. Further, no evidence was provided indicating

the need of buying an existing school while within the same locality there are five (5) other public primary schools.

An inspection carried out in February 2014 also revealed that the school was still operated in the name of a private academy and had not been changed.

Under the circumstances, it has not been possible to establish the propriety of the expenditure totalling to Kshs.4,750,000.00 incurred by the CDF office.

## **KAKAMEGA COUNTY**

### **365. Lugari Constituency Development Fund**

#### **(i) Construction of Muhomo Bridge**

The above construction was irregularly awarded to a contractor through direct procurement at a contract sum of Kshs.5,474,800.00 even though a Tender Evaluation Report from Kenya Rural Roads Authority had recommended a different contractor having been the lowest evaluated bidder who had quoted Kshs.5,472,150.00 among other bidders. No reason was given for this anomaly.

Further, the contractor requested for a variation of the contract and was awarded additional works amounting to Kshs.3,334,200.00 or about 90.6% of the contract sum which is 80.6% more than the required 10% allowed variation price.

Failure to award the work competitively amounted to non compliance with the Public Financial Regulations and the Public Procurement and Disposal Act, 2005.

#### **(ii) Incomplete Construction of a Dispensary and a Polytechnic at Maturu**

The CDF office Lugari disbursed Kshs.1,950,000.00 and Kshs.1,800,000.00 for completion of Maturu Dispensary and the construction of Maturu Polytechnic respectively. Audit verification revealed that even though the payments had been paid in full, works quantified in the bills of quantities at Kshs.759,826 for the dispensary and Kshs.501,900.00 for polytechnic totalling Kshs.1,261,726.00 were not complete. The amount of Kshs.1,261,726.00 paid for work not done may represent a loss to the CDF. Management have not provided explanation for payment of work not done.

#### **(iii) Un- implemented CDF Projects**

Amounts totalling Kshs.7,855,693.00 on approved various projects during the year were disbursed. Those projects had not been implemented as at the time of audit inspection. It is not clear why the committee continued to hold on to the money while service delivery stalled.

The intended beneficiaries of the projects and the country may not get value for money disbursed and the amounts allocated may also prove inadequate due to increasing prices of goods and services.

**(iv) Lack of Land Ownership Documents**

The fund approved and disbursed funds totalling Kshs.1,750,000.00 for the purchase of parcels of land for five (5) beneficiary institutions. However, ownership documents for the parcels of land purchased were not made available for audit verification.

**366. Butere Constituency Development Fund**

The Butere Constituency Development Fund office paid during the year Kshs.2,239,287.00 towards the construction of Butere Community Resource Centre making the total payments to date to add up to Kshs.7,700,000.00.

Information available and physical inspection on the project revealed that the project is being constructed on land belonging to a private organisation and thus not owned and cannot be utilized for such development. It was noted that the contractor left the site during the month of February, 2013 and no work was going on.

Management have not provided justification for the total Kshs.7,700,000.00 expenditure.

**367. Khwisero Constituency Development Fund**

**(i) Unsupported Payments**

Audit of financial statements maintained at the Khwisero CDF disclosed payments totalling Kshs.56,962,678.00 that were not authorized and supported with documentation.

It was, therefore, not possible to confirm propriety of the Kshs.56,962,678.00 expenditures charged to public funds.

**(ii) Stalled Projects**

A review of the Project Implementation Status Report for the period 2003 to 2013 revealed that projects funded between financial year 2003 to 2010 at a total cost of Kshs.4,900,000.00 had stalled and contractors abandoned the site. The CDF management has not explained the steps it has taken to ensure the projects are completed with no cost overruns.

**(iii) Non-existent Projects**

A review of the Project Status report revealed that projects funded (mostly water springs) to the tune of Kshs.1,840,000.00 between the year 2004 to 2008 were either non-existent or their locations on the ground and status was not known. Consequently, the propriety of the Kshs.1,840,000.00 expenditure could not be confirmed.

**(iv) Payment for works not done**

The payments were made to Rural Electrification Authority and Rift Valley Railways in respect of installation of electricity and road crossing. At the time of audit, works worth Kshs.3,500,000.00 had not been done.

CDF management have not provided explanation for these irregularities.

**368. Shinyalu Development Fund (CDF)**

**(i) Missing Cash**

The Shinyalu CDF cash book as of 30 June 2013 reflected a cash on hand balance of Kshs.2,437,880.00 that was represented by Kshs.1,215,630.00 held in form of outstanding imprests and Kshs.1,222,250.00 in cash, that was unaccounted for. No justification has been provided for the missing cash of Kshs.1,222,250.00.

In addition, the Kshs.1,215,630.00 cash held in form of long outstanding imprest includes Kshs.79,580.00 held by one officer and Kshs.275,000.00 issued to a former CDF secretary in August 2012 who has since left the office. No efforts have been made to recover the imprest from the officer's salaries as required by Government Financial Regulations and Procedures.

**(ii) Irregular and Unaccounted for Cash Withdrawals**

Bank records availed reflect that between the months of December 2012 and January 2013 cash withdrawals amounting in total to Kshs.3,800,000.00 were made to two officials of the CDF with the secretary getting Kshs.3,000,000.00 and Kshs.800,000.00 to the treasurer.

These payments were made without any supporting documentary evidence hence unaccounted for.

**(iii) Irregular Transaction**

The CDF cash book had an entry in the bank payment column of Kshs.6,495,100.00 posted on 30 August, 2012 and narrated as cashbook adjustment which was not explained. This had the effect of reducing the balances at bank by the same amount. Further, a review of the cashbook transactions after the year end revealed that a new cash book was opened on 25 August, 2013 without closing the old one and carrying forward the cash book balances which stood at Kshs.2,437,880.00 for cash on hand and Kshs.822,033.00 for cash at bank respectively. No justification has been provided for this irregular transaction.

**(iv) Payments Unaccounted for**

The bank reconciliation statement reflects payments in bank statement not yet recorded in the cashbook of Kshs.15,200,944.15 out of which only Kshs.97,281.50 represented bank charges with the rest amounting to Kshs.15,103,662.65 being payments to other parties. This in effect reduces expenditure and distorts financial statements.

No reason has been provided for failure to enter and update the cash book with the payments.

**(v) Unsupported Payment/Falsification of Documents**

Two payments of Kshs.400,000.00 each, amounting in total to Kshs.800,000.00, were made to officers without proper support documents in form of authorizing minutes. In one case, the payment purportedly authorized by the executive committee was supported by minutes of Constituency Development Fund Committee which was also found not to have taken place. Yet in the other case the resolution authorizing payment was not in the original minutes meaning it had merely been inserted to facilitate payment. Consequently, the propriety of the Kshs.800,000.00 expenditure could not be confirmed.

**(vi) Irregular Diversion of Funds**

A physical verification at St. Augustine Mukumu Primary School on 4 February, 2014 revealed that an amount of Kshs.1,000,000.00 disbursed for construction of a dormitory was, without prerequisite authority, diverted to the completion of four classrooms at the school. The CDF had earlier allocated Kshs.150,000.00 for the completion of these classrooms whose construction had stalled and therefore it is not clear how the amount was used.

**BUNGOMA COUNTY**

**369. Kanduyi Constituency Development Fund (CDF)**

**Unsupported Payments**

There was no documentary evidence availed in support of expenditure amounting to Kshs.4,286,000.00 that included an amount of Kshs.1,425,000.00 paid to the CDF Treasurer. Also the Kanduyi CDF paid Kshs.300,000.00 to Township Chief's office for plastering and painting of the office during the year under review. However, a site visit to the office on 6 February 2014 revealed that no such works had been carried out.

Payment amounting to Kshs.1,000,000.00 paid to a supplier in respect of procurement of fuel could not be accounted as there was no supporting documents like detail orders, delivery notes and fuel register to confirm the same.

An official of the Constituency Development Fund was paid in cash a total of Kshs.575,000.00 for the purpose of purchasing office equipment and furniture. However, this amount could not be accounted for during the audit inspection. It was also not clear why normal Government procurement procedures which require competitive bids were not adhered to.

Under the circumstances, the propriety of these payments could not be ascertained.

## **BUSIA COUNTY**

### **370. Nambale Constituency Development Fund**

#### **(i) Unauthorised Expenditure on Construction of Bridge and Culvert**

The Nambale Constituency Development Fund without approval of the Constituency Development Fund Board, spent Kshs.3,113,440.00 to construct a bridge along Lupida-Kocholia road and another Kshs.3,062,527.00 to build a Box Culvert on Mwenge-Madivo road. The Bills of Quantities for both projects were not availed for audit and thus the intended scope of works was not known. Further, no minutes were availed to confirm involvement of the entire Constituency Development Fund committee as required.

#### **(ii) Incomplete Busia Chief's Office**

Nambale CDF incurred an amount of Kshs.1,800,000 for the construction of the Busia Chief's Camp without preparing proper Bills of Quantity (BQ). The fund paid the full amount on the contract even when works such as decorations, fixing of facial board, painting and other finishes were still incomplete. The project had been irregularly varied upwards from the Kshs.1,322,213.40 as reflected in the Bill of Quantities to Kshs.1,800,000 by Kshs.477,786.60 which was well above the statutory limit of 15% without approval.

#### **(iii) Missing Returns for Matayos Health Centre Ward**

An amount of Kshs.1,200,000.00 was disbursed to the Project Management Committee(PMC) for the completion of a ward at Matayos Health Centre. However, no documentary evidence including returns, bank statements, Bills of Quantities, project designs/plan and procurement documents were availed for audit. Consequently, the propriety of the Kshs.1,200,000.00 expenditure could therefore not be confirmed.

#### **(iv) Weak Controls over Bursary**

Records availed reveal that an amount of Kshs.800,000.00 was paid out irregularly as bursaries to students not among those vetted as potential beneficiaries. It was therefore, not clear as to how these beneficiaries were identified and actually whether they deserved.



### **371. Amagoro Constituency Development Fund**

On sample basis CDF made payments without relevant support documents amounting to Kshs.1,710,000.00. The propriety of the expenditure could not be ascertained.

#### **(i) Unapproved Expenditures**

A total of Kshs.2,656,000.00 was released to fund four projects that were not approved by the CDF Board. Kshs.379,000.00 paid for repair of a borehole, Kshs.1,585,000.00 excavation and supply of a frider water pump, Kshs.460,000 and Kshs.792,000.00 for installation of 5 culverts line. No justification has been provided for these unauthorized payments.

## **SIAYA COUNTY**

### **372. Alego Usonga Constituency Development Fund**

#### **(i) Non Accountability of Procured Construction Materials**

During the year under review, the Project Management Committees for Ngiya Mixed Secondary School, Bar Olengo Secondary School and Usula Secondary School procured construction materials worth Kshs.6,300,000.00. However, it was observed that the assorted building materials were not entered in the stores records. The receipts, requisition and store issue notes were not availed for audit verification. The procurements and used materials could, therefore, not be accounted for. Under the circumstances, the propriety of Kshs.6,300,000.00 expenditure could not be confirmed.

### **373. Rarieda Constituency Development Fund**

#### **(i) Un-Authorized Issuance of Imprest**

The Constituency Development Fund management issued imprests totalling to Kshs.4,348,000.00 to the CDF Treasurer to pay Sitting Allowances to CDF committee members. However, examination of surrender payment vouchers revealed that the payment vouchers were not authorized and there was no documentary evidence to confirm meetings took place. Under the circumstance, the propriety of the Kshs.4,348,000.00 expenditure could not be confirmed.

## **KISUMU COUNTY**

### **374. Kisumu Town East Constituency Development Fund**

#### **(i) Unaccounted for Imprests**

Cash survey carried out on the 28/01/2014 on Kisumu Town East Constituency Development Fund revealed that there were outstanding imprests totalling

Kshs.1,501,500.00, some dating back to March 2012, issued to cater for allowances during meetings, field activities and projects evaluation and monitoring exercises that had not been accounted for. The management has not provided justification for this irregularity and failure to adhere to Government Financial Regulations and Procedures governing issuance and surrender of imprests.

**(ii) Non-Submission of Expenditure Returns by the Project Management Committees.**

It was observed that the Project Management Committees (PMCs) during the year under review did not file expenditure returns and the bank reconciliation statements for all the fundings advanced by the CDF management committee. This is a breach of the Constituencies Development Fund Act, 2013.

**(iii) Works not Carried for Funds Released to the Project Management Committees**

**a. Wandiege (Kuoyo) Dispensary Project**

The Kisumu Town East Constituency Development Fund Committee meeting of 29 June 2012 allocated Kshs.1,892,000.00 to Wandiege (Kuoyo) Dispensary. The funding was done through the Kuoyo Unit Development Group, and was for the construction of a septic tank, a soak pit and completion of the finishing works. Funds were released to the project as follows:

<b>Date</b>	<b>Cheque Number</b>	<b>Amounts Kshs.</b>
26/09/2012	001156	500,000
26/09/2012	001157	500,000
10/12/2012	001752	<u>892,000</u>
<b>Total Payment</b>		<b><u>1,892,000</u></b>

A physical verification and site visit of the project on the 30/01/2014, revealed that no works had taken place on the site. Further, we were unable to confirm whether the funds were still held in the project bank account as the bank reconciliation statement was not availed for audit verification. The dispensary is non-operational and the propriety of the expenditure could not be confirmed.

**b. Kotunga Community Health Centre Project**

The Kotunga Community Health Centre in Kisumu Town East Constituency was on 30 April 2012 allocated Kshs.1,500,000.00 for the construction and completion of the Health Centre. Physical verification carried out on the 30/01/2014 revealed that no work had taken place. The health centre is still non-operational and there was evidence of neglect and vandalism on the existing facility.

### **c. Poor Construction of Toilets at Migosi Primary School**

The Migosi Primary School was on 22 September, 2012 allocated Kshs.1,500,000.00 towards the construction of a 10 toilets facility for pupils and a modern toilet for the staff. Physical verification carried out on 30/01/2014 revealed poor workmanship. The staff members' modern toilets were not fitted with some items specified in the bills of quantities including a septic and water tank. Further, the school did not avail bank statements and expenditure returns for the project to support payments. Under the circumstances, the propriety of the expenditure could not be confirmed.

### **d. Chiga Dispensary**

The Chiga Community Dispensary was on 29 June 2012 allocated Kshs.1,000,000.00 through Chiga Dispensary Project Management Committee for the construction and completion of the dispensary. Physical verification revealed that the building that was erected had big cracks on the walls and could collapse or be condemned even before occupation. The construction of the septic tanks and soak pit had also not been done. Project bank statements and expenditure returns to support the expenditure were not availed for audit review. The project management have not provided justification for the expenditure.

## **375. Kisumu Town West Constituency Development Fund**

### **(i) Unsupported Expenditure**

Payments totalling Kshs.1,179,831.00 including Kshs.1,089,450.00 paid to two individuals were not supported with relevant documentary evidence. Under the circumstances the propriety of the expenditure totalling Kshs.1,179,831 could not be confirmed.

### **(ii) Construction of Otonglo Health Centre**

A total of Kshs.1,000,000.00 was on 28 August 2012 allocated towards the construction of an ongoing health Centre at Otonglo to replace the original one that was condemned and demolished for unknown reasons. Tender documents and Bills of Quantities were not availed for audit review. Several cracks were noticed in the building raising doubts on the structural soundness of the building. The project seemed abandoned as there was no contractor on site and the works were not complete. Under the circumstances, the propriety of the expenditure totalling Kshs.1,000,000.00 could not be confirmed.

### **(iii) Poor workmanship at Kisian-Kemri footbridges**

The Kisumu Town West Constituency Development Fund Committee meeting of 13 September 2012 allocated Kshs.3,000,000.00 towards the construction of a foot bridge along Kisian-Kemri road.

Tender documents and contract agreement were not availed for audit verification. A site visit revealed that the bridge was not stable and seemed structurally unsound as it was shaky and already caved in. There was no evidence that the project was supervised by a structural engineer. Bills of Quantities were not availed for audit verification casting doubt as to whether the bridge was constructed as per the requirements of an engineer. Management have not provided explanation for these irregularities.

#### **(iv) Construction of Rota Dispensary**

The Kisumu Town West Constituency Development Fund Committee meeting of 13 September 2012 allocated Kshs.3,500,000.00 towards the construction of an outpatient block at Rota dispensary.

Tender documents and Bill of quantities used for requisition of funds were not availed for audit verification. The project was not supervised by the Ministry of Public Works as required and no certificate of completion was availed for audit verification.

Under the circumstances, it was not possible to confirm that the public got value for money on the expenditure amounting to Kshs.3,500,000.00.

### **376. Nyando Constituency Development Fund**

#### **(i) Poor Construction Works**

During the year under review, the Constituency Development Fund allocated and paid Kshs.13,300,000.00 towards development in six schools as listed below:

<b>School</b>	<b>Amount (Kshs.)</b>
1) Awasi Girls PAG Secondary School	1,200,000.00
2) Lela Secondary School	1,000,000.00
3) Katolo Secondary School	5,000,000.00
4) Withur Secondary School	4,000,000.00
5) Kobura Girls Secondary School	1,000,000.00
6) Migingo Primary School	<u>1,100,000.00</u>
<b>Total</b>	<b><u>13,300,000.00</u></b>

No tender documents and certificate of completion were availed for audit verification. Physical verification of the projects revealed that the projects were not done as per the bill of quantities for example, floors had not been plastered, ventilation and lighting were poorly done. Further, the works were not supervised by the Ministry of Public Works contrary to the standard requirements. Under the circumstances, it could not be confirmed that value for money was achieved through the above expenditure charged to public funds.

## **(ii) Projects Management**

During the year under review, Nyando Constituency Development Fund allocated and awarded contracts totalling Kshs.2,700,000.00 for the following projects:

<b>Project</b>	<b>Amount (Kshs.)</b>
1) Kochogo Youth Polytechnic	700,000.00
2) Hongo Ogosa Dispensary	1,000,000.00
3) Ugwe Dispensary	<u>1,000,000.00</u>
<b>Total</b>	<b><u>2,700,000.00</u></b>

Although the amounts were paid, works were not completed as at the time of audit inspection. There was also no evidence of the projects having been supervised and certified by Ministry of Public Works as required by law and regulations.

Under the circumstances, value for money may not be achieved for these projects.

## **(iii) Unapproved Re-Allocation of Funds**

During the year under review, Nyando Constituency Development Fund allocated Kshs.12,300,000 towards schools' projects. Examination of payment vouchers revealed that the school Project Management Committees (PMCs) utilized the funds that were allocated to them to finance other projects, other than the ones approved by the Constituency Development Fund Committee without seeking approval. Examples include;

- i. Withur Boys Secondary School received Kshs.1,300,000.00 towards payment of a school bus but no documentary evidence was availed to confirm purchase of a bus.
- ii. Otieno Oyoo Secondary School received Kshs.2,000,000.00 towards construction of 8 classrooms to completion but the amount was used for the construction of an ultra-modern office administration block and library.

## **(iv) Ugwe Box Culvert**

Ugwe Box Culvert Management Committee received Kshs.1,000,000.00 towards the construction of box culvert. The Project Management Committee did not produce bank statements, payments and procurement documents to account for the Kshs.1,000,000.00. Under the circumstances the propriety of the expenditure could not be confirmed as at 30 June 2013.

### **377. Kisumu Rural Constituency Development Fund**

#### **(i) Unsupported Payments**

Payments totalling Kshs.5,839,369.00 paid to two individuals at Kshs.4,096,605 and Kshs.1,742,764.00 were not supported with documentary evidence. Consequently, the propriety of the expenditure amounting to Kshs.5,839,369.00 could not be confirmed.

#### **(ii) Irregular award of contracts**

During the year under review, Kisumu Rural Constituency Development Fund made allocation of Kshs.11,100,000.00 to various projects in the constituency that were not advertised and thus no competitive bidding took place. Contractors were single sourced by the CDF Committee directly without the involvement of Project Management Committees (PMCs) and projects were not supervised by the Public Works office. It was noted that payments were made directly to Contractors instead of the Project Management Committee by the CDF Management Committee.

Further, the contract works were undertaken without bills of quantities being prepared from the Ministry of Public Works.

Under the circumstances the propriety of the expenditure totalling Kshs.11,100,000 could not be confirmed.

#### **(iii) Unaccounted Expenditure**

The Kisumu Rural Constituency Development Fund allocated Kshs.2,700,000.00 towards the construction of four (4) classrooms at Prof. Anyang' Nyong'o Secondary School. An additional grant of Kshs.2,000,000.00 was given to the school towards the same project. It was however not possible to confirm receipts of funds by the school in the absence of cash records and bank statements.

#### **(iv) Nyarombo Primary School**

During the year under review, Kisumu Rural Constituency Development Fund allocated Kshs.2,800,000 towards renovation of six classrooms which had been blown off by winds at Nyarombo Primary School. The following irregularities were observed:

- i. No project committee was instituted to monitor the implementation of the project, instead this was done from the CDF office.
- ii. Bill of Quantities estimating the projects material cost and tender documents were not availed for audit review.
- iii. No tender documents were availed for audit review. However, explanation provided by the head teacher indicated that a contractor was appointed by the CDF

Management and that the School Management Committee played no role in the project.

- iv. In addition, out of the Kshs.2,800,000.00 allocated and paid, only Kshs.950,000 was confirmed received in the school CDF project bank statement that was availed. No justification was provided by management on the unaccounted for funds amounting to Kshs.1,850,000.00.
- v. There was no certificate of completion issued for the project, thus the basis on which the contractor was paid could not be determined.
- vi. A physical verification of the project revealed that the building had several cracks thus casting doubt on the quality of works done.

Under the circumstances, the propriety of the total expenditure Kshs.2,800,000.00 could not be confirmed.

#### **(v) Spending above ceiling**

During the year under review, Kisumu Rural Constituency Fund was allocated Kshs.5,744,935.00 (being 6% of the total allocation) to cater for administration and secretariat expenses. However, the financial records indicate that an amount to Kshs.9,766,389.00 were spent under the same item leading to over expenditure on the item of Kshs.4,021,454.00 for the year under review. Further, amounts totalling Kshs.2,872,467.00( being 3% of the total allocation) for capacity building and efficiency monitoring were allocated, while the fund spent Kshs.5,550,059.00 on the same item leading to over expenditure on the item of Kshs.2,677,592.00. In addition, the fund was allocated Kshs.4,787,446.00 (being 5% of the total allocation) for emergency services, and part of the funds were spent on administrative expenses including Kshs.380,057.00 which was spent on allowances. These payments were made contrary to Constituency Development Fund Act Section.12 and management has not provided justification for the irregularities.

### **HOMA BAY COUNTY**

#### **378. Kasipul Kabondo Constituency Development Fund**

##### **(i) Stalled Projects**

As reported in the previous year, Kasipul Kabondo Constituency Development Fund (CDF) had released a total of Kshs.13,792,000.00 to fifteen (15) projects started in the constituency, which had either stalled or funds used were unaccounted for. No action by management has been made to date to rectify the unsatisfactory position. The objectives of these projects have therefore not been achieved and public funds have not been put to the intended purpose.

### **379. Karachuonyo Constituency Development Fund**

#### **(i) Nugatory payment**

During the year under review, Karachuonyo Constituency Development Fund allocated Kshs.909,398.00 to Kendu Bay Adventist Hospital towards the purchase of additional accessories for Telemedicine. However, the following anomalies were noted;

- i) Kendu Bay Adventist Hospital is a private hospital run by the Adventist Church. Management did not therefore comply with Section 22(4) of the Constituency Development Act, 2013 which prohibits funding private institutions except for emergencies as provided for under Section 22 (5).
- ii) The contractor was not competitively sourced and the contract agreement was not availed for audit verification.
- iii) Physical verification of the project established that no work/or accessories had been fitted at the hospital at all despite the contractor being paid.

Under the circumstances the propriety of the Kshs.909,398.00 expenditure could not be confirmed.

### **380. Rangwe Constituency Development Fund**

#### **(i) Stalled projects**

As reported in the previous year, Rangwe Constituency Development Fund (CDF) had released a total of Kshs.10,537,118.00 to a number of projects started in the constituency, which had either stalled or were being implemented at a slow pace that does not lead to realization of intended benefits to members of the communities targeted. Shauriyako Primary School in Homa-Bay town, had received a total of Kshs.7,700,000.00 to build a storey building classroom that was started in 2003/4 but the funding stopped in 2011/12. The building has not been completed and has begun developing structural defects. Further, funding for another classroom in the same school of Kshs.1,500,000.00 was made during the year under review (2012/2013) leading to two incomplete projects in the same school.

Under the circumstances, it could not be confirmed whether the funds are being utilized prudently for intended purposes.



## **MIGORI COUNTY**

### **381. Migori Constituency Development Fund**

#### **(i) Odiyo Wang'e Community Dam in Migori Constituency**

A contract for the construction of Odiyo Wang'e Community Dam was awarded to a firm at a contract sum of Kshs.4,844,157.00 in September, 2012. However, details and bid documents on how the firm was identified were not availed for audit verification. Further, the dam in its current state is not in a useable state as a result of a portion of the embankment having been washed away. Consequently, it was not possible in the absence of documentation to determine whether the community got value for money from the expenditure incurred.

#### **(ii) Monitoring and Evaluation in Migori Constituency**

During the year under review, the CDF committee was paid allowances totalling Kshs.1,611,000.00 for monitoring and evaluation at the rate of Kshs.5,000.00 per day contrary to CDF Board and Treasury circulars of 16 July 2012 and 12 November 2009 respectively. These circulars require that the expenditure be in conformity with the authorised laid down government financial procedures in which lunch allowances are specifically pegged at Kshs.2,000.00 to the senior most officers in government. No justification has been provided for the irregular expenditure of Kshs.1,611,000.00.

### **382. Kuria West Constituency Development Fund**

#### **(i) Naora Water Dam in Kuria West Constituency**

A contract for the construction of Naora Water Dam was awarded during the year under review to a building construction company at a contract sum of Kshs.1,100,000.00 and payment made in full in November 2012. However, as at the time of the audit, the project had not been completed. Management has not provided explanations for the delay.

#### **(ii) X- Ray Building**

An X-Ray building at Kuria West District Hospital which had been contracted at a sum of Kshs.6,901,269.00 has since stalled due to the building's unsuitability to host X-Ray facilities. The building was rejected by the Ministry of Medical Services after CDF had spent Kshs.2,069,400.00 with an allocation of Kshs.500,000.00 in the year under review. This necessitated the Ministry to construct a new building at a contract cost of Kshs.8,230,000.00. In the circumstances, the CDF incurred a nugatory expenditure of Kshs.2,069,400.00 due to poor planning of the project.

### **(iii) Funding Renovation on the DC's Residence**

The CDF has been funding costs related to the District Commissioner's residence over a period of time. In the 2012/2013 an allocation of Kshs.1,500,000.00 was made to complete works that included renovation of sections of the building. To date, management has spent Kshs.2,600,000.00 out of Kshs.2,900,000.00 contract sum and works are far from being completed. Further, the contract documents were not availed for review.

## **KISII COUNTY**

### **383. South Mugirango Constituency Development Fund**

#### **(i) Irregular Allocation of Funds**

The CDF paid a total of Kshs.5,784,829.00 to a contractor on substructure construction of Kisii University Nyangweta campus. Information available indicates that the university did not request for funding from the CDF office. The Management did not provide justification for this irregular payment.

### **384. Nyaribari Masaba Constituency Development Fund**

#### **(i) Unsupported Payments**

The CDF management during the year made payments totalling Kshs.2,900,000.00 to the Constituency Sport Committee which have not been supported with documentary evidence. In the circumstances, it has not been possible to confirm that the amount of Kshs.2,900,000.00 were properly charged to public funds.

### **385. Kitutu Chache Constituency Development Fund**

#### **(i) Non-Compliance to Public Procurement Regulations.**

During the Year ended 30 June 2013, Kitutu Chache CDF Committee and Project management Committees Procured Project Water Pipes and Building Materials, while they also constructed Health centres and roads at a cost of Kshs.6,938,562.00 without inviting competitive bidding and quotations contrary to Public Procurement laws and Regulations. In the circumstances, the public may not have received value for money for the cost incurred.

#### **(ii) Stalled Projects**

Audit verification of projects being undertaken by Kitutu Chache revealed that eight (8) coffee factories, a primary school and a water project all valued at Kshs.3,500,000.00 had stalled before completion. The stalled projects may lead to waste of public funds and the public may not get value for the money utilized on these projects.

**(iii) Failure to disburse Funds/Funds Withheld.**

It was noted that sixty two (62) projects did not receive second disbursement totalling to Ksh.20,000,000.00 as budgeted even though the funds were available. The CDF committee was holding the money back thus delaying completion of the project and increasing the risk of stalling of the projects. The Management has not provided justification for this anomaly.

**NYAMIRA COUNTY**

**386. West Mugirango Constituency Development Fund**

**(i) Unsupported bursaries**

Included in the Bursaries expenditure figure of Kshs.17,000,000.00 is an amount of Kshs.5,341,000 representing bursary payments that have not been supported with documentary evidence. Further, no information on how the deserving students were identified and evaluated was availed.

In the circumstances, I am unable to confirm expenditure of Kshs.17,000,000.00 as a proper charge to public funds.

**(ii) Imprests not accounted for**

Examination of the West Mugirango CDF cash records revealed that imprests totalling to Kshs.23,342,573.00 which include Kshs.15,678,574.00 for the current year 2012/2013 and Kshs.7,663,999.00 for the previous years dating as far back as April 2009 were still outstanding. This is in contravention of Government Financial Regulations governing issuance and accounting for imprests which requires that imprests should be accounted for within 48 hours after completion of the activity for which it was issued.

Management did not give any explanation why these imprests have not been accounted for as per the Government regulations.

**387. North Mugirango Constituency Development Fund**

**(i) Temporary Imprest**

The CDF management had outstanding imprests covering the year 2009 to 2013 totalling to Kshs.35,386,776.00 which were purportedly surrendered during the year. However, no documentary evidence was availed to support or account for the expenditure charged. In the circumstances, the propriety of the expenditure of Kshs.35,386,776.00 charged to public funds could not be confirmed for the year ended 30 June, 2013.

## **NYANDARUA COUNTY**

### **388. OI Kalou Constituency Development Fund**

#### **(i) Failure to Keep Proper CDF Records**

Section 33 of the CDF Act 2013 provides that the officer of the Constituency Development Fund Board in every constituency shall compile a record showing all receipts and disbursements on a monthly basis in respect of every project and subproject. However, the OI Kalou CDF Committee did not make available its monthly and annual expenditure returns for audit review. Further, the project implementation status report made available for audit review was not updated to reflect the status of the projects, including funds allocation and disbursements for 2012/2013 financial year. The CDFC was therefore in breach of the law.

Consequently, it was not possible to ascertain the full accountability of the CDF funds amounting to Kshs.99,609,181.00 received during the period under review.

#### **(ii) Construction of Demonstration Green Houses**

Records made available at Olkalou CDF office indicate that an amount of Kshs.679,184.00 was allocated for construction of Demonstration Green Houses for eight (8) schools (Kshs.84,898.00 per school) during 2012/2013 financial year. A visit made in February 2014 to four (4) out of eight schools namely Ruriii, Huruma, Busara Academy and AC Olkalou Primary schools showed that these projects had not been implemented in the schools at the time of the audit. Further, the CDFC did not explain how the allocated funds were utilized and accounted for.

### **389. Ndaragwa Constituency Development Fund**

#### **(i) Unaccounted for Matching Fund**

Audit of records maintained at Ndaragwa CDF office revealed that since 2009/2010 financial year, CDF Committee proposed and authorized disbursements totalling Kshs.16,500,000.00 to Rural Electrification Authority (REA) for purchase of transformers and erection of transmission lines for electrification of Ndaragwa Constituency. During the 2012/2013 financial year, the CDF Committee disbursed a further Kshs.9,000,000.00 to REA for this project. It was also explained that the project was to be co-funded by Kenya Rural Electrification with a similar amount and the project implementation was to be carried out by REA on behalf of the CDF. However, the CDF Committee did not make available for audit verification, an estimate of the number of transformers to be installed, the area to be covered, the estimated cost of the transformers and the installation works. A physical verification in March 2014 revealed that this project has never been implemented and that no transformers had been delivered and installed within the constituency as at the time of the audit.

Further, there was no verifiable evidence to show that the total amount of Kshs.16,500,000.00 was actually paid to the Rural Electrification Authority (REA) and was still intact in their bank account. In the circumstances, the propriety of the disbursed funds is doubtful.

## **(ii) Rehabilitation of Constituency Rural Roads**

Records maintained by the CDF indicate that a total of Kshs.12,556,238.00 was spent on rehabilitation of various rural roads in Ndaragwa Constituency during 2012/2013 financial year. The amount was issued as an imprest to the CDF Treasurer to pay casuals engaged in the rehabilitation of roads. The rehabilitation work was implemented by the project management committee through labour based contracts. Available information indicates that the amount of Kshs.12,556,238.00 was however not properly accounted for. The officer issued with the imprest altered the minutes for financial year 2011 to read 2012 which he then used to support a payment of Kshs.969,250.00 in October 2012 without any approval from CDF Committee. Duplication of payments amounting to Kshs.6,030,938.00 as evidenced by the payment vouchers was also noted and most of the documents used to support these payments appear fictitious since they were irregularly altered. Physical verification of the roads indicated that the roads were rehabilitated only once although records at the CDF offices showed the roads were done several times during the year but washed away by heavy rains. This could not be confirmed since no record was made available to show that the rehabilitation work on the roads was supervised, and certified by the Kenya Rural Roads Authority (KERRA) as required. In the circumstances, the propriety of the expenditure of Kshs.12,556,238.00 could not be confirmed.

## **(iii) Irregular Construction of Ndaragwa CDF Offices**

The construction of Ndaragwa CDF offices was started in 2011/2012 financial year and by 2012/2013 had received a total of Kshs.7,299,913.00 from Ndaragwa CDF Committee. The scope of work involved the construction of an office block at Mairo Inya to completion. The CDF procured the supply of materials by floating of quotations when the real construction was labour based. Two Nyandarua based suppliers were contracted to supply hardware and building materials. However, no contract agreement was signed between the contractor and the project management committee. Consequently, the commencement and the completion date of the project were not specified. Similarly, it was observed that no Bills of Quantities (BQ's) or building plans were prepared, and there was also no evidence to show that the construction work was being supervised by Ministry of Public Works as required. The work done was not quantified and therefore the propriety of the amount spent could not be confirmed. Physical verification of the project revealed that it was about 60% complete although the full amount of Kshs.7,299,913.00 had already been paid.

#### **(iv) Irregular Purchase of Land**

In 2012/2013, Ndaragwa CDF Committee granted Kshs.3,180,000.00 for the purchase of various parcels of land for Access Roads and Education Projects in Ndaragwa Constituency.

Although, the CDF Committee authorized the purchase of the parcels of land and paid the amount to the land sellers, the official search details, ownership documents, and sale agreements for various parcels purchased were not availed for review. Under the circumstances, it was not possible to confirm the ownership, and the respective sizes of the parcels of land and whether there were encumbrances on any of the parcels. This may lead to unspecified contingencies, legal battles and eventual loss of the money spent.

#### **(v) Unsupported Bursary Payments**

The Ndaragwa CDF Committee Bursary Committee paid Kshs.8,000,000.00 as bursaries for needy students in various secondary schools and colleges. However, it was observed that the list of beneficiaries availed for audit review did not have acknowledgement receipts issued by the schools. It was therefore not possible to ascertain whether the beneficiaries were bonafide students of secondary schools and colleges listed.

### **390. Kinangop Constituency Development Fund**

#### **(i) Unaccounted for Matching Fund**

Audit of financial records maintained at Kinangop CDF office shows that the CDF management made a payment of Kshs.5,000,000.00 to the Rural Electrification Authority (REA) on 19 October 2012. The payment was in respect of purchase of transformers for electrification of Kinangop Constituency. This project was to be implemented by the Rural Electrification Authority on behalf of the CDF Office. However, the CDF Committee did not make available the details on the number of transformers to be purchased and installed, the area to be covered, and the cost of transformers. The basis of determining the amount to be paid by CDF to REA was also not explained.

A verification of the project records revealed that no transformers had been bought and installed at the time of our audit in March 2014. The fund manager could also not provide the implementation status of the project.

The prolonged delay in implementing this project implies that the value for money objective was not achieved as it denied essential service delivery to the community. Further, it could not be confirmed whether the funds deposited in the Rural Electrification Authority account were still intact.

## **(ii) Purchase of Computers for Schools**

Records maintained by Kinangop CDF revealed that a total of Kshs.9,000,000.00 was allocated to fund purchase of computers for schools in the Constituency during 2012/2013 financial year. The contract for the supply of computers was awarded to a Nyahururu based company at a contract sum of Kshs.4,500,000.00. The CDF Committee, however, did not adhere to section 88 sub-section (b) and section 89(b) of the Public Procurement and Disposal Regulation 2006 since they procured the computers through quotations instead of open tender. Therefore, the CDF Committee were in breach of the law.

Further, although 100 computers were shown as delivered on the delivery notes, the CDF management did not show how the computers were distributed or indicate which schools benefited from the computers. It was also noted that the computers were not entered in the stores records as required before being issued. The inspection and acceptance committee did not have a technical person during the inspection of the computers and therefore we could not confirm whether the computers supplied met the specifications set in the procurement documents.

## **(iii) Supply of Medical Laboratory Equipment**

The Kinangop CDF Committee allocated Kshs.4,000,000.00 for purchase of medical laboratory equipment for various dispensaries and health centres within the Constituency. The contract for the supply of this equipment was awarded to a Nairobi based company at a contract sum of Kshs.3,992,800.00. However, no contract agreement was made available for audit verification.

It was further observed that the CDF committee procured the medical equipment by floating quotations instead of open tenders as required by the Public Procurement and Disposal Act 2005. Further, the verification by the Inspection and Acceptance Committee report was not done by a technical person. The CDF committee was therefore in breach of the law.

The physical verification of the equipments supplied could not be carried out since the CDF management did not make available the list of benefiting Dispensaries and Health Centres. In the circumstances, it was not possible to ascertain whether all the equipments were supplied and distributed to the intended beneficiaries.

## **(iv) Unaccounted for Fuel**

The CDF Committee procured fuel worth Kshs.1,047,750.00 during the year under review. The fuel was to be used by CDF vehicles. However, it was observed that the fuel was not recorded in the stores records and in the fuel register. Detailed usage orders and other related records such as work tickets for the vehicles used were also not being maintained contrary to the Government Financial Regulation and Procedures. In the circumstances, it has not been possible to confirm that the fuel worth

Kshs.1,047,750.00 was actually procured, used for the intended purposes and properly accounted for.

**(v) Purchase of land for Baraka Primary School**

Audit of financial records maintained by Kinangop CDF disclosed that disbursement amounting to Kshs.1,900,000.00 was made to Baraka Primary School Committee for the purchase of land for construction of a new primary school. However, although the parcel of land purchased was physically seen, the official search details and ownership documents were not made available for audit verification. Further, although the land sale agreement was drawn in July 2012, the valuation of land was done in the month of October 2012, four months later.

The School Committee Management did not explain why the valuation of the land was carried out after the payment had already been done. Under the circumstances, it was not possible to confirm the ownership and the actual value of the land purchased.

**(vi) Diversion of Bursary Funds to Training Services of Motor Bike Operators**

Kinangop CDF Committee single sourced provision of training services of Ndunyu Njeru Motor Bike Cyclists and awarded the tender to a Driving School based in Kinangop at a contract sum of Kshs.1,983,400.00. The payment for these services was made from CDF bursary account which was assistance of needy students within the constituency. However, it was not explained why it was necessary to train motor bike operators using bursary funds. Further, no report was made available to confirm whether all intended participants went through the training to justify the payment made. It could not be ascertained whether the fees charged were competitive enough in the absence of competitive bidding.

No explanation was availed by the CDF Management to justify the allocation of bursary funds to other uses.

**NYERI COUNTY**

**391. Mathira Constituency Development Fund**

**(i) Irregular Procurement of Students Microscopes**

Audit of records maintained by Mathira CDF Committee revealed that the CDF authorized disbursement of Kshs.1,200,000.00 during 2012/2013 financial year for purchase of microscopes for students.

The tender for purchase of the microscopes was awarded to the lowest bidder, a Nairobi based firm at contract sum of Kshs.1,199,940.00. It was however noted that the CDF Committee did not constitute a tender evaluation and award committee to evaluate and award the tenders contrary to Section 16(1) of the Public Procurement and



Disposal Regulations 2006. It was also established that, although the microscopes were delivered, some had not been dispatched to end users. No explanation was provided as to why all the microscopes had not been dispatched to the users 19 months after they were procured.

## **(ii) Kaguyu Water Project**

The Mathira CDF committee procured water pipes at a cost of Kshs.12,566,661.00 and paid against invoice No. 13609 dated 21 February 2013 from a local firm. The Pipes were delivered to several water projects including Kaguyu Water project. One hundred twenty three (123) 280mm classic pipes valued at Kshs.1,948,935.00 were delivered to Kaguyu project on 20 February 2013. A visit to the project on 31 January 2014 revealed that the pipes had never been put into use.

The project management committee cited the lack of funds as the biggest obstacle for not laying down the pipes. The pipes were also said not to be enough for the project. The funding of this project therefore goes against the CDF Act which requires funding to be done for a complete or a defined phase of a project. It was therefore not possible to confirm propriety of funding a stalled project.

## **(iii) Iruri Water Project**

Records maintained at Mathira CDF office showed that Iruri Water Project was started by the community back in 1997. During the financial year 2012/2013, the CDF procured pipes valued at Kshs.12,566,661.00 from a supplier who had been contracted to supply the pipes. The pipes were delivered to several water projects including Iruri water project where 77 No. 280mm class C and 200 No. 255m class C pipes all valued at Kshs.2,816,865.00 were confirmed delivered to this project. Though the pipes have been installed, the project is far from completion due to lack of funds.

Further, no evaluation, both technical and financial was done before the pipes were delivered. In addition, there was no memorandum of understanding made between the CDF and the community in regard to taking over the project or the component the CDF was to finance. No explanation was provided on the partial funding of the project whose benefits to the community may not be realized in the near future.

## **(iv) Unrecorded cheques in the Bank Statements**

Audit of the cash and bank records maintained at Mathira CDF office revealed that bank reconciliation as at 30 June 2013 reflected unrepresented cheques amounting to Kshs.2,807,100.00 out of which cheques totalling to Kshs.1,191,280.00 dating between 17 March 2010 and 10 December 2012 had not been presented to the bank and were therefore stale. The stale cheques had also not been reversed in the cash book. No explanation was provided as to why this was not done. The accuracy of the CDF bank and cash balances, is therefore doubtful.

## **392. Othaya Constituency Development Fund**

### **(i) Failure to keep proper Constituency Development Fund Records**

The Othaya Constituency Development Fund Committee received a total of Kshs.84,006,120.00 during the financial year 2012/2013. However, the CDF Committee did not avail for audit review the monthly expenditure returns showing the details of how the allocated funds were utilized and accounted for. Further, the project implementation status report availed for audit review did not show all projects approved and funded during the year under review.

It was therefore not possible to ascertain full accountability for the CDF funds amounting to Kshs.84,006,120.00 received during the period under review. The Committee was evidently in breach of the CDF Act.

### **(ii) Irregular Re-allocation of Emergency Reserve Fund**

Audit of financial records maintained by Othaya CDF disclosed that the CDF Committee during their meeting of 21 December 2012, re-allocated a total of Kshs.5,026,217.00 from emergency reserve fund to other eight (8) projects. Further, another Kshs.1,200,000.00 was re-allocated from Witime Health Centre Project to Unjiru community centre project. However, it was not explained why these re-allocations were effected in the middle of the year despite the projects having been separately funded. Furthermore, these re-allocations were effected without the approval of the CDF board contrary to section 9 (2) of the CDF Act 2003. The Committee was therefore in breach of the law.

### **(iii) Unsupported Expenditure**

During the year, CDFC incurred an expenditure of Kshs.1,200,000.00 in respect of monitoring and evaluation allowances to its members and other related expenses. However, no records were maintained to support the expenditure. In the absence of documentary evidence to support the payments, the propriety of the expenditure of Kshs.1,200,000.00 could not be confirmed.

### **(iv) Irregular Procurement of Public Address Equipments, Seats and Computers**

The Othaya CDF Committee resolved to procure public address systems, computers and accessories, presentation equipment and plastic seats for Othaya social hall. The tender for supply of these items was awarded to a Nairobi based company at a cost of Kshs.2,552,980.00.

However, it was observed that the procurement of hall seats and the public address equipment which belong to different classes of items were sourced through the same quotation and therefore the prices quoted could have been inflated since the supplier acted as 'brokers' for the items that they usually do not stock or deal with. Further, the CDFC violated procurement regulations by specifying a particular brand name of a

known manufacturer for chairs to be supplied. Physical verification of the supplied items showed that all the items were supplied except a sony camera, camera stand, projector display screen costing Kshs.25,500.00, 8,500.00 and 6,500.00 respectively.

## **KIRINYAGA COUNTY**

### **393. Mwea Constituency Development Fund (CDF)**

#### **(i) Construction of Mugambaciura Footbridge**

The contract for construction of Mugambaciura footbridge in Mwea Constituency was awarded to Embu based company being the lowest bidder at a contract sum of Kshs.1,396,969.00. Although, a physical verification revealed that the footbridge had been completed, it was however noted that the contract sum was increased by Kshs.301,231.00 or about 21% of the contract price contrary to Public Procurement and Disposal Act 2005.

According to Ministry of Public Works certificates, the variation was due to extra works carried out by the contractor which were not originally included in the initial bill of quantities. However, the extra payment was never deliberated and approved by the project management committee. In the circumstances, the propriety of the contract variation by Kshs.301,231.00 could not be confirmed.

#### **(ii) Construction of classrooms and office – Kombu-ini Mixed Secondary School**

The school was allocated a total of Kshs.2,050,000.00 for construction of 2 standard classrooms and an office. Records showed that the tenders for construction of standard classrooms and 6 exhaustible toilets which was in the initial project were both awarded to a local construction company. However, expenditure documents, project files and other documents relating to the project were not availed for audit review.

Further, there was no evidence to show that the works were being supervised by the Ministry of Public Works as required by the CDF Act. In addition, the tender documents were irregularly altered to include construction of six (6) exhaustible pit latrines without countersigning them contrary to Public Procurement and Disposal Act 2005. Inclusion of construction of exhaustible pit latrine in the tender was also irregular since the same was not included in the allocated funds to the school. Physical verification revealed that although one standard classroom and an office were complete, the other had outstanding works of painting and fixing of window panes.

In the absence of the expenditure documents and other relevant project documents, it has not been possible to determine whether the construction of these projects was in accordance with specification and whether proper procurement procedures were followed.

### **(iii) Unsupported Expenditure**

Mwea Constituency Development Fund Committee (CDFC) on 17 December 2012 disbursed Kshs.4,000,000.00 for construction of a youth empowerment centre at Wanguru. Physical verification carried out revealed that one wing of the empowerment centre had been completed but the walls had not been painted.

Further, no expenditure returns, bank statements, bill of quantities and other documents related to the project showing how the disbursed amount of Kshs.4,000,000.00 was utilized were made available for audit review. In addition, there was no evidence to show that the works were being supervised by the Ministry of Public Works as required by the CDF Act 2003. In the absence of BQ's and other relevant project documents, it has not been possible to determine whether the construction of the youth empowerment centre was in accordance with the specification and whether the allocated funds were used for the intended purpose.

### **(iv) Construction of Kimbimbi Hospital Mortuary Project**

Records available at Mwea CDF office indicate that an amount of Kshs.5,000,000.00 was on 28 September 2012 allocated for completion of Kimbimbi Hospital Mortuary project. The scope of work included supply and installation of pre-fabricated cold room chambers, embalment body cubicles, fittings, postmortem table, concrete works and painting works.

Accordingly, a Nairobi based company being the lowest responsive bidder was awarded the contract for construction of the mortuary at a contract sum of Kshs.5,519,671.00.

Physical verification on the project revealed that although the project had been completed, it had not been put into use. Further, it was not explained how the contractors who quoted for this tender were identified as no prequalification list was made available for audit verification. In addition, the tender was not advertised in the dailies contrary to provision of Public Procurement and Disposal Regulations 2006.

Also, the contract award was not reported to PPOA as required by PPOA circular No.4/2000 dated 24 June 2009. Furthermore, no evidence was adduced to show whether the tenders were evaluated by the evaluation committee as required by section 16 (1) of Procurement Regulations. Accordingly, it has not been possible to determine whether proper Procurement Procedures were followed when awarding the tender.

## **394. Gichugu Constituency Development Fund**

### **(i) Failure to Submit Expenditure Returns for Funds Disbursed to Various Projects**

Audit of financial records maintained by Gichugu Constituency Development Fund office disclosed that disbursements totalling Kshs.10,194,060.00 for various projects were made during the year 2012/2013. However, no details of how the disbursed funds were

utilized or accounted for. Further, no expenditure returns were submitted for the funds disbursed to various projects as required by the CDF Act 2003. In the circumstances, it was not possible to ascertain the propriety of the expenditures incurred from the amounts disbursed during the year under review.

**(ii) Irregular Procurement and Payments – Construction of Gichugu Bulking Centre**

Records available at Gichugu CDF office indicate that an amount of Kshs.6,200,000.00 was allocated for construction of Gichugu Bulking Horticultural Collection Centre in the financial year 2012/2013. A local company was awarded the contract to construct the bulking centre at a contract sum of Kshs.6,999,837.00 although the company was the third lowest bidder. It was not explained why the contract was not awarded to the lowest bidder who quoted price of Kshs.6,527,275.00.

Records available also indicate that the total payments made to the contractor amounted to Kshs.8,498,462.00 which comprised of Kshs.6,998,462.90 paid from project account and Kshs.1,500,000.00 from CDF account. The contractor was therefore over paid by Kshs.1,498,625.90. No explanation was given for this overpayment.

It was further noted that the tender opening and awarding was done by project management committee contrary to section 26 (4) of the Public Procurement and Disposal Act 2005. In addition, no technical report on this tender was made available for audit review. It was also noted that the project was implemented in disputed piece of land between County Government of Kirinyaga and Kithiuru.

Physical verification carried on the project revealed that works worth Kshs.1,455,530.00 included in bill of quantities and, therefore, forming part of the contract had not been completed although payments had been made in excess of contract sum. Some portion of the roofing had not been completed, the ceiling had also not been done while internal plumbing/sanitary fittings had been partially done. In the circumstance, it was not possible to confirm the legality of the extra payment or how the uncompleted work will be compensated for.

**(iii) Loss of Office Equipment**

A review of assets register revealed that a digital camera of Sony Model DSC-W310 and a HP Compaq Pentium dual core 2.7 GHz, 2GB with monitor had been stolen from Gichugu CDF office. The theft was reported at Kianyaga Police Station on 10 April 2013 and an abstract obtained. According to the abstract, the items were valued at Kshs.260,000.00. No evidence was made available to confirm that the investigations had commenced or concluded.

### **395. Ndia Constituency Development Fund**

#### **(i) Irregular Procurement of Water Pipes**

The Ndia CDF Committee in their minutes dated 26 October 2012, resolved to procure water pipes and assorted fittings at a cost of Kshs.33,770,750.00 for various water projects in the constituency during the financial year 2012/2013. The tender committee awarded the contract for supply of these pipes to five (5) different companies which were sourced through request for quotations as opposed to national open tendering as required by Public Procurement and Disposal Regulations 2006 section 26 (3) (b).

Further, records made available indicate that the project implementation committee did not involve the Ministry of Water and Irrigation in the implementation of these projects contrary to the provision of section 30(1) of CDF Act amended in 2007. Also, no inspection and acceptance committee was constituted to inspect the pipes and fittings procured.

Physical verification carried out revealed that some water pipes in Kanyokora Kagioni irrigation project, Karuiru water project and Kianjiru irrigation project had not been utilized and were lying idle at various locations exposing them to damage, theft and degradation due to weather.

#### **(ii) Unsupported Bursary Payments**

The Ndia CDFC bursary committee paid total Kshs.12,571,800.00 as bursaries for needy students in various schools and colleges. However, no bursary application forms by the beneficiaries were availed for audit verification. Further, the payment vouchers did not include acknowledgement receipts issued by the schools. It was, therefore, not possible to ascertain whether the beneficiaries were bonafide students of the schools and colleges listed.

### **396. Kirinyaga Central Constituency Development Fund**

#### **(i) Failure to Comply with Procurement Laws**

Records made available for audit by the Kirinyaga Constituency Development Fund Committee revealed that the fund incurred expenditure amounting to Kshs.22,006,670 during 2012/2013 financial year in the implementation of Kianderi Dispensary, Kiawakara Dispensary, Kiaga Dispensary, Kerugoya Stadium, Kagumo market and installation of security lights projects. However, the goods and services for the implementation of these projects were procured through request for quotations method instead of the open tendering method. This is contrary to section 26(3) (b) of Public Procurement and disposal Act, 2005 and the Regulations of 2006 which requires open tender for procurement of goods and services that exceed the threshold of Kshs.500,000.00.

## **(ii) Unutilized Health Facilities**

Audit of health projects implemented during the financial year 2012/2013 by Kirinyaga Central CDF Committee indicated that Kianderi, Kiamuthambi, Kiawakara and Kiaga Dispensaries Projects were substantially completed between December 2012 and January 2013 as per completion certificates issued by the Ministry of Public Works. A total of Kshs.10,871,734.00 was paid for the construction of the dispensaries during the financial year.

Audit verifications however established that none of the dispensaries had been put into use almost one year since they were completed. Further, explanation was made available to show when the Dispensaries would be opened for use by the general public.

## **(iii) Unsupported Expenditure**

Records availed for audit by Kirinyaga Central CDF revealed that the committee paid a sum of Kshs.10,000,000.00 to Rural Electrification Authority being matching contribution towards electrification projects in the constituency. However, no official receipt was produced by the committee for acknowledgement of cash by the payee for audit review. It was therefore not possible to ascertain that the cash was actually received by Rural Electrification Authority.

## **(iv) Unauthorized Expenditure**

During 2012/2013 financial year, Kirinyaga Central Constituency CDF received an Authority to Incur Expenditure (AIE) Ref No. A 711944 of 24 September 2013 amounting to Kshs.16,889,586.80 being part of total annual allocation of Kshs.82,447,844.00. Minute number CDFC/KC/033/10/2013 for the Kirinyaga Central CDF Committee meeting held on 1 October 2013 indicates that the entire AIE was spent to settle debts incurred by Kirinyaga CDF Committee amounting to Kshs.16,800,000.00.

However, scrutiny of the payment vouchers and other supporting documents revealed that the committee processed and awarded the contracts for the various projects and the contracts executed before the Authority to Incur Expenditure (AIE) was received contrary to the financial regulations in force.

Further, the total expenditure incurred amounted to Kshs.18,156,954 while the amount of Authority to Incur Expenditure amounted to Kshs.16,889,568.80 reflecting an over-expenditure of Kshs.1,267,385.20. No explanation was provided for the over-expenditure.

## **(v) Irregular Expenditure**

In addition, the Kirinyaga CDF Committee paid Kshs.1,357,500.00 for sports equipment and Kshs.913,575.00 for supply of tree seedlings to two suppliers during the year. However, the respective tender documents for the procurement of the above items were

not made available for audit review. Further, the S13 and S11 forms used to receive and issue the items to the point of use were also not made available, hence audit verification of the same could not be carried out.

## **MURANGA COUNTY**

### **397. Kangema Constituency Development Fund**

#### **Kangema Sub-District Hospital Mortuary**

#### **Unexplained Excess Payment over Contract Price**

##### **Background**

The project commenced in the year 2009/2010. As at the time of the audit the Kangema CDF had allocated a total of Kshs.16,600,000.00 for the construction of a 12 body capacity mortuary to completion.

##### **Award of the contract**

The tender for construction of the mortuary was awarded to a contractor, at a contract price of Kshs.15,726,880.00. This contractor was the fifth lowest out of seven other bidders.

##### **Scope of the works**

The contractor was to do the project from the construction upto equipping the twelve (12) body capacity mortuary.

##### **Payments**

- i. Audit verification revealed that an amount of Kshs.20,291,680.00 was disbursed for the project and thus exceeded the contract price by Kshs.4,564,800.00. However, no explanation was given for the excess payment for the project. Details of the payments are as analyzed below:

<b>Date</b>	<b>P/Voucher Number</b>	<b>Cheque Number</b>	<b>Amount Kshs.</b>
11/12/2012	72	2009	4,655,000.00
10/01/2013	102	2053	11,100,000.00
10/01/2013	105	2056	4,536,680.00
<b>Total</b>			<b>20,291,680.00</b>

- ii. Further, the contractor had been issued with only two interim certificates totalling Kshs.8,241,743.00 but the payments could not be verified since no bank statements or certificates for the project were produced for audit verification. It was also not



possible to confirm how much money was paid to the contractor since the payment vouchers from the Kangema District Hospital CDF Account No. 1137400234 were not availed by the management.

- iii. The tender documents and the contract agreement in respect of the construction company were not produced for audit verifications.
- iv. The project seemed complete although the mortuary was not operating at the time of audit. Further, the handing over report from the contractor to the hospital management was not produced for audit verification.

### **398. Mathioya Constituency Development Fund (CDF)**

#### **(i) Double Payment for Construction of Kiru Divisional Headquarters Phase II.**

Audit of financial records maintained by Mathioya CDF office disclosed that Kshs.1,749,431.00 was released on 15 January 2013 for Phase II of Kiru Divisional Headquarters project. The Phase II entailed completion of the Divisional headquarters.

Four bidders quoted for the project, but only tender documents from three bidders were availed for audit verification. Review of tender committee minutes dated 10 January 2012 revealed that the tender was awarded to a local venture company based at Kiriani at a contract sum of Kshs.1,996,742.00. However, no contract agreement was signed between the contractor and Constituency Development Fund Committee (CDFC). Despite awarding of the tender, it was noted that another company was paid a total of Kshs.1,539,546.30, net of retention money of Kshs.171,060.70 on 22 August 2013 for the same phase II of the project. Upon raising the issue, the CDFC team provided a different set of minutes for the tender committee meeting held on 10 January 2013 allegedly awarding the same tender to the second contractor.

No proper explanation was given as to how and why the second contractor was sourced and awarded the same tender. It appears that minutes and other records were falsified deliberately to award this contract to a tenderer who never tendered contrary to procurement regulations. It is therefore clear that the payment of Kshs.1,539,546.00 made to the second contractor was not justified and therefore a waste of public funds.

Physical verification carried out in November 2013 revealed that the Divisional Headquarters has been completed although window panes, painting and septic tank had not been done.

#### **(ii) Irregular Re-Allocation of Emergency Funds**

Audit of financial records maintained at Mathioya CDF revealed that an amount of Kshs.2,000,000.00 was re-allocated from CDF Emergency Fund to Kiriaini Girls Secondary School to complete a building funded by another agency. The CDF Committee did not submit a request to the CDF Board for the re-allocation of funds as

required by CDF Act. The CDF Committee therefore was in breach of the law by re-allocating funds without the approval of the CDF Board.

A site visit to the school in March 2014 to assess the work done revealed that the classes had not been completed and therefore not put into use by the beneficiaries. Public funds were therefore not effectively used in the project.

### **399. Kiharu Constituency Development Fund**

#### **(i) Unsupported Expenditure**

The Kiharu CDF Committee spent total of Kshs.44,242,620.00 during the year under review in implementation of various projects within the constituency. However, no document such as payment vouchers, bank statements, invoices, procurement documents and expenditure returns were availed for audit verification to indicate how funds disbursed were applied and accounted for. In the absence of the supporting documents, it was not possible to confirm whether the total amount of funds totalling Kshs.44,242,620.00 was spent lawfully and in an effective manner.

#### **(ii) Wasteful Expenditure**

Records maintained at Kiharu CDF office indicate that the CDF management spent a total of Kshs.7,690,058.00 for construction of CDF offices at Kahuro Post since financial year 2007/2008. During 2012/2013, the CDF management allocated Kshs.2,093,031.00 for completion of this project. Physical verification of the project in March 2014 showed that the construction of the offices was complete although it was not occupied. The current CDF management did not explain why they have not moved to the new office.

It was further noted that the current CDF management has rented an office in Murang'a town at an annual rent of Kshs.492,000.00. The CDF management has paid rent for at least 18 months after completion of their own building resulting to nugatory expenditure of Kshs.738,000.00 as of 31 March 2014.

### **400. Kigumo Constituency Development Fund**

#### **(i) Unsupported Expenditure - Educational Projects**

Records maintained at Kigumo CDF office revealed that during 2012/2013, a total of Kshs.23,449,976.00 was disbursed from CDF to various Projects Management Committees (PMC's) for implementation of various education related projects in the constituency. However, the propriety of this amount could not be confirmed due to unavailability of expenditure details like expenditure returns, payment vouchers, bank statements, PMC minutes, project and contracts details. The disbursements of Kshs.23,449,976.00 was therefore unaccounted for. The constituency development fund committee was therefore in breach of procurement regulations and procedures.

## **(ii) Kigumo Rural Electrification Project**

Audit of records maintained at Kigumo CDF further revealed that a total of Kshs.5,000,000.00 was in 2012/2013 financial year deposited in the Kenya Power bank account for the purposes of distribution of electricity to Kigumo constituency community. It was further explained that the project was to be co-funded by Kenya Rural Electrification with a similar amount.

Physical verification of this project revealed that the project had not been implemented although funds had been disbursed to Kenya Power. Prolonged delay in implementing this project implies that the value for money objective was not achieved as it denied essential service delivery to the community. Further, it could not be confirmed whether the public funds banked in Kenya Power bank account were still intact.

## **(iii) Abandoned Project - Construction of Gakira – Ngonda Road Project**

During the year under review, the CDF disbursed a total of Kshs.5,350,000.00 for the Gakira – Ngonda road project in Kigumo constituency. The scope of work involved clearing of bushes, murraming and grading the access road stretching 3.5 kilometres. The contract for this road project was awarded to a Nairobi based contractor for a contract sum of Kshs.5,852,100.00 inclusive of VAT.

It was however noted that the contractor abandoned the work midway citing the disruption of the work by landslides and claimed payment for the work already done. Records made available revealed that the contractor was paid a total of Kshs.3,500,000.00. However, there was no evidence to show that the amount paid to the contractor was commensurate to the work done. Physical verification of the project revealed that the drainage and culvert were not done, part of the road was not graveled and the quarry waste was not compacted. It was evident that public funds were not used effectively on this project.

## **401. Maragwa Constituency Development Fund**

### **(i) Unsupported Expenditure to Rural Electrification Authority**

The CDF Committee vide minute number 11/06/2011/12 dated 24 June, 2013 resolved to pay Rural Electrification Authority (REA) Kshs.5,300,000.00 in respect of purchase of transformers for rural electrification in various locations in the constituency. The full amount of Kshs.5,300,000.00 was paid on 26 June 2013 vide cheque number 4520. However, it was not clear how the project was to be implemented since no Project Management Committee was in place to monitor the project.

At the time of audit, there was no information about the locations where these transformers were erected since there has been a general expansion of electricity distributions in the area and it was not possible to link it to the money paid from the CDF.

The following anomalies related to this project were also found;-

- There were no estimates or invoices from REA showing the areas to be covered and corresponding amounts.
- There was no acknowledgement note or receipts and therefore it was not possible to establish if indeed this money was paid to REA.
- There was no committee formed to oversee the electrification and subsequently make expenditure returns.
- From the information provided by the CDF office, it was not possible to confirm if this project was ever implemented.

The propriety of Kshs.5,300,000.00 spent on Rural Electrification could not therefore be ascertained.

#### **(ii) Non-Existent Boda - Boda Sheds Project**

The CDF committee vide minute number 38/9/2012 dated 28 September 2013 resolved to construct Makuyu Boda-Boda Shed at a cost of Kshs.125,000.00 in 2012/2013 financial year. The project was to be implemented by the Project Management Committee. The payments were fully made vide cheque number 4275 of Kshs.125,000.00. Physical verification revealed that the project was non-existent on the ground. However, no expenditure returns were made showing how the cash disbursed was spent.

It was evident that Public funds were lost and the Maragwa constituents were denied the needed services of the Boda Boda shed which they had requested for.

#### **(iii) Unsupported Monitoring and Capacity Building Expenditure**

Records available at Maragwa CDF indicate that Kshs.700,000.00 was incurred on a Monitoring and Capacity Building seminar held from 12 to 14 November 2012. However, the payment voucher was not supported with documents indicating the venue and the agenda of discussion. The list of graduands and the personnel who officiated at the graduation ceremony held on 19 July 2012 was not provided to support the expenditure. In addition, places and projects monitored were not indicated.

### **402. Kandara Constituency Development Fund**

#### **(i) Wasteful Expenditure at Muruka Secondary School Dining Hall Project**

##### **Background of the Project**

The CDF Committee allocated Kshs.3,008,668.00 for completion of a dining hall at Muruka Secondary School in the financial year 2012/2013 as an addition to

Kshs.2,700,000.00 previously spent on the project, bringing the amount spent on the project to Kshs.5,708,668.00. The contract for the dining hall was awarded to the lowest bidder at a cost of Kshs.3,008,668.00 in the financial year 2012/13.

However, the following irregularities were noted;

- The CDF Committee irregularly contracted this work out instead of using the Project Management Committee as envisaged in the CDF Act 2003.
- The advertisement for this tender was done locally instead of nationally despite the contract sum exceeding the Kshs.3,000,000.00 threshold for restricted tender. The CDF Committee was therefore in breach of both the CDF Act 2003 and the Public Procurement and Disposal Act 2005 and Regulations 2006.
- Physical verification carried on the project in March 2014 revealed that the contractor did a poor job because the floor of the hall was cracking and the top layer was peeling off leaving pot holes in almost the entire hall. Further, the windows and the doors were not erected despite being factored in the bill of quantities and the hall did not have ventilations. It was therefore evident that the public did not get full value for money from this expenditure.

**(ii) Irregularities in procurement of water pump and failure to commission Ruchu Water Project**

**Background information and Scope of work**

The Ruchu water project was started in the financial year 2010/2011 and was intended to provide water for irrigation to residents of Munyori area of Kandara constituency by pumping water from River Ruchu through a technology of water powered turbine known as High Drum.

**Award of Contract**

The CDF committee contracted a machinery dealer to supply the pump at a cost of Kshs.3,719,210.00. The pipe work, fitting and building materials were procured from a local company at a cost of Kshs.734,881.00 bringing the total cost of the project to Kshs.4,454,091.00. However, it was observed that the pump supplier was single sourced.

**Physical Verification**

The pipe system and the water tank were completed by December 2012. The pump and other fittings were erected at the river point. However, the operation of the system had not commenced. According to the chairman of the project, the testing of the system failed to pump the water as intended.

Further, the pump at the river point was laid in an open area which was not fenced making it vulnerable to vandalism.

### **Other Audit Findings**

The CDF committee did not involve the District Engineer in the design of the project. This could have occasioned the failure of the project. Other surveys including the capacity of the river to provide adequate water were also not done.

- The water systems were taking too long before being utilised, and could start wearing out, including cracking of the tank.
- Failure to construct pump house may expose the pump and the intake system to vandalism and therefore wastage of public funds.
- Continued failure to commission the project may result in loss of Public Funds already committed to this project. In addition, it is denying the public the benefits that would have accrued from the project. Further, prolonged non-use of the infrastructure laid down may result in their obsolescence.

### **(iii) Exaggerated Cost of buildings at Mung'aria Youth Polytechnic**

#### **Background and Scope of work**

The CDF management awarded a contract to complete construction of classroom blocks and office blocks for Mung'aria Polytechnic at a cost of Kshs.3,919,344.00. However, the CDF management did not provide detailed analysis of how the contractual work was performed from financial years 2009/2010 to 2011/2012. During the financial year 2012/2013, the contract for completing the works was awarded to a local construction company being the lowest bidder and awarded the tender to construct a classroom and office block for the Polytechnic at a cost of Kshs.3,919,344.00.

#### **Physical verification**

Physical verification confirmed the existence of four classrooms and two offices. However, the money allocated for this project appears excessive compared to the work already done.

The tender documents also showed that the work was to involve completion of a pit latrine block. Upon inspection, it was observed there was no toilet block on site.

#### **Other audit observations**

- (i) The CDF management did not maintain a project file containing minutes of funds allocated and the approved bills of quantity.

- (ii) The invitation to tender was advertised locally despite being above the threshold of Kshs.3,000,000.00 which requires that national open tender process be followed. It was also not clear why the committee did not tender for the whole job at once. Further, the Kshs.12,846,656.00 so far allocated to this project, appear excess for the project of that size.
- (iii) The Contractor was fully paid despite failing to construct the toilet block as agreed.

In the circumstances, the procurement and payment procedures were flawed. Further, the value of the construction was overstated and the public may not have value for money on this project.

#### **(iv) Unaccounted Water Development Funds**

The CDF committee disbursed Kshs.8,417,343.00 during 2012/2013 financial year to Kandara District Water project committee to purchase pipes and other fittings. However, as at the conclusion of the audit, no returns had been made to show how the money was spent. Bank statements of the committee account were also not produced to show the balances in various accounts.

Further, the analysis for request of the funds by the District Water Engineer did not show the estimates of the water projects, implying that most of these project costs could not be ascertained. It was therefore not possible to ascertain the accountability of the funds.

### **403. Gatanga Constituency Development Fund**

#### **(i) Unsupported Expenditure**

During the financial year 2012/2013 Gatanga CDF disbursed Kshs.20,700,000.00 to various Project Management Committees (PMC's) for implementation of 13 different projects. However, the CDF management did not make available for audit examination the CDF expenditure returns, cash receipts, invoices, bank statements, project contract agreements, payment vouchers, project details, Project Management Committee (PMC) minutes and procurement documents to support the expenditure of the disbursed funds. The CDF Committee was therefore in breach of Section 47(1) of the CDF Act (amended 2007). In the absence of supporting documents, the propriety of the expenditure totalling Kshs.20,700,000.00 could not be confirmed.

#### **(ii) Purchase of computers for schools**

Further, records maintained by Gatanga CDF disclosed that Kshs.3,900,000.00 was disbursed to Project Management Committees (PMC's) to purchase twenty (20) computers for each of the identified six (6) secondary schools, making total a number of computers to one hundred and twenty (120). The CDF tender committee floated quotations for supply of the 120 computers and bids were received from five firms. The

contract was awarded to the lowest responsive bidder at a total contract sum of Kshs.3,900,000.00. However, tender evaluation committee minutes showing their recommendations were not made available for audit verification.

Physical verification carried out in one of the beneficiary schools revealed that non of twenty (20) computers worth Kshs.650,000.00 were available in the school. In addition, it was also observed that the school did not have electricity and therefore the computers could not be used.

Although it was verbally explained that the computers were taken to another school for safe keeping, no records were produced to show whether the computers were actually received in the said school. In the circumstances, it was not possible to confirm the propriety of the expenditure for purchase of computers costing Kshs.3,900,000.00.

## **SAMBURU COUNTY**

### **404. Samburu West Constituency Development Fund**

#### **(i) Payment of Bursary Funds**

During the financial year 2012/2013, Samburu West CDF made payments totalling Kshs.17,032,500 in respect of bursary for needy students. The funds were allocated to students in various secondary schools, colleges and universities in a meeting of the CDF Committee held on 12 November 2012. The bursaries were awarded as follows:

<b>Detail</b>	<b>Amount (Kshs)</b>
Bursary for Wards	5,400,000.00
Tertiary and Secondary Schools	10,318,500.00
Reserved Bursaries	<u>1,314,000.00</u>
<b>Total</b>	<b><u>17,032,500.00</u></b>

Although payment records show that the funds were disbursed as allocated, there were no acknowledgment letters from the institutions to confirm receipt of the funds. Further, records were not availed to show how Kshs.5,400,000 allocation to Wards was disbursed to beneficiaries. Under the circumstances, it was not possible to ascertain that the total of Kshs.17,032,500 reached the intended institutions or that the funds benefitted deserving cases.

#### **(ii) Stalled School Dormitory Project**

On 7 December 2012, Samburu West CDF remitted Kshs.1,000,000.00 to Sura Adaru Primary School for the construction of a dormitory based on the designs and Bill of Quantities presented which indicated that Kshs.1,000,000.00 would complete the project. However, the records seen did not provide payment schedules through the construction period. Physical verification of the project one year later on 17 December



2013 revealed that the project was incomplete and there was no contractor on site. The dormitory had been constructed up to lintel level and poor workmanship was evident. In addition, no evidence was available to show that there was any cash balance available for the project. Under the circumstances, it can be concluded that the project has stalled due to mismanagement of funds and more resources may be required to have it completed.

**(iii) Unsupported Expenditure on Carmel Derby Sports Event**

On 22 August 2012, Samburu West CDF made a payment of Kshs.800,000.00 in respect of the Samburu–Maralal International Camel Derby which is an annual sporting event that brings together the local communities to participate in sporting activities. However, the project file examined did not provide budget details and expenditure returns on how the fund was utilised. Consequently, it is not possible to confirm that the expenditure of Kshs.800,000.00 allocated to the Samburu–Maralal International Camel Derby was utilised for the intended purpose.

**(iv) Misappropriation of Funds at Ikujuta Water Pan**

On 14 November 2013, Kshs.400,000.00 was withdrawn from the Samburu West CDF account to fund the de-silting of Ikujuta water pan. However, there was no information in the project file to show how the de-silting was to be done and by whom and no expenditure returns on the same were provided. A visit to the project one month later on 17 December 2013 did not reveal evidence of any work done and there was no contractor on the site. Under the circumstances, it is apparent that the funds may have been misappropriated.

**LAIKIPIA COUNTY**

**405. Laikipia East Constituency Development Fund**

**(i) Single sourcing and Poor workmanship at Wamura Dispensary**

A local construction company was single sourced by the Project Management Committee (PMC) and awarded the contract of constructing Wamura Dispensary at a contract sum of Kshs.1,500,000.00 in a PMC meeting held on 18 September 2012. The project entailed walling, flooring, roofing, painting and installation of doors and windows of the dispensary. An advance payment of Kshs.1,125,000.00 was made to the contractor through bank transfer on 21 September 2012 and therefore, 75% of the contract sum was paid in advance. A further unexplained cash withdrawal of Kshs.375,900.00 was made on 10 November 2012 and paid to the contractor.

Physical verification carried out on 13 November 2013 revealed that the project had not been completed and the entire workmanship on the project was poor. Therefore the public may not benefit from the project.

## **(ii) Single Sourcing and Poor Workmanship - Naibor Dispensary Project**

Implementation of Naibor Dispensary Project commenced in January 2010. According to the project proposal, the project entailed construction of a four room dispensary. No building plan or bills of quantity were however availed for audit verification. Review of bank statements and expenditure documents revealed that Kshs.1,980,660.00 was spent out of the Kshs.2,200,000.00 disbursed to the project previously. However, it was not possible to confirm whether the disbursement of Kshs.600,000.00 released on 9 September 2013 was spent on the project since no bank statements were availed. The project had not been completed and the whole project was poorly done. Verbal explanation offered indicated the public works engineer noted some weaknesses and advised the re-doing of the project.

Contrary to Section 25 (1) of CDF Act 2003 (Amended 2007), appropriate consultations with the relevant Government Departments and Ministry of Works was not done to ensure that the cost estimates for the project are as realistic as possible. Further, the project was put up on abandoned land as result of dispute with the Veterinary department.

Further, cash amounting to Kshs.1,980,660.00 was withdrawn to pay the contractor instead of issuing cheques contrary to the requirement of the Constituencies Development Fund Board Secretariat Circular Ref No. CDF BOARD / CIRCULARS. / 2011 dated 10 February 2011 and Section 30(1) of the CDF Act amended in 2007. In the circumstances, public funds may not have been effectively utilized in this project.

## **NAKURU COUNTY**

### **406. Naivasha Constituency Development Fund**

#### **(i) Stalled Projects**

Records examined at the Naivasha Constituency Development Fund indicate that six (6) projects that had already drawn Kshs.6,003,000.00 had stalled as at 30 June 2013.

The CDF office did not provide an explanation why the projects stalled or why those projects could not be included in the list of projects to be considered by the Parliamentary Committee for approval as required under Section 13 (1) and (2) of the CDF Act, 2013 so as to be implemented in the years prior to 30 June 2013.

It would appear that failure by the Naivasha Constituency Development Fund Committee to prioritize these projects means that the money already sunk into these projects worth Kshs.6,003,000.00 may be lost.

#### **(ii) Matatu Bus Park Project**

In the financial year 2008/2009, the Naivasha CDF Committee awarded a construction company a tender to construct a Matatu Bus Park at a contract sum of

Kshs.1,908,370.00. However, in December 2009 the contract was prematurely terminated and the Project Management Committee varied the contract to include construction of ten (10) sample kiosks at the Matatu Bus Park which culminated in the drawing of additional bills of quantities amounting to Kshs.1,201,990.00. On 29 October 2012, the Naivasha CDF Board, the CDF Executive Committee and the construction company held an arbitration meeting where the District Works Officer (DWO) was requested to provide cost estimate for the entire project. The DWO submitted a report with a total estimated project cost of Kshs.2,926,025.00. This resulted in a contract variation of Kshs.1,017,655.00 (53 percent) over the original contract amount. This was contrary to the requirements of Section 47 (a) and (b) of the Public Procurement and Disposal Act, 2005 and Regulations 2006 31 (c) and (d).

As at 30 June 2013, a total of Kshs.3,122,373.00 had been paid although actual work done was not certified and retention fee of ten percent was not deducted as required under Section 14.8 of the Government Financial Regulations and Procedures. In addition, physical verification of the project carried out on 13 March 2014 revealed the following:

- i. The Project was not complete and had actually stalled,
- ii. It appears that the ground was not filled with hardcore materials as indicated in the Bill of Quantities,
- iii. The ten (10) sample kiosks are incomplete with no roofs, doors or windows,
- iv. The floors and walls are not plastered, and
- v. The Bus Park is now an open market of horticultural products and other goods.

Under the circumstances, the Naivasha CDF acted in contravention of the CDF Act, 2013, the Public Procurement and Disposal Act, 2005 and the Government Financial Regulations and Procedures.

#### **407. Subukia Constituency Development Fund**

##### **(i) Idle Health Facilities - Gitura and Munanda Dispensaries**

During 2012/2013 it was established that two health facilities (Gitura and Munanda dispensaries) that were commenced in the financial year 2006/2007 and 2008/2009 respectively and Kshs.3,225,000.00 spent in their construction were complete. However, the facilities were not in use due to what the Project Management Committee termed as lack of health workers, medical equipments and drugs.

It would appear that the total amount of Kshs.3,225,000.00 spent on these projects would go to waste as the community may not benefit from the investments unless measures are taken to equip, stock and staff the facilities.

## **(ii) Incomplete/Stalled Projects**

Records available and physical inspection of CDF projects in the Constituency revealed that some projects commenced a long time ago, were funded in bits over the years and were still incomplete and had actually stalled as at 25 March 2014. These include:

	<u><b>Kshs.</b></u>
Dundori police post	6,400,000,
Menengai Crater Dispensary	2,100,000
Dundori Health Centre	<u>2,300,000</u>
<b>Total</b>	<b><u>10,800,000</u></b>

The project file examined did not contain sufficient information such as the project contract, building plans, procurement records and periodical disbursement made to the projects.

Under the circumstances, it was not possible to determine the amount of the funds already paid out on each project. It is however clear that the public has not received value for the money spent on these projects.

## **(iii) Engashura Dispensary- Idle Equipment**

The Engashura Dispensary was funded to the tune of Kshs.350,000.00 to purchase maternity equipment. The project file examined lacked necessary procurement documentation which made it difficult to determine if proper procurement procedures were adhered to in the procurement. However, the procurement equipment were lying idle because the maternity wing where they were to be used was in a dilapidated state and needed major repairs before any patients could be admitted into them and use the machines. It is apparent that the equipment is wasting away while the beneficiary community continues to suffer.

## **408. Rongai Constituency Development Fund**

### **(i) Abandoned Capital Project**

The construction of Ngata District Officer's office was awarded to a construction company and commenced in the financial year 2008/2009 at a contract sum of Kshs.8,167,571.00 out of which Kshs.1,000,000.00 was paid to the contractor upon commencement. However, building plans and bills of quantities from the Ministry of Public works were not provided and it is not clear how the contractor was identified. In addition, it was established that land on which the office was being constructed was in dispute between the provincial administration and the Kenya Police Service. Efforts by community leaders to resolve the land dispute proved futile leading to stalling of the project. It is therefore not clear why the fund management gave additional funds of Kshs.1,000,000.00 during the financial year 2012/2013 before the land dispute was resolved.

Under the circumstances, value for money has been lost in the expenditure of Kshs.2,000,000.00 invested in construction of the project.

**(ii) Idle Health Facilities**

During the period under review, it was established that two health facilities (Nyamamithi and Banita dispensaries) that were commenced in the financial year 2004/2005 and 2011/2012 respectively and Kshs.7,535,582.00 spent in their construction were complete. However, the facilities were not in use due to what the Project Implementation Committee attributed to as lack of health workers, medical equipments and drugs.

It would appear that the total amount of Kshs.7,535,582.00 spent on these projects would go to waste as the community may not benefit from the investments unless measures are taken to equip, stock and staff the facilities.

**(iii) Stalled Project - Sumeek Chief's Office**

A local construction company was awarded a contract to construct Chief's office at a cost of Kshs.2,647,852.20 and was advanced Kshs.1,500,000.00 upon commencement. However, it is not clear how the firm was identified since tender documents were not provided to confirm compliance with the provisions of the Public Procurement and Disposal Act, 2005. In addition, there was evidence of wrangles within the project committee that seems to have frustrated the contractor into abandoning the project that had reached lintel level and it is not known when the construction would resume. It is apparent that Kshs.1,500,000.00 invested in this project could go to waste if intervention measures are not taken to complete the construction.

**KERICHO COUNTY**

**409. Kipkelion Constituency Development Fund**

**(i) Bursaries not acknowledged**

In the financial year 2012/2013, the CDF Committee disbursed bursaries worth Kshs.14,195,100.00 to various schools and universities to benefit needy students. Although payment records show that the funds were disbursed as allocated, there were no official receipts and acknowledgement letters from the beneficiary institutions.

Under the circumstances, it was not possible to ascertain that the total of Kshs.14,195,100.00 reached the intended institutions or that the funds benefitted the deserving cases as intended.

## **(ii) Unsupported Expenditure**

The CDF Committee incurred expenditure of Kshs.5,152,197.00 which was not adequately supported with fundamental documentation such as Project proposals, Bills of Quantities, Contracts, Project expenditure returns and Completion Certificates contrary to prudent financial management regulations which require that all expenditure incurred from public funds should be well supported. It was, therefore, not possible to confirm the expenditure of Kshs.5,152,197.00 incurred on various projects due to inadequate records.

## **(iii) Stalled Projects**

Records maintained at the Kipkelion CDF indicate that there are a total of twenty (20) projects with combined cost of Kshs.10,405,943.00 which had stalled as at 30 June, 2013. During physical inspection in the month of March 2014, it was established that the projects had no on-going activities. The management did not offer satisfactory explanation as to why the projects have stalled.

It is apparent that the public stands to lose Kshs.10,405,943.00 in the stalled projects or that in future, more funds would be required to revive them due to escalating costs.

## **410. Ainamoi Constituency Development Fund**

### **(i) Unsupported Expenditure**

During the period 2012/2013, the Ainamoi Constituency Development Fund Committee incurred expenditure amounting to Kshs.9,473,382 on various recurrent and development activities which were not adequately supported contrary to prudent financial management regulations which require that all the expenditure incurred from public funds should be well supported.

Consequently, it was not possible to confirm the propriety of the total expenditure of Kshs.9,473,382.00 as a proper charge to public funds.

### **(ii) Irregular Procurement Procedures**

The CDF procured goods and services worth Kshs.5,346,307.00 without subjecting the bidders to competitive tendering. Consequently, the procurement of goods and services worth Kshs.5,346,307.00 were done in breach of the Public Procurement and Disposal Act, 2005 and Regulations of 2006.

Additionally, it is apparent that the Constituency Development Fund Committee (CDFC) of Ainamoi acted in contravention of the law in commencing so many projects without regard to financial resources necessary to put the projects through to completion.

### **(iii) Bursaries not acknowledged**

In the financial year 2012/2013, Ainamoi CDF Committee disbursed bursaries worth Kshs.9,310,280.00 to various schools, technical colleges and universities to benefit needy and bright students. Although, payment records show that the funds were disbursed as allocated, there were no official receipts and acknowledgement letters from the beneficiary institutions.

Under the circumstances, it was not possible to ascertain that the total of Kshs.9,310,280.00 reached the intended institutions or that the funds benefitted deserving cases as intended.

### **(iv) Stalled Projects**

Records of the Ainamoi CDF examined indicate that there are a total of eight projects with a combined total cost of Kshs.3,600,000 which have stalled as at 30 June, 2013 as shown below:

<b>Project</b>	<b>Amount Kshs.</b>
1. Chimorir Primary School - Classroom	200,000
2. Torsogek School - Classroom	150,000
3. Kapsonok Secondary School - New School	1,600,000
4. Matobo Secondary School - New Lab	350,000
5. Moi Tea Secondary - Dormitory	300,000
6. Maimur Water Project - Intake & Piping	300,000
7. Muret Water Project - New Project	400,000
8. Koitaburot Constituency - Dispensary	<u>300,000</u>
<b>Total</b>	<b><u>3,600,000</u></b>

During physical inspection in the month of March 2014, it was established that the projects had no activities going on. The management did not offer satisfactory explanation as to why the projects have stalled.

It is apparent that the public stands to lose Kshs.3,600,000.00 in the stalled projects or that in future, more funds would be required to revive them due to escalating costs.

## **411. Bureti Constituency Development Fund**

### **(i) Irregular Procurement Procedures**

The Bureti CDF Committee through project management committees procured goods and services worth Kshs.2,183,597.00 without competitive bidding in breach of the Public Procurement and Disposal Act, 2005 and Regulations of 2006.

## **(ii) Roret Pineapple Processing Plant**

In the period 2009/2010, CDF Committee commenced a Pineapple Processing Plant which as at 30 June 2013 had incurred a total of Kshs.19,459,019.50. Two local companies were involved, one to do the construction of the plant at Kshs.8,411,873.00 while, the other was paid Kshs.7,000,000.00 for the purchase and delivery of a pineapple processing plant at 50% of the total cost as down payment and a further 40% upon delivery. Delivery was to take one month after the first instalment and the project was to be completed by 19 November 2012. At the time of our physical inspection in the month of March 2014, the processing plant had not yet been delivered and there was no sign of on-going construction works. The project had stalled. The CDFC and the PMC needs to take action to salvage a worthwhile project which will not only uplift the living standards of the farmers but will also generate revenue to the County Government of Kericho.

## **(iii) Unacknowledged Bursaries**

In the financial year 2012/2013, the CDF Committee disbursed bursaries worth Kshs.4,147,863.00 to various schools, technical colleges and universities to benefit needy students. Although, payment records show that the funds were disbursed as allocated, there were no official receipts and acknowledgement letters from the beneficiary institutions.

## **BOMET COUNTY**

### **412. Bomet Constituency Development Fund**

#### **(i) Stalled/Abandoned Projects**

The financial records held at Bomet District Treasury and the Project Implementation Status report as at 30 June 2013 indicate that the CDFC of Bomet funded several projects costing Kshs.203,792,547.00 which are yet to be completed. Among the incomplete projects are some which date back to 2003/2004 financial year. It was further noted that CDFC approved and released grants without a realistic cost estimate to complete a defined phase, unit or element of a project leaving little or no impact on the overall project development. It is not clear why the CDFC continues to commence more projects before earlier ones have been completed.

Consequently, it was not possible to ascertain whether all money disbursed to the Bomet CDF kitty has been applied for the purpose for which it was appropriated or whether the expenditure conforms to the authority that governs it.



## **(ii) Construction of Classrooms and Laboratoy at Koibeyon Secondary School**

The Bomet CDF Fund Committee disbursed grants to Koibeyon Secondary School amounting to Kshs.2,200,000.00 over a period of time to construct three (3) classrooms. The following was observed:

- a) No project returns were availed on the project activities,
- b) The CDFC allocated and disbursed additional funds to the school even though the funds disbursed earlier on had not been accounted for,
- c) Efforts to obtain project files from the school were futile even after a request was made to the Principal to avail them;
- d) Although the expenditure of Kshs.2,200,000.00 projected to construct and complete the three classrooms was within the threshold for using quotation, no such quotations were availed; and
- e) No documentary evidence of Inspection and Acceptance Committee to inspect the supply and delivery of goods and services and completion of works was availed.
- f) The Principal verbally explained that no specific bank Account was opened for the funds received from CDF Kitty but the same was banked in the PTA account maintained by the school.

Under the circumstance, it was not possible to confirm the expenditure of Kshs.2,200,000.00 as a proper charge to public funds.

## **(iii) SOT Technical Institute at Merigi**

The CDF Committee meeting held on 28 February 2011 adjudicated four bids for construction of SOT Technical Institute at Merigi. The Committee without reference to the technical evaluation committee report concluded that two (2) bidders who happened to have quoted lowest and second lowest at Kshs.14,598,936.40 and KShs.15,127,329.00 respectively were non-responsive and therefore disqualified because they did not attach financial statements.

Following that decision, the CDF Committee awarded the tender to another contractor at a contract sum of Kshs.21,715,351.60 without regard to the amount approved and allocated to the project of only Kshs.7,000,000, which was over and above the budget by Kshs.14,715,351.60 or 210%.

Further, the Committee recommended that allocated figure of Kshs.7,000,000.00 to be raised to Kshs.10,000,000.00 and the County Works Officer to review and revise the Bill of Quantities in order to scale down the works. Information available is that the tender

was scaled down and the scope of works was split into Phase I for Kshs.11,570,536 and Phase II for Kshs.5,500,000.00 both totalling Kshs.17,070,536.00 which totally and unprocedurally distorted the earlier tender as specified in the request for bids. It was established that the entire amount including retention money had been paid to the contractor.

A site visit carried out on 6 February 2014 revealed that project had been completed but no Certificate of Completion and Handing Over report had been obtained and no explanation was provided why the facility has not been put to use.

#### **413. Chepalungu Constituency Development Fund**

##### **(i) Retention of CDF Conditional Grants**

The Bank Reconciliation Statement of 31 January 2014 reflected payments in the cash book not yet recorded in the bank statement (unpresented cheques) totalling Kshs.16,347,455.25 which included conditional grants amounting to Kshs.5,752,850.00 dated 6 November 2013 that were still held up at the Chepalungu District Treasury as at March 2014. No explanation was provided why the funds were not released to the respective projects since they were approved and released by the CDF board.

Continued withholding of the funds by the CDF Committee is not only derailing the projects but amounts to denying the communities services the projects were meant to deliver.

##### **(ii) Re-erection and completion of Kapnaen Bridge**

The Chepalungu CDF Committee approved and released grants totalling to Kshs.4,000,000.00 to re-erect and complete Kapnaen Bridge. The scope of works included construction of remaining pillar works, fabrications and instillation of a steel bridge Deck. On 10 July 2011, the District Development Officer at Chepalungu approved release of the grant amounting to Kshs.3,500,000.00 for Kapnaen bridge. It is not clear why the full grant of Kshs.4,000,000.00 was not released. The CDF Committee did not maintain project records to provide necessary historical information including project commencement date, approved engineering and structural drawings and Bills of Quantities, amount already spent and outstanding balance. In addition, it was not determined how the contractor was identified in the absence of tender documents. Further, there were no Certificates by the Clerk of Works or other competent authority to validate the actual work done before payment was processed. A site physical verification on 6 February 2014 revealed that although the contractor had been paid Kshs.3,500,000.00, only the deck was constructed and left hanging precariously thus posing danger to the public. The contractor had apparently abandoned the site and project had stalled.

Consequently the propriety of the expenditure of Kshs.3,500,000.00 could not be confirmed.

### **(iii) Purchase of Land - Sigor High School**

During the financial years 2011/2012 and 2012/2013, the CDFC released grants totalling Kshs.4,000,000.00 to Sigor High School to construct seven classrooms. However, the entire funds were diverted to purchase land for the school to relocate to a new site. There was however, no documentary evidence as to the size and value of the parcel of land to be acquired and the owners did not avail a copy of the title deed registered in their names neither was a certificate of search from the Ministry of Lands obtained to confirm the ownership of the land and rule out encumbrances on the land. Similarly, no valuation report by the Ministry of Lands and duly signed transfer forms were provided for audit verification.

Under the circumstances, the CDFC may have funded a project whose implementation, continuity and sustainability may not be assured thus defeating the objective for which the project was established.

# MINISTRY OF STATE FOR DEFENCE

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 108

### Basis for Disclaimer of Opinion

#### 414. Failure to Prepare Financial Statements by Kenya Defence Forces

The Kenya Defence Forces is in breach of Section 289 (1) and (2) of the Kenya Defence Forces Act, 2012, which requires that Defence Forces should keep all books and records of account of the Income and Expenditure, Assets and Liabilities and submit to the Auditor-General the accounts of the Defence Forces in respect of the Financial year 2012/2013 for audit together with a Statement of Income and Expenditure, and a Cash flow Statement.

#### 415. Inappropriate Presentation and Disclosure of Appropriation Account

Examination of the Appropriation Account revealed that the Ministry renamed accounts codes by introducing sub votes and sub heads, while the Appropriation Accounts presented for audit are prepared on the basis of sub items. In addition, the printed estimates are presented in head code, units and item basis. Consequently, it is not possible to audit the Appropriation Account in the format it has been presented contrary to Section 11.6.3 of the Government Financial Regulations and Procedures.

The inappropriate presentation and disclosure of Appropriation Account is further confirmed by Net Surplus to be surrendered to the Exchequer which is equivalent to the amount of Pending Bills totalling Kshs.4,463,081,170.86.

#### 416. Illegal Transfer of Funds

The Statement of Confidential Expenditure in respect of Recurrent Vote 108 for the year ended 30 June 2013 reflects expenditure totalling Kshs.6,684,970,958.00 incurred during the financial year 2012/2013 which includes Kshs.350,000,000.00 transferred from Ministry of Defence Recurrent Vote 108 to National Intelligence Service (NIS) Recurrent Vote 145. Although it has been explained that Treasury sanctioned this transfer under Section 5.2.10 of the Government Financial regulations and Procedures, this action contravened Section 43 (1) (a) of the Public Financial Management Act, 2012 which prohibits reallocation of funds from one Government entity to another.

#### 417. Unsupported Expenditure

Payment vouchers for expenditure amounting to Kshs.350,000,000.00 incurred at National Intelligence Service were not made available for audit review. Further, certificate of declaration that the expenditure was incurred as required by the Minister responsible was not provided. Consequently, it was not possible to confirm that the

expenditure was lawful and the funds were applied effectively as required by Article 229 (6) of the Constitution of Kenya.

#### **418. Weak Internal Control**

The audit revealed that the management of the Ministry has not put in place adequate internal control to mitigate against risks arising from using confidential expenditure funds to supplement any officer's emoluments as expenditure incurred is not supported.

#### **419. Purchase of Armoured Personnel Carriers (Apcs)**

Audit of the procurement process of APCs has disclosed unsatisfactory matters summarized as follows:

#### **420. Purchase of Thirty Two (32) Apcs**

The Ministry awarded the contract Ref. No. DOD/423/256/2005/2006 to a firm through restricted tendering at a contract sum of **USD 16,368,703.66** or Kshs.1,161,105,809.79 on 6 June 2006.

A final contract material inspection report which was to include a performance of quantitative, visual quality inspection and equipment serviceability state checks, has not been made available for audit review although the contract sum was fully paid.

#### **421. Quality of Material Delivered**

The Ministry has explained through a letter Ref. No. DOD/FIN/218 VOL. I/005 dated 26 September 2013 and a letter Ref. No. MOSD/11/12A VOL. XV/70 dated 5 November 2013 that the firm won the tender competitively, contract was signed and executed to the Ministry's satisfaction and firm was paid in full.

However, available records indicate that 32 APCs supplied in 2008 were deployed in Southern Sudan as part of the Kenyan contingent in UNMISS and are still there to date. The United Nations identified some flaws with the APCs in the field which included;

- i) The design of the vehicles on the top part allows water to enter into the vehicle which accumulates inside and has to be drained. The ingress of water could adversely affect the normal functioning of various systems in the vehicle which could only be corrected by covering them during rainy seasons by a canopy.
- ii) The pneumatic system especially on the braking system was found to be faulty causing leakages in a few of the APCs because the manufacturer used plastic fiber at the pipe joints instead of using metallic parts which can withstand high pressure transmission.
- iii) No provision was made for spare tyres for the APCs and the tyres available cannot withstand a puncture for any extra time as operational vehicles are

expected to have self-sealing tyres which can go some distance after the puncture.

- iv) The recovery vehicle lacks a rear door for easy access during stationery working, an omission which could only be corrected through modification to have a rear door for efficient use during recovery duties.
- v) Faults in gear selection system and power source problems.
- vi) Rust of some of internal parts which requires greasing and repainting.
- vii) The cover for the turret is worn out for all APCs and should be replaced with new ones to guard against damage as a result of direct exposure to sunlight and rain.

In the absence of a final inspection report together with the uncorrected flaws observed, it is not possible to confirm that the contract was executed to the satisfaction of the Ministry and that value for money was obtained from the expenditure amounting to US\$ 16,368,703.66 or Kshs.1,161,105,809.79.

#### **422. Purchase of Seventy Five (75) Apcs**

The Ministry awarded contract Ref. No. DOD/SYS/015/2007/2008 to a firm through restricted tendering at a contract sum of Euros 22,406,926.00 on 24 June 2008.

Although the Ministry has now explained through article 19.2 of the Agreement that the contract lapsed because it was not fulfilled within four months, the explanation contradicts an earlier one which indicated that the contract was terminated due to lack of funds. In view of this, it is not clear how the contract could be awarded without funds and mutually wound without damages.

In addition, an examination of the Agreement indicates that a termination clause was not included among the General Contractual Conditions. Consequently, it has not been possible to confirm the circumstances under which the contract was terminated and that the Ministry did not incur any losses arising from contract claims.

#### **423. Purchase of Seventy Six (76) Apcs**

##### **(i) Award of Contract**

The Ministry awarded the contract Ref. No. MOD/SYS/029/2012/2013 to a firm through Direct Procurement at a contract sum of US\$ 51,584,235.00 on 15 October 2012.

The Ministry has accepted that they used Direct Procurement method because APCs are Security items and are not off the shelf items and therefore, have to be tailored and manufactured as per specifications and that the contracted firm is the only entity which could supply APCs being procured in accordance with Section 74 (2) (a) of the Public Procurement and Disposal Act, 2005.

However, the Ministry has failed to justify the relevance of the initial purchases which were done through restricted tendering as required by Section 133 of the Public Procurement and Disposal Act, 2005 for procurement of security items, while the subsequent purchases of the same material were procured through direct procurement method. Although, the Ministry has explained that the firm is the only one which could supply APCs and had been tried and tested by KDF for the supply of the same in a UN Mission to Southern Sudan, the audit observed that the firm had earlier supplied 32 APCs which had numerous flaws and deficiencies, a confirmation that it was more logical to subject the contract to a competitive bidding process in accordance with the procurement law.

### **(ii) Contract Payments**

The firm has so far been paid Kshs.3,982,824,974.46 in accordance with Article 6 on payment terms. However, the contract did not protect the interest of tax payers as Kshs.3,107,337,338.05 was made based on the receipt of documents relating to delivery and not actual delivery of contracted materials.

These documents are listed as commercial invoice of equivalent sum; Bank guarantee of equivalent sum; Bill of Lading; Packing list; Insurance policy; Pre-shipment inspection certificate and Manufacturer's certificate of origin. Further US\$ 46,425,812 or 90% of the contract sum has so far been paid to the seller, an amount which is not commensurate with forty (40) APCs which have so far been delivered representing 52% of the contracted quantity.

### **(iii) Lack of Market Survey**

The Ministry of Defense did not undertake a market survey as required by Section 8 (3) Z of the Public Procurement and Disposal Regulations 2006 which states that a procuring entity shall carry out periodic market survey to inform the placing of orders or adjudication by the relevant award committee. Instead, the contracted firm, also interested in winning the contract, purports to have established market prices for APCs which confirmed that its bid prices were cheaper.

In view of the foregoing, it is clear that the firm dictated prices of APCs and usurped the role and responsibilities of the Ministry's staff. It is therefore, not possible to confirm that Kshs.3,982,824,974.46 which has so far been paid is in excess of the prevailing market prices as required under Section 10(2)(e) of the Public Procurement and Disposal Regulations, 2006.

### **(iv) Variation of Spare Parts Price**

An examination of contract records show that the seller was single sourced to quote for the supply of spare parts for 76 pieces of APCs for three (3) years at a cost of US\$ 5,915,781.00. However, during an unspecified meeting, it is reported that the seller was advised to work out the cost of spare parts based on a one year period and present in a subsequent meeting. During a follow up meeting, the technical committee members

authorized the firm to supply spare parts for the 76 pieces of APCs for 1 year at a cost of USD 2,995,235 without any justification.

#### **424. Pending Bills**

Pending bills totalling Kshs.3,383,478,218.90 remitted in local currency and Kshs.1,079,602,951.96 remitted in foreign exchange relating to 2012/2013 were not settled during the year, but were instead carried forward to 2013/2014. Had the bills been settled and the expenditure charged to the accounts for 2012/2013, the Recurrent Appropriation Account for the year would have reflected a nil Net Surplus to be surrendered to the Exchequer instead of Kshs.4,463,081,170.86 now shown.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 108**

### **Basis for Disclaimer of Opinion**

#### **425. Variance between PMG balance and Board of Survey Report**

The statement of Assets and Liabilities for Vote R108 shows Paymaster General Account debit balance totalling Kshs.195,414,261.55 while the Board of Survey report as at 30 June 2013 reflects an amount of Kshs.255,423,214.30 resulting in a difference of Kshs.60,008,952.75 which has not been reconciled or explained.

In addition, the ministry has not availed soft copies of the bank statements despite several requests, therefore, it is not possible to confirm the correctness of the reconciled cashbook balance.

#### **426. Outstanding Temporary Imprest**

The statement reflects outstanding imprests amounting to Kshs.5,959,850.00 as at 30 June 2013 in contravention of Section 5.6.5 of Government Financial Regulations and Procedures.

#### **427. Agency Account**

The Statement reflects a balance of Kshs.78,758,520.80 against Agency Account, which includes an amount of Kshs.9,005,298.80 which was received in 2012/2013 but was not utilized since the projects had been closed. These amounts ought to have been surrendered to various agencies on or before 30 June 2013. No explanation has been given for failure to surrender the same to the respective Agencies.



#### **428. General Account Vote**

The Statement reflects an un cleared General Account Vote (GAV) credit balance of Kshs.4,529,068.00 as at 30 June 2013.

#### **429. Suspense Account/Bank Reconciliation**

Although analysis has been availed in support of Suspense Account balance of Kshs.188,498,393.34, the reasons provided for failure to honour cheques includes invalid account number, invalid account name and difference in account name. These reasons are not adequate and relevant to justify failure to clear the huge outstanding balances.

#### **430. Advances**

The Statement reflects a debit balance of Kshs.14,960,160.45 against advances which have not been recovered in accordance with Section H.11 of the Code of Regulations. No reasons have been given for failure to recover the advances.

#### **431. Clearance Account**

The Statement also shows a salary clearance account balance of Kshs.27,395,422.50 which includes an amount of Kshs.22,204,409.00 relating to 2011/2012 and earlier years which has not been cleared. No reason has been given for non-clearance of these balances.

#### **432. Excess Appropriation-In-Aid**

The Statement further shows Excess Appropriation-In-Aid amounting to Kshs.132,550,650.50 relating to 2010/2011 and previous years which has not been surrendered to the Treasury. No reasons have been provided for failure to surrender the excess Appropriation in Aid to the Exchequer.

# MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES

## APPROPRIATION ACCOUNT FOR VOTE R.109

### Basis for Adverse Opinion

#### 433. Recurrent Grants to Government Agencies and Other Levels of Government

The following differences in the amounts reflected in the Appropriation Account for Vote R.109 in respect of disbursements to Regional Development Authorities by the Ministry and the receipts reflected in the Authorities' financial statements were noted:-

<u>Regional Authority</u>	<u>Receipts as per Authority's Records (Kshs)</u>	<u>Disbursements as per Ministry's Records (Kshs)</u>	<u>Difference (Kshs)</u>
Coast Development Authority	53,113,918.00	55,942,456.00	2,828,538.00
Tana and Athi Rivers Development Authority	131,965,160.00	141,572,411.00	9,607,251.00
Ewaso Nyiro South Development Authority	<u>44,011,429.00</u>	<u>48,012,468.00</u>	<u>4,001,039.00</u>
<b>Total</b>	<b><u>229,090,507.00</u></b>	<b><u>245,427,335.00</u></b>	<b><u>16,436,828.00</u></b>

No reconciliations or explanations have been provided for the above variances.

#### 434. Nugatory Expenditure

The Appropriation Account for Vote R.109 for the year ended 30 June 2013 reflects an expenditure of Kshs.34,650,000.00 under Head 0001, Sub-Head 01, Item 2210600 - Rental of Produced Assets. The amount includes Kshs.14,749,632.00 spent on renting offices at Chester House, Nairobi. Available information indicates that as at 30 June 2013, the Ministry had spent a total of Kshs.41,312,301.80 on these rented offices at Chester House, comprising of Kshs.26,562,669.80 for 2011/2012 and earlier years and Kshs.14,749,632.00 for 2012/2013. However, physical verification of the rented premises revealed that the offices are not occupied. No explanation has been provided for the continued payment of rent for offices not occupied. Consequently, the Ministry has not received any value for the money spent on renting these premises over the last three years.

#### 435. Excluded Expenditure

The Appropriation Account reflects expenditure totalling Kshs.34,650,000.00 under Head 0001, Sub-Head 01, Item 2210600 - Rental of Produced Assets while payment vouchers and other related records show that an amount of Kshs.44,827,132.00 was incurred in respect of this item as analyzed below:

<u>Date</u>	<u>P.V No.</u>	<u>Details</u>	<u>Amount (Kshs)</u>
29.11.2012	389	Rent and Parking	3,817,908.00
30.11.2012	499	Rent and Parking	3,295,908.00
15.03.2013	1047	Rent and Parking	7,635,816.00
25.09.2012	498	Rent and Parking	3,949,380.00
Sep 2012	604	Rent	4,319,879.00
Oct 2012	605	Parking	417,600.00
05.11.2012	716	Rent	4,065,641.00
15.03.2013	119	Rent	17,325,000.00
		<b>Total</b>	<b><u>44,827,132.00</u></b>

Expenditure amounting to Kshs.10,177,132.00 has therefore not been accounted for in the Appropriation Account for the year under review. Consequently, the net expenditure of Kshs.748,432,694.45 reflected in the Appropriation Account has been understated by Kshs.10,177,132.00. No explanation has been provided for the exclusion of this expenditure.

#### 436. Pending Bills

Bills totalling Kshs.19,977,932.48 relating to 2012/2013 and chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the accounts, the Appropriation Account for Vote R.109 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.16,845,648.07 instead of Kshs.36,823,580.55 now shown. Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects the budgetary provisions for the subsequent year to which they have to be charged. No explanation has been provided for not settling the bills during 2012/2013.

### STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 109

#### Basis for Adverse Opinion

#### 437. Imprests

The Statement reflects an imprests balance of Kshs.139,271.00 that ought to have been surrendered or otherwise accounted for on or before 30 June 2013 but was still

outstanding as at that date, contrary to the requirements of financial regulations and procedures.

In addition, the balance of Kshs.139,271.00 reflected in the Statement differs by an amount of Kshs.32,072,276.20 from the balance of Kshs.32,211,547.20 reflected in the imprest registers maintained by the Ministry.

The Statement also shows that an imprest balance of Kshs.230,328.40 was cleared during the year under review. However, no documentary evidence has been provided to show how the balance was cleared or accounted for.

No explanation has been given for the above anomalies.

#### **438. Excess Appropriations-In-Aid**

The Statement reflects an Excess Appropriations-In-Aid balance of Kshs.1,391,000.00 relating to 2011/2012 that had not been surrendered to Exchequer as at 30 June 2013.

The Statement also shows that Excess Appropriations-In-Aid balance of Kshs.1,605,720.00 relating to 2010/2011 was cleared during the year. However, no documentary evidence has been availed to support this clearance.

The Statement further reflects an Excess Appropriations-In-Aid balance of Kshs.210,700.00 relating to 2012/2013. However, the Recurrent Appropriation Account for the year ended 30 June 2013 shows that no Appropriations-In-Aid was collected during the year.

#### **439. General Account of Vote**

The Statement further reflects a General Account of Vote balance of Kshs.254,624,169.30 out of which Kshs.217,800,588.75 relates to 2011/2012 and earlier years. No explanation has been provided for not clearing the long outstanding General Account of Vote balance from the Ministry's books of account.

#### **440. Exchequer Under-Issues**

The Statement also shows a balance of Kshs.39,827,345.35 against Exchequer Under-Issues out of which Kshs.39,771,070.35 relates to 2011/2012 and earlier years. Similarly, no explanation has been given for not clearing this long outstanding balance from the Ministry's records.

#### **441. Paymaster General Account**

The Statement further reflects a Paymaster General Account debit balance of Kshs.216,243,574.35, which differs with the reconciled cashbook balance of Kshs.2,294,355.00 as at 30 June 2013. The difference of Kshs.213,949,219.35 between the two sets of records has not been reconciled or explained.

Further, the bank reconciliation statement for Recurrent cashbook as at 30 June 2013 reflects payments in cashbook not recorded in bank statement (unpresented cheques) totalling to Kshs.42,666,929.80 out of which cheques totalling Kshs.205,490.00 were stale as at that date. No explanation has been given for failure to replace or reverse the cheques in the cashbook as at 30 June 2013.

The Statement also reflects receipts in bank statement not recorded in cashbook totalling Kshs.23,837.95 relating to the period between 28 June 2012 and 31 May 2013. No explanation has been provided for failure to capture these receipts in the cashbook.

The Statement further reflects payments in bank statement not in cashbook totalling Kshs.2,033,146.25 out of which payments amounting to Kshs.2,019,135.25 relate to the period between 5 August 2012 and 27 March 2013. No reason has been provided for failure to record these payments in the cashbook.

Consequently, the accuracy of the Paymaster General Account balance as at 30 June 2013 could not be confirmed.

## **APPROPRIATION ACCOUNT FOR VOTE D.109**

### **Basis for Qualified Opinion**

#### **442. Grants to Government Agencies and Other Levels of Government**

The Appropriation Account for Vote D.109 for the year ended 30 June 2013 reflects, under various Heads and Sub-Heads, Capital Grants totalling Kshs.1,319,855,214.75 as having been issued to various Regional Authorities while the respective audited Accounts for those authorities show capital grants amounting to Kshs.1,122,212,279.50 as having been received as detailed below:-

<b><u>Regional Authority</u></b>	<b><u>Receipts as per Authorities' Records</u></b>	<b><u>Disbursement as per Ministry's Appropriation Accounts</u></b>	<b><u>Difference</u></b>
Coast Development Authority	186,812,285.00	192,408,646.75	5,596,361.75
Lake Basin Development Authority	269,473,409.00	269,475,409.00	2,000.00
Ewaso Nyiro North Dev. Authority	220,426,193.00	317,982,557.00	97,556,364.00
Tana and Athi Rivers Dev. Authority	104,306,557.50	184,925,410.00	80,618,852.50

Ewaso Nyiro South Dev. Authority	187,796,581.00	189,983,987.00	2,187,406.00
Kerio Valley Dev. Authority	<u>153,397,254.00</u>	<u>165,079,205.00</u>	<u>11,681,951.00</u>
	<b><u>1,122,212,279.50</u></b>	<b><u>1,319,855,214.75</u></b>	<b><u>197,642,935.25</u></b>

No explanation or reconciliation has been provided for the resultant difference of Kshs.197,642,935.25 between the two sets of records.

#### **443. Unbudgeted Expenditure**

The Appropriation Account for Vote D.109 reflects expenditure of Kshs.2,005,100.00 as having been incurred under Head 0001, Sub-Head 01, Item 3111400- Research, Feasibility Studies, Project Preparation and Design. According to the approved estimates for 2012/2013, no provision had been made for this particular item during the year. Therefore, the expenditure of Kshs.2,005,100.00 was incurred without Parliamentary approval.

#### **444. Under-Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.109 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.828,160,802.70 or about 16% of the approved estimates of Kshs.5,296,550,000. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.685,492,589.25 or approximately 44% of the estimated receipts of Kshs.1,550,709,300. No indication has, however, been given on measures the Ministry intends to take to avoid the recurrence of a similar situation in future.

#### **445. Excluded Expenditure**

The Appropriation Account reflects under Head 0007, Sub-Head 98, Item 2211100- Office and General Supplies and Services, an expenditure of Kshs.3,629,415.00. However, payment vouchers and other related records examined indicate that the Ministry incurred a total of Kshs.6,194,000.00 against the item. No explanation has been given for exclusion of Kshs.2,564,585.00 from the Appropriation Account.

#### **446. Salary and Wages**

The Appropriation Account reflects under Head 0006, Sub-Head 98, Items 2110200 and 2110300, amounts of Kshs.21,015,807.00 and Kshs.23,840,632.00 relating to Basic Wages - temporary employees and personal allowances paid as part of salary, respectively bringing the total to Kshs.44,856,439.00 for staff under the Kimira Oluch Project. However, expenditure returns from the project reflect a total amount of Kshs.20,231,629.10 on the two items. No explanation or reconciliation has been given for the difference of Kshs.24,624,809.90.

#### **447. Pending Bills**

Bills totalling Kshs.1,058,981,720.45 relating to 2012/2013 and chargeable to Development Vote were not settled during the year but were instead carried forward to 2013/2014. The figure includes Kshs.680,788,019.00 in respect of major civil works for Kimira Irrigation Scheme and is attributed to lack of provisions. Had the bills been settled and expenditure charged to the Account, the Appropriation Account for Vote D.109 would have reflected an Excess Vote on the Account of Kshs.916,313,507.00 instead of the Net Surplus of Kshs.142,668,213.45 now shown. Failure to settle bills in the year to which they relate distorts the accounts for that year and adversely affects the provisions for the subsequent financial year to which the expenditure has to be charged.

### **STATEMENT OF ASSETS AND LIABILITIES FOR D.109**

#### **Basis for Qualified Opinion**

#### **448. Accuracy of the Statement**

The balances reflected in the Statement of Assets and Liabilities for Vote D.109 as at 30 June 2013 have not been supported by a trial balance as at that date or ledger for the year then ended. As a result, the completeness and accuracy of the balances could not be ascertained.

#### **449. Paymaster General Account**

The Statement reflects a Paymaster General Account credit balance of Kshs.109,615,868.20 while the cashbook shows a reconciled debit balance of Kshs.1,104,058.85 as at 30 June 2013. No reconciliation or explanation has been provided for the resultant huge difference between the two sets of records.

Further, the bank reconciliation statement as at 30 June 2013 for the Development cashbook reflects receipts in the cashbook not in the bank statement totalling Kshs.100,249,290.05, which includes an unexplained cashbook adjustment of Kshs.249,290.05 dated 21 March 2013. The reconciliation statement also reflects payments in the cashbook not in bank statement (unpresented cheques) totalling Kshs.110,966,632.20, which include four stale cheques totalling Kshs.478,617.00. No reason has been given for failure to reverse these cheques in the cashbook.

The statement further reflects payments in bank statement not in cashbook totalling Kshs.1,555,923.00 which include Kshs.930,823.00 relating to the period between 6 May 2012 and 12 April 2013. No reason has been given as to why the receipts had not been posted in the cashbook as at 30 June 2013.

#### 450. Uncleared Balances

The Statement reflects the following balances which have not been cleared from the Ministry's books although they relate to 2011/2012 and earlier years:-

<u>Account particulars</u>	<u>Amount (Kshs)</u>
Over expenditure 2004/2005	120,785,279.50 DR
Exchequer over issues 2004/2005	120,785,284.00 CR
Exchequer under issues	197,720,222.70 DR
General Account of Vote	509,563,092.60 CR

No explanation has been provided for non-clearance of the balances from the Ministry's records.

#### 451. Unsupported Cleared Balances

The Statement shows that during the year under review, the District Suspense Account debit balance was cleared by an amount of Kshs.187,793,561.70. However, no documentary evidence has been availed to support this clearance.

### STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 109

#### Basis for Disclaimer of Opinion

#### 452. Accuracy of the Statement

The Statement of Assets and Liabilities for Deposits 109 as at 30 June 2013 reflects the following opening balances that differ from the closing balances reflected in the audited Statement as at 30 June 2012:

<b>Closing balance in Item/Account</b>	<b>Opening balances in the Statement as at 30 June 2012 (Kshs)</b>	<b>The Statement as at 30 June 2013 (Kshs)</b>	<b>Difference (Kshs)</b>
Paymaster General	1,171,256.10	1,181,506.10	10,250.00
Retention Monies	971,256.10	1,181,506.10	210,250.00
Staff Contribution to Disaster Funds	200,000.00	-	200,000.00

No explanation has been given for the variances and as a result, the accuracy of the Statement cannot be confirmed.



The Statement further shows a cashbook adjustment balance of Kshs.690,285.00 which is not supported. Consequently, the correctness of this balance could not be confirmed. The Account balances reflected in the Statement were not supported with a trial balance as at 30 June 2013, and/or a ledger for the year then ended. Consequently, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

# MINISTRY OF AGRICULTURE

## RECURRENT APPROPRIATION ACCOUNT FOR VOTE R.110

### Basis for Qualified Opinion

#### 453. Appropriation Account Summary

The Appropriation Account Summary for Vote R.110 for the year ended 30 June, 2013 presented for audit reflects Net Total Approved Estimates of Kshs.9,110,634,979.00 instead of the Printed Approved Estimates figure of Kshs.9,161,634,979.00. As a result, the Net Surplus to be Surrendered to the Exchequer figure of Kshs.249,492,641.00 has been understated by an amount of Kshs.51,000,000.00, being the difference between the two balances.

#### 454. Variances between Appropriation Account and Ledger

The Appropriation Account also reflects Actual Net Expenditure of Kshs.8,861,142,337.70 while the ledger as at 30 June, 2013 indicates an expenditure of Kshs.8,896,437,028.10. The resultant difference of Kshs.35,294,690.40 has not been explained or reconciled.

#### 455. Failure to Provide Footnotes for Material Differences

The Recurrent Appropriation Account reflects Accounts with variances of over Kshs.1,000,000 between approved and actual expenditure for which no footnotes were given. The omission of such footnotes contravenes Government Financial Regulations and Procedures.

#### 456. Un-vouched Expenditure

The Ministry did not produce for audit verification payment vouchers and other related records and documentation for expenditure totalling Kshs.16,541,498.20 although they were posted in the cashbook and accounted in the Appropriation Account for Vote R110 for the year ended 30 June 2013. Consequently, the propriety of expenditure totalling Kshs.16, 541,498.20 could not be confirmed.

#### 457. Payment of Meal Allowances

During the year under review, the Ministry paid meal allowances totalling Kshs.7,661,400.00 to various officers for working outside normal working hours and charged the expenditure to Recurrent Vote. However, it was noted that some of the duties for which the officers were paid to perform were the same as those that fall under their job descriptions and should have been performed during normal working time. In

addition, no evidence was provided to show that the days and hours the officers worked had been certified by senior officers to confirm that the staff worked for the hours paid for.

#### **458. Misallocation of Voted Provisions**

Audit of the Recurrent Appropriation Account revealed that in a number of cases, a total of Kshs.246,418,057.00 of voted allocations was misallocated and some expenditure charged to items which appeared unrelated to the expenditure. No reason has been given for this apparent violation of Government Financial Regulations and Procedures.

#### **459. Appropriations-In-Aid**

The Appropriation Account for the year ended 30 June 2013 reflects Appropriations-In-Aid totalling Kshs.134,994,206.00 under Receipts from sale of inventory, stock and commodities which was not supported by receipt vouchers and other related documentation. As a result, it was not possible to confirm the occurrence, completeness and accuracy of Kshs.134,994,206.00 reflected in the Account

#### **460. Pending Bills**

Records maintained in the Ministry indicate that bills totalling Kshs.5,537,083.50 relating to 2012/2013 and chargeable to Recurrent Vote were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the financial statements for 2012/2013, the Recurrent Appropriation Account for the year ended 30 June, 2013 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.243,955,557.80 instead of Kshs.249,492,641.30 now shown.

### **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.110**

#### **Basis for Qualified Opinion**

#### **461. Long Outstanding Balances**

The Statement of Assets and Liabilities for Vote R.110 as at 30 June, 2013 reflects brought forward debit and credit balances totalling Kshs.4,858,620,740.86 and Kshs.3,262,504,196.61 respectively, relating to 2011/2012 and prior years, as shown below, which have remained uncleared from the books:

	Dr (Kshs)	Cr (Kshs)
Exchequer	1,296,792,330.05	-
Advances	1,337,707.20	-
Standing Imprests Account	2,630,265.10	-
Temporary Imprests Account	523,863,840.15	-
Agency Account	85,957,838.75	-
Clearance Account	686,068,446.35	-
Suspense Account	359,891,701.99	-
Provincial/District Suspense	1,902,078,611.27	-
General Account of Vote		3,254,241,166.91
Excess AIA (Co-Op) 1998/89		212,380.00
Excess AIA 2005/2006		1,859,838.90
Excess AIA 2006/2007		<u>6,190,810.80</u>
<b>Total</b>	<b><u>4,858,620,740.86</u></b>	<b><u>3,262,504,196.61</u></b>

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

#### **462. Paymaster General (PMG) Account**

The Statement also reflects a Paymaster General (PMG) Account credit balance of Kshs.1,751,573,407.00 while the cashbook shows a debit balance of Kshs.155,456,862.75. No explanation or reconciliation has been provided for the huge unusual credit balance and the difference between the two sets of records.

#### **463. Suspense Account**

The Statement reflects a Suspense Account balance of Kshs.733,639,181.82 whose analysis was not provided for audit verification. Consequently, the completeness and accuracy of the balance could not be confirmed.

#### **464. General Account of Vote**

The Statement further reflects a General Account of Vote (GAV) balance of Kshs.251,148,776.90 while the Appropriation Account for the year ended 30 June, 2013 shows a figure of Kshs.249,492,641.30. No explanation or reconciliation has been provided for the difference of Kshs.1,656,135.60 between the two sets of records.

#### **465. Provincial/District Suspense Account**

The Statement also reflects Provincial/District Suspense Account of Kshs.1,905,301,792.09 which differs from the supporting analysis balance of Kshs.1,905,990,615.41. The resultant difference of Kshs.688,823.32 has not been explained or reconciled.

#### **466. Failure to Provide a Trial Balance**

The Account balances reflected in the Statement were not supported by a Trial Balance as at 30 June, 2013. Consequently, the completeness and accuracy of the Statement could not be ascertained.

### **DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE D.110**

#### **Basis for Qualified Opinion**

#### **467. Under- Expenditure and Under- Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.110 for the year ended 30 June, 2013 reflects gross under- expenditure of Kshs.3,648,081,652.00 or approximately 26% of the Approved Gross Estimates of Kshs.13,899,922,555.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.543,759,096.60 or about 36% of the estimated receipts of Kshs.1,527,482,795.00. The reasons given for the under-expenditure include expenditure incurred in the Districts not captured in the ledger due to system failure; non-remittance of expenditure returns by some donors for capture in the Government system; late release of Exchequer issues and over-budgeting, among others. However, no indication has been given of actions being taken or intended to be taken to prevent future under –utilization of funds voted for development programmes.

#### **468. Understatement of Actual Expenditure**

Examination of footnotes to the Development Appropriation Account for Vote D110 revealed that, some of the reasons given for under- expenditure under various Heads include non-capture of expenditure of Kshs.569,588,291.00 incurred at the Districts due to system failure and non remittance of expenditure returns of Kshs.162,889,397.00 from some donors to enable capture into Government System. This implies that the actual expenditure recorded under the Heads in the Appropriation Account is understated by a net figure of Kshs.406,698,894.00. Consequently, the Appropriation Account for Vote D.110 for the year ended 2012/2013 is incomplete due to omission of expenditure already incurred but not captured in the ledger.

#### **469. Accuracy of Appropriation Account Summary**

The Main Summary of the Appropriation Account for Vote D.110 presented for audit shows Net Total Approved Estimates of Kshs.12,372,439,760.00 instead of Kshs.12,360,480,360.00 reflected in the Printed Approved Estimates for 2012/2013. No explanation or reconciliation has been given for the difference of Kshs.11,959,400.00 between the two sets of records. Consequently, the Net Surplus to be Surrendered to the Exchequer is overstated by Kshs.11,959,400.00.

#### **470. Misallocation of Expenditure**

The Appropriation Account for Vote D.110 for the year ended 30 June, 2013 reflects expenditure totalling Kshs.479,161,998.00 under Head 0001, Sub-Head 01, Item 2630200 – Capital Grants to Government Agencies and Other Levels of Government. However, a review of the records and documentation available indicate that included in this expenditure is Kshs.11,500,000.00 incurred on purchase of two motor vehicles for Kenya School of Agriculture and Bukura Agricultural College. Consequently, the expenditure is misallocated as it does not relate to the item it was charged to and was done without Treasury authority. No reason was given for the unauthorized reallocation of funds.

#### **471. Pending Bills**

Bills amounting to Kshs.206,957,879.80 in respect of Development Vote were not settled during the year under review but were instead carried forward to 2013/2014 financial year. Had these bills been paid and the expenditure charged to the Accounts for 2012/2013, the Development Appropriation Account would have recorded a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.2,897,364,675.60 instead of Kshs.3,104,322,555.40 now shown. Failure to settle bills during the year to which they relate distorts the Accounts for that year and adversely affects the provisions for the subsequent year to which they will be charged.

#### **472. Un-accounted for Authority to Incur Expenditure (AIE)**

The Ministry received Kshs.825,000,000.00 vide AIE No. A649989 dated 21/03/2013 from the Ministry of State for Special Programmes towards funding of subsidized fertilizer. The AIE however does not appear in the Ministry records. Although the procurement of fertilizer of Kshs.2,700,993,653.00 was made under Vote D110, Head 0035- (Agricultural Business Development and Agricultural Information Services), Item 2211300- (Other Operating Expenses), there is no evidence that funds received through the AIE were utilized on procurement of fertilizer.

#### **473. Irregular Expenditure on Procurement of Subsidized Fertilizer**

The Ministry of Agriculture for a number of years has been procuring various types of fertilizer and selling the same to farmers at subsidized prices for purposes of stabilizing market prices and cushioning the farmers from exploitation by traders.

Available information indicates that during 2012/2013 financial year, the Ministry invited international tenders for supply and delivery of 25,000 +/- 10% metric tons of DAP fertilizer under tender No. MOA/SCMD/AGRIB/12/2012-2013 dated 28 January, 2013. However, the tender was later cancelled due to time constraint as the fertilizer was urgently needed by the start of the long rains season in March. The Ministry instead adopted a contract dated 20 February, 2013 for supply of a similar quantity of fertilizer and which had earlier been entered into between National Cereals and Produce Board and M/s Holbud Limited. Available information indicates that the contract could not be effected due to financial problems NCPB was experiencing at that time. Although the supply contract signed by NCPB indicated the rate of USD 586.03 per MT (Metric

Tonne) under an irrevocable 90 days Letter of Credit, the Ministry managed to renegotiate the price downwards to USD 578.80 per MT during the assignment (transfer) of the contract from NCPB to the Ministry, and the terms of the LC changed from 90 days to on sight delivery (upon delivery).

Verification made revealed that under unclear circumstances when applying for the Letter of Credit (LC) facility, the Ministry paid the bank a total of Kshs.1,436,278,584.40 using the initial NCPB price of USD 586.03 at the exchange rate of Kshs.88.90 to the USD, instead of the renegotiated assigned contract price of USD 578.80 per MT. The expenditure was charged to Vote D110, Head 0035, Sub-Head 01, Item 2211300 – Other Operating Expenses. Additional information indicates that the total expenditure incurred by the bank amounted to Kshs.1,400,890,645.40 made up of Kshs.1,397,512,600.00 to the supplier and Kshs.3,378,045.40 for LC commission. When making the payments, the bank used the renegotiated contract price of USD 578.80 per MT at the exchange rate of Kshs.87.80 to USD to arrive at the above amount. It was however observed that the difference of Kshs.35,387,939.00 between Kshs.1,436,278,584.40 paid to the bank by the Ministry and expenditure of Kshs.1,400,890,645.40 incurred by the bank had not been refunded to the Ministry. The amount was however credited to the Ministry's bank account on 11 February, 2014 after the management had been notified of the irregularity. However, the intentions of opting to use the initial higher price of Kshs.586.03 per MT instead of the negotiated lower contract price of USD 578.80 per MT, and failure to demand for a refund of the over payment of Kshs.35,387,939.00 for a very long period of time has not been explained. It is also not clear whether interest earned on the funds held by the bank has been credited to the Ministry's account.

Further, despite the fact that the refund was subsequently made by the bank on 11 February, 2014, the Net Total Expenditure and Net Surplus to be Surrendered to Exchequer under Appropriation Account for Vote D110 for 2012/2013 have been overstated and understated by Kshs.35,387,939.00 respectively, since no appropriate adjusting entries have been made to correct the Account.

#### **474. Unaccounted for Fertilizer**

The audit further revealed that M/s Holdbud Limited was contracted to supply subsidized fertilizer and delivered a total of 27,821.7 MT of fertilizer equivalent to 556,434 bags of 50 kg which were confirmed by the clearing agent contracted to clear the cargo at the Port of Mombasa. Additional information indicates that the Ministry awarded Buzeki Enterprises Ltd and Rift Valley Railways (RVR) contracts to transport the fertilizer to various National Cereals and Produce Board depots. Buzeki Enterprises Ltd was paid Kshs.151,724,420.00 and Rift Valley Railways (RVR) Kshs.65,144,399.90 as transportation costs to transport 385,779 (19,288.95 MT) and 170,655 (8,532.75 MT) bags of fertilizer, respectively, totalling to 556,434 bags (27,821.70 MT). However, according to records maintained by National Cereals and Produce Board, 385,033 bags were delivered by Buzeki Enterprises Ltd while Rift Valley Railways delivered 169,530 bags totalling to 554,563 bags, resulting in total shortfall of 1,871 bags as analysed below:

<b>Transporter</b>	<b>Fertilizer cleared and loaded by Clearing agent</b>	<b>Fertilizer Received in NCPB depots</b>	<b>Unaccounted for fertilizer</b>
Buzeki Enterprises Ltd	385,779	385,033	746
Rift Valley Railways (RVR)	170,655	169,530	1,125
<b>Total</b>	<b>556,434</b>	<b>554,563</b>	<b>1,871</b>

The Ministry has accepted that Buzeki Ltd under-delivered and the firm has accepted to make good the undelivered bags. However, no documentary evidence has been availed for audit confirmation of the unaccounted for fertilizer costing Kshs.5,998,519.55 (1,871 bags at unit cost of Kshs.3,206.05). It is also not clear what measures the Ministry has taken to prevent similar losses in future.

#### **475. Uncompleted Works for Construction of Civil Works and Irrigation at Igoji – KARI Sub-Station**

A contract was awarded to a construction firm at a contract sum of Kshs.14,994,769.00 in December, 2011 for the construction of civil works and irrigation at Igoji-KARI Sub-Station. Documents available indicate that Kshs.6,614,000.00 was paid in 2011/2012 while Kshs.8,238,000.00 was paid during 2012/2013, leaving a balance of Kshs.142,769.00.

However, a review of contract records and a field inspection carried out on 17 October, 2013 revealed the following matters:

- i) According to the completion certificate issued, the value of permanent works was indicated as 90% against an almost full payment of 99% of the contract sum.
- ii) The quantity of water received at the Sub-Station was minimal.
- iii) No activity was going on at the Sub-Station because there was no water as expected after completion of the irrigation project.
- iv) No intake was constructed and abstraction of water was only a 2.5 inches plastic pipe dropped in the river.

Although the management has explained that the low water intake was caused by damage to the intake pipes which have since been repaired and that the water abstraction from the intake has been done using a 7mm or 2.5 inch pipe, no evidence has been provided for audit verification. In the circumstances, it has not been possible



to confirm that the Ministry obtained value for money for the expenditure of Kshs.14,994,769.00 incurred on the project.

#### **476. Irregular Award of Tender for Renovation Works at Plant Protection Station**

A contract for the proposed renovation works for a corridor and washrooms at the Plant Protection Section at KARI Offices contract No.DQO/WESTLANDS/D10/2012-2013 was awarded to a firm at a contract sum of Kshs.4,996,804.40 following adjudication of Ministerial Tender Committee held on 14 February, 2013. A review of contract records and a site inspection carried out on 4 September, 2013 however revealed the following unsatisfactory matters:-

- i) A Local Service Order (LSO) was issued on 19 March, 2013 while the site handing over report by the Project Manager indicates that the project had been completed satisfactorily and handed over to the client on 15 March, 2013. In addition, the statement for payment on account certificate for the total amount was prepared on 15 March, 2013 and payment voucher No.520 for the payment prepared on the same date. This implies that the order to do the works was raised after work had been completed and handed over to the client, contrary to the Public Procurement and Disposal Regulations, 2006.
- ii) Further, although the contractor was paid the full contract sum on 21 March, 2013, and vacated the site, an audit inspection done on 4 September, 2013 revealed that the tiles fitted appeared to be of inferior quality as some were broken and the standard of workmanship seemed poor, contrary to the Ministry of Public Works completion certificate which indicated that the work done was of high workmanship standard. Although the management explained that the contractor made good the defects when the issue was brought to the firm's attention, no documentary evidence was produced for audit confirmation to show that the work was redone. Under the circumstances, it is doubtful that the Ministry obtained value for money from this contract.

#### **477. Doubtful Expenditure on Construction of Muroki Water Pan - District Agricultural Office - Trans Nzoia West District**

Records maintained by the District Agricultural Officer, Trans Nzoia West District, showed that the office received an amount of Kshs.2,500,000.00 during the year 2012/2013 for construction of Muroki Water Pan.

The records further indicate that the office made payments totalling Kshs.2,435,465.00 to various firms and individuals between 14 June, 2013 and 28 June, 2013 towards the construction of the water pan. An amount of Kshs.961,860.00 was paid to an Agricultural Mechanization Service (AMS) firm for hire of machinery, Kshs.833,080.00 to a petroleum dealer for supply of 8,167 litres of diesel, Kshs.175,000.00 to a contractor for supply of pipes and fittings, Kshs.107,025.00 to a general merchant for construction works and Kshs.358,500.00 to various individuals for staff lunches, supervision and mobilization.

However, as at the time of the audit on 7 February, 2014, the construction of the Muroki Water Pan had not commenced. No reason or explanation has been provided for the irregular payments in respect of services not rendered. Further, review of records showed that payments totalling Kshs.1,243,885.00 indicated as having been paid to contracted firms were actually paid to individuals who were not contracted.

No reason or justification has been provided for making payments to individuals that were not contracted.

#### **478. Irregular Procurement of Goods - District Agricultural Office-Turkana West District**

The District Agricultural Office, Turkana West District, directly procured poultry materials and chicken feeds worth Kshs.1,699,500.00 from a local company on 30 November, 2012. The Office also on the same date directly procured 1,000 layers chicks from a farmer at Kshs.100,000.00. However, the reasons for using the direct procurement method seem not to have been recorded and a procurement report was not made to the Public Procurement Oversight Authority as required by the Public Procurement and Disposal Regulations, 2006.

#### **479. Unsupported Casual Wages Expenditure**

The District Agricultural Office incurred an expenditure of Kshs.400,000.00 in respect of bush clearing and fencing of Integrated Food Security for Arid and Semi-Arid Land Project farm. Records made available indicate that the casual labourers had worked for 10 days each on bush clearing and fencing respectively. However, a muster roll was not provided to confirm the number of casual labourers and the number of days worked by each labourer. The propriety of this expenditure was, therefore, not confirmed.

#### **480. Doubtful Payment for Building Materials - District Agricultural Office – Turkana South District**

During the year 2012/2013, the Turkana South District Agricultural Office received AIEs amounting to Kshs.5,225,000.00 for Development Vote, out of which an amount of Kshs.759,000.00 was paid to a local entrepreneur on 27 June, 2013 vide cheque No. 242 of Kshs.245,000.00 and No. 248 of Kshs.514,000.00 for supply of building materials for rehabilitation of buildings.

Although the materials are indicated as having been supplied, there has been no information to show who requisitioned for the materials or how the materials paid for were used. In addition, Bills of Quantities, Engineers estimates and information relating to the contractor who was to undertake the renovations were not provided for audit verification.

Consequently, the propriety of the expenditure of Kshs.759,000.00 incurred on purchase of building materials could not be confirmed.

#### **481. Unaccounted for Juba Banana Suckers - District Agricultural Office - Garissa**

Examination of payment vouchers and other records maintained at the District Agricultural Office – Garissa, disclosed that 10,000 pieces of Juba banana suckers worth Kshs.1,500,000 were procured and payment made on 30 June, 2013 through cheque No.2994 after the goods were purportedly received vide Counter Receipt Voucher No. 6656509 dated 24 June, 2013. A physical verification carried out on 16 July, 2013 however confirmed that the suckers had actually not been delivered and the same was confirmed by management vide their letter dated 30 August, 2013. Although management explained that the cheque had not been released awaiting actual delivery of the goods, it remains unclear why the goods were invoiced and indicated as received on 24 June, 2013, while no deliveries had been made. This contravenes the requirements of Public Procurement and Disposal Act, 2005.

Under the circumstances, propriety of the expenditure incurred during 2012/2013 on this item could not be confirmed. It has also not been possible to confirm that value for money was finally realized on the expenditure.

#### **482. Unsupported Payments - District Agricultural Office – Galole District**

The District Agricultural Officer, Galole District, incurred expenses totalling Kshs.4,294,075.00 on account of the Agricultural Sector Development Support Programme (ASDSP) that were not supported with documentary evidence, hence the propriety of the Kshs.4,294,075.00 expenditure could not be ascertained.

### **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.110**

#### **Basis for Disclaimer of Opinion**

#### **483. Long Outstanding Balances**

The Statement of Assets and Liabilities for Vote D.110 as at 30 June, 2013 reflects brought forward debit balances totalling Kshs.18,404,557,300.85 for five account items and General Account of Vote (GAV) credit balance of Kshs.16,602,914,683.30 relating to 2011/2012 and prior years which had not been cleared as at 30 June, 2013 as shown below:-

<b><u>Account Particulars</u></b>	<b><u>Debits (Kshs.)</u></b>	<b><u>Credits (Kshs.)</u></b>
Exchequer Account	15,572,406,274.35	
Imprest and Advances	250,608,469.25	
Agency Accounts	36,523,499.20	
Provincial/District Suspense	2,463,655,139.67	



reopen the cashbook after the closure of the financial year, which is contrary to financial regulations.

#### **489. Presentation of the Statement**

The Statement of Assets and Liabilities for Vote D110 as at 30 June, 2013 does not comply with Treasury Circular and financial regulations on presentation in respect of General Suspense Account and Paymaster General Account. Consequently, the Statement, as presented, is misleading and incorrect.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 110**

### **Basis for Qualified Opinion**

#### **490. Differing Balances**

The Statement of Assets and Liabilities for Deposits 110 as at 30 June, 2013 reflects Demonstration Farms Fund (DFF) balance of Kshs.249,543,365.59 which differs with cashbook figure of Kshs.62,989,306.00 by Kshs.186,554,059.59. Similarly, the Agricultural Information Resource Center (AIRC) balance of Kshs.16,843,246.60 differs with the cashbook figure of Kshs.16,299,236.85 by Kshs.544,010.00. No reconciliation or explanation has been provided for these differences.

#### **491. Unanalyzed Balance**

The Statement also reflects a Sundry Deposits Suspense Account credit balance of Kshs.103,442,978.55 which increased by Kshs.47,629,949.30 from Kshs.55,813,029.25 as at 30 June, 2012. However, no analysis has been provided for confirmation on what the figure represents.

#### **492. Failure to avail a Trial Balance**

The Statement of Assets and Liabilities for Deposits 110 balances have not been supported with a Trial Balance as at 30 June, 2013. Consequently, the completeness and accuracy of the balances reflected in the Statement could not be ascertained.

## **DEMONSTRATION FARMS FUND**

### **Basis for Disclaimer of Opinion**

#### **493. Presentation of the Financial Statements**

As previously reported, contrary to the 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, and notes to the financial statements that provide a summary of significant

accounting policies, and other additional information that is relevant for the understanding of the information presented in the financial statements. Further, the balances reflected in the financial statements were not supported with a Trial Balance as at the Balance Sheet date. Consequently, the financial statements for the year ended 30 June, 2013 do not provide relevant, reliable, comparable and understandable information.

#### **494. Cash and Bank Balance**

The Fund's Statement of Financial Position (Balance Sheet) as at 30 June, 2013 cash balance of Kshs.249,543,365.59 differs with the cashbook figure of Kshs.62,989,306.00 by Kshs.186,554,059.59. No reconciliation or explanation has been provided for the difference.

#### **495. Non- Current Assets**

As reported in the previous year, the Fund's Statement of Financial Position reflects non-current assets and biological assets balances of Kshs.1,477,467,693.00 and Kshs.251,088,161.00 respectively. However, the Ministry did not provide valuation reports and assets register for confirmation of these asset balances. In addition, the balance of Kshs.1,477,467,693.00 for non-current assets includes Land and Buildings balance of Kshs.1,165,270,025.00, out of which, title deeds for Miyare and Kwale ATCs only were provided for audit verification. Consequently, the existence, ownership and valuation of the Fund's total assets as reflected in the Statement of Financial Position as at 30 June, 2013, could not be ascertained.

#### **496. Current Assets**

The current assets balance of Kshs.589,455,920.59 as at 30 June, 2013 includes Kshs.88,824,394.00 in respect of training and accommodation expenses explained as representing assets used for training purposes. The current assets balance as at 30 June, 2013 is therefore not fairly stated.

#### **497. Variances in the Financial Statements**

The following variances were noted between the Financial Statements figures and the supporting records availed for audit examination:

<b>Item</b>	<b>Financial Statements Kshs.</b>	<b>Documents Examined Kshs.</b>	<b>Variance Kshs.</b>
Land & Buildings Additions	12,922,415	113,520,500	(100,598,085)
Machinery Additions	25,926,320	0	25,926,320
Farm Vehicles Additions	159,859,339	131,972,339	27,889,000

In addition, the Balance Sheet reflects a figure of Kshs.48,783,200.00 for farm structures which differs with the opening balance of Kshs.86,269,400.00 by Kshs.37,486,200.00. However, documents examined did not show evidence that disposals of farm structures took place during the year under audit. No explanation has been provided for the variance.

#### **498. Capital 2 and Financing by GOK and Donor**

The Balance Sheet reflects Capital 2 balance of Kshs.245,492,339.00 and an increase of Kshs.115,980,388.34 in respect of Finance by GOK and Donor during the year. However, no documents were provided for audit to support these balances. Consequently, the accuracy and validity of these balances as at 30 June, 2013 could not be ascertained.

### **FINANCIAL STATEMENTS FOR AGRICULTURAL INFORMATION RESOURCE CENTRE**

#### **Basis for Disclaimer of Opinion**

#### **499. Variances Between the Financial Statements and the Ledger**

The following variances were noted between the financial statements and the ledger for the year ended 30 June, 2013:-

<b>Item Description</b>	<b>Ledger Balances (Kshs)</b>	<b>Financial Statements Balances (Kshs)</b>	<b>Variances (Kshs)</b>
Office Supplies & Stationery	525,017.45	518,067.45	6,950.00
Maintenance of Plant, Equipment & Vehicles	651,866.60	643,203.60	8,663.00
Hired Professional Services	1,658,035.00	1,626,234.20	31,800.20
Publishing & Printing	<u>8,268,052.00</u>	<u>8,247,136.00</u>	<u>20,916.00</u>
<b>Total</b>	<b><u>11,102,971.05</u></b>	<b><u>11,034,641.25</u></b>	<b><u>68,329.20</u></b>

No reconciliation or explanation has been given for these variances.

#### **500. Presentation of the Financial Statements**

Contrary to the provisions of Treasury Circular Ref:AG.3/088/Vol.6(19) dated 27 May, 2011, the Management did not prepare and submit for audit, a Statement of Changes in Net Assets/Reserves for the year under review. Similarly, the Statement of Cash Flows for the year presented was not in compliance with International Accounting Standards (IAS) 7. No reason has been provided for this omission.

#### **501. Cash and Bank Balance**

The Fund's Statement of Financial Position (Balance Sheet) as at 30 June, 2013 reflects cash at bank of Kshs.16,843,246.60 while the cashbook as at the same date shows a balance of Kshs.16,299,236.85. No reconciliation or explanation has been provided for the difference of Kshs.544,009.75 between the two sets of records.

#### **502. Debtors**

The Balance Sheet as at 30 June, 2013 reflects a Debtors Account balance of Kshs.14,218,290.00 which includes an amount of Kshs.4,807,830.00 relating to 2011/2012 and earlier years. No efforts appear to have been made to recover or write off these debts.

#### **503. Non-Current Assets**

Contrary to the requirements of Treasury Circular Ref;3/088/VOL.6/(19) dated 27 May, 2011 and International Financial Reporting Standards (IFRS), the Agricultural Information Resource Centre Revolving Fund financial statements submitted for audit do not include notes to the financial statements on Non-Current Assets (Fixed Assets) that provide a summary of significant accounting policies and additional information relevant to the understanding of the balances reflected in the financial statements. Consequently, the financial statements do not provide relevant, reliable, comparable and understandable information on non-current assets.

A summary of the fixed assets reflects brought forward balances totalling Kshs.42,951,069.00 in respect to plant and machinery, furniture and fittings, motor vehicles and computer accessories. However, no documentary evidence was provided in support of this balance, which has also been omitted in the balance sheet. Consequently, the accuracy and completeness of non-current assets balance as at 30 June, 2013 could not be confirmed.

#### **504. Revenue**

The Fund's Income and Expenditure Account for the year ended 30 June, 2013 reflects total income of Kshs.35,110,765.00 while related records examined during the year show an amount of Kshs.29,611,895.00. No explanation has been provided for the difference of Kshs.5,598,878.00 between the two sets of records.



# MINISTRY OF MEDICAL SERVICES

## APPROPRIATION ACCOUNT FOR VOTE R. 111

### Basis for Qualified Opinion

#### **505. Under-expenditure and under-collection of Appropriations-In-Aid**

The Appropriation Account for R.111 for the year ended 30 June 2013 reflects under-expenditure of Kshs.507,948,110.00 when compared to the approved gross expenditure of Kshs.39,556,050,575.00 and actual expenditure of Kshs.39,048,102,466.00. The Account further reflects Appropriations-In-Aid of Kshs.3,808,589,692.30 out of the estimated receipts of Kshs.3,823,880,713.00 thereby recording an under-collection of Kshs.15,291,020.70. Reasons given in the footnotes for the under-expenditure and under-collection of A-I-A include non-release of Exchequer issues and non-disposal of assets as anticipated. It is not clear how these problems are being addressed.

#### **506. Personal Emoluments**

The Appropriation Account also reflects expenditure amounting to Kshs.22,716,015,242.00 under various Sub-Votes and Heads, item 2110100 – Basic Salaries, Item 2110300 – Personal Allowances paid as reimbursements. However, the Integrated Payroll and Personnel Data (IPPD) and other payroll records for the same period indicate expenditure of Kshs.21,085,013,865.20. The difference of Kshs.1,631,001,380.00 between the two sets of records has not been reconciled or explained.

#### **507. Over expenditure**

The Appropriation Account reflects over expenditure of Kshs.20,173,889.00 under Head 000101, item 2210700 – Training Expenses (including capacity building), resulting from expenditure of Kshs.34,855,539.00 against approved estimate of Kshs.14,681,650.00. Reasons given in the footnotes for the over expenditure was that the over expenditure was caused by IFMIS change-over system which allowed the expenditure to pass beyond the allocation resulting to negative balance. Although it has been explained that the system was rectified, it has not been explained where the funds for the over expenditure were obtained from.

#### **508. Purchase of Biochemistry Analyzer B200 – Ololulung'a Sub District Hospital**

During the period under review, the hospital engaged a Medical Equipment Supplier for the supply of Biochemistry Analyzer and its accessories at a total cost of Kshs.1,260,000.00. However, the Biochemistry Analyzer has not functioned since it was

purchased which also rendered idle the other complementary and accessory items which cost the hospital Kshs.400,000.00. It was further noted that on 20 September 2013, rather than return the faulty machine to the supplier, management took it to another company which was an unsuccessful bidder during procurement for repairs implying that more funds would be wasted to put the machine to use. It has been established that the same supplier had also supplied a similar faulty machine to Narok North District Hospital. Under the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs.1,260,000.00 incurred on this procurement.

#### **509. Unaccounted for Revenue – Kihara Sub - District Hospital**

Examination of records for 2012/2013 maintained at the medical officer in charge revealed that the hospital collected Kshs.10,471,162.00 in the cost sharing programme. However, out of the amount collected, only Kshs.8,582,158.00 was supported by banking slips resulting in unaccounted for revenue of Kshs.1,889,004.00.

#### **510. Purchase of Biochemistry Analyzer B200 – Narok District Hospital**

During the financial year under review, on 25 October 2012, the hospital engaged a General Supplies Company to supply one Biochemistry Analyzer machine and its accessories at a cost of Kshs.1,270,000.00. However, the Biochemistry Analyzer has not functioned since the time of purchase and consequently the complementary parts have also not been put to use. To date the faulty machine has not been returned to the supplier for repairs or replacement. It is evident that public funds that were used to procure these equipments would be lost unless immediate action is taken to bring the supplier and other responsible officers to account.

Consequently, it can be concluded that the hospital did not receive value for money for the amount spent on this project.

#### **511. Unsurrendered Revenue – Elburgon Sub District Hospital**

According to Sections 6.7.1 and 6.8.3 of the Government Financial Regulations and Procedures, all receipt of money should be acknowledged promptly and collectors must remit, bank or pay over all money within a week. Receipt books maintained at the Elburgon Sub District Hospital reflected revenue collection amounting to Ksh.1,118,400.00 for the period between 25 August 2013 and 28 January 2014 under the Health Care Services Fund (HCSF). However, the amount had not been verified for banking as of February 2014 when this audit was conducted. Failure to account for the money raises the possibility that the total of Kshs.1,118,400.00 was misappropriated.

#### **512. Uncollected Revenue – Embu Provincial General Hospital**

Examination of cost sharing records maintained at the Hospital revealed that claims due from National Hospital Insurance Fund (NHIF) totalling Kshs.6,533,143.00 had not been reimbursed as at 30 June 2013. The amount was in respect of rebates given to in-patients who are members of NHIF during the year. However, it was not explained why the hospital had failed to claim the amount from the NHIF.

#### **513. Pending bills – Moi District Hospital**

Records held at the Moi District Hospital indicate that bills payable totalling Kshs.6,023,631.73 relating to 2011/2012 and 2012/2013 financial years were not settled during the year but were carried forward to 2013/2014.

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

#### **514. Unsupported Payment of Basic Wages – Mariakani Sub County Hospital**

Review of records maintained at the Mariakani Sub County Hospital revealed payment of basic wages of Kshs.2,341,550.00 to casual workers made without the required authority. There was no documentary evidence available to support the payment, hence the propriety of the total Kshs.2,341,550.00 paid could not be ascertained.

#### **515. Pending Bills - Taveta Sub-County Hospital**

Records maintained at the Taveta Sub-County Hospital indicate that bills totalling Kshs.2,219,526.00 relating to 2012/2013 were not settled during the year but were instead carried forward to 2013/2014. The problem of pending bills has been recurring since 2006/2007 financial year and nothing much has been done to bring the problem to an end.

#### **516. Pending Bills - Butere Sub-County Hospital**

Records maintained by the Butere Medical Superintendent Office revealed that bills totalling Kshs.5,858,381.92 dating way back to 2005/2006 financial year were not settled in the years to which they relate and were still outstanding as at 30 June, 2013. Management of the hospital have not provided justification for this irregularity.

#### **517. Pending Bills - Webuye District Hospital**

Examination of records maintained by the Webuye District Hospital revealed that bills totalling Kshs.5,146,336.00 relating to the financial year 2012/2013 were not settled during the year but were instead carried forward to the financial year 2013/2014. This was in spite of the expenditure having been budgeted for.

#### **518. Non-Utilization of Funds – Hola District Hospital**

Hola District Hospital received through an Authority to Incur Expenditure (AIE) on 16 January 2013 amounts totalling Kshs.10,000,000.00 for the rehabilitation of buildings. The Hospital did not initiate any tendering process during the year for the utilization of these funds hence the funds were returned to the National Treasury at the close of financial year despite the dilapidated condition of the buildings as at the time of audit. The District Medical Officer has not provided justification for this unsatisfactory state of affairs.

#### **519. Pending Bills – Kapenguria District Hospital**

Records held at the Kapenguria District Hospital revealed that bills totalling to Kshs.8,126,875.00 relating to 2012/2013 were not settled during the year but were instead carried forward to 2013/2014. The bills related to the supply of pharmaceuticals, maintenance of motor vehicle and food and rations. The validity of the pending bills could not be confirmed due to poor record keeping at the hospital.

#### **520. Unbanked Revenue – Kapenguria District Hospital**

Examination of revenue records maintained at the Hospital revealed that during the 2012/2013 financial year, the Hospital collected a total of Kshs.15,806,145.00 in respect of Facility Improvement Fund. Out of this total, Kshs.14,806,145.00 was banked while the balance of Kshs.1,086,955.00 was not accounted for. Further, twelve (12) Miscellaneous Receipt books (MRs) used in collection of revenue in the Hospital were missing and could not be accounted for, raising possibility of loss of revenue. Spending of Facility Improvement Funds before banking is contrary to Paragraph 7.6 of the Improvement Funds guidelines which require that all moneys collected in respect of the Fund be banked intact.

#### **521. Unaccounted for Revenue for Medical Services – Koibatek District Hospital**

Review of records maintained at the Koibatek District Hospital Office of Medical Services for the year 2012/2013 revealed that revenue amounting to Kshs.1,057,771.00 as shown below; was not accounted for.

<b>Date</b>	<b>Revenue Collected Kshs.</b>	<b>Revenue Surrendered Kshs.</b>	<b>Revenue Not Accounted for Kshs.</b>
31.10.2012	1,194,550.00	1,031,850.00	162,700.00
18.02.2013	1,214,700.00	699,399.00	515,301.00
27.06.2013	423,700.00	43,930.00	<u>379,770.00</u>
			<b><u>1,057,771.00</u></b>

No explanation or documentation has been provided to indicate how the unsurrendered revenue was accounted for.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.111

### Basis for Qualified Opinion

#### 522. Un-analyzed Balances

The Statement of Assets and Liabilities as at 30 June 2013 reflects various debit and credit balances which have not been analyzed as shown below:-

<b>Debits</b>	<b>Amount (Kshs.)</b>
Temporary imprests	1,964,842.80
Advances	390,978.00
Provincial/District suspense	2,434,120,791.50

<b>Credits</b>	<b>Amount (Kshs.)</b>
Clearance Account	21,411,017.50
Agency Account	8,360,746.15

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

#### 523. Unsupported Balances

The Statement further reflects movement of Account balances during 2012/2013 for Temporary Imprest, Advances and Provincial/District Suspense of Kshs.2,516,959.10, Kshs.117,868,706.40 and Kshs.655,565,642.44 respectively. The movements were however, not supported with relevant documents, and as a result, the validity and accuracy of such movements could not be confirmed.

#### 524. Uncleared Balances

The Statement of Assets and Liabilities for Vote R.111 as at 30 June 2013 reflects Exchequer Account debit and credit balances of Kshs.5,688,003,882.25 and Kshs.5,829,735,750.69 respectively. As similarly reported in the previous year, no reason has been provided for failure to clear the long outstanding balances from the books of account.

## **525. Bank Reconciliation Statements**

### **(i) Receipts in bank statement not recorded in the cash book**

The Statement of Assets and Liabilities as at 30 June 2013 reflects receipts in bank statement not recorded in the cashbook of Kshs.78,048,748.20 as at 30 June 2013. Included in this amount is Kshs.66,377,881.20 which relates to the period 2011/12 and earlier years. No reason has been given as to why the receipts were not recorded in the cashbook by 30 June 2013.

### **(ii) Payments in bank statement not recorded in the cash book**

The statement further reflects payments in the bank statement not recorded in the cash book of Kshs.213,791,148.55. No reason has been provided for failure to update the cashbook with the payments.

### **(iii) Receipts in the cash book not recorded in the bank statement**

The bank reconciliation statement further reflects receipts in the cashbook recorded in the bank statement of Kshs.72,962,729.00 and which include a balance of Kshs.72,591,059.80 relating to 2011/2012 and earlier years. No reason has been given for failure to bank the receipts as at 30 June 2013.

### **(iv) Payments in the cash book not recorded in the bank statement**

The bank reconciliation statement reflects payments in the cashbook not recorded in the bank statement totalling Kshs.3,312,984,063.40 which include stale cheques totalling Kshs.105,891,601.25. No reason has been given for failure to reverse these cheques in the cash book despite having been reflected for a long time.

## **APPROPRIATION ACCOUNT FOR VOTE D.111**

### **Basis for Qualified Opinion**

#### **526. Under- Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.111 for the year ended 30 June 2013 reflects gross under expenditure of Kshs.3,352,730,793.35 representing approximately 47% of the approved estimates of Kshs.6,995,028,311.00. The Account also reflects nil collection of Appropriations-In-Aid against estimated receipts of Kshs.1,226,856,656.00. 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.

### **527. Unauthorized Re-allocation**

Payments totalling Kshs.16,292,682.20 were paid to various merchants for supply of various goods/services. However, the payments were made at the Ministry Headquarters which had no budgetary provision. The expenditure was charged under Head 1-001798-3110202 - Devolved Functions District Health Services. There was no Authority sought from Treasury for re-allocation and in the circumstances, the propriety of the expenditure of Kshs.16,292,682.20 could not be confirmed.

### **528. Pending Bills**

Records maintained by the Ministry indicate that pending bills for Development Vote totalling Kshs.1,921,132,464.10 relating to 2011/2012 financial year and chargeable to Vote D.111 were not settled during the year but were instead carried forward to 2011/2012 financial year. Had the bills been paid and the expenditure charged to the financial statements for 2012/2013, the Appropriation Account for D.111 for the year ended 30 June 2013 would have reflected Net Surplus to be Surrendered to the Exchequer of Kshs.204,741,673.00 instead of the Net Surplus of Kshs.2,125,874,137.00 now shown.

### **529. Renovation of Hospital Mortuary – Kapenguria District Hospital**

Records maintained at the Hospital indicate that a tender for the renovation of Mortuary was awarded on 7 May 2013 to the second lowest responsive bidder at a contract sum of Kshs.4,814,440.00. No reason was provided for not awarding the contract to the lowest bidder at a sum of Kshs.4,812,829.60. Further, no contract agreement was signed between the Hospital and the contractor specifying the terms of the contract and the project duration as required by the Public Procurement and Disposal Act, 2005.

Expenditure records also showed that the contractor was paid a total of Kshs.2,300,384.00 vide voucher No. 4363 dated 17 June 2013 representing 48% of the contract sum for certificate No. 1. However, the Hospital minutes of site inspection dated 29 May 2013 indicate that progress of works was at 30% completion level. No proper justifiable reason was provided for the overpayment to the contractor. In addition, the purpose of project management expenses amounting to Kshs 150,000.00 included in the interim certificate No. 1 was not explained and is irregular given the fact that the project was supervised by Ministry of Public Works.

Consequently, it could not be ascertained whether the government obtained value for money on the expenditure of Kshs.2,300,384.00.

### **530. Construction of Maternity Ward and Operation Theatre – Kiambu District Hospital**

The project which cost Kshs.54,497,849.00 was handed over to the employer on 6 July 2013. However, the facility to date has not been used due to lack of equipment and the

management has not explained when the same will be put into use. In addition, the management had not settled debts amounting to Kshs.8,269,312.00.

### **531. Construction of Green House – Narok District Hospital**

On 23 October 2012, the hospital awarded a contract to a construction company to construct a greenhouse of approximately 8m x 30m at a cost of Kshs.242,600.00. It was noted that the green house specifications were not uniform which ended with the other bidders submitting bids for different sizes, quality of kits and brands thus undermining evaluation. In addition, the contractor did a substandard job in the construction of the water tank stand which finally collapsed. As a result, there was no water in the green house and crops had started to wither. The project had been abandoned by the time of the audit inspection in March 2014.

### **532. Stalled Project – Miathene District Hospital**

The Medical Superintendent, Miathene District Hospital received Kshs.1,802,732.00 vide Authority to Incur Expenditure No. 63998 dated 4 September, 2012 from the Permanent Secretary, Ministry of Medical Services for construction and rehabilitation of buildings during the year under review. The funds were specifically for construction of stores at the hospital.

It was observed that quotations were floated selectively to prequalified suppliers on 19 February, 2013. Five (5) bids were received, opened on 22 February, 2013 and the evaluation done on 26 February, 2013. The evaluation committee recommended award of the contract for completion of the construction of Miathene Hospital Store to a construction firm at a contract price of Kshs.2,841,779.60, being the lowest evaluated responsive bidder. However, tender award minutes, notification and contract agreement were not availed and hence, it was not possible to confirm whether the Merchant was notified of the award and his acceptance of the same. Further, the contract price exceeded funds allocated for the project by Kshs.1,039,047.60, and it was not clear how the balance was to be financed or why the District Tender Committee awarded the contract for a price over and above available funds. The District Engineer had estimated the works to cost Kshs.2,896,305.00.

Examination of the project expenditure records disclosed that a sum of Kshs.1,356,995.80 had been paid to the contractor as at 30 June, 2013.

A physical verification of the project on 6 February, 2014 revealed that the roofing, doors and windows had been fixed but the finishing was yet to be done. However, it was noted that no funds had been provided for completion of the project in year 2013/2014 and consequently, it had stalled. Although it was reported that the contract had been terminated on a mutual agreement, no documentary evidence was made available for audit confirmation. It was also not clear how the balance of the funds allocated for the project were utilized since only Kshs.1,356,995.80 had been paid to the contractor as at 30 June, 2013.



## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.111

### Basis for Qualified Opinion

#### 533. Un-reconciled Opening Balances

As similarly reported in the previous year, the Statement of Assets and Liabilities for Vote D.111 as at 30 June 2013 reflect opening balances as Kshs.14,560,145,823.30 in respect of Assets and Liabilities for 2011/2012 and earlier years. However, the balances do not agree with the audited Statement of Assets and Liabilities as at 30 June 2012, where the total assets and liabilities reflected Kshs.12,837,025,337.00, a difference of Kshs.1,723,120,490 which has not been explained. In the circumstances, it has not been possible to confirm the validity and accuracy of the closing balance of Kshs.16,694,317,477.85 as at 30 June 2013.

#### 534. Non-Clearance of Long Outstanding Balances

The Statement also reflects various debit and credit balances totalling Kshs.5,688,003,881 and Kshs.5,963,114,520.00 respectively, relating to 2011/2012 and earlier years as shown below:-

##### Debit Balances

Description	Amount in Kshs
GAV Account	293,012,081.10
Exchequer Account	2,958,505,188.00
Standing Imprest	10,000.00
Temporary Imprest	1,964,842.80
Advances	390,978.00
Provincial/District Suspense	<u>2,434,120,791.50</u>
<b>Total</b>	<b><u>5,688,003,881.00</u></b>

##### Credit Balances

GAV Account	4,549,366,412.00
Exchequer Account	1,195,324,320.00
Excess AIA	188,652,024.70
Clearance Account	21,411,017.50
Agency Account	<u>8,360,746.15</u>
<b>Total</b>	<b><u>5,963,114,520.00</u></b>

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

### 535. Un-analyzed Balances

The Statement further reflects a debit balance on Provincial/District Suspense of Kshs.(30,000,000) and a credit balance on Clearance Account of Kshs.6,057,397.15 which have not been analysed. In the circumstances, it has not been possible to confirm the accuracy and completeness of the Statement of Assets and Liabilities for Vote D.111 as at 30 June 2013.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

### Basis for Qualified Opinion

### 536. Non-clearance of Long Outstanding Balances

The following debit and credit balances reflected in the Statement of Asset and Liabilities for Deposits as at 30 June 2013 relate to 2011/2012 and earlier years. No reason has been provided for failure to clear the long outstanding balances from the books of account.

Description	Amount in Kshs.
<b>Debit Balances</b>	
Health Services Fund	4,941,397.70
Headquarter Imprest	1,367,994.35
Agency General Deposits	31,072,617.45
District Suspense	2,447,287,404.65
Retention Money	217,328.30
PMG	<u>4,184,722,254.51</u>
<b>Total</b>	<b><u>6,669,608,996.96</u></b>
<b>Credit Balances</b>	
General Deposits	26,817,329.60
Clearance General Deposits	18,465,180.40
District Suspense	239,936,515.16
Health Care District Suspense (4-207-002-7310119)	9,390,842.05
Health Care District Suspense (4-208-various)	<u>6,374,999,129.75</u>
<b>Total</b>	<b><u>6,669,608,996.96</u></b>

### 537. Paymaster General (PMG)

The Statement reflects a Paymaster General debit balance of Kshs.4,258,884,009.85 as at 30 June, 2013 while the cashbook reflects a debit balance of Kshs.41,389,391.90 hence a difference of Kshs.4,217,494,617.00 which has not been explained.

### **538. Un-analysed Balances**

The Statement of Assets and Liabilities as at 30 June, 2013 reflects a debit balance on Agency General Deposits of Kshs.799,781.40 and a credit balances on General Deposits and Health Care District Suspense of Kshs.4,633,655.25 and Kshs.4,255,050,136.00 respectively, which have not been analyzed. In the absence of supporting analyses, the accuracy and completeness of the balances have not been confirmed.

### **539. Bank Reconciliation Statements**

#### **(i) Payments in the Cashbook not in the Bank Statement**

The bank reconciliation statement reflects payments totalling Kshs.3,272,677.25 in the cashbook not recorded in the bank statement, which includes stale cheques totalling Kshs.2,531,558.00. No reason has been given for failure to reverse these cheques in the cashbook.

#### **(ii) Receipts in the Bank Statement not in the Cashbook**

The statement further reflects receipts in bank statement not recorded in the cashbook totalling Kshs.25,483,829.45. No explanation has been given as to why the receipts had not been posted in the cashbook as at 30 June, 2013.

#### **(iii) Payments in the Bank Statement not in the Cashbook**

The statement also reflects payments in bank statement not recorded in the cashbook totalling to Kshs.9,318,607.80 which relate to August, 2012 and earlier periods. No reason has been provided for failure to update the cashbook with these payments as at 30 June, 2013.

#### **(iv) Receipts in the Cashbook not in the Bank Statement**

The bank reconciliation statement also reflects receipts in the cashbook totalling Kshs.15,990,118.60 not in the bank statement, which relate to April, 2013 and earlier periods. No reason has been given for failure to bank these receipts as at 30 June, 2013.

## **FINANCIAL STATEMENTS OF THE HEALTH CARE SERVICES FUND**

### **Basis for Adverse Opinion**

#### **540. Unsupported Balances**

As similarly reported in the previous year, the Fund Accounts for the year ended 30 June 2013 have not been supported with a Trial Balance and the Ledger for the month

of June 2013. The basis of preparation of the Fund Accounts for 2012/2013 is therefore not clear and hence completeness and accuracy is doubtful.

#### **541. Income and Expenditure**

The Statement of Income and Expenditure for the year ended 30 June 2013 reflects total income of Kshs.5,221,493,380.50 against total expenditure of Kshs.4,255,050,136.00 in respect of various health facilities in the Country. However, as in the previous year, the receipts and expenditure balances have not been supported with the relevant records. Consequently, the completeness and accuracy of the statement could not be ascertained.

#### **542. Excess of Income Over Expenditure**

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 figure for 2008/2009, 2009/2010 and 2010/2011 and 2011/2012. The accuracy and validity of this particular balance is therefore doubtful.

#### **543. Cash at Bank**

The Fund Balance Sheet as at 30 June 2013 reflects cash at bank balance of Kshs.966,443,244.56 which is the same balance for 2011/2012. However, the 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.

## **FINANCIAL STATEMENTS OF MEDICAL SUPPLIES FUND**

### **Statement of Assets and Liabilities**

#### **Basis for Disclaimer of Opinion**

#### **544. Unsupported Balance**

As similarly reported in the previous year, the Medical Supplies Fund's Statement of Assets and Liabilities as at 30 June 2013 is a replication of the Statements for the financial years 2004/2005 to 2011/2012. 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, 2013 have not been provided for audit review. Consequently, it has not been possible to ascertain the validity and accuracy of the Statement drawn.

#### **545. Paymaster General Account**

As similarly mentioned in the audit report for 2011/2012, the Paymaster General (PMG) Account overdraft balance of Kshs.2,557,606.35 as at 30 June 2013 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 the lack of authority for the overdraft, the accuracy of the balance of Kshs.2,557,606.35 as at 30 June 2013 could not be ascertained.

#### **546. Transfer of Assets and Liabilities**

As previously reported, the Board of Kenya Medical Supplies Agency established under Legal Notice No. 17 of 11 February 2000 was 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

## APPROPRIATION ACCOUNT FOR VOTE R.112

### Basis for Qualified Opinion

#### 547. Over-Expenditure and Under-Expenditure

The Recurrent Appropriation Account for Vote 112 for the year ended 30 June 2013 reflects over-expenditure of Kshs.81,582,654.49 against various items which had an actual expenditure of Kshs.703,538,484.49 against approved estimates of Kshs.621,955,830.00. Although details given for the over-expenditure relate to committee allowance for employees, transfers of senior staff in the Ministry and escalation of maintenance costs, details of how the Ministry financed the over-expenditure were not availed for audit review.

The Appropriation Account also reflects an actual expenditure of Kshs.1,154,832,589.10 against approved estimates of Kshs.1,387,644,115.00 resulting in under-expenditure of Kshs.232,811,526.80 or about 17% of gross estimated expenditure. Although the under-expenditure has been explained as over estimation of expenditure, late submission of invoices and delay in submitting claims, the Ministry did not indicate measures it intends to take to ensure expenditure on voted funds is in accordance with the budget.

#### 548. Contribution in Lieu of Rates (CILOR)

Examination of records produced for audit in respect of Contribution in Lieu of Rates (CILOR) revealed that the Ministry had a balance of Kshs.2,775,812,224 owed by the Government to various Local Authorities as at 30 June 2013. However, and as reported in the previous years, no reasons were provided for failure to remit the outstanding CILOR to the Authorities. In addition, five (5) Councils were over paid by a total of Kshs.225,846,535.00 during the year. No documentary evidence or explanation was provided on the measures the Ministry has taken to recover the same.

#### 549. Omission of Footnotes

Material variances in excess of Kshs.1,000,000.00 on each item under various Heads between the approved estimates and actual expenditure or collection of Appropriations-in-Aid have not been explained in the footnotes to the Accounts contrary to the requirements of Chapter 11, Paragraph 11.7 of Government Financial Regulations and Procedures.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.112**

### **Basis for Qualified Opinion**

#### **550. Paymaster General - Bank Reconciliation Statements**

The bank reconciliation statements which supported the PMG balance had some long outstanding items as indicated below;

##### **(i) Payments in cashbook not in the bank statements**

The bank reconciliation statement for Recurrent cashbook as at 30 June 2013 reflects payments in the cashbook not in bank statement amounting to Kshs.35,732,815.75. No explanation has been given for the outstanding payments.

##### **(ii) Receipts in bank statements not yet recorded in cashbook**

The statement reflects receipts totalling Kshs.2,882,386.95 in bank statement not recorded in cashbook. Failure to update the cashbook with the long outstanding receipts has not been explained.

##### **(iii) Payments in bank statements not in the cashbook**

The bank reconciliation statement further reflects payments of Kshs.1,389,164.65 in the bank statement not recorded in the cashbook. No explanation has been given for failure to update the cashbook with the long outstanding payments.

##### **(iv) Receipts in cashbook not recorded in the bank statements**

In addition, the statement reflects receipts totalling Kshs.104,065,263.35 in cash book not recorded in the bank statement. No explanation has been provided for failure to bank the receipts as at 30 June 2013.

#### **551. Unanalyzed Balances**

The Statement shows Exchequer, Paymaster General, District Suspense Account, General Account of Vote, General Suspense and Clearance Account balances of Kshs.512,124,316.95, Kshs.278,853,387.80, Kshs.12,396,278.65, Kshs.828,082,569.38, Kshs.(24,265,476.13) and Kshs.3,356,419.15 respectively, which have not been analyzed.

#### **552. Non Clearance of Long Outstanding Balances**

The Statement reflects balances of Kshs.398,480,201.95, Kshs.182,209,735.80, Kshs.(649,270.35) Kshs.595,271,043.48, Kshs.(16,148,711.23) and Kshs.3,356,419.15 against Exchequer Account, Paymaster General, District Suspense, General Account of Vote, General Suspense and Clearance Account respectively, relating to 2011/2012

and earlier years. No reason has been provided for failure to clear the long outstanding balances.

### **553. Outstanding Imprest**

The Statement reflects Standing and Temporary Imprest balances of Kshs.1,650,942.00 and Kshs.2,148,587.00 respectively which had not been surrendered or accounted for as at 30 June 2013. Out of these balances, Kshs.1,500,942.00 and Kshs.937,142.00 respectively relate to 2011/2012 and earlier years. The Ministry has not indicated the measures it has taken to ensure that the imprests are surrendered or accounted for.

## **APPROPRIATION ACCOUNT FOR VOTE D.112**

### **Basis for Qualified Opinion**

#### **554. Non-Submission of Trial Balance**

The Ministry did not provide a trial balance to support the balances reflected in the Development Appropriation Account for Vote 112 as at 30 June 2013. As a result, the completeness and accuracy of the balances could not be ascertained.

#### **555. Over-Expenditure and Under-Expenditure**

The Appropriation Account for Vote D.112 reflects expenditure of Kshs.519,175,428.55, Kshs.151,070,862.00 and Kshs.1,567,002,809.26 incurred under Head 0001, Sub-Head 01, Item 3110600 - overhaul and refurbishment of construction and civil works, Head 0001, Sub-Head 01, Item 3111100 - purchase of specialized plant, equipment and machinery and Head 0001, Sub-Head 06, Item 3110200- construction of buildings respectively, against which only provisions of Kshs.500,000,000.00, Kshs.150,000,000.00 and Kshs.1,525,434,090.00 respectively, had been made in the budget. However, details of how the Ministry financed the over-expenditure of Kshs.19,175,428.55, Kshs.1,070,862.00 and Kshs.41,568,719.26 incurred under the three items were not availed for audit review.

The Appropriation Account further reflects under-expenditure of Kshs.373,575,459.58 representing approximately 6% of the approved estimates. The Ministry has not indicated the measures it has put in place to address the underlying causes of under-expenditure.

#### **556. Under-Collection on Appropriations-In-Aid (AIA)**

The Development Appropriation Account reflects under-collection of Appropriations-In-Aid of Kshs.480,522,679.00 or about 88% of the estimated receipts of Kshs.544,600,000.00. The Ministry has not indicated the measures it has put in place to address the underlying causes of under-collection of Appropriations-In-Aid.



### **557. Pending Bills**

The Ministry had pending bills of Kshs.250,927,234.50 relating to the Development Vote which were not settled during the year but were instead carried forward to the financial year 2013/2014. The Ministry has not indicated the action it intends to take to clear the outstanding bills. Had the bills been paid and the expenditure charged to the Development Appropriation Account for Vote 112, the Appropriation Account would have recorded a reduced Net Surplus of Kshs.122,648,225.08 instead of Kshs.373,575,459.58 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.

### **558. Failure to Provide Footnotes to the Accounts**

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

## **STATEMENT OF ASSETS AND LIABILITIES FOR D.112**

### **Basis for Qualified Opinion**

#### **559. Failure to Provide a Trial Balance**

The balances reflected in the Statement have not been supported with a Trial Balance as at 30 June 2013. As a result, the completeness and accuracy of the balances could not be ascertained.

#### **560. Paymaster General**

The Statement reflects a Paymaster General Account credit balance of Kshs.164,933,371.30 as at 30 June 2013 which represents balances for 2012/2013 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.

#### **561. Bank Reconciliation Statements**

##### **(i) Un-presented Cheques**

The bank reconciliation statement for Development cashbook as at 30 June 2013 reflects Kshs.474,266,891.70 as un-presented cheques. It has not been explained why the entries have not been reversed in the cash book.

**(ii) Receipts in bank statement not in cashbook**

The bank reconciliation statement also reflects Kshs.765,083.00 as receipts in bank statement not in cashbook. No reason has been given as to why the receipts have not been recorded in the cashbook as at 30 June 2013.

**(iii) Payments in bank statement not in cashbook**

The statement further reflects payments in the bank statement not recorded in the cashbook totalling Kshs.6,332,345.25. No reason has been provided for failure to record the payments in the cashbook.

**(iv) Receipts in cashbook not in the bank statement**

The statement also reflects receipts in the cashbook not in the bank statement amounting to Kshs.345,890,832.35. No explanation has been provided for failure to bank the receipts as at 30 June 2013.

**562. Non Clearance of Long Outstanding Balances**

The statement reflects balances of Kshs.6,307,583,214.55, Kshs.166,496,141.80, Kshs.6,443,086.10, Kshs.6,272,428,656.95 and Kshs.164,933,371.30 relating to 2011/2012 and earlier years against Exchequer Account, Suspense Account, Temporary Imprests Account, General Account of Vote and Paymaster General (PMG) Account respectively. No reason has been provided for failure to clear the long outstanding balances.

**STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 112**

**Basis for Adverse Opinion**

**563. Local Authorities Transfer Fund (LATF) Deposits**

The Statement shows a balance of Kshs.13,112,473.70 for LATF Deposits as at 30 June 2013. However, and as similarly mentioned in the previous year's Audit Report, no schedule or explanation in support of the balance was provided for audit verification. Further, no LATF deposits register was provided for audit verification. Consequently, the accuracy of LATF Deposits balance of Kshs.13,112,473.70 as at 30 June 2013 could not be ascertained.

**564. Temporary Imprest**

The Statement shows an opening balance of Kshs.180,396.00 which is also shown as the closing balance. However, the outstanding imprests balance of Kshs.16,057,933.50 as at 30 June 2013 is not supported and the figure of Kshs.16,057,933.50 is excluded

from the balance of Kshs.180,396.00. As a result, the accuracy of the temporary imprests balance of Kshs.180,396.00 as at 30 June, 2013 could be ascertained.

#### **565. Paymaster General - Fuel Levy**

The Statement includes a Paymaster General - Fuel Levy balance of Kshs.4,245,925.55 which has not been supported. In addition, the bank reconciliation statement and the Board of Survey Report for the account were not availed for audit verification. As a result, the accuracy of the Paymaster General-Fuel Levy cash balance of Kshs.4,245,925.55 as at 30 June 2013 could be ascertained.

#### **566. Paymaster General – Cash Balance**

The Statement includes a Paymaster General cash balance of Kshs.549,742,575.05 as at 30 June 2013 which includes a prior year balance of Kshs.408,330,183.40 and a balance of Kshs.141,412,391.65 for the year under review. However, the cashbook and Board of Survey Report as at 30 June 2013 shows a balance of Kshs.486,954,551.95. The difference of Kshs.62,788,023.10 has not been explained or reconciled.

In addition, the bank reconciliation statement for the account showed payments in cashbook not recorded in bank statement of Kshs.11,524,113.55, receipts in bank statement not recorded in cashbook of Kshs.83,046,379.50, payments in bank statement not recorded in cashbook of Kshs.2,348,180.15 and receipts in cashbook not recorded in bank statement of Kshs.28,902,417.55. Failure to update the cashbook and the bank with the long outstanding items has not been explained.

#### **567. Other Deposits**

The Statement shows Other Deposits opening and closing balances of Kshs.9,422,365.10 and Kshs.119,714,322.18 respectively. However, the supporting schedule shows an opening balance of Kshs.181,479,485.08 which is different from the approved opening balance of Kshs.9,422,365.10 resulting in a difference of Kshs.172,057,119.98. In addition, the schedule shows a net increase during the year of Other Deposits of Kshs.61,765,162.90 while the Statement shows Kshs.110,291,957.08 which has not been supported. Consequently, the accuracy of Other Deposits balance of Kshs.119,714,322.18 as at 30 June 2013 could not be ascertained.

#### **568. General Suspense**

The Statement includes a balance of Kshs.12,760,997.45 for General Suspense as at 30 June 2013. However, no schedule was provided to support the opening and closing balance of Kshs.12,760,997.45. Further, the General Suspense account balance has not been cleared from the books although it relates to 2011/2012 and earlier years.

As a result, the completeness and accuracy of the General Suspense Account balance as at 30 June 2013 could not be confirmed.

## 569. Inaccuracies in the Statement

The following casting differences were noted in the statement.

<b>Item</b>	<b>Statement Balances Kshs.</b>	<b>Statement Cross Casting Kshs.</b>	<b>Difference Kshs.</b>
<b>Assets</b>			
Temporary imprest	180,396	17,137,933.50	16,957,537.50
Total Assets	567,281,370.30	584,239,303.80	16,957,933.50
<b>Liabilities</b>			
<b>Total Liabilities</b>	567,281,370.30	584,239,303.80	16,957,933.50

Consequently, the accuracy of the Statement of Assets and Liabilities for Deposits as at 30 June 2013 could not be confirmed.

## LOCAL AUTHORITIES TRANSFER FUND (LATF)

### Basis for Qualified Opinion

#### 570. LATF Cash on Special Account Balance

The Statement of Financial Position as at 30 June, 2013 reflects Cash on Special Account balance of Kshs.5,691,407,946.40. However, no documentary evidence such as bank statements or a bank certificate were made available to support the balance. In addition, the Statement of Revenue maintained by the National Treasury shows Cash on Special Account balance of Kshs.6,021,578,342.21 as at the same date. The difference of Kshs.330,170,395.81 has not been reconciled or explained. Under the circumstances, the accuracy, validity and existence of the cash on special account balance of Kshs.5,691,407,946.40 could not be confirmed.

#### 571. Disbursements to Local Authorities

The Statement of Financial Performance for the year ended 30 June, 2013 includes disbursements to Local Authorities on service delivery and performance condition totalling Kshs.18,158,020,651.00 while the Statement of Revenue maintained by the National Treasury for the same item as at 30 June 2013 reflects Kshs.18,043,143,590.00 resulting in an unreconciled or unexplained difference of Kshs.114,877,061.00. Under the circumstances, it was not possible to confirm the account balance of Kshs.18,158,020,651.00.

## **572. Administrative Costs**

The Statement of Financial Performance as at 30 June 2013 shows Administrative Costs of Kshs.67,300,000.00 while the supporting schedule shows Kshs.72,822,595.00 resulting in a difference of Kshs.5,522,595.00. In addition, the Ministry received Kshs.67,300,000.00 for the Fund's Administrative Costs while the Statement of Revenue maintained by the National Treasury as at the same date shows that no funds were disbursed to the Ministry of Local Government for Administration Expenses. The difference between the two sets of records has not been reconciled or explained. Under the circumstances, it was not possible to confirm the account balance of Kshs.67,300,000.00.

## **573. Delayed Disbursements**

During the year under review, Kshs.21,498,000,000.00 had been budgeted for disbursements to the 175 Local Authorities' in the country. However, only Kshs.18,158,020,651.00 had been disbursed as at 30 June 2013 leaving a balance of Kshs.3,339,979,349.00. Under the circumstances, the intended purpose of the allocation may not have been achieved.

# MINISTRY OF ROADS

## RECURRENT APPROPRIATION ACCOUNT FOR VOTE 113

### Basis for Disclaimer of Opinion

#### **574. Difference between Total Net Actual Expenditure in Appropriation Account and Trial balance**

The Appropriation Account for Vote R113 for the year ended 30 June 2013 reflects Total Net Actual Expenditure of Kshs.2,136,959,635.95 while the Trial Balance as at 30 June 2013 shows Total Net Actual Expenditure of Kshs.2,135,539,005.05. The resulting difference of Kshs.1,420,630.90 between the two sets of records has not been reconciled or explained.

#### **575. Grants to Other Government Agencies**

Examination of records maintained by the Ministry revealed that the Ministry received an amount of Kshs.1,341,052,468.00 on 23 May 2012 in respect of grants to the Kenya National Highways Authority (KeNHA), out of which the Ministry disbursed Kshs.1,250,000,000.00 to KeHNA. No reason was provided as to why the Ministry withheld the difference of Kshs.91,052,468.00.

#### **576. Pending Bills**

Records available show that bills amounting to Kshs.388,960,000.00 chargeable to the Recurrent Vote were not settled during the year 2012/2013 but were instead carried forward to 2013/2014. Had the bills been paid, and expenditure charged to the Appropriation Account for Vote R113 for 2012/2013, the Account would have reflected an Excess Vote of Kshs.83,796,058.45 instead of the Net Surplus to be Surrendered to Exchequer of Kshs.305,163,941.55 now shown.

#### **577. Nugatory Payments**

##### **(i) CMCC No. 245 of 2007/JR Civil Misc Application No. 213 of 2011 - Plaintiff V.s. Hon. Attorney General and Another**

As reported in the previous year, 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 travelling 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.

On 15 February 2002 the plaintiff was awarded Kshs.525,000.00 comprising general 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 decretal amount awarded of Kshs.525,000.00 and interest thereon of Kshs.645,500.00.

The interest of Kshs.645,500.00 constitutes a nugatory payment which could have been avoided had the claim been settled on time.

**(ii) Nairobi HCC. MISC APPL No. 238 of 2010 – Plaintiff Vs. Attorney General**

As reported in the previous year, the plaintiff instituted legal proceedings against the Ministry through the Attorney General on 8 April 2009, claiming general and exemplary damages for the unlawful termination of a consultancy contract valued at Kshs.12,870,000.00. According to information available, the contract agreement was for a duration of sixty months, but the Ministry terminated it after twenty four months.

Further, by consent order recorded in court on 18 July 2010, the plaintiff and the Attorney General appointed a sole arbitrator. On 3 June 2011, the arbitrator awarded the plaintiff 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 was made in full. On 29 September 2011, the Ministry requested the Treasury 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.

On 1 December 2011, the Ministry 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 which was paid on 7 August, 2012 vide Payment Voucher no 0395. The Kshs.7,988,400.00 was made up of the balance on 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 which the Ministry would have avoided had the claim been settled in time.

**(iii) HCC. MI5C 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**

This case arose after the claimant, a 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 a 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 pace of progress. As at the date of this report, 75% of the contract period had elapsed while only 7% of the contract work had been completed.

On 18 October 2006, the contractor 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 was settled in full. The Ministry paid the amount awarded by making two payments of Kshs.11,000,000.00 and Kshs.24,742,450.00 vide payment voucher no. 003002 dated 20 February 2012 and payment voucher no. 003450 dated 18-05-2012 respectively.

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 in question to the Attorney General's Office on 7 September 2012.

The Ministry incurred a nugatory expenditure of Kshs.1,587,638.40 on interest from 15 January 2011 to 17 May 2012 due to delay in settling the amount awarded.

#### **578. Unsupported Expenditure**

As reported in the previous year, the Appropriation Account for Vote R113 for the year ended 30 June 2013 reflects, under various Heads and Sub-Heads, expenditure totalling Kshs.150,465,029.00 relating to prior years against Item 2211300-Other Operating Expenses out of which payment vouchers and other related records for an amount of Kshs.115,168,354.50 were not provided for audit review. In the circumstances, the propriety of expenditure amounting to Kshs.115,168,354.50 could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES – VOTE R.113**

### **Basis for Disclaimer of Opinion**

#### **579. Trial Balance as at 30 June 2013**

All balances reflected in the Statement could not be traced to the Trial Balance provided. The source, completeness and accuracy of these balances could, therefore, not be established.

#### **580. Un-cleared Balances**

The Statement of Assets and Liabilities for Vote R.113 as at 30 June 2013 reflects assets and liabilities balances totalling Kshs.7,952,119,494.57 and Kshs.6,799,162,366.60 respectively relating to 2011/2012 and earlier years.No explanation has been provided for failure to clear these long outstanding balances.



### 581. Unanalyzed Balances

The Statement further reflects assets and liabilities balances totalling Kshs.10,325,594,274.90 and Kshs.150,855,177.80 respectively whose analyses was not availed for audit review.

### 582. Unexplained Difference

In addition the Statement reflects total assets balance as at 30 June 2012 of Kshs.6,835,344,845.15 which differs with the recasted figure of Kshs.6,825,763,552.20 by an unexplained difference of Kshs.9,581,292.95. Further the total assets column shows a total of Kshs.7,169,009,433.55 instead of the recasted figure of Kshs.7,159,428,140.67.

### 583. Exchequer Over-issues

As reported in the previous year, the Statement of Assets and Liabilities for Vote R.113 as at 30 June 2012 reflected Exchequer Account net over-issues totalling Kshs.3,634,573,799.47 relating to 2010/2011 and earlier years as detailed below:-

<b>Financial Year</b>	<b>Amount (Kshs)</b>
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	<u>3,264,490.00</u>
<b>Net total</b>	<b><u>(3,634,573,799.47)</u></b>

The source of the unusual exchequer under-issue and over-issue of Kshs.322,000,000.00 and Kshs.6,317,813,363.00 respectively in the financial year 2009/2010 as reflected in the Statement has not been clarified considering that records maintained at the Treasury show that there was no over issue or under issue during that financial year. No reason has been given for failure to clear these long outstanding exchequer account balances.

### 584. Exchequer Under-issue

As reported in the previous year, 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 show an over issue of Kshs.331,107,530.50. No explanation has been provided for this anomaly.

## 585. General Account of Vote

The Statement also reflects a General Account of Vote (GAV) net credit balance of Kshs.7,206,015,676.60 relating to 2010/2011 and earlier years as shown below:

<b>Financial Year</b>	<b>Amount (Kshs)</b>
2010/2011	(299,942,072.65)
2009/2010	2,416,420,107.89
2008/2009	(5,957,252,372.69)
2007/2008	1,230,125,847.80
2006/2007	3,907,665,808.41
2005/2006 and earlier years	<u>5,908,998,357.84</u>
<b>Net Total</b>	<b><u>7,206,015,676.60</u></b>

The source of the General Account of Vote debit of Kshs,5,957,252,372.69 and Kshs.299,942,072.65 in respect of the years 2008/2009 and 2010/2011 respectively, have not been clarified. In addition, no explanation has been provided for failure to clear the above long outstanding balances. 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.113 for 2011/2012 recorded an Excess Vote of Kshs.67,918,412.45. The resultant difference has not been reconciled or explained.

## 586. Unanalyzed Balances

The Statement further shows various debit and credit account balances totalling to Kshs.11,509,937,291.27 and Kshs.5,911,173,751.25 which have not been analysed as detailed below:-

<b>Debits</b>	<b>Balances (Kshs)</b>
Salary paid in Advance Account	60,843,630.20
Salary Advance Account	1,143,599.85
R/D Cheques	23,506.20
Pre-payments	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	<u>11,021,631,861.57</u>
<b>Total</b>	<b><u>11,509,937,291.27</u></b>
<b>Credits</b>	
AP Liabilities	5,632,390,368.15

R/D cheques	88,847,169.15
VAT 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
<b>Total</b>	<b><u>5,911,173,751.25</u></b>

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

### **587. Unexplained Difference**

The Statement reflects a Paymaster General Account, District Recurrent Bank Account and Recurrent Bank Account debit balances of Kshs.606,140,958.40, Kshs.294,106,052.90 and Kshs.4,574,129,155.90 respectively, all totalling Kshs,5,474,376,167.20, while the cash book 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.

### **588. Temporary Imprests**

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 2013, however, revealed that out of the total 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 recover the imprests of Kshs.9,581,292.95 relating to 2009/2010 and earlier years that have been outstanding for a long period of time.

### **589. Unsupported Balances**

The Statement reflects Excess Appropriations-In-Aid Account balance of Kshs.46,277,680.55, while the Appropriation Account for Vote R.113 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.113 as at 30 June 2012. Further, and as reported in the previous year, the Statement 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 were not reflected in the Trial Balance.

## 590. Omitted Balances

As previous reported, the Statement did not reflect the following debit and credit balances shown in the Trial Balance for 30 June 2012;

<b>Account</b>	<b>Balance (Kshs)</b>
<b>Debits</b>	
Ministry H/Q Development Bank A/c	34,325.30
Ministry H/Q Deposits Bank A/c	(129,463,341.55)
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
<b>Credits</b>	
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.

## 591. Bank Reconciliation Statement for the Recurrent Cashbook

### (i) Payments in Cashbook not in Bank Statement

The statement reflects payments in cashbook not recorded in the bank statement totalling Kshs.5,833,526,910.10 which include stale cheques totalling Kshs.247,047,681.75 that had not been reversed in the cashbook as at 30 June 2013. The figure of Kshs.5,833,526,910.10 also includes payments totalling Kshs.749,343,704.20 which have remained unrecorded in the bank statement for eight (8) months, from October 2012 to May 2013. No reason has been provided for failure to clear these long outstanding receipts and payments from the reconciliation statement.

### (ii) Receipts in the Bank Statement not in the Cashbook

In addition, the statement shows Receipts in the bank statement not recorded in the cashbook of Kshs.242,294,392.55 which include an amount of Kshs.230,769,602.15 relating to 2011/2012 and earlier years. The amounts making the sum of Kshs.242,294,392.55 were not supported with proper and clear description. Without

proper description of these receipts, it has not been possible to confirm the nature and sources of the receipts or what they represent.

**(iii) Payments in Bank Statement not in the Cashbook**

The statement reflects payments in bank statement not recorded in the cashbook totalling Kshs.2,124,279,933.65 which include receipts of Kshs.1,940,951,955.45 relating to the period between August, 2006 and May, 2013. No reason has been given for failure to record these long outstanding payments in the cashbook.

**(iv) Receipts in the Cashbook not in the Bank Statement**

The statement also reflects Receipts in the cashbook not recorded in the bank statement totalling Kshs.2,876,914,615.05, which include receipts amounting to Kshs.356,131,895.35 relating to 2011/2012 and earlier years. No explanation has been provided for failure to clear these long outstanding receipts from the reconciliation statement.

## **DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE 113**

### **Basis for Disclaimer of Opinion**

#### **592. Under-expenditure and Undercollection of Appropriations-In-Aid**

The Appropriation Account for Vote D.113 for the year ended 30 June 2013 reflects Under-expenditure of Kshs.21,155,701,653.75 representing approximately 28% of the gross approved estimates of Kshs.75,853,690,042.00. The Appropriation Account also reflects a deficiency in Appropriations-In-Aid of Kshs.14,754,123,663.10 which is 42% of the estimated receipts of Kshs. 34,967,154,042.00.

According to the footnotes to the Account, the reasons for the under-expenditure and under-collection of Appropriations-in-Aid include: late release of revised/supplementary estimates; Exchequer under-issue from Treasury; delay in mobilization of advance to contractors and adverse weather conditions during the year resulting in delay in work progress and completion of projects. However, it has not been indicated how the Ministry is addressing the apparent challenges.

#### **593. Pending Bills**

The Statement of Pending Bills for Vote D.113 for the year ended 30 June 2013 reflects pending bills totalling Kshs.20,935,670,000.00 that were not settled during the year but were instead carried forward to 2013/2014. Had the bills been settled in 2012/2013 financial year and the expenditure charged to the Appropriation Account for Vote D.113, the Account would have reflected an Excess Vote of Kshs.14,222,536,471.10 instead of the Surplus to be Surrendered to the Exchequer of Kshs. 6,713,133,520.90 now shown.

In the Report for 2011/2012, reference was made to an amount of Kshs.22,552,056.00 paid to Supplies and Consultants through the Ministry's Quality Assurance Department that had not been supported with adequate documentary evidence. The amount was still unsupported as at 30 June 2013.

Further, and as reported in the previous year, expenditure totalling Kshs.61,035,428,784.00 reflected in the Account under Capital Grants to Government Agencies and Other Levels of Government differed with the amounts of Kshs.60,749,258,565.00 recorded in the cashbook by Kshs.286,170,219 as shown below:

<b>Sub-Head</b>	<b>Expenditure As per the Account Kshs.</b>	<b>Expenditure In the Cashbook Kshs.</b>	<b>Differences Kshs.</b>
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>
<b>Total</b>	<b><u>61,035,428,784</u></b>	<b><u>60,749,258,565</u></b>	<b><u>286,170,219</u></b>

The difference of Kshs.286,170,219.00 between the two sets of records has not been reconciled or explained.

#### **594. Audit of Migori District Treasury - 2012/2013**

##### **(i) Stalled Construction of Migori Footbridge**

Migori Foot Bridge construction contract was awarded to a contractor on 11 April, 2012 at a contract sum of Kshs.11,616,085.00. However, the contract stalled mid way after expenditure totalling Kshs.6,14,500.00 was incurred and there was no evidence of construction commencing soon.

##### **(ii) Stalled Construction of Footbridges in Rongo (Rina Kameji and Gogo Foot Bridges)**

Construction of Foot Bridges in Rongo (Rina Kameji and Gogo Foot bridges) contract was awarded to a contractor on 28 December 2009 at a contract sum of Kshs.8,862,874.00. The contractor was required to visit the site before entering into a contract for the execution and completion of the works. However, after entering into contract with the Government, the contractor raised the issue of the span of bridge and asked for revision of the contract. The contract has not been revised and the contractor has been paid Kshs.5,462,690.00. The construction stalled from the year 2010. The Government has not obtained any value for the Kshs.5,462,690.00 already paid.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.113**

### **Basis for Disclaimer of Opinion**

#### **595. Accuracy of the Statement of Assets and Liabilities**

The balances reflected in the Statement could not be traced to the Trial Balance provided, and therefore it was not clear how the transactions relating to the balances were processed. In the circumstances, it has not been possible to confirm the correctness of the Statement of Assets and Liabilities as at 30 June 2013.

#### **596. Long Outstanding balances**

The Statement reflects debit and credit balances of Kshs.29,194,424,832.80 and Kshs.1,145,251.55 respectively, relating to 2011/2012 and earlier years that have been long outstanding and not supported with analyses and other documentation. No explanation has been provided for failure to clear these long outstanding balances from the books of account and to provide analyses for the same. In the absence of analyses, it has not been possible to ascertain their accuracy and completeness.

#### **597. Outstanding Temporary Imprests**

The Statement reflects Temporary Imprests totalling Kshs.90,912,258.75, relating to 2009/2010 and earlier years and which were not analysed. In the absence of analyses, it has not been possible to ascertain the accuracy and completeness of the balance. Further, no explanation has been provided for failure to recover the long outstanding balance from the officers concerned.

#### **598. Bank Reconciliation Statement**

##### **(i) Payments in the Cashbook not in the Bank Statement**

The Statement reflects payments in cashbook not recorded in the bank statement totalling Kshs.2,973,211,588.10 which include Kshs.2,124,495,769.70 relating to 2011/2012 and earlier years. No explanation has been provided for failure to replace or reverse these stale cheques in the cashbook.

##### **(ii) Receipts in the Bank Statement not in Cashbook**

In addition the Statement shows receipts in the bank statement not recorded in the cashbook of Kshs.462,241,272.75 which include an amount of Kshs.454,753,372.75 relating to 2011/2012 and earlier years. No reason has been given for failure to record these receipts in the cashbook in order to have them cleared from the reconciliation statement.

### **(iii) Payments in Bank Statement not in Cashbook**

The Statement reflects payments in bank statement not recorded in the cashbook totalling Kshs.2,496,529,546.80 which include receipts of Kshs.2,472,593,858.75 relating to 2010/2011 and 2011/2012. No reason has been given for failure to record these long outstanding payments in the cashbook.

### **(iv) Receipts in the Cashbook not in Bank Statement**

The Statement also shows receipts in the cashbook not reflected in the bank statement totalling Kshs.856,577,044.30 while the re-casted total is Kshs.1,404,753,915.90 resulting in an understatement of Kshs.548,176,871.50. Further, included in the total receipts is Kshs.543,774,661.60 which relates to 2009/2010 and earlier years. No explanation has been provided for failure to bank these long outstanding receipts.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 113**

### **Basis for Disclaimer of Opinion**

#### **599. Trial Balance as at 30 June 2013**

The balances reflected in the Statement of Assets and Liabilities for Deposits 113 as at 30 June 2013 could not be confirmed as they could not be traced in the Trial Balance provided. Therefore, the source and nature of the transactions relating to the balances could not be ascertained. In the circumstances, the completeness and accuracy of the Statement of Assets and Liabilities could not be confirmed.

#### **600. Uncleared Balances**

The Statement also reflects the following debit and credit balances relating to 2011/2012 and earlier years which, besides being un-cleared for a long period of time, have not been analysed or supported with any documentation:

<b><u>Account</u></b>	<b><u>Amount (Kshs)</u></b>
<b>Debits</b>	
Recurrent AIA	(184,700.00)
General Suspense	255,702,281.45
District Deposit Bank	251,227.00
Provincial Suspense Account	22,250,045.75
R/D Cheques	38,487.75
Fuel Levy	30,004,897.50



## Credits

Stale cheques	719,064.00
Revenue Deposit	52,409,214.20
Mechanical Branch Suspense	687,268,445.25

### 601. Retention Money Account

The Statement further reflects 10% Retention Money Account credit balances totalling Kshs.1,192,886,514.85 which include a credit balance of Kshs.1,185,498,016.85 relating to 2010/2011 and earlier years. However, out of the Kshs.1,438,823,266.35 reported in 2011/2012, an amount of Kshs.1,431,064,185.67 relating to 2009/2010 could not be verified from the Retention Money Registers since the serial numbers of the receipts accounting for the retention moneys were not indicated. Further, and as reported in 2011/2012 an amount of Kshs.11,822,080.15 released to a contractor was supported by receipts not issued for use in the Ministry's cash documents. This matter was still unresolved as at the date of this report.

Further, the schedule supporting the Retention Money closing balance of Kshs.1,192,886,514.85 reflects debit balances under various accounts implying unclear over-refunding of retention money amounting to Kshs.233,311,537.07. One of the contractors was paid Kshs.17,213,703.00 when the account already had a debit balance of Kshs.59,940,016.67 resulting in an overpayment of Kshs.77,153,719.67. Payment voucher No.008618 for the amount of Kshs.17,213,703.00 paid was not availed for audit review.

### 602. Unconfirmed Balances

As previously reported, the Statement reflected a credit balance of Kshs.298,580.50, against Material Department Deposits which differ with the supporting schedule figure of Kshs.427,740.40 by an unexplained/unreconciled variance of Kshs.129,159.90. Further, the schedule includes receipts of Kshs.1,006,460.00 and Kshs.3,255,420.40 all totalling Kshs.4,261,880.40 from Geothermal Investment and Kshs.659,740.00 from KMTC Embu, that had no Government serial numbers. Consequently, these amounts could not be verified in the Deposits cashbook. The matter remained unresolved as at 30 June 2013.

### 603. Unexplained Differences

The 2011/2012 Statement also reflected a credit balance of Kshs.1,911,588.55 in respect of Transformative E.I. Conference Account, which was at variance with the ledger 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.

The debit balances reflected in the 2011/2012 Statement of Kshs.2,181,697,190.45 differed with balances of Kshs.10,288,638,370.05 shown in the Ministry's Trial Balance as at 30 June, 2012 by Kshs.8,10,941,179.60. Similarly, the credit balances totalling Kshs.2,181,697,190.45 differed with the Trial Balance totals of Kshs.3,335,760,495.65

by Kshs.1,154,063,305.20. Additionally 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 as at 30 June 2012. All the above issues remained unresolved as at 30 June 2013.

#### **604. Bank Reconciliation Statements**

##### **(i) Payments in the cashbook not in the Bank Statement**

The Bank Reconciliation Statement as at 30 June 2013 reflects payments in the cashbook not in the bank statement of Kshs.205,403,869.80, while confirmation of the total showed Kshs.122,025,224.60. Further out of this total Kshs.50,267,712.45 comprised of long uncleared balances relating to the financial years 2008/2009 upto 2011/2012. No explanation has been given for failure to update the cashbook to clear these long outstanding balances.

##### **(ii) Receipts in the Bank Statement not in Cashbook**

The Bank Reconciliation Statement as at 30 June 2013 also reflects receipts in the bank statement not recorded in the cashbook of Kshs.2,738,214,735.35, out of which a total Kshs.2,083,408,437.35 is made up of amounts brought forward from financial years 2000/2001 to 2011/2012. Failure to update the cash book to clear these long outstanding balances has not been explained.

##### **(iii) Payments in the Bank Statement not in the Cashbook**

The Bank Reconciliation Statement further reflects payments in the bank statement not recorded in the cashbook of Kshs1,186,265,146.35, out of which an amount of Kshs.1,179,963,980.40 is made up of amounts brought forward from financial years 1998/1999 to 2011/2012. Failure to update the cashbook to clear these long outstanding balances has not been explained.

##### **(iv) Receipts in the Cashbook not in the Bank Statement**

In addition, the Bank Reconciliation Statement reflects receipts in the cashbook not recorded in the bank statement of Kshs.1,577,978,370.05, out of which a total of Kshs.1,571,279,899.55 is made up of amounts received between 1997/1998 to 2011/2012. No explanation was given for the failure to bank the amounts for such a long period.

## **MECHANICAL AND TRANSPORT FUND**

### **Basis for Qualified Opinion**

#### **605. Amount Receivable**

The Statement of Financial Position as at 30 June 2013 reflects receivables amounting to Kshs.130,640,045 in respect of hire of services contrary to Section 19.2 (c) of the Mechanical and Transport Fund Rules, Procedures and Guidelines, which require that payments for hire of equipment and services be made in advance on the strength of proforma invoices. In the circumstances, it has not been possible to confirm full recoverability of the receivables balance of Kshs.130,640,045. The Fund was also in breach of the Regulations.

#### **606. Unrecovered Losses**

As reported in the previous year, 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. Although the loss matters were reported to the National Treasury, no evidence of appropriate action being taken to recover the losses was seen.

#### **607. Bank Balance**

As reported in the previous year, the Statement of Financial Position as at 30 June 2013 reflects a comparative bank balance of Kshs.295,243,864.60 which differs with the cashbook balance and Board of Survey Report as at 30 June 2012 of Kshs.198,463,489.30 by an unreconciled difference of Kshs.96,780,375.30. The bank balance was therefore overstated by Kshs.96,780,375.30 as at 30 June 2013.

## MINISTRY OF TRANSPORT

### RECURRENT APPROPRIATION ACCOUNT FOR VOTE 114

#### Basis for Adverse Opinion

#### 608. Over Expenditure

A comparison between the Printed Estimates and the actual expenditures for the year ended 30 June 2013 revealed that some actual expenditure for various Heads, Sub-Heads and items totalling Kshs.571,493,997.00 exceeded the related respective approved budget of Kshs.544,151,353.00 by Kshs.27,342,644.00 as detailed below:-

Head	Item	Printed Estimates (Kshs)	Actual Expenditure (Kshs)	Difference (Kshs)
114000100	2110200	24,299,365	28,073,653	3,774,288
	2110300	63,579,417	63,951,059	371,642
	2210200	8,605,252	8,926,199	320,947
	2210300	15,005,272	15,084,219	78,947
	2210500	1,804,950	2,116,233	311,283
	2210700	10,752,000	12,422,365	1,670,365
	2210800	10,952,773	12,389,480	1,436,707
	2211000	4,300,000	4,595,230	295,230
	2211100	3,810,240	3,842,683	32,443
	2211300	6,542,240	6,987,108	444,868
0001ACU	2210800	1,820,716	1,961,059	140,343
	2211300	563,200	757,640	194,440
0316 NRSC	2630101	293,760,000	303,962,662	10,202,662
114000300	2210300	2,893,852	2,932,634	38,782
	2210700	3,515,182	3,631,132	115,950
114000400	2210400	1,232,640	1,241,917	9,277
	2210700	2,848,000	2,866,498	18,498
	2210800	589,466	816,153	226,687
114000500	2210800	347,288	976,500	629,212
114000700	2210500	11,812,500	13,631,431	1,818,931
	2210800	7,560,000	7,891,473	331,473
114000800	2210300	10,206,000	11,477,282	1,271,282
	2210800	2,961,000	4,305,497	1,344,497
	2211000	50,250,000	51,616,222	1,366,222

	2211300	2,880,000	3,470,000	590,000
114001100	2210800	<u>1,260,000</u>	<u>1,567,668</u>	<u>307,668</u>
<b>TOTAL</b>		<b><u>544,151,353</u></b>	<b><u>571,493,997</u></b>	<b><u>27,342,644</u></b>

There was no Treasury approval for the budgetary reallocations. The Ministry was therefore in violation of Government Financial Regulations which require that all expenditure be within the approved budget.

#### **609. Basic Salaries**

The expenditure on basic salary for twelve months as reflected in the cashbook amounted to Kshs.106,239,657.70 while the Trial Balance and Appropriation Account reflect Kshs.114,235,918.00 resulting in a difference of Kshs.7,996,260.00 which has not been reconciled or explained. The accuracy of the salaries expense figure can not therefore, be confirmed.

#### **610. Pending Bills**

Records maintained by the Ministry indicate that bills totalling Kshs. 21,707,103.50 relating to 2012/2013 and chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2013/2014 financial year. Had the bills been paid and the expenditure charged to 2012/2013 financial statements, the Appropriation Account for Vote R114 for the year under review would have reflected an Excess Vote of Kshs.19,578,966.90 instead of the Net Surplus of Kshs.2,128,136.60 now shown. No proper explanation was provided as to why bills amounting to Kshs.21,707,103.50 were not settled during the year.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R114**

### **Basis for Adverse Opinion**

#### **611. General Account of Vote**

The Statement of Assets and Liabilities for Vote R114 as at 30 June 2013 reflects a General Account of Vote (GAV) credit balance of Kshs.298,177,262.40, which includes Kshs.211,908,307.40 in respect of 2010/2011 and earlier years which has remained outstanding for a long period of time.

#### **612. Exchequer Account**

The Statement further reflects Exchequer Account debit balance of Kshs.176,379,602.00 out of which Kshs.176,144,516.00 relates to 2010/2011 and prior years which has remained outstanding for a long period of time.

### **613. Paymaster General Account**

The Statement also reflects a Paymaster General Account credit balance of Kshs.119,876,532.25 which differs with cash book balance of Kshs.298,853.00. The resultant difference between the two sets of records of Kshs.119,577,679.25 has not been reconciled or explained.

### **614. Bank Reconciliation Statement**

Examination of the bank reconciliation statement as at 30 June 2013 shows payments in cashbook not in bank statement amounting to Kshs.393,455.85. No reason has been provided for failure to clear these outstanding reconciliation items.

## **DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE D114**

### **Basis for Qualified Opinion**

### **615. Grants to Government Agencies and Other Levels of Government**

#### **Current and Capital Grants to Government Agencies and Other Levels of Government**

- (i) The Development Appropriation Account for Vote D114 for the year ended 30 June 2013 shows an expenditure of Kshs.272,002,899.00 as grants to Kenya Airports Authority. However, only an amount of Kshs.184,565,600.00 was supported by payment vouchers resulting in a difference of Kshs.87,437,299 which could not be verified.
- (ii) Further, the Appropriation Account shows that an amount of Kshs.390,900,570.05 was transferred to Kenya Civil Aviation Authority. However, the financial statements of Kenya Civil Aviation Authority for the same period reflects an amount of Kshs.417,056,149.00 resulting in a difference of Kshs.26,155,578.95 which has not been explained or reconciled.
- (iii) In addition, the Appropriation Account shows an amount of Kshs.48,848,192.00 transferred to Kenya Railways Corporation. However, the financial statements of Kenya Railways Corporation for 2012/2013 financial year shows an amount of Kshs.4,900,000,000.00. The difference of Kshs.4,851,151,808.00 has not been explained or reconciled.

### **616. Construction and Civil Works Grants - LAPSET Funds**

The Development Appropriation Account for the year ended 30 June 2013 shows that an amount of Kshs.1,505,000,000.00 was transferred to various Government Institutions/Departments/Ministries under Lapsset project. However, examination of payment vouchers revealed that a total of Kshs.1,730,000,000.00 was transferred. The resultant difference of Kshs.225,000,000.00 has not been explained.

### **617. Grants to Kenya Ports Authority**

Further, the Appropriation Account shows that an amount of Kshs.750,000,000.00 was transferred to Kenya Ports Authority while records at Kenya Ports Authority reflect Kshs.650,000,000.00. The resultant difference of Kshs.100,000,000 has not been explained.

### **618. Under-Collection of Appropriations-In-Aid**

The Development Appropriation Account for the year ended 30 June 2013 reflects gross estimated Appropriations-In-Aid of Kshs.6,679,700,000.00 against actual receipts of Kshs.164,310,177.20. The under-collection of Appropriations-In-Aid of Kshs.6,515,389,822.80 or 98% of the approved estimates has not been explained.

### **619. Pending Bills**

The Appropriation Account reflects Net Surplus to be Surrendered to the Exchequer of Kshs.3,437,474,769.50. However, records maintained by the Ministry indicate that bills totalling Kshs.1,006,108,000.00 were not paid during the year but were instead carried forward to 2013/2014 financial year. Had the bills been paid and the expenditure charged to the financial statements for 2012/2013, the Development Appropriation Account for Vote 114 for the year would have reflected a reduced Net Surplus of Kshs.2,431,366,769.50 instead of Kshs.3,437,474,769.50 now shown.

## **Statement of Assets and Liabilities for Vote D114**

### **Basis for Qualified Opinion**

### **620. Paymaster General Account**

The Statement of Assets and Liabilities as at 30 June 2013 shows a credit balance of Kshs.489,127,722.50 against Paymaster General Account which differs with the cashbook balance of Kshs.33,994,067.05 as at the same date. The resultant difference of Kshs.523,121,789.55 between the two sets of records has not been reconciled or explained.

### **621. Uncleared Long Outstanding Balances**

The Statement of Assets and Liabilities as at 30 June 2013 reflects debit and credit balances of Kshs.2,739,784,450.00 and Kshs.2,504,426,646.00 against Exchequer Account and General Account of Vote respectively, relating to 2011/2012 and earlier years that have not been cleared contrary to Treasury Circular Ref.AG.17/011/Vol.5/153 dated 16 June 2009 which requires all Heads of Accounting Units to clear from the books of account outstanding balances from the Statement of Assets and Liabilities. No reasons have been given for non compliance.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 114**

### **Basis for Qualified Opinion**

#### **622. Paymaster General Account**

The Statement of Assets and Liabilities for Deposits 114 as at 30 June 2013 reflects a Paymaster General Account balance of Kshs.74,914,233.05 which differs with the Cashbook balance of Kshs.96,942,517.20 as at the same date. The resultant difference of Kshs.22,028,284.15 has not been reconciled or explained.

The bank reconciliation statement for the Deposits 114 cashbook as at 30 June 2013 shows payments in the cash book not in bank statement amounting to Kshs.2,104,159.00. These payments date back to 2009/2010 and no reasons have been given for failure to reverse the same in the cashbook.

The statement further shows receipts in the bank statements not in cashbook totalling Kshs.27,954,304.50 relating to the period between 2008/2009 and 2011/2012 financial years. No reasons have been given for failure to record these receipts in the cashbook.

In addition, the statement shows payments in the bank statement not in the cashbook totalling Kshs.1,698,000.00 which relate to 2011/2012 and earlier years. The Ministry has not provided reasons for not posting these payments in the cashbook.

The Statement also shows receipts in the cashbook not in the bank statement totalling Kshs.2,532,097.60 relating to 2010/2011 and 2011/2012 financial years. No reasons or explanations were given for failure to bank the receipts.

#### **623. Unsupported Balances**

The Statement also reflects Other Miscellaneous Deposits figure of Kshs.71,582,789.30 and Retention Money of Kshs.3,331,443.75 all totalling Kshs.74,914,233.05. However, the Ministry did not prepare a Trial Balance to support these balances. Under the circumstances, the completeness and accuracy of the statement could not be ascertained.



# MINISTRY LABOUR

## RECURRENT APPROPRIATION ACCOUNT FOR VOTE R.115

### Basis for Qualified Opinion

#### 624. Unsupported Expenditure

The Ministry paid a total sum of Kshs.1,157,700.00 to the Federation of Kenya Employers (FKE) Executive Director to facilitate her attendance of the 102<sup>nd</sup> Session of the International Labour Conference from 4 to 20 June 2013 in Geneva, Switzerland. However, no documentary evidence such as certified copies of passport, visa and air tickets to confirm that the official travelled to Geneva for the stated period were produced by the Ministry. As a result, the propriety of the expenditure could not be confirmed.

#### 625. Irregular Procurement of Services

The Ministerial Tender Committee awarded a tender to a local company for fumigation of all Ministry of Labour offices located at NSSF Building in Blocks A, B and C at a cost of Kshs.4,850,000 as per minute No. MTC 6/2012-2013 of 17 December 2012. The tenderer had submitted the lowest bid under quotation No: MLHRD/HQS/110/2012-2013 in which five (5) quotations were invited and only three responded with the other two bidders quoting Kshs.5,900,000.00 and Kshs.5,320,000 respectively. However, the requirement of advertising at least twice in a newspaper of national circulation in accordance with Section 54 (2) of the Public Procurement and Disposal Act, 2005 and the first schedule of Public Procurement and Disposal Regulations, 2006 was not met. As a result, the Ministry may not have obtained value for money for services provided due to lack of competitiveness.

#### 626. Pending Bills

Bills totalling Kshs.31,462,418.00 relating to Recurrent Vote 115 for 2012/2013 were not settled during the year under review but were instead carried forward to the financial year 2013/2014. Had the bills been paid and expenditure charged to the financial statements for 2012/13, the Appropriation Account for Vote R.115 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.47,458,344.00 instead of Kshs.78,920,762.00 now shown.

#### 627. Material Differences without Footnotes

The following items had material differences (over 1 million) between the Appropriation Account and Printed Estimates but there were no footnotes to explain the variances.

<u>Account No.</u>	<u>Title Details</u>	<u>Approved Estimates</u> Kshs	<u>Actual Expenditure</u> Kshs	<u>(Over)/Under Expenditure</u> Kshs
000101221131	Contracted Professional services	4,731,724	6,871,299	2,139,575
004012110306	Foreign services Allowances (over-seas addition)	14,590,525	8,650,000	5,940,525
005012211308	Legal dues, Arbitration & Compensation Payments	46,815,401	54,104,036	(7,288,635)

As a result, Government Financial Regulations and Procedures were breached.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.115

### Basis for Qualified Opinion

#### 628. Un-cleared Balances

The Statement of Assets and Liabilities for Vote R.115 as at 30 June 2013 reflects five (5) Accounts with debit balances totalling Kshs.355,502,278.00 and one (1) Account with a credit balance of Kshs.460,518,911.00 relating to 2011/2012 and earlier years which have not been cleared, as indicated below:-

<u>Debits</u>	<u>Amount-Kshs</u>
Exchequer Account	155,046,755
Standing Imprest Account	297,910
Agency Account	97,979,264
Clearance Account	76,198,269
District Suspense Account	<u>25,980,081</u>
<b>Total</b>	<b><u>355,502,278</u></b>
<u>Credit</u>	
G A V Account	<u>460,518,911</u>
<b>Total</b>	<b><u>460,518,911</u></b>

No reasons were provided for failure to have the above balances cleared from the books of account as at 30 June, 2013.

#### **629. Temporary Imprests Account**

The Statement reflects a closing balance of Kshs.1,818,125.00 under Temporary Imprests Account. The balance includes temporary imprests of Kshs.1,595,025.00 relating to 2011/2012 and earlier years with some dating back to the year 1999. No explanation has been provided for failure to have temporary imprests accounted for as stipulated in the Government Financial Regulations and Procedures. Further, the Statement indicates that Kshs.4,295,300.55 was cleared during the year under review but no supporting documentary evidence was made available for audit review. Under the circumstances, accuracy of temporary imprest balance as at 30 June, 2013 could not be confirmed.

#### **630. Paymaster General (PMG) Account**

The Statement of Assets and Liabilities for Vote R.115 as at 30 June 2013 reflects a debit balance of Kshs.42,234,072.00 against Paymaster General (PMG) Account which agrees with the Board of Survey Report. However, the Recurrent cashbook and the bank reconciliation statement reflect a balance of Kshs.44,051,245.00 and Kshs.5,778,657.00 respectively, as at that date. Although the Ministry has explained that the differences between the three sets of records were corrected by adjustments made after the Board of Survey, this was contrary to the requirements of Chapter 5 Paragraph 5.9.9.2 of the Government Financial Regulations and Procedures. In addition, documents supporting the adjustments were not made available for audit review.

Further, the bank reconciliation statement for Recurrent cashbook as at 30 June 2013 reflects unpresented cheques totalling Kshs.190,502,870.00, which include stale cheques amounting to Kshs.62,071,224.00. Although the Ministry explained that items totalling Kshs.126,503,502.00 were cleared in the month of July 2013, no supporting schedule and documentation have been availed for audit review.

### **DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE 115**

#### **Basis for Qualified Opinion**

#### **631. Misallocation of Expenditure**

The Appropriation Account reflects an expenditure of Kshs.26,000,000.00 against Head 0010, Sub-Head 01, Item 3111107 – Purchase of Laboratory Equipment. However available information shows that out of this expenditure, an amount of Kshs.12,519,709.00, paid to a local company being second interim payment in respect of the proposed Research Institute Office Complex II-Nairobi was, however, charged

against item 3111107- Purchase of Specialized Plant, Equipment and Machinery instead of item 3110202 -Construction of Buildings.

No approval from Treasury for reallocation of the expenditure was produced for audit verification.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.115

### Basis for Qualified Opinion

#### 632. Uncleared Balances

The Statement of Assets and Liabilities for Vote D.115 as at 30 June 2013 reflects two (2) Accounts with debit balances of Kshs.234,748,286.00 and one (1) with a credit balance of Kshs.284,836,333.00 relating to 2011/2012 and earlier years which have not been cleared, as shown below:

<u>Debits</u>	<u>Amount (Kshs)</u>
Exchequer A/C	113,951,120
Suspense A/C	120,797,166
<b>Total</b>	<b><u>234,748,286</u></b>
<u>Credit</u>	
G.A.V.Account	284,836,333
<b>Total</b>	<b><u>284,836,333</u></b>

No satisfactory explanation was provided as to why the amounts were not cleared from the books of account.

#### 633. Exchequer Account

The Statement also reflects an Exchequer Account debit balance of Kshs.238,851,120.00 out of which an amount of Kshs.2,000,000.00 was omitted in the financial year 2011/2012. Though the Ministry identified the discrepancy and indicated that a correction had been done in the year under review, no supporting document was availed for audit review. As a result, the Exchequer Account could be misstated by Kshs.2,000,000.00.

#### 634. Paymaster General Account (PMG)

The Statement further reflects a debit balance of Kshs.12,823,532.00 against PMG, while the cashbook and bank reconciliation statement as at 30 June 2013 show figures of Kshs.10,666,274.00 and Kshs.10,856,381.00 respectively. No sufficient explanation was provided for the differences between the three sets of records. Consequently, it has not been possible to confirm that the Paymaster General Account balance as at 30 June 2013 of Kshs.12,823,522.00 is fairly stated.

### **635. Bank Reconciliation Statements**

The bank reconciliation statement for the Development cashbook as at 30 June 2013 reflects unpresented cheques totalling Kshs.99,266,164.00 out of which Kshs.5,502,546.00 has been outstanding for over 6 months after the transaction date and hence stale yet these have not been written back in the cashbook. The Statement also reflects receipts totalling Kshs.243,449.00 in the bank statement not in the cashbook which has been outstanding since 18 April 2012 and payments in cashbook not in the bank statement of Kshs.4,979,418.

### **636. Suspense Account**

The Statement reflects a Suspense Account Balance of Kshs.227,609,011.00 as at 30 June 2013 out of which Kshs.120,703,089.00 relates to 2011/2012 and earlier years while Kshs.106,905,922.00 relates to 2012/2013 financial year. However the Ministry did not revise the Statement to reflect the correct position in spite of availing an analysis for the proposed changes.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 115**

### **Basis for Qualified Opinion**

### **637. Lapsed Deposits and Stale Cheques Accounts**

As reported in 2011/2012, the Statement of Assets and Liabilities for Deposits 115 as at 30 June, 2013 reflects a balance of Kshs.16,051,083.00 and Kshs.86,591.00 under Lapsed Deposits and Stale Cheques Accounts respectively, relating to 2009/2010 and earlier years. Although the management had indicated that the amounts could only be cleared from the Statement once claimed, no effort appears to have been made by the Ministry to investigate and have the amounts cleared from its books of account.

### **638. Paymaster General Account**

The Statement reflects a Paymaster General Account debit balance of Kshs.43,097,378.00. However, the bank reconciliation statement for the Deposits cashbook as at 30 June 2013 reflects payments totalling Kshs.8,331,179.00 in the cashbook not recorded in the bank statement, which include Kshs.15,000.00 paid to the Permanent Secretary Ministry of Labour on 18 June, 2013 vide payment voucher number 3978 reflected in the cashbook as Kshs.385,000.00. The reconciling balance is therefore understated by Kshs.370,000.00.

The Statement also reflects receipts in the cashbook not recorded in the bank statement totalling Kshs.17,097,842.00 which include a receipt of Kshs.333,590.00 received from the District Labour Office but reflected in the cashbook as Kshs.1,745,750.00, and another amount of Kshs.39,275.00 received from the Permanent Secretary, Ministry of Labour that was captured in the cashbook as Kshs.1,640,875.00. This situation is an

indication of poor financial management in that it may result in revenue not being banked. In addition, unbanked receipts of Kshs.17,097,842.00 include receipts dated October, 2012 and it remains unclear why money collected was not banked immediately as required by Government Financial Regulations and Procedures. Consequently, it has not been possible to confirm that the cashbook balance of Kshs.43,907,375.00 as at 30 June 2013 is fairly stated.

#### **639. Miscellaneous Deposits Account**

The Statement reflects a Miscellaneous Deposits Account brought forward credit balance of Kshs.234,054,927.00 out of which an amount of Kshs.218,427,699.00 was cleared during the year under review leading to a closing balance of Kshs.15,627,228.00. However, out of the amount of Kshs.218,427,699.00 cleared, only an amount of Kshs.20,883,535.00 was supported as at 30 June 2013. As a result, the validity of the clearance of the resulting difference of Kshs.197,544,164.00 could not be confirmed.

#### **640. District Labour Office - Nyayo House Deposits Account**

The Statement further reflects District Labour Office - Nyayo House Deposits brought forward credit balance of Kshs.17,306,941.00, while a debit amount of Kshs.8,256,700.00 was cleared during the year under review, resulting in a closing balance of Kshs.9,050,241. However, no documents were submitted to support the clearance of Kshs.8,256,700.00 as at 30 June 2013.

Consequently, the accuracy of the closing balance as at 30 June, 2013 could not be confirmed.

## **OCCUPATIONAL SAFETY AND HEALTH FUND**

### **Basis for Qualified Opinion**

#### **641. Presentation of the Financial Statements**

The financial statements of the Fund do not include accounting policies as required by International Public Sector Accounting Standard No.1. As a result, the Fund's financial statements do not comply with Generally Accepted Accounting Principles.

#### **642. Levies**

Although a list of all work places was submitted, a schedule showing the specific employers who had remitted levies amounting to Kshs.29,154,091.00 during the year under review was not provided for audit review therefore making it difficult to establish levies receivable as at 30 June, 2013.

#### **643. Account Balances not Captured in the Ledger**

Legal Notice No. 14 dated 11 February 2011 on the Government Financial Management (Occupational Safety and Health Fund) Regulations requires that the Officer Administering the Fund causes to maintain books of account and other books and records in relation to the Fund of all activities and undertakings financed from the Fund. The account balances of Kshs.28,051,511.00 reflected in the Statement of Financial Position as at 30 June 2013, as well as items in the Statement of Comprehensive Income for the year were not captured in the ledgers. Thus the Fund was in contravention of Section 8(3) of Public Finance Management Act, 2012.

#### **644. Cash at Bank**

The Statement of Financial Position as at 30 June 2013 reflects cash at bank balance of Kshs.28,051,511.00 which was not supported by a Board of Survey Report. Further, the bank reconciliation statement as at 30 June, 2013 reflects payments in the bank not in the cashbook of Kshs.124,915.00, receipts in the bank not in the cashbook of Kshs.4,266,544.00 and receipts in the cashbook not in the bank of Kshs.535,180.00. It is not clear why these long outstanding reconciling items remained uncleared as at 30 June, 2013 which is an indication of poor financial management.

#### **645. Transfers to Ministry of Labour**

The Statement of Comprehensive Income reflects Kshs.4,623,694.00 transferred to the Permanent Secretary, Ministry of Labour as Appropriations-In-Aid. However, no evidence for confirmation that Kshs.4,623,694.00 paid to the Ministry was received and fully accounted for was made available for audit review.

# MINISTRY OF TRADE

## RECURRENT APPROPRIATION ACCOUNT VOTE 116

### Basis for Adverse Opinion

#### Accuracy of the Appropriation Account

##### 646. Receipts (Appropriation-In-Aid) not accounted for

Appropriation-In-Aid collected from the sale of inventories, stocks and commodities by the Weights and Measures Department was recorded at Kshs.18,784,070.00 in the general ledger. However, out of this amount only Kshs.12,382,720.00 was disclosed in the Appropriation Account, resulting in an unexplained difference of Kshs.6,401,350.00.

##### 647. Differences in Appropriation Account and Trial Balance

The following differences were noted between actual expenditure reported in the Appropriation Account and the Trial balance as at 30 June, 2013;

	Head	Recurrent Appropriation (Summary) Kshs.	Trial Balance Kshs.	Difference Kshs.
1	Headquarters Admin. Services	269,321,321	268,380,322	940,999
2	Business premises Rent Tribunal	27,593,572	22,233,058	5,360,514
3	Provincial Trade Development offices	12,011,938	6,391,157	5,620,781
4	Trade Development Field service	137,439,465	108,766,866	28,672,599
5	Kenya Institute of Business Training	59,768,305	52,747,777	7,020,528
6	Foreign Trade Services	265,433,222	53,601,272	211,831,950
7	Weights and Measures Field services	121,645,589	65,735,290	5,910,299



8	Weights and Measures Hqs Admin services	<u>75,666,881</u>	<u>76,883,441</u>	<u>(1,216,560)</u>
	<b>Total</b>	<b><u>968,880,293</u></b>	<b><u>654,739,183</u></b>	<b><u>314,141,110</u></b>

Consequently, accuracy and validity of the balances disclosed in the Appropriation Account could not be ascertained.

#### 648. Budget Control

It was observed that under the Headquarters Administrative Services – Head 16000101, the approved estimates balance in the Appropriation Account differed with the revised estimates for the following items:-

Details	Code	Revised Estimates Kshs	Appropriation Account Kshs	Variance Kshs
Personal Allowances	2210300	42,075,642	43,075,642	(1,000,000)
Rentals of Produced Assets	2210600	98,234,688	55,000,000	43,234,688
Government Pension	2710100	<u>7,564,555</u>	<u>4,364,555</u>	<u>3,200,000</u>
<b>Total</b>		<b><u>147,874,885</u></b>	<b><u>102,440,197</u></b>	<b><u>45,434,688</u></b>

As a result, the surplus funds balance to be surrendered to the exchequer of Kshs.25,727,675.00 has been misstated.

#### 649. Unsupported Expenditure

Included in the expenditure of Kshs.4,356,006.00 under Subhead 000101 (Headquarters Administrative Services) Item 2710100(Government pension and retirement benefits) is an expense of Kshs.862,756.00 for which no supporting documents were availed for audit review and which was incorrectly incurred and charged to Item 2710100 - Government Pension and Retirement Benefits.

Further, Item 16001800 – Foreign Trade Services expenditure of Kshs.265,433,230.00 did not have relevant documentary evidence as to how it was incurred. Consequently, the propriety of this expenditure could not be ascertained.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.116**

### **Basis for Disclaimer of Opinion**

#### **650. Ministry HQ Recurrent Bank (PMG) Account**

The Statement of Assets and Liabilities for Vote R.116 as at 30 June 2013 reflects a Paymaster General Account balance of 16,762,359.00 while the cashbook shows a figure of Kshs.3,181,888.00. No reconciliation has been provided for the difference of Kshs.13,580,471.00 between the two sets of accounts. Further, the statement reflects adjustments totalling Kshs.855,875,244.00 on the 2011/2012 audited PMG balance of Kshs.828,579,211.00 to arrive at the adjusted balance of Kshs.27,296,033.00 as at 30 June, 2013. However, the adjustments have not been supported.

Consequently, the accuracy of Paymaster General Account debit balance of Kshs.16,762,359.00 as at 30 June, 2013 could not be confirmed.

#### **651. Exchequer Releases/ Provisioning Account**

The Statement reflects an Exchequer Releases/ Provisioning Account credit balance of Kshs.44,605,017.00 which includes an amount of Kshs.36,168,548.00 relating to 2011/2012 and earlier years which has remained outstanding in the Ministry's books. Further, the balance brought forward from the year 2011/2012 of Kshs.1,579,168,548.00 has been adjusted by a huge amount of Kshs.1,543,000,000.00 which is not supported.

#### **652. Un-cleared Balances**

The Statement of Assets and Liabilities also reflects debit and credit balances of Kshs.129,261,708.00 and Kshs.696,021.00 relating to 2011/2012 and earlier years under District Suspense Accounts respectively, which have not been cleared. No reason has been given for not clearing the balances from the books of account.

#### **653. Balances Cleared with no Supporting Evidence**

The Statement reflects opening balance under Advances - Government Organizations of Kshs.14,500,000.00. During the year 2012/2013 an amount of Kshs.3,515,415.00 was cleared leaving to a balance of Kshs.10,986,585.00. However, no documentary evidence was provided for audit confirmation of the clearance.

Consequently, it has not been possible to ascertain the validity of the clearance.

#### **654. Discrepancies between the Statement and the Trial Balance**

The Statement of Assets and Liabilities Vote R.116 reflect various balances which differ from the corresponding figures in the Trial Balance as at the 30 June 2013 as follows:

<b>Account</b>	<b>Statement Amount Kshs</b>	<b>Trial Balance Amount Kshs</b>	<b>Difference Kshs</b>
Ministry HQ Recurrent Bank A/C	16,762,359	1,866,191,426	(1,849,429,067)
Salary Paid in Advance	233,548	385,481	(151,933)
Stale Cheques	-	2,309,211	(2,309,211)
Standing Imprests	689,273	110,291	578,982
District Suspense A/C	130,237,963	26,153,838	104,084,125
Exchequer Releases/ Provisioning A/C	44,605,017	1,876,500,000	(1,831,894,983)
Salary Advance	-	400,386	(400,386)

As a result, the financial statements are misstated.

#### **655. Difference in the Statement**

The Statement of Assets and Liabilities Vote R.116 reflects a difference of Kshs.29,033,324.00 on the liabilities side referred to as difference, which is an indication that the assets exceeded liabilities by the same amount. This difference has not been explained. Consequently, the accuracy of the statement could not be confirmed.

### **DEVELOPMENT APPROPRIATION ACCOUNT VOTE D.116**

#### **Basis for Qualified Opinion**

#### **656. Unsupported Grants**

The Development Appropriation Account for the year ended 30 June, 2013 reflects under Head 0014 Sub Head 02 - Joint Loans Board, Item 4110300- Domestic Loans to Financial Institutions an amount of Kshs.90,000,000.00 disbursed to 49 Loans Boards across the country. However, only five (5) Loans Boards submitted their financial records for the year ended 30 June 2013, indicating a figure of Kshs.14,734,000.00. It was therefore not possible to ascertain that loans totalling Kshs.75,266,000.00 disbursed during the year were received by the Boards and spent in accordance with Government Financial Regulations and Procedures.

## 657. Differences in Appropriation Account and Trial Balance

The trial balance as at 30 June 2013 reflects an amount of Kshs.284,968,540.00 which differs with Development Appropriation Account figure of Kshs.379,99,955.00 by Kshs.95,023,415.00. The variance was due to omission of the following items from the trial balance:-

<u>Code</u>	<u>Department</u>	<u>Item</u>	<u>Amount (Kshs)</u>
2210400	Private Sector Dev Strategy	Foreign travel & subsistence	23,415
3110200	Headquarter Dev-Field Services	Construction of Buildings	5,000,000
4110300	Joint Loan Board Trade Dev. field services	Domestic Loans to Fin. Institutions	<u>90,000,000</u>
<b>Total</b>			<b><u>95,023,415</u></b>

Consequently, it was not possible to ascertain the correctness of the financial statements.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.116

### Basis for Qualified Opinion

#### 658. Paymaster General Account

The Statement of Assets and Liabilities for Vote D116 as at 30 June 2013 reflects Ministry Headquarters Development Bank Account (PMG) credit balance of Kshs.763,619,916.00 while the reconciled cash book balance as at the same date showed a balance of Kshs.601,090.00. The resulting difference of Kshs.764,221,006.00 has not been reconciled or explained. This was in contravention of Government Financial Regulations and Procedures which require that general ledgers should be checked to ensure that they reflect accurate details of the Ministry's actual transactions. Further, no explanation has been provided for the Paymaster General Account overdraft balance of Kshs.763,619,916.00 as at 30 June, 2013.

#### 659. Imprest

Included in the Statement of Asset and Liabilities are Kshs.250,000.00 and Kshs.2,200,591.00 for Standing and Temporary Imprest respectively, which have been outstanding since 2007/2008 financial year and it was not clear why recoveries have not been made to date as required by the financial regulations. Consequently, the Ministry was in breach of Government Financial Regulations and Procedures.

## 660. Discrepancies Between Statement and the Trial Balance

Government Financial Regulations and Procedures require that information presented in the statements be accurate. A review of the statement of assets and liabilities for development vote and the respective trial balance showed discrepancies as follows;

Account	Statement Kshs	Trial Balance Kshs	Difference Kshs
Development Bank Account	(379,991,995)	366,516,961	(13,475,034)
RD Cheques	-	1,194,987	1,194,987
Temporary Imprest	-	540,271	540,271
District Suspense	-	531,250	531,250
Cash Clearing Account	-	(151,166,656)	(151,166,656)
Vote Control Account	<u>125,503,045</u>	<u>0</u>	<u>125,503,045</u>
<b>Total</b>	<b><u>(254,488,950)</u></b>	<b><u>217,616,813</u></b>	<b><u>36,872,137</u></b>

The difference of Kshs.36,872,137.00 between the two sets of records has not been reconciled or explained.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

### Basis for Qualified Opinion

#### 661. Inaccuracies in Opening Cash and Bank Balance

The Deposits cashbook reflected opening balance as at 1 July 2012 of Kshs.17,612,182.00 (Kshs.17,489,187.00 bank and Kshs.122,995.00 cash). However, the statement submitted for audit indicated balance brought down of Kshs.18,593,619.00, resulting in an unexplained difference of Kshs.981,437.00.

#### 662. Unsupported Clearance of Deposits

In the report for 2011/2012, reference was made to a balance of Kshs.40,679,026.10 cleared in June, 2012 but without supporting documentation. However, no proper explanation or verifiable documentation has been provided to support the clearance.

### 663. Unreconciled Deposits

The Statement of Assets and Liabilities reflects general deposits balance of Kshs.18,948,250.30 as at 30 June, 2013. However, a schedule supporting the deposits held by the Ministry as at the same date reflects a balance of Kshs.18,905,010.00, resulting in an unreconciled difference of Kshs.43,240.30. The analysed deposits balance of Kshs.18,905,010.00 excludes deposits totalling Kshs.4,925,155.00 received and posted to the cash book during the year but which had not been paid out as at 30 June, 2013, and an amount of Kshs.866,526.00, being deposits brought down from 2011/12 but there was no evidence that they were cleared during the year under review. Had these deposits been incorporated in the schedule, the total amount would have been Kshs.24,696,691.00. As a result, the total deposits balance differed with total cash in bank and at hand held in deposits account as at 30 June 2013 of Kshs.18,948,250.00, resulting in a shortfall of Kshs.5,748,441.00. In addition, the Ministry did not avail a retention register for audit verification and as such, the accuracy of retention money balance of Kshs.3,805,378.00 included in deposits balance as at 30 June, 2013 could not be ascertained.

### 664. Unsupported Deposit Payments

Included in the deposits cashbook are payments totalling Kshs.4,411,294.00 made during the year under review. However, there was no respective receipt posted in the cashbook during the year brought forward balance from 2011/12 financial year. Consequently, it was not possible to ascertain the authenticity of the payments made from the deposits cash book.

### 665. Un-cleared Balances

The Statement of Assets and Liabilities also reflects debit and credit balances amounting to Kshs.1,471,422,483.00 and Kshs.1,087,794,522.00 respectively relating to 2011/2012 and earlier years as shown below:-

#### Debits

	<u>Amount (Kshs)</u>
Standing Imprest	250,000
Temporary Imprest	2,200,591
Exchequer Current	76,047,600
Exchequer Releases	<u>1,392,924,292</u>
<b>Total</b>	<b><u>1,471,422,483</u></b>

#### Credits

General Account of Vote	<u>1,087,794,522</u>
<b>Total</b>	<b><u>1,087,794,722</u></b>

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

**666. Pending Bills**

Bills totalling Kshs.96,700,297.00 relating to 2012/2013 were not paid during the year but were instead carried forward to the year 2013/2014. Had these bills been paid and expenditure charged to the account, the Appropriation Account for Vote D.116 for the year would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.28,802,748.00 instead of Kshs.125,503,045.00 now reported.

Further, supporting documents for the bills were not availed for audit verification and consequently, the propriety of these bills could not be ascertained.

**667. Exchequer Account**

The Statement of Assets and Liabilities for Development reflects a figure of Kshs.148,495,000.00 as exchequer recurrent under issue. However, records from the Controller of Budget show a figure of Kshs.278,250,000.00 resulting in an unreconciled balance of Kshs.129,755,000.00. Consequently, the accuracy of the Exchequer account could not be ascertained.

# MINISTRY OF JUSTICE, NATIONAL COHESION AND CONSTITUTIONAL AFFAIRS

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 117

### Basis for Qualified Opinion

#### 668. Unsupported Expenditure

The Ministry's Recurrent Appropriation Account includes an expenditure of Kshs.47,992,000.00 by 32 Counties for which no expenditure returns have been received for Authority to Incur Expenditure sent to the counties to facilitate the National Peaceful Elections Conference activities. As a result, the propriety of the expenditure could not be confirmed.

## STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 117

### Basis for Qualified Opinion

#### 669. Unsupported Paymaster General Balance (PMG)

The Statement of Assets and Liabilities for Recurrent Vote 117 reflects an unsupported PMG balance of Kshs.300,910,324.05 whereas the recurrent cashbook and board of survey report show a PMG balance of Kshs.87,293,203.80 as at 30 June 2013. No reconciliation has been provided to explain the difference of Kshs.213,617,120.25 between the two sets of figures.

#### 670. Long Outstanding Balances

The statement of assets and liabilities further reflects long outstanding items which ought to have been cleared as shown below:

<b>Item</b>	<b>Amount (Kshs.)</b>
Exchequer Account	65,638,246.95
PMG	144,346,881.00
GAV	183,255,055.55
Suspense	10,036,564.60
Clearance Account	2,231,893.60
Excess A-I-A	14,554,891.00
<b>Total</b>	<b>420,063,532.70</b>



No reasons have been given for failure to clear these long overdue balances.

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 117**

There were no material issues raised under this statement hence I gave an Unqualified Opinion.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 117**

### **Basis for Qualified Opinion**

#### **671. Unsupported/Inaccurate PMG**

The Statement of Assets and Liabilities for Development Vote 117 reflects PMG balance of Kshs.25,617,102.40 which was not supported by the underlying records. Further, the cashbook and board of survey report show a PMG balance as at 30 June 2013 of Kshs.11,808,355.60. The resulting difference of Kshs.13,800,746.80 between the two sets of figures has not been explained or reconciled.

#### **672. Long Outstanding Balances**

The Statement of Assets and Liabilities further reflects long outstanding balances which ought to have been cleared as shown below:

<b>Item</b>	<b>Amount (Kshs.)</b>
Exchequer Account	1,286,903.75
PMG	27,037,293.40
GAV	27,987,682.00
<b>Total</b>	<b>56,311,879.15</b>

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

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 117**

### **Basis for Qualified Opinion**

#### **673. Failure to Clear Long Outstanding Balances**

The Statement of Assets and Liabilities for Deposits Vote 117 reflects long outstanding balances totalling Kshs.1,022,321.25 related to various contractors which ought to have been cleared. No valid reasons have been provided for failure to clear these long overdue balances.

# MINISTRY OF GENDER, CHILDREN AND SOCIAL DEVELOPMENT

## APPROPRIATION ACCOUNT FOR VOTE R. 118

### Basis for Qualified Opinion

#### 674. Variances Between the Appropriation Account and Trial Balance

The Appropriation Account reflects gross total expenditure of Kshs.5,217,047,269.00 under various Heads which differs with the trial balance totals of Kshs.4,415,452,267.80 as at 30 June 2013. The Appropriation Account gross approved estimates of Kshs.5,337,102,960.00 also differ with the trial balance amounts of Kshs.5,352,902,959.70 as at the same date. In addition, the total Appropriations-In-Aid of Kshs.13,884,404.00 differ with the Trial Balance zero balance as at 30 June 2013. The respective resultant difference of Kshs.801,595,001.20, Kshs.15,799,999.70 and Kshs.13,884,404.00 respectively have not been reconciled or explained.

#### 675. Non Provision of Footnotes

Contrary to the requirements under Chapter 11, Paragraph 11.7 of Government Financial Regulations and Procedures, no footnotes to the Account have been provided to explain the reasons for material variances between the approved estimates and actual expenditure in respect of the following items:

Head	Item	Amount (Kshs)
118001401	2210100	1,083,068.00
118002900	2211200	2,414,715 .00
118003000	2210300	2,042,451.00
118003000	2211200	2,750,013.00
118003100	2210300	1,000,244 .00
118003300	2210300	5,407,570 .00
118002900	2211000	20,089,303.00
118003000	2211000	19,400,033.00
		<u>54,187,397.00</u>

#### 676. Pending Bills

Bills totalling Kshs.25,688,223.05 at the Ministry Headquarters relating to 2012/2013 for the Recurrent Vote were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the accounts for 2012/2013, the Appropriation Account for Vote R.118 would have reflected a reduced

net surplus to be surrendered to the Exchequer of Kshs.90,791,871.95 instead of Kshs.116,480,095.00.

#### **677. Child Welfare Society of Kenya**

The Appropriation Account reflects under sub-head 002804, an expenditure of Kshs.275,000,000.00 in respect of current grants and transfers to Child Welfare Society of Kenya. However, available documentation indicates that amounts totalling Kshs.293,992,500.00 were disbursed to the organization in the year 2012/2013. The expenditure difference of Kshs.18,992,500.00 has not, therefore, been captured under the sub-head in the Appropriation Account. The Accounting Officer has not provided justification for this anomaly.

#### **678. National Council for Children Services**

The Appropriation Account reflects under Head 118003400 an expenditure of Kshs.33,742,730.00 as grants and transfers to National Council for Children Services. However, available information and documentation at the Council indicates that expenditure totalling Kshs.62,202,439.75 was incurred during the year. The difference of Kshs.28,459,709.75 between the grants transfer and actual expenditure at the Council has not been reconciled or explained.

#### **679. District Gender & Social Development Office - Thika West District**

Examination of payment vouchers at the District Gender & Social Development Offices revealed that voucher Nos. 1 and 189 paid to Kenya Power & Lighting Company (KPLC) for Kshs.275,000 and Kshs.120,000 respectively were supported by electricity bills for only Kshs.40,294 and Kshs.50,940 resulting in unexplained differences of Kshs.234,706 and Kshs.69,060. In addition, voucher No. 401 for Kshs.118,710 in respect of community grants to various groups was not supported by a schedule of the groups that benefited from the grant or acknowledgement of receipt of the grants. In the circumstances, it was not possible to confirm the propriety of the expenditure incurred on the unsupported payments.

### **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.118**

#### **Basis for Disclaimer of Opinion**

#### **680. Imprests**

The Statement of Assets and Liabilities as at 30 June 2013 reflects an imprests account debit balance of Kshs.3,854,530.70 which ought to have been surrendered or accounted for on or before 30 June 2013. The balance also differs with the amount of Kshs.3,329,431.70 reflected in the records maintained at the Ministry headquarters. No explanation has been given for failure to clear or account for the imprests balance and for the difference of Kshs.525,099.00 between the two records.

### 681. Long Outstanding Balances

The Statement reflects four (4) debit and three (3) credit long outstanding balances relating to 2011/2012 and earlier years as follows:-

<u>Account</u>	<u>Debit (Kshs)</u>	<u>Credit (Kshs)</u>
Advances	842,333.00	
District Suspense	897,533,260.70	
General Suspense	32,517,558.75	
Clearance	22,365,440.60	
General Suspense		221,760,435.65
Inter-Ministerial Agency		12,907,610.00
Miscellaneous Deposits		26,487,188.35
	<u>955,258,593.05</u>	<u>261,155,234.00</u>

No explanation has been given for failure to clear these long outstanding balances.

### 682. Un-Supported Balances

The following balances have not been supported with analyses and documentation.

<u>Account</u>	<u>Debit (Kshs)</u>	<u>Credit (Kshs)</u>
District Suspense 2011/2012 and earlier	897,533,260.70	
General Suspense	92,836,707.90	
Clearance 2011/2012 and earlier	22,365,440.60	
General Suspense		221,760,435.65
Inter-Ministerial Agency		12,907,610.00
Miscellaneous Deposit		26,487,188.95
	<u>1,012,735,409.20</u>	<u>261,155,234.00</u>

Under the circumstances, these balances have not been confirmed as correct.

### 683. Paymaster General

The Statement reflects a Paymaster General account balance of Kshs.334,148.55 which differs with the cashbook and the board of survey report balance of Kshs.369,770.05.50 as at 30 June 2013. The resultant difference of Kshs.35,621.50 has not been explained.

### 684. Advances Account

The Statement, in addition reflects Advances Account balance of Kshs.1,519,926.75 while the analyses provided in support of the balance shows an amount of

Kshs.1,495,067.35. The difference of Kshs.24,859.40 has not been reconciled or explained.

## **APPROPRIATION ACCOUNT FOR VOTE D.118**

### **Basis for Qualified Opinion**

#### **685. Accuracy of the Appropriation Account**

The Appropriation Account for Vote D118 for the year ended 30 June 2013 total approved net expenditure estimates of Kshs.4,270,724,824.00 differ with the trial balance figure of Kshs.996,129,986.00 by Kshs.3,274,594,838.00. The Account total net expenditure of Kshs.3,598,021,684.00 also differs with the trial balance total of Kshs.3,875,143,484.00 by Kshs.277,121,800.00. These differences have not been properly explained or reconciled.

#### **686. Under Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D118 for the year ended 30 June 2013 reflects a gross under-expenditure of Kshs.1,061,373,651.00 or approximately 22.10% of the approved gross estimates of Kshs.4,801,663,244.00. The Account also reflects a deficiency in Appropriations-In-Aid of Kshs.388,670,511.00 or about 73% of the estimated receipts of Kshs.530,938,420.00. The reasons provided in the footnotes to the Account for the under expenditure and under collection of Appropriations-In-Aid include non-submission of expenditure returns by the donors, non-capture of district expenditure, over-budgeting, late disbursement of funds, lack of liquidity and failure to attain targeted number of beneficiaries of capital grants and transfers. The Ministry, however, has not indicated the measures it has put in place to mitigate against these challenges.

#### **687. Unreconciled Capital Grants and Transfers**

The Appropriation Account reflects under Head 002802-Orphans and Vulnerable Children, Item 2640500 – Other Capital Grants and Transfers actual expenditure of Kshs.2,734,978,897.00. This amount however, differs, with the audited financial statements for the year ended 30 June 2013 of world bank funded Kenya Cash Transfer for Orphans and Vulnerable Children Projects (Grant No.TF 097272 and Loan No.4554KE) receipts through the Ministry totalling Kshs.2,523,588,900.00. The resultant difference of Kshs.211,389,997.00 between the two sets of records has not been reconciled or explained.

#### **688. Construction of Ministry of Gender, Children and Social Development Office Block in Wareng District**

Contract for construction of an office block in Wareng District for the Ministry of Gender, Children and Social Development was awarded at Kshs.3,796,400.00 on 8 April 2013.

The works commenced on 30 April 2013 and were scheduled for completion after a period of fourteen (14) weeks on 30 August 2013.

The scope of work included construction and completion of one office block comprising of two (2) office rooms for the Officer-in-Charge and his deputy each with a washroom, secretary's office, registry, accounts office, main store, tea room, cleaners' store and two washrooms, lobby area and an entrance porch.

An audit inspection of the construction carried out in July 2013 revealed that the actual physical structure constructed on the ground was materially different from the original physical plan and bills of quantities prepared by the Ministry of Public Works. The contractor omitted the main store, the four (4) washrooms, tea room and cleaners store. Further, the approved office space and measurements were varied on the ground which resulted in the following differences:

<b>Room</b>	<b>Measurement in Approved Plan (in feet)</b>	<b>Actual site Measurement on the ground (in feet)</b>
1. Officer in Charge office	15.1x14	12.7x11.9
2. Deputy's Office	11.3x14	11.2x11.9
3. Secretary's Office	11.3x14	8.7x11.9
4. Registry	16.1x14	13x9.6
5. Accounts Office	10.6x10	9.6x6
6. Corridor	5.3x10	4.9x10

No evidence has been seen indicating whether or not the change of design was approved.

The contractor as of 5 July 2013 had been paid a sum of Kshs.2,952,530.00 representing 77.8% of the contract sum. In view of the foregoing, it has not been possible to ascertain that value for money was obtained against the expenditure of Kshs.2,952,530.00 incurred.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.118**

### **Basis for Disclaimer of Opinion**

#### **689. Imprests**

The Statement of Assets and Liabilities for Vote D.118 as at 30 June 2013 reflects an imprests account debit balance of Kshs.929,583.00 which includes Kshs.703,656.70 relating to 2011/2012 and earlier years that ought to have been surrendered or accounted for on or before 30 June 2013. No satisfactory explanation has been given for failure to clear the imprests.

### 690. Long Outstanding Balances

The Statement also reflects three debit and two credit balances relating to 2011/2012 and earlier years as follows:-

<u>Account</u>	<u>Debit (Kshs)</u>	<u>Credit (Kshs)</u>
Exchequer under issues	249,122,690.00	
District Suspense	527,592,810.65	
Paymaster General	760,144,023.55	
GAV under Expenditure		1,908,078,909.95
District Suspense		118,252,867.65

No explanation has been given for failure to clear these long outstanding balances.

### 691. Un Supported Balances

The Statement also reflects the following suspense account balances which have not been supported with analysis and documentation:

<u>Account</u>	<u>Debit (Kshs)</u>	<u>Credit (Kshs)</u>
District Suspense	527,592,810.65	
General Suspense		203,853,799.80
District Suspense		118,252,867.65

It has not been possible under the circumstances to ascertain the completeness and validity of these balances.

### 692. Trial Balance and Ledger

No trial balance and ledger have been produced for audit review to support all the balances reflected in the Statement of Assets and Liabilities. Consequently, accuracy of the balances reflected in the Statement could not be ascertained.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 118

### Basis for Qualified Opinion

### 693. Unsurrendered Imprest

The Statement of Assets and Liabilities for Deposits 118 as at 30 June 2013 reflects an Imprest Account debit balance of Kshs.327,280.60 which ought to have been surrendered or accounted for on or before 30 June 2013. No explanation has been given for failure to clear the outstanding balance.



#### **694. Uncleared Balance**

The Statement reflects a District Suspense Account debit balance of Kshs.1,179,737.90 which includes an amount of Kshs.997,000.00 relating to 2011/2012 and earlier years. No explanation has been given for failure to clear this long outstanding balance.

### **WOMEN ENTERPRISE FUND**

#### **Basis for Adverse Opinion**

#### **695. Presentation of Financial Statements and Disclosures**

Contrary to the requirements of the International Public Sector Accounting Standards IPSAS 3 on “Accounting Policies, Changes in Accounting Estimates and Errors”, it is indicated as a footnote under the statement of financial performance and statement of changes in equity that the comparative accounts for the year 2011/2012 have been restated due to a change in accounting policy in treatment of exchequer receipts. The following issues have not, however, been disclosed appropriately:

- (i) the audited financial statements’ balances for the year 2011/2012;
- (ii) the restated financial statements’ balances for the year 2011/2012;
- (iii) the title of the applicable accounting standard; and
- (iv) The specific financial components restated and the nature of accounting policy.

Consequently, the financial statements for the year ended 30 June 2013 do not present information in a manner that provides relevant, reliable, comparable and understandable information.

#### **696. Irregular Payment of Salary and Allowances**

The contract of service for the Chief Executive of the Fund expired on 3 November 2012 and had not been renewed as at 30 June 2013. However, contrary to the requirements of Regulation E.9 of the Public Service Code of Regulations, the Chief Executive Officer continued to perform his duties during the year under review for which he received salary and allowances totalling Kshs.2,350,280.00 as at 30 June 2013. No justification has been provided for this irregularity.

#### **697. Differing Financial Statements Balances**

The account balances which are reflected as comparatives under the year 2011/2012 in the financial statements for the year ended 30 June 2013 and brought forward in the funds books of account differ with the closing balances amounts reflected in the audited financial statements for the year ended 30 June 2012 as follows:

<b>Account</b>	<b>Comparative Balance Shown under 2011/2012 Kshs.</b>	<b>Audited Closing Balance year 2011/2012 Kshs.</b>	<b>Difference Kshs.</b>
Income/Revenue	118,566,395.00	327,791,201.93	(209,224,806.93)
Administration/ Operating expenses	154,593,572.00	156,483,571.75	(1,889,999.75)
Surplus/(Deficit)	(88,894,912.00)	118,439,894.61	(207,334,806.61)
Property Plant & Equipment	43,540,716.00	43,240,716.15	299,999.85
Trade & Receivables	1,839,840,251.00	1,837,475,057.75	2,365,193.25
Accumulated Fund	971,529,798.00	1,178,864,604.36	(207,334,806.36)
Capitalization from GOK	1,300,000,000.00	1,090,000,000.00	210,000,000.00
Impairment	3,914,525.00	6,514,524.67	(2,599,999.67)
Capitalization (Exchequer Receipts)	390,000,000.00	180,000,000.00	210,000,000.00

No proper explanation and disclosure have been provided for these anomalies. Consequently, the accuracy and validity of the closing balances reflected in the financial statements for the year ended 30 June, 2013 could not be ascertained.

#### **698. Trade and Other Receivables**

The trade and other receivables balance of Kshs.1,905,348,346.00 includes an amount of Kshs.1,084,614,300.00 loaned to Financial Intermediaries (FI Partners). Included in the loans is an amount of Kshs.63,370,000.00 owed by four intermediaries that had defaulted in repayment. Although the management has explained that the matters were referred to the Office of Attorney General for institution of legal suits against the defaulters, no documentary evidence has been provided to confirm the actual commencement of legal proceedings in court.

# MINISTRY OF LIVESTOCK DEVELOPMENT

## APPROPRIATION ACCOUNT FOR VOTE R.119

### Basis for Qualified Opinion

#### 699. Under-collection of Appropriations-In-Aid

The Recurrent Appropriation Account for Vote 119 for the year ended 30 June 2013 reflects under-collection of Appropriations-In-Aid of Kshs.15,924,411.00 or about 66.4% of approved estimates of Kshs.24,000,000.00. However, the Ministry has not indicated the measures it has taken to forestall the recurrence of a similar situation in future.

#### 700. Accuracy of the Appropriation Account

- (i) The Recurrent Appropriation Account for the year ended 30 June 2013 reflects numerous expenditure figures which differ with the respective amounts shown in the trial balance as at the same period.
- (ii) The Appropriation Account further reflects total net expenditure of Kshs.3,928,857,455.00 while the Appropriation Account Summary shows a figure of Kshs.4,194,975,156.55, and therefore a difference of Kshs.266,117,702.00.
- (iii) In addition, the Appropriation Account reflects net approved estimates of Kshs.4,526,892,995.00 while the printed estimates book reflects approved estimates of Kshs.4,527,683,995.00, and therefore a difference of Kshs.791,000.00.

No explanations or reconciliations have been provided for these differences.

#### 701. Grants to Government Agencies and Other Levels of Government

- (i) The Appropriation Account reflects grants totalling Kshs.36,230,400.00 to four (4) institutions during the year. However, the financial statements for the year 2012/2013 for these institutions reflect grants amounting to Kshs.269,586,291.00 as analyzed below:

<u>Institution</u>	<u>Receipts as Disbursements as Per Appropriation Account (Kshs)</u>	<u>per Financial Statements of the Institutions (Kshs)</u>	<u>Difference (Kshs)</u>
Kenya Dairy Board	14,630,400	19,507,200	4,876,800
Kenya Veterinary Board	3,360,000	21,360,000	18,000,000
Kenya Leather Council	18,240,000	30,719,091	12,479,091

Kenya Meat Commission	<u>Nil</u>	<u>198,000,000</u>	<u>198,000,000</u>
	<u>36,230,000</u>	<u>269,586,291</u>	<u>233,355,891</u>

The resultant difference of of Kshs.233,355,891.00 between the two sets of records has not been reconciled or explained.

- (ii) Further, records maintained at the Ministry indicate that grants and subsidies totalling Kshs.9,364,000.00 were disbursed to the following five (5) collaborating institutions during the year:

Sheep and Goats Improvement Station	14,000
Hqs Livestock Production Support Services	650,000
Hqs Animal Production Services	1,200,000
Hqs Range Management and Improvement Services	750,000
Hqs Veterinary Headquarters	<u>6,750,000</u>
<b>Total</b>	<b><u>9,364,000</u></b>

However, documentary evidence in form of acknowledgement receipts and expenditure returns from these Institutions 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 purpose.

## **702. Personnel expenses**

The Appropriation Account reflects, under various Heads, expenditure amounting to Kshs.3,571,676,660.00 incurred on personnel emoluments while payment vouchers and the Ministry's Integrated Payroll and Personnel Data (IPPD) records show an amount of Kshs.3,879,299,383.25 against the same item. No explanation or reconciliation has been given for the difference of Kshs.307,622,723.25 between the two sets of records.

## **703. Misallocation of Expenditure**

During the year under review, the Ministry incurred expenditure totalling Kshs.8,975,992.00 on various goods which, however, was incorrectly charged to item 2211000 – Specialized Materials and Supplies under various Heads. No explanation has been provided for this irregularity.

## **704. Pending Bills**

Bills amounting to Kshs.27,742,073.00 chargeable to Vote R.119 and relating to 2012/2013 were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the accounts for 2012/2013, the Appropriation Account would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.304,175,765.45 instead of Kshs.331,917,838.45 now shown. Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects the budgetary provisions of the subsequent financial year to which they have to be charged.

#### **705. Failure to give explanations for material differences**

The Appropriation Account reflects several items with over or under expenditure exceeding Kshs.1,000,000.00. which have not been explained, as required by financial regulations. No explanation has been given for the omission.

### **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.119**

#### **Basis for Qualified Opinion**

#### **706. Trial Balance and Ledger**

The balances reflected in the Statement of Assets and Liabilities for Vote R.119 as at 30 June 2013 have not been supported by figures in the trial balance as at that date or ledger for the year then ended. As a result, the completeness and accuracy of the Statement balances could not be confirmed.

#### **707. Long Outstanding Balances**

The Statement reflects Account balances relating to 2011/2012 and earlier years which have not been cleared from the Ministry's books as shown below:

<u>Account</u>	<u>Amount (Kshs)</u>
Salary Advance Account	781,511.70
Imprest	89,027,844.10
Agency Account	482,192.00
Ministry of Fisheries Account	35,747,058.30
Clearance Account	120,299,048.75
District Suspense Account	369,936,074.00
General Account of Vote	507,601,248.35
Exchequer Account 2007 (Cr.)	29,537,272.50
General Suspense Account	29,915,078.10

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

#### **708. Exchequer Account**

The Statement also reflects Exchequer Under-issues Account balance of Kshs.127,892,994.50 relating to 2012/2013, while records maintained by the Office of the Controller of Budget show an amount of Kshs.78,683,995.00. No reconciliation or explanation has been provided for the difference of Kshs 49,208,999.50. The Statement also reflects Exchequer Over-issues balance brought forward of Kshs.78,949,145.40. However, the cause of the Over-issues has not been explained.

## **709. Unanalyzed Balances**

The Statement further reflects the following Account balances that have not been supported with analyses:-

<u>Account</u>	<u>Amount (Kshs)</u>
Agency Account	482,192.00
Ministry of Fisheries Account	35,747,058.30
Exchequer Account 2007(Cr)	29,537,272.50

No explanation has also been given for failure to analyze the balances, as a result of which, their completeness and accuracy can not be confirmed.

## **710. Paymaster General Account**

The Statement reflects a Paymaster General Account credit balance of Kshs 649,087.50. However, the bank reconciliation statement as at 30 June 2013 for the Recurrent cashbook reflects payments in bank statement not in cashbook totalling Kshs.5,287,203.80 which include payments totalling Kshs.4,610,010.90 relating to the period 23 February 2012 and May 2013. No explanation has been given for failure to record these payments in the cashbook.

## **711. Unsupported Cleared Balances**

The Statement shows that balances of Kshs.9,168.25 and Kshs.149,162.00 relating to Salary Advances Account and Imprest and Advances Account, respectively, were cleared during the year under review. However, no documentary evidence was availed to support these clearances.

## **APPROPRIATION ACCOUNT FOR VOTE D. 119**

### **Basis for Qualified Opinion**

#### **712. Under-expenditure and under-collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.119 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.591,012,368.65 or about 13% of approved estimates of Kshs.4,460,971,426. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.178,790,525.30 or about 58% of Approved Estimated receipts of Kshs.307,060,750.00. However, the Ministry has not indicated the action being taken to forestall a similar situation in future.

#### **713. Capital Grants to Government Agencies and Other Levels of Government**

- (i) The Appropriation Account for Vote D.119 reflects, under various Expenditure Heads, Item 2630200 - Capital Grants to Government Agencies and Other Levels of

Government, Development Grants totalling Kshs.41,675,000.00 disbursed to two (2) institutions while the audited financial statements for these organizations for the same year show receipts amounting to Kshs.57,435,000.00 as shown below:-

<b><u>Financial Institution/Parastatal</u></b>	<b><u>Appropriation Account (Kshs)</u></b>	<b><u>Statements of the Parastatal (Kshs)</u></b>	<b><u>Difference (Kshs)</u></b>
Kenya Veterinary Board	18,000,000	18,750,000	750,000
Kenya Leather Council	<u>23,675,000</u>	<u>38,685,000</u>	<u>15,010,000</u>
	<b><u>41,675,000</u></b>	<b><u>57,435,000</u></b>	<b><u>15,760,000</u></b>

The difference of Kshs.15,760,000.00 has not been explained or reconciled.

- (ii) The Appropriation Account further reflects, under Head 0003, Sub-Head 01, Item 2630100 – Current Grants to Government Agencies, Grants totalling Kshs.202,000,000.00 disbursed to Kenya Meat Commission while the Ministry records indicate that a total of Kshs.106,000,000.00 was issued to the institution. Kenya Meat Commission’s financial statements, on the other hand, show that Kshs.196,063,131.00 was received from the Ministry during the year. Further verifications revealed that an amount of Kshs.96,000,000.00 captured in the ledgers as disbursed to Kenya Meat Commission during 2012/2013 was also included among pending bills as at 30 June, 2013. No explanation has been provided for the discrepancies.

#### **714. Irregular Transfer of Funds to Deposit Account**

Records maintained by the Ministry show that during the year under review, a total of Kshs.250,000,000.00 was transferred from Development Vote to Deposit Account vide payment vouchers number 002458 and 002459 both dated 22 January 2013 for Kshs.220,000,000.00 and Kshs.30,000,000.00 respectively, and charged to Head 0008, Sub-Head 06, Item 2630200. Information available indicates that the amount was to be held in the Deposit Account awaiting the formation of Livestock Restocking Enterprise Fund. This was in addition to an amount of Kshs.130,000,000.00 transferred to Deposit Account in August, 2008 for the same purpose. However, the following issues have not been adequately explained:-

- i. The expenditure was not provided for in the 2012/2013 budget and, therefore, was incurred without Parliamentary approval.
- ii. No evidence has been availed to show that the Livestock Restocking Enterprise Fund has since been established and the money transferred to its bank account.
- iii. No evidence has also been availed to show that appropriate approval was obtained for the transfers to Deposit Account.

Consequently, the transfer of Kshs.250,000,000.00 to Deposit Account remains irregular.

#### **715. Construction of Biosafety Level 3 Laboratory**

The Ministry awarded a tender for the construction of Biosafety Level 3 Laboratory at Kabete Station to a local firm vide Ministerial Tender Committee minute dated 21 June 2012 at a contract sum of Kshs.98,840,597.92. The contract was for a period of 52 weeks commencing 4 February 2013 to be completed on 3 February 2014. The contractor was the most technically qualified and lowest evaluated bidder among five firms who responded to the tender advertisement of 16 March 2012. Although the project was scheduled for completion on 3 February 2014, available information indicates that the project was behind completion schedule with the value of permanent works estimated at 49.5% against the completion period which had elapsed and no evidence of approved extension of time was seen. No explanation has been provided for the slow progress of the works.

#### **716. Pending Bills**

Bills totalling Kshs.385,880,105.65 relating to 2012/2013 and chargeable to Development Vote were not paid during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the Accounts, the Appropriation Account for Vote D.119 for the year ended 30 June 2013 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.26,341,737.70 instead of Kshs.412,221,843.35 now shown. Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

#### **717. Non-Maintenance of Procurement Records For The Construction Of Hay Store**

Examination of payment vouchers, supporting documents and other records held at the District Livestock Development Office – Balambala revealed that a contract for Kshs.2,998,490.00 was awarded to a construction firm for the construction of a hay store at Jarajara in Balambala District vide letter of offer dated 26 October, 2012. However, it was noted that the department did not maintain proper procurement records and a project file as required by Section 45 of the Public Procurement and Disposal Act, 2005. Further, payments made were not supported with Bills of Quantities from the firm that won the tender, tender opening minutes, tender evaluation minutes, and technical drawings for the project. In addition, there was no evidence to show that the unsuccessful bidders were notified that their tenders were not successful, contrary to Section 67(2) of the Public Procurement and Disposal Act, 2005.

In the absence of procurement records, it was not possible to confirm whether proper procurement procedures were adhered to in the award of the contract. Under the circumstances, the regularity of the contract could not be confirmed.



## **718. Unsupported Expenditure- District Livestock Production Office, Turkana East District**

The District Livestock Development Officer, Turkana East District, awarded a contract for construction of the District Livestock Production Officer's office to a building contractor at a contract sum of Kshs.2,710,264.27.

Information available indicates that the contractor was paid Kshs.2,315,940.00 on 29 June 2013 vide Cheque Number 0139 net of retention fee while payment voucher No.089 processed and fully signed on 29 June 2013 reflected a figure of Kshs.2,439,237.87. The difference of Kshs.123,297.87 has not been explained or supported. The invoice and Ministry of Public Works completion certificates were issued on 14 September 2013 and 9 September, 2013 respectively. It has not been explained why the office raised the payment voucher before the issue of the works completion certificate and invoice.

Further, the engineer's estimates and Bill of Quantities, Tender Committee minutes for the award of contract, signed contract document, and the Inspection and Acceptance Committee report for the project were not availed for audit verification.

Consequently, the propriety of the expenditure totalling Kshs.2,315,940.00 and the unpaid invoice balance of Kshs.123,297.87 could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.119**

### **Basis for Qualified Opinion**

#### **719. Trial Balance and Ledger**

The Account balances reflected in the Statement of Assets and Liabilities for Vote D.119 as at 30 June 2013 were not supported by a trial balance as at 30 June 2013 or ledger for the year then ended. As a result, the completeness and accuracy of the balances could not be confirmed.

#### **720. Long Outstanding Balances**

The Statement reflects various account balances relating to 2011/2012 and earlier years which were not cleared during the year under review as follows:-

<b><u>Account</u></b>	<b><u>Balance (Kshs)</u></b>
Exchequer Account	1,177,009,760.90
Imprest and Advances	19,051,330.00
General Suspense Account	576,198,690.70
District Suspense Account	400,176,820.00

Ministry of Fisheries Development Account	94,689,917.30
General Account of Vote	2,297,707,157.95

No reason has been given for failure to clear these balances from the Ministry's books of account.

#### **721. Unsupported Cleared Balances**

The Statement further reflects balances of Kshs.1,608,943.10 and Kshs.26,988,859.60 against Imprest and Advances Account and General Suspense Account, respectively, that were cleared during the year under review. However, no documentary evidence has been availed to support these clearances.

#### **722. Ministry of Fisheries Development Account**

The Statement also reflects a balance of Kshs.94,689,917.30 against Ministry of Fisheries Account that is brought forward from the previous year. However, no documents have been availed to support the balance and explain its nature. Consequently, the validity and accuracy of the balance could not be ascertained.

#### **723. Paymaster General Account**

- (i) The Statement reflects a Paymaster General Account balance of Kshs.1,615,117.75 as at 30 June, 2013. However, the bank reconciliation statement for Development cashbook reflects a receipt in bank statement not recorded in the cashbook of Kshs.200,000.00. No explanation has been given for failure to update the cashbook.
- (ii) The reconciliation statement also reflects payments in bank statement not recorded in the cashbook totalling Kshs.7,626,287.80 which include payments amounting to Kshs.7,621,287.80 relating to the period between 19 October 2012 and 31 May 2013. No explanation has been provided for failure to capture these long outstanding payments in the cashbook.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 119**

### **Basis for Qualified Opinion**

#### **724. Unsupported Cleared Balances**

The Statement of Assets and Liabilities for Deposits 119 as at 30 June 2013 shows balances of Kshs.1,132,956.00 and Kshs.72,000.00 relating to Imprest and Advances and Suspense Accounts respectively, which were cleared during the year under review. However, no documentary evidence has been given to support these clearances.

## **725. Long Outstanding Balances**

The Statement also reflects the following balances in respect of 2011/2012 and earlier years which remained uncleared as at 30 June 2013:

<u>Account Particulars</u>	<u>Amounts (Kshs.)</u>
Imprest and Advances	1,088,408.00 DR
Veterinary Services	15,114,683.85 DR
District Suspense Account (CR)	4,910,088.20 CR
Suspense Account (DR)	4,485,450.40 DR

No explanation has been given for failure to clear these long outstanding balances from the Ministry's books of account.

## **726. Un-analysed Balances**

The Statement further reflects balances under the Veterinary Services, District Suspense and Suspense Account of Kshs.15,114,683.85 (DR), Kshs.4,910,088.20 (CR), and Kshs.4,485,450.00 (DR) respectively, which have not been supported with analyses. As a result, validity and accuracy of these balances could not be ascertained.

## **727. Trial Balance/Ledger**

The Account balances reflected in the Statement were not supported by a trial balance as at 30 June 2013 or ledger for the year then ended. Consequently, the completeness and accuracy of the balances could not be confirmed.

## **728. Irregular and Unapproved Transfers from Development Account**

The Statement reflects a balance of Kshs.374,363,488.15 against Miscellaneous Deposits which comprise transfers from the Development Account relating to various organizations. However, no documents have been availed to support the balances. In addition, no evidence has been availed to show that appropriate authority was obtained to effect the transfers and also for the various payments shown as having been made from these balances.

Further, included in the Miscellaneous Deposits are Appropriations-In-Aid funds amounting to Kshs.822,323.35. No explanation has been given for receipting and holding Appropriations-In-Aid funds in Deposits Account instead of either Recurrent or Development Votes.

## **VETERINARY SERVICES DEVELOPMENT REVOLVING FUND**

### **Basis for Qualified Opinion**

#### **729. Unapproved Re-allocation**

During the year under review, management reallocated funds totalling Kshs.62,857,500.00 from various items to item 2211003 (purchase of specialized materials), contrary to Regulation 6 of the Exchequer and Audit (Veterinary Services Development Revolving Fund) Regulations, 1996, which provides that the annual budget of the Fund shall be submitted to Treasury for approval, and any remission of the approved budget shall be referred to Treasury for necessary action. No explanation has been provided for the omission.

#### **730. Unsupported Cleared Balance**

The Balance Sheet as at 30 June 2013 reflects a comparative (2011/2012) balance of Kshs.2,716,327.70 relating to DVOs (District Veterinary Officers) Suspense Account that was cleared during the year under review. However, no documentary evidence has been provided in support of the cleared balance. Consequently, validity of the clearance could not be confirmed.

#### **731. Cash and Bank Balance**

The Balance Sheet also reflects a cash and bank balance of Kshs.867,099.35 that agrees with the reconciled cashbook balance as at 30 June 2013. However, the bank reconciliation statement as at that date reflects receipts in bank not recorded in the cashbook totalling Kshs.11,677,018.40, out of which an amount of Kshs.2,874,310.00 relates to the month of May 2013. No explanation has been given for not updating the cashbook with these receipts. The statement similarly reflects payments in bank statement not recorded in the cashbook totalling Kshs.2,474,968.38, out of which payments totalling Kshs.1,497,310.75 relate to the period between 7 January and 31 May, 2013. The statement further reflects receipts in cashbook not recorded in the bank statement totalling Kshs.8,639,964.00, out of which receipts totalling Kshs.1,069,791.00 relate to the period between 8 January and 31 May 2013 that had not been cleared. In addition, receipts in cashbook not in bank include Kshs.7,454,778.00 attributed to various cashbook overcasts whose validity could not be confirmed. Consequently, accuracy and completeness of the cashbook balance as at 30 June, 2013 could not be confirmed.

#### **732. Fixed Assets**

The Balance Sheet also reflects a fixed assets balance of Kshs.112,631,204.00 as at 30 June 2013. However, Note 2 to the financial statements reflects additions to computers totalling Kshs.10,810,016.00, but records available indicate that the amount includes a figure of Kshs.344,600.00 relating to additions to furniture and fittings. The balances shown under computers and furniture and fittings are therefore overstated and

understated by a similar amount. No explanation has been given for failure to reflect correct classification of the assets.

### **733. Creditors**

The financial statements reflect a creditors (pending bills) balance of Kshs.17,141,150.00 as at 30 June 2013. However, no explanation has been provided for the apparent over-commitment as the Fund reported a cash and bank balance of only Kshs.867,099.35 as at that date, which was not adequate to settle the pending bills.

# MINISTRY OF WATER AND IRRIGATION

## APPROPRIATION ACCOUNT FOR VOTE R.120

### Basis for Disclaimer of Opinion

#### **734. Under Expenditure and Under Collection of Appropriations-In-Aid**

The Recurrent Appropriation Account for Vote R.120 for the year ended 30 June 2013 reflects gross under expenditure of Kshs.900,527,732.00 or about 14% of the total gross approved estimates of Kshs.6,360,958,222.00. The Account also reflects under collection of Appropriations-In-Aid of Kshs.220,032,432.00 or about 12% of the total estimated receipts of Kshs.2,020,722,596.00. The reasons provided in the footnotes for the under-expenditure includes non-promotion of officers and late revision of the approved estimates, delays in receiving invoices from contractors, non completion of procurement procedures. The under-collection of Appropriations-In-Aid is mainly attributed to budget over-estimation. The Ministry has, however, not indicated the measures it has instituted to address these challenges.

#### **735. Pending Bills**

Bills amounting to Kshs.4,717,140.00 chargeable to Vote R.120 were not paid in the year 2012/2013 but were instead carried forward to 2013/2014. Had these bills been paid and the expenditure charged to the Account for Vote R.120, the Appropriation Account would have recorded a reduced Net Surplus of Kshs.675,778,160.00 instead of Kshs.680,495,300.00 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provision of the subsequent year to which they have to be charged.

#### **736. Unsupported Expenditure**

Expenditure totalling Kshs.66,022,504.00 charged to Vote R.120 during the year and incurred under Item 2211000–Specialised Materials and Supplies (Kshs.57,513,000.00) and Item 3110700 – Purchase of Motor Vehicles and other Transport Equipment (Kshs.8,509,504.00) were not supported with documentary evidence. As a result, the propriety of the Kshs.66,022,504.00 expenditure could not be ascertained.

#### **737. Grants to Government Agencies**

The Appropriation Account for Vote R.120 reflects net grants to thirteen Government Agencies totalling Kshs.362,749,956.00. The Ministry's records and cashbook conversely reflects amounts totalling Kshs.845,240,904.00 as paid to these institutions in the year 2012/2013. However, the Agencies financial statements for 2012/2013 reflects receipts totalling Kshs.1,054,315,976.00 from the Ministry during the year

2012/2013. These discrepancies between the three sets of records as shown below have not been reconciled or explained.

<b>Agency</b>	<b>Appropriation Account</b>	<b>Ministry's Cash Book</b>	<b>Agency's Financial Statements</b>
<b>Organization</b>	<b>Kshs. Amount (Kshs.)</b>	<b>Kshs. Amount (Kshs.)</b>	<b>Kshs. Amount (Kshs.)</b>
National Irrigation Board	110,057,795	261,008,055	257,009,055
National Water Corporation.	130,269,509	169,817,754	198,000,000
Water Res. Mgt Authority (WRMA)	173,850	110,991,348	187,782,696
Lake Victoria South Water Service Board	7,756,800	27,400,000	37,621,400
Northern Water Service Board	42,732,000	65,232,000	42,732,000
Tanathi Water Service Board	18,335,269	49,267,079	14,267,079
Tana Water Service Board	7,924,000	8,199,000	20,064,913
Kenya Water Institute	32,880,000	94,380,000	92,880,000
Rift Valley West Water Service Board	-	35,000,000	18,500,000
Athi Water Service Board	-	13,945,668	24,458,833
Coast Water Service Board	-	10,000,000	141,000,000
Water Services Regulatory Board	-	-	20,000,000
Water Appeals Board	12,620,733	-	N/a
<b>Total</b>	<b><u>362,749,956</u></b>	<b><u>845,240,904</u></b>	<b><u>1,054,315,976</u></b>

### 738. Ledger/Trial balance

The Ministry did not produce ledgers and a trial balance from which the balances reflected in the Appropriation Account for Vote R.120 were drawn. Consequently, it has not been possible to confirm the accuracy and validity of the expenditure and Appropriations-In-Aid figures reflected in the Recurrent Appropriation Account for the year 30 June, 2013.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.120

### Basis for Disclaimer of Opinion

#### 739. Long Outstanding Balances

The Statement of Assets and Liabilities for Vote R.120 as at 30 June 2013 reflects brought forward District Suspense - Kshs.98,820,090.45 and General Suspense Account – Kshs.7,714,925.50 debit and credit balances respectively, which were not cleared during the year under review. No explanation has been provided for failure to clear these long outstanding balances.

#### 740. Unsupported Clearance

The Statement reflects clearance of the following brought forward balances relating to 2011/2012 and earlier years during the year under review.

<b>Account</b>	<b>Debit (Kshs.)</b>	<b>Credit (Kshs.)</b>
Advances	679,985.50	
Clearance		85,882,785.90
General Suspense		<u>679,985.80</u>
Total	<u>679,985.50</u>	<u>86,562,771.70</u>

The clearances were effected through use of journal entries which were not supported by documentary evidence, hence it has not been possible to confirm authenticity and validity of the clearances.

#### 741. Unanalysed Balances

The Statement also reflects a District Suspense Account debit balance of Kshs.672,104,453.05 and General Deposits and General Suspense credit balances of Kshs.21,028,641.35 and Kshs.7,034,939.70, respectively. These balances have, however, not been analysed and supported by documentation. Consequently, it has not been possible to ascertain the accuracy and validity of these account balances as at 30 June 2013.

#### 742. Lack of Ledger and Trial Balance

The Ministry did not provide ledgers and trial balance from which the balances reflected in the Statement were drawn. In the circumstances, it has not been possible to ascertain the accuracy, completeness and validity of the balances reflected in the Statement as at 30 June, 2013.



## **APPROPRIATION ACCOUNT FOR VOTE D.120**

### **Basis for Disclaimer of Opinion**

#### **743. Under Expenditure and Under Collection of Appropriations-In-Aid**

The Appropriation Account for D.120 for the year ended 30 June 2013 reflects gross under expenditure of Kshs.9,968,002,067.00 or approximately 32% of the approved provisions of Kshs.30,750,040,253.00 and gross under collection of Appropriations-In-Aid of Kshs.4,828,637,571.00 representing about 41% of the estimated receipts of Kshs.11,684,752,624.00. The reasons given in the footnotes to the Account for under-expenditure includes late commencement of projects, delays in receiving of invoices from contractors, non completion of procurement procedures; while the under-collection of Appropriations-in-Aid is attributed to failure of some projects to start, slow donor processes and delay in the disbursement of donor funds. The reasons for the under-expenditure and under-collection of Appropriations-in-Aid are similar to those given during the previous years' audit, an indication that no action has been taken to address these challenges.

#### **744. Pending Bills**

Bills amounting to Kshs.18,379,700.00 chargeable to the Development Vote D.120 were not paid during the year 2012/2013 but were instead carried forward to 2013/2014. Had these bills been paid and the expenditure charged to the Accounts for 2012/2013, the Appropriation Account for Vote D.120 for the year ended 30 June 2013 would have reflected a reduced Surplus to be surrendered to the Exchequer of Kshs.5,120,984,796.00 instead of the Kshs.5,139,364,496.00 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

#### **745. Wrongly Charged Account**

During the year under review, expenditure amounting to Kshs.513,810,448.00 representing Kshs.420,295,272.00 (3110502) - Construction and Civil Works; Kshs.39,551,975.00 (3111502) and (3111504) - Rehabilitation of Civil Works; Kshs.34,719,188.00 (3111401) - Research, Feasibility Studies Project Preparation, Design and Supervision; and Kshs.19,244,013.00 (2630201) – Capital Grants to Government Agencies was charged to wrong expenditure account items under Development Vote D.120. Consequently, the Appropriation Account for Vote D.120 do not provide reliable, comparable and understandable information.

#### **746. Grants to Government Agencies**

The Appropriation Account for Vote D.120 reflects net grants totalling Kshs.6,192,789,667.00 disbursed to thirteen Government Agencies during the year

2012/2013 which differ with the Ministry's cash book total payments of Kshs.8,957,240,518.00 to these organisations during the same period by Kshs.2,764,450,851.00. The organisations financial statements for the year ended 30 June 2013, however, reflects receipts from the Ministry totalling Kshs.9,900,434,082.00, hence a difference of Kshs.3,707,644,415. These discrepancies between the three sets of financial records as detailed below have not been reconciled or explained.

<b>Agency</b>	<b>Appropriation Account</b>	<b>Ministry's Cash Book</b>	<b>Agencies Financial Statements</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Athi Water Service Board	867,519,120	1,109,435,340	235,413,238
Coast Water Service Board	889,316,040	1,389,913,129	-
Kenya Water Institute	70,000,000	70,255,606	70,000,000
Lake Victoria North Water Service Board	970,120,701	1,158,805,753	157,000,000
Lake Victoria South Water Service Board	575,998,999	562,083,488	580,450,000
National Irrigation Board	493,133,125	493,133,124	7,142,745,398
National Water Conservation & Pipeline Corporation	538,500,000	2,193,806,421	171,854,604
Northern Water Service Board	416,587,610	463,749,960	220,000,000
Rift Valley Water Service Board	210,000,000	180,000,000	286,530,842
Tana Athi Water Service Board	377,778,600	896,028,600	300,000,000
Tana Water Service Board	315,000,000	-	415,000,000
Water Resource Management Authority	148,835,472	120,029,097	161,440,000
Water Services Trust Fund	320,000,000	320,000,000	160,000,000
<b>Total</b>	<b>6,192,789,667</b>	<b>8,957,240,518</b>	<b>9,900,434,082</b>

Consequently, it has not been possible to ascertain the accuracy and validity of the grants to Government agencies disbursement of Kshs.6,192,789,667.00.

#### **747. Irregular Payments**

Examination of expenditure records maintained at the Tinderet District Water Office indicate that the office was issued with Authority to Incur expenditure (AIE) amounting to Kshs.7,000,000.00 in two (2) tranches of Kshs.3,500,000.00 each. The following anomalies were however noted on the expenditure:

- (i) The District Water Office issued Local Service Order No. 0551252 to a construction company on 11 January 2013 to lay main water lines for Tachasis Water Supply at a cost of Kshs.2,880,150.00. The scope of work described in the LSO included supply of 450 No. 3 inch PVC class D pipes, 40 No. 3 inch class C pipes, excavation and laying of pipes for a distance of 2990 metres. The works were, however, single sourced contrary to the requirements of Section 74 of the Public Procurement and Disposal Act, 2005. The contractor was paid entire

invoice value in two installments of Kshs.1,900,000.00 and Kshs.980,150.00 on 26 February 2013 and 15 May 2013 vide payment vouchers Nos. 599 and 904 respectively. For reasons not indicated the ten (10%) retention fee does not appear to have been deducted while making the above payments.

- (ii) Local Service Order No. 0551253 for Kshs.3,400,000.00 was issued to a construction company for construction of gravity main line at Tachasis Water Supply Phase II. Examination of the available records however revealed the following anomalies:
- Payment voucher No. 1335 of Kshs.3,400,000.00 was raised on 21 June 2013 four days before Local Service Order was issued on 25 June 2013.
  - The related Invoice No. 066 attached to the payment was raised on 18 June 2013, seven (7) days earlier than the date of LSO.
  - The works indicated in the LSO also appear to have been carried out in Phase I of the project.
  - For unknown reasons, the Office did not enter into written contract with the contractor contrary to Section 14.4 of the Government Financial Regulations and Procedures.
  - No evidence was provided indicating that the contract was competitively procured in accordance with the Public Procurement and Disposal Act, 2005.
  - Ten percent (10%) retention money was also not withheld as required.

Consequently, there is no justification for the above payment as it appears to have been made irregularly for service not rendered.

- (iii) The District Water Office during the year made payments amounting to Kshs.711,485.00 to various firms for supply of pipes and repair of unspecified water lines in the District. The pipes appear not to have been received as goods received notes (S13) were not attached to the payment vouchers as evidence of receipt. In addition, Imprest amounting to Kshs.116,300.00 was issued to the District Water Officer for purchase of pipes and other fittings for the same works. The propriety of the above expenditure of Kshs.827,785.00 could not be ascertained.

#### **748. Unaccounted For Fuel**

During the year 2012/2013, the District Water Office, Koibatek ordered for fuel from a local petroleum dealer worth Kshs.740,030.00 which was paid for in advance on various dates. However, no fuel register and fuel detail orders were maintained to show how the fuel ordered and paid for on various dates was utilized. Consequently, it has not

been possible to confirm that fuel worth Kshs.740,030.00 was actually supplied and put to intended use.

#### **749. Unaccounted for Expenditure**

- (i) Expenditure totalling Kshs.1,326,630.00 in respect of supply and delivery of water pipes at District Irrigation Office Malindi Sub-County could not be verified in the absence of supporting documentary evidence hence, its propriety could not be ascertained.
- (ii) The District Water Officer (DWO) – Mandera East, procured goods worth Kshs.17,869,100.00 during the period under review but did not properly account for the same. Some of the goods were not taken on charge in the stores' ledgers as required by the procurement regulations while in some cases, goods procured and recorded in the ledgers were indicated as having been issued to staff of the DWO for various borehole repairs. However, there were no requisitions from the users and no evidence was available to show that the respective boreholes were repaired.
- (iii) The District Water Officer (DWO) - Mandera East, procured diesel worth Kshs.7,044,000.00 during the period under review. The fuel drawn was indicated as having been issued to various water supplies. No acknowledgement or returns, were, however, received from the users for confirmation of receipt and usage of the fuel. The expenditure of Kshs.7,044,000.00 incurred on purchase of diesel for the water supplies was therefore not supported with relevant documentation.
- (iv) The Tigania District Water Officer (DWO), received funds totalling Kshs.4,000,000.00 on Development Vote for Water Supplies and Sewerage vide Authority to Incur Expenditures (AIEs) dated 8 August 2012 and 27 February, 2013 out of which an amount of Kshs.2,431,878.00 was incurred on procurement of G.I and UPVC water pipes in the months of January and June, 2013. Although Counter Receipt Vouchers (S13) were attached to the payment vouchers, inspection and acceptance committee minutes, stores ledger cards as well as issue notes supporting release of the pipes to the projects being undertaken were not made available for audit review. It was therefore not possible to confirm the receipt and subsequent use of the pipes procured at a total cost of Kshs.2,431,378.00 during the year.
- (v) Further, an expenditure of Kshs.404,400.00 was incurred on cash basis vide temporary imprests issued on diverse dates for purchase of GI and UPVC water pipes, contrary to Treasury Circular No.3/2010 of 7 May 2010, which prohibits use of imprest in the procurement of goods and services. The payment vouchers were not supported with inspection and acceptance committee minutes, stores ledger cards and issue vouchers. It was therefore not possible to confirm the authenticity and propriety of the expenditure.

## **750. Irregular Encashment of Third Party Cheques**

Examination of financial records cut-off test at the Transzoia District Water Office revealed that two cheque payments totalling Kshs.693,000.00 apportioned to a firm of Kshs.647,500.00 and Kenya Revenue Authority of Kshs.45,500.00 both dated 24 June 2011 were reversed in the cashbook because of being stale on 31 May 2012 and the total amount of Kshs.693,000.00 was subsequently withdrawn by the cashier on 13 June 2012. However, no information has been provided to show how the withdrawn money was utilized or the reason for encashing cheques that were payable to third parties. In addition, the services or goods supplied by the supplier were never disclosed during the audit.

## **751. Unsupported Expenditure**

- (i) Expenditure totalling Kshs.12,125,782 incurred during the year on account of supply and delivery of water pipes and other accessories in District Water Office, Malindi Sub-County for the construction of water tanks was not supported with documentary evidence. Consequently, the propriety of the Kshs.12,125,785 total expenditure could not be ascertained.
- (ii) Examination of payment vouchers at Gatundu North District Water Office revealed that the Department spent Kshs.4,919,390.00 in respect of water supplies and sewerage works. However, the payments for supplies were not supported by counter receipt and issue vouchers detailing how the procured items were received and distributed for use. In addition, the work plan showing the water supplies items required and sewerage projects to be implemented by the Ministry was not availed for audit review. It was therefore not possible to confirm the propriety of the expenditure in the absence of the supporting documents and schedules
- (iii) Examination of payment vouchers at Kiambu District Water Office revealed that the Department made two payments of Kshs.42,428,555.00 and Kshs.929,871.00 to a Service Station and a Construction Company respectively for supply of PVC pipes and Construction of a water tank. However, the payments for supplies were not supported by counter receipt and issue vouchers detailing how the items procured were received and distributed. In addition, the work plan showing the water supplies required and sewerage projects to be implemented by the Ministry was not availed for audit review. It was therefore not possible to confirm the propriety of the expenditure in the absence of the supporting documents and schedules.
- (iv) Examination of payment vouchers at Limuru District Water Office revealed that the Department spent Kshs.8,499,628.00 for water supplies and sewerage works together with other infrastructure works. However, the payments for supplies were not supported by counter receipt and issue vouchers detailing how the items procured were received and distributed. In addition, the work plan showing the water supplies required and sewerage projects to be implemented by the Ministry was not availed for audit review. It

was not possible to confirm the propriety of the expenditure in the absence of the supporting documents and schedules.

- (v) Scrutiny of expenditure records at the District Water Office, Meru South revealed that a total of Kshs.5,320,692.00 was spent between the months of January and June 2013 on purchase of water pipes and construction of water tanks for use on community initiated and Government-funded projects. However, the payment vouchers verified did not have supporting documents such as delivery and goods received notes for confirmation of receipt of the goods. The requisition forms used to issue the goods to the user department were also not made available for audit review. Further, the project committee officials did not append their signatures as evidence that water pipes were delivered to their respective projects. In addition, contracts for construction of water tanks were neither supported by quotation documents nor contractual agreements.

In view of these weaknesses, therefore, it was not possible to confirm authenticity of Kshs.5,320,692.00 incurred on the procurement of water pipes and construction of water tanks by the District Water Office – Meru South.

- (vi) Examination of payment vouchers at the Machakos District Water Office revealed that payments amounting to Kshs.440,664.00 were made to a supplier for the supply of fuel for the year ended 30, June 2013. However these payments were not supported by relevant documents. Consequently it was not possible to confirm the propriety of the expenditure.
- (vii) The Gucha District Irrigation Office was allocated Kshs.6,000,000.00 for construction of irrigation infrastructure in the Gucha District in the year under review. Three firms were awarded the contract, one for the construction of irrigation infrastructure at Egenti/Glorious, and the other two for the supply of farm inputs and supply of engine pumps. These supplies were issued to the identified farmers' groups for the implementation of the projects. However, the goods had not been taken on charge before issue. Project implementation guidelines, project files and Bills of Quantities for the irrigation infrastructure were not availed for audit. Further, physical verification of the four greenhouses constructed at Glory Church, Mwabosuke, Botondo and Bomosande revealed that all the four (4) greenhouses remain non-functional despite having been completed. In the circumstances, the beneficiaries have not got value on the Kshs.5,023,200.00 on the project.

## **752. Irregular Procurement of Goods**

The District Water Officer (DWO) – Mandera East procured goods worth Kshs.6,831,600.00 using cash method contrary to procurement procedures. In one particular case, on 21 June 2013, the DWO used imprest of Kshs.850,000.00 to purchase water pipes and surrendered the imprest using a cash sale receipt. No

explanation was given as to why request for quotations was not used to procure the goods.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.120

### Basis for Disclaimer of Opinion

#### 753. Long Outstanding Balances

The Statement of Assets and Liabilities as at 30 June 2013 reflects the following brought forward account balances relating to 2011/2012 and earlier years, that have not been cleared from the records.

<b>Account</b>	<b>Debits (Kshs.)</b>	<b>Credits (Kshs.)</b>
Imprests and Advances	1,060,238.00	
District Suspense	329,907,027.65	
General Suspense	3,223,556,271.20	
General Account of Vote Surplus		2,686,080,245.70
Inter Vote Adjustment		604,164,185.30
<b>Totals</b>	<b><u>3,554,523,536.85</u></b>	<b><u>3,290,244,431.00</u></b>

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

#### 754. Unsupported Clearance

During the year under review, the Ministry cleared brought forward balances in respect of Advance (Mt. Kenya) and Inter Vote Adjustment Account debit and credit balances of Kshs.153,703,516.90 and Kshs.483,620,544.55 respectively, vide Journal Entries (JEs). However, these clearances were not supported with documentary evidence. As a result, it has not been possible to confirm the validity of these clearances or accuracy of Advances (Mt. Kenya) and Inter Vote Adjustment Account (MENR & W) nil and Kshs.604,164,185.30 balances reflected in the Statement as at 30 June 2013.

#### 755. Lack of Trial Balance/Ledger

The Ministry did not provide ledgers and trial balance from which the account balances reflected in the Appropriation Account and Statement were drawn. Consequently, the completeness, accuracy and validity of the account balances reflected in the Appropriation Account and Statement could not be ascertained.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 120**

### **Basis for Qualified Opinion**

#### **756. Unreconciled Balance**

As reported in prior year, the Statement of Assets and Liabilities for Deposits 120 again reflects a credit balance of Kshs.16,533,643.65 under Retention Money Account which differs with the Retention Money Register balance of Kshs.13,081,378.90 as at 30 June 2013. The resultant difference of Kshs.3,452,264.75 has not been reconciled or explained.

#### **757. Lack of Ledger and Trial Balance**

The Ministry did not provide a ledger and/or trial balance in support of the account balances reflected in the Statement of Assets and Liabilities as at 30 June 2013. Consequently, the validity and completeness of the Retention Money Account balance of Kshs.16,533,643.65 and Miscellaneous deposit balance of Kshs.20,661,317.40 as at 30 June, 2013 could not be ascertained.

## **STATEMENT OF OUTSTANDING LOANS**

### **Basis for Disclaimer Opinion**

#### **758. Failure to prepare Statement of Outstanding Loans**

Records maintained at the National Treasury indicate that loans totalling Kshs.42,546,845,905.38 issued by the Government to various agencies under the Ministry of Water and Irrigation were outstanding as at 30 June 2013. However, 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 Ministry did not prepare and submit for audit a statement of outstanding loans as at 30 June 2013. In the circumstances, the Ministry is in breach of the law.



# MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES

## APPROPRIATION ACCOUNT FOR VOTE R. 121

### Basis for Qualified Opinion

#### 759. Under.Collection of Appropriations.In.Aid

The Appropriation Account for Vote R.121 for the year ended 30 June 2013 reflects a deficiency in Appropriations-In-Aid of Kshs.167,753,468.90 or approximately 33% of the estimated receipts of Kshs.510,000,000.00. No explanation has, however, been provided for the under-collection of Appropriations-In-Aid.

#### 760. Omission of Footnotes

Contrary to the requirements of Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures, no footnotes to the Appropriation Account have been provided to explain reasons for variations of over Kshs.1,000,000.00 above or below the estimated receipts in respect of the following Appropriations-In-Aid items:

Heads	Items	Description	Under /(Over) Collection Kshs
0001	3510800	Receipt from sale of Plant, Machinery and Equipments	1,351,500
00015	1420300	Receipt from Administrative fees and charges	10,017,061
0018	3520300	Receipt from the sale of Inventories stocks and Commodities	1,113,348
0022	1420300	Receipt from Administrative fees and charges	143,691,970
0025	3510800	Receipt from sale of Plant, Machinery & Equipment	1,750,000
0025	1410400	Rents	1,094,500
0025	1420500	Receipts from incidental sale by non-market establishments	7,961,630

In absence of any explanation, it has not been possible to determine why the Ministry failed to achieve its target. The Appropriation Account lack in details and contents as prescribed by Government Financial Regulations and Procedures and under the circumstances, the Appropriation Account does not provide relevant, reliable and understandable information.

### **761. Pending Bills**

Bills amounting to Kshs.37,100,622.55 chargeable to Vote R.121 and relating to 2012/2013 were not paid during the year but were instead carried forward to 2013/2014. Had these bills been settled and the expenditure charged to the Account, the Appropriation Account for Vote R.121 for the year ended 30 June 2013 would have reflected an irregular Excess Vote of Kshs.31,966,336.25 instead of a net surplus of Kshs.5,134,286.30 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

### **762. Wrongly Charged Expenditure**

An expenditure amounting to Kshs.24,417,414.65 was charged to incorrect Account Items 2211300 – Other Operating Expenses, 2211015 – Specialised Materials and Supplies, 2210700 – Training Expenses and 3111111 – Purchase of Specialised Plant Equipment and Machinery. The expenditure relates to and ought to have been charged against Account Items 2210400 – Foreign Travel, 2210800 – Hospitality Supplies and Services, 2210300 – Domestic, Travel, Subsistence and Other Transport Costs, 2211100 – Officer & General Supplies and 2210500 – Printing, Advertising and Information Supplies and Service. The Appropriation Account therefore does not reflect correct expenditure account balances in the above account items.

### **763. Un-reconciled Grant Disbursements**

The Appropriation Account reflects net expenditure totalling Kshs.521,187,565.00 in respect of grants issued by the Ministry in the year 2012/2013 to National Environment Management Authority (NEMA), while the Agency's financial statements for the year ended 30 June 2013 reflects receipts totalling Kshs.473,873,038.00. No reconciliation or explanation has been provided for the resultant difference of Kshs.47,314,527.00.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.121**

### **Basis for Disclaimer of Opinion**

### **764. Long Outstanding Balances**

The account balances reflected in the Statement of Assets and Liabilities as at 30 June 2013 includes the following brought forward balances relating to 2011/2012 and earlier years that remained uncleared from the books of account during the year under review:-

<b>Account</b>	<b>Debit Amount (Kshs)</b>	<b>Credit Amount (Kshs)</b>
Paymaster General	618,868,800.50	
Imprests	2,215,744.75	
District Suspense	698,394.60	
Exchequer	802,136.95	
General Suspense		1,244,350.00
Clearance Account		324,711.75
General Account of Vote	-	<u>636,139,749.00</u>
<b>Total</b>	<b><u>622,585,076.80</u></b>	<b><u>637,708,810.75</u></b>

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

#### **765. Unreconciled PMG Account Balance**

The Statement reflects a balance of Kshs.634,893,415.95 against Paymaster General Account which comprises of a brought forward figure of Kshs.618,868,800.50 and a current balance of Kshs.16,024,615.45. The Board of Survey report and the Ministry's cashbook, however, reflect a balance of Kshs.879,623.70 as at 30 June 2013. The resultant difference of Kshs.634,013,792.25 between these sets of records was not sufficiently reconciled or explained, hence it has not been possible to ascertain whether all bank transactions and Paymaster General Account balance of Kshs.634,983,415.95 as at 30 June, 2013 are fairly stated.

#### **766. Lack of Ledger and Trial Balance**

The Ministry did not provide the ledger and trial balance from which the balances under various accounts in the Statement were drawn. Consequently, the completeness, accuracy and validity of the balances as reflected in the statement could not be ascertained.

### **APPROPRIATION ACCOUNT FOR VOTE D.121**

#### **Basis for Qualified Opinion**

#### **767. Under Expenditure and Under Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.121 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.1,043,545,731.85 or approximately 24% of the approved provisions of Kshs.4,395,125,862.00 and gross under-collection of Appropriations-In-Aid of Kshs.139,704,530.00 representing about 100% of the estimated receipts of Kshs.139,704,530.00. According to the footnotes to the Account the reasons for the under-expenditure mainly include; lack of exchequer issues, lack of Government of Kenya counterpart funding, austerity measures, and non-completion of procurement processes while the under-collection of Appropriations-in-Aid is attributed

to failure by the donors to release funds. The Ministry has not, however, indicated the measures it has institutionalised to avoid the recurrence of under-expenditure and under-collection of Appropriations-in-Aid in future.

#### **768. Pending Bills**

Bills amounting to Kshs.385,521,586.44 chargeable to Vote D.121 and relating to year 2012/2013 were not settled during the year but were instead carried forward to 2013/2014. Had these bills been paid and expenditure charged to the Account, the Appropriation Account for Vote D.121 for the year ended 30 June 2013 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.518,319,615.41 instead of Kshs.903,841,201.85 now shown.

#### **769. Wrongly Charged Expenditure**

The Appropriation amount for Vote D.121 for the year ended 30 June, 2013 reveals that expenditure amounting to Kshs.427,300,984.40 was charged to various Account Items across the Vote. No justification has been provided for this irregularity.

#### **770. Irregular Payment of Meal Allowances**

Contrary to the provisions of the Ministry of State for Public Service Circular No.MSPs 18/2A/(89) dated 12 November 2009 which explicitly states that, "Meal allowance will only be paid to officers travelling on duty within the Country but who are not required to spend a night away from the permanent station", the Ministry during the year paid meal allowances totalling Kshs.12,759,500.00 to various officers based at the Headquarters but who were nevertheless performing their routine duties in their normal station, Nairobi. The expenditure was incurred under Development Vote D.121 and charged against Item 2211300 – Other Operating Expenses across the Heads. The Ministry has not provided any justification for awarding meal allowances to the officers in addition to paying them salaries.

#### **771. Irregular Procurement**

Review of expenditure records at the District Environment Office, Trans Nzoia West for the year 2012/2013 revealed the following unsatisfactory matters;

- i) The office made two payments totalling Kshs.819,200.00 to a local firm for supply of timber and fencing posts. However, quotations were not invited from at least three suppliers as required by the Public Procurement and Disposal Act, 2005. No reason or justification has been provided for using single sourcing method instead of competitive bidding process.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.121**

### **Basis for Disclaimer of Opinion**

#### **772. Long Outstanding Balances**

The Statement of Assets and Liabilities as at 30 June 2013 reflects long outstanding debit and credit balances relating to 2011/2012 and earlier years under the Imprests Account, Exchequer Account and General Account of Vote (GAV) of Kshs.9,443,334.65, Kshs.807,309,413.55 and Kshs.1,642,580,830.20 respectively. No explanation has been provided for failure to clear these balances in the year under review.

#### **773. Unsupported Clearance**

The Statement reflects Imprest and District Suspense Accounts brought forward debit balances of Kshs.162,367,569.30 and Kshs.10,682,958.00 respectively that were written off from the books of account during the year 2012/2013. However, no information or documentary evidence has been produced in support of the write offs.

#### **774. Unreconciled Paymaster General Account Balance**

The Statement reflects a balance of Kshs.744,476,504.85 against Paymaster General Account which constitutes a brought forward figure of Kshs.652,735,192.70 and a current balance of Kshs.91,741,312.15. The Board of Survey report and the Ministry's cash book, however, reflect a balance of Kshs.2,637,060.70 as at 30 June 2013. The resultant difference of Kshs.741,839,444.15 has not been reconciled or explained. Consequently, accuracy of the Paymaster General Account balance of Kshs.744,476,504.85 and bank transactions during the year under review could not be ascertained.

#### **775. Lack of Trial Balance/Ledger**

The Ministry did not provide the ledger and trial balance from which various accounts balances reflected in the Statement were drawn. Consequently, the completeness, accuracy and validity of the balances as reflected in the Statement of Assets and Liabilities could not be ascertained.

## **STATEMENT OF ASSETS AND LIABILITIES – DEPOSITS 121**

### **Basis for Qualified Opinion**

#### **776. Unsupported Balances**

As similarly reported in the year 2011/2012, the account balances reflected in the Statement of Assets and Liabilities for Deposits 121 as at 30 June 2013 have not been derived from a trial balance. Further, Miscellaneous Deposits Register has not been

provided to support the balances. Consequently, it has not been possible to ascertain the accuracy of the balances as reflected in the Statement as at 30 June 2014.

## **MINING REVENUE STATEMENT HEAD 160-120**

### **Basis for Qualified Opinion**

#### **777. Receiver of Revenue**

The Statement of Revenue Head 160-120 for the year ended 30 June 2013 submitted for audit was signed by the Head of Accounting Unit. However, the Ministry did not provide the letter of his appointment as a receiver of revenue in terms of the provisions of Sections 75 and 82 of the Public Finance Management Act, 2012. It has not been possible, therefore, to confirm whether the officer who signed the statement of Revenue was lawfully authorized to receive and account for the Mining Revenue Head 160-120.

#### **778. Lack of Footnotes**

The statement also reflects an over-collection of estimated receipts by Kshs.13,971,323.30. However, contrary to the requirements of Chapter 11, Paragraph 11.9 of the Government Financial Regulations and Procedures, no footnotes have been provided to explain the reasons for material difference between the approved estimated receipts and actual receipts.

#### **779. Exclusion of Revenue**

Whereas the Statement reflects actual receipts amounting to Kshs.63,971,323.30, examination of records available indicated that an amount of Kshs.68,776,261.45 was actually collected during the year. Consequently, revenue receipts amounting to Kshs.4,804,938.15 have been excluded from the Statement for unexplained reasons. The completeness and accuracy of the statement could not be ascertained under the circumstances.

# **MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING**

## **APPROPRIATION ACCOUNT FOR RECURRENT VOTE 122**

### **Basis for Qualified Opinion**

#### **780. Pending Bills**

Records maintained by the Ministry indicate that bills totalling Kshs.1,414,805.00 relating to 2012/2013 financial year and chargeable to the recurrent Vote 122 were not settled during the year, but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the financial statements for 2012/2013, the appropriation account for Vote R.122 for the year ended 30 June 2013 would have reflected a reduced net surplus to be surrendered to the Exchequer of Kshs.9,273,277.00 instead of the Kshs.10,688,082.00 now shown.

#### **781. Personal Emoluments**

The Appropriation Account reflects under various Heads, basic salaries and personal allowances paid as part of salary totalling Kshs.665,182,445.00. However, the Integrated Payroll and Personal Database (IPPD) system and actual salaries payment vouchers for 2012/2013 show expenditure totalling Kshs.675,797,660.00, resulting in a difference of Kshs.10,615,215.00 which has not been reconciled or explained.

#### **782. Omitted Expenditure**

The footnotes to the Appropriation Account under Head 00100 Sub Head 98 – Devolved Provincial Cooperative Extension Services under Head 0012 Sub-Head- Cooperative Extension Services attribute the under expenditure totalling Kshs.9,560,181.00 against various items to non capturing of the data in IFMIS. The omission of Kshs.9,560,181.00 leads to understatement of expenditure in the appropriation account and consequently over-statement of net surplus to be surrendered to the Exchequer.

## **STATEMENT OF ASSETS AND LIABILITIES RECURRENT VOTE 122**

### **Basis for Qualified Opinion**

#### **783. Exchequer Account Balance**

The Statement of Assets and Liabilities reflects Exchequer Account balance of Kshs.2,702,976.00 as at 30 June 2013 which does not include a debit balance of Kshs.37,751,810.00 in respect of the Exchequer Account for 2011/2012 as shown in

records maintained at the Treasury. The Ministry has not given any satisfactory explanation as to why this balance was omitted in the statement.

#### **784. Uncleared Balances**

The Statement also reflects 2011/2012 and earlier years credit balances of Kshs.34,666,021.00 and Kshs.74,143,256.00 in respect of General Account of Vote (GAV) for 2011/12 and 2010/11. No satisfactory explanation has been given as to why these long outstanding balances have not been cleared from the books of account.

#### **785. District Suspense Account**

The Statement reflects a debit balance of Kshs.114,342,852.00 against District Suspense account which has only been supported with analysed balance of Kshs.11,694,269.00 leading to an unexplained difference of Kshs.102,648,583.00. In consequence, the accuracy and completeness of the District Suspense account balance could not be ascertained.

#### **786. Imprest Account**

The Statement reflects Unsurrendered Temporary Imprest as at 30 June 2013 of Kshs.276,183.00, contrary to Financial Regulations and Procedures which requires that Temporary Imprests be surrendered within 48 hours after returning from official duty. This omission has not been explained.

#### **787. Paymaster General Account**

- (i) The Statement reflects Paymaster General Account balance of Kshs.7,915,897.00 which tallies with Cashbook balance as at 30 June 2013. However, the bank reconciliation statement for the recurrent cashbook as at 30 June 2013 reflects cheques totalling Kshs.83,360,178.00 in the cashbook not recorded in the bank statement. Included in this figure are stale cheques amounting to Kshs.1,691,046.00 for the period between July 2006 and December 2012 and which had not been reversed in the cash book.
- (ii) The Reconciliation Statement also reflects payments totalling Kshs.7,456,694.00 in the bank statement not recorded in the cashbook, out of which Kshs.5,266,911.00 relates to period between 29 June 2007 and 10 December 2012. The Ministry has not explained why these payments had not been recorded in the cashbook as at 30 June, 2013.



## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 122**

### **Basis for Qualified Opinion**

#### **788. Uncleared Balances**

The Statement of Assets and Liabilities for Deposits 122 as at 30 June 2013 reflects several credit balances relating to 2011/2012 and earlier years of Kshs.5,159,150.00, Kshs.1,092,408.00, Kshs.233,900.00 and Kshs.1,092,408.00 in respect of Liquidation Fund Account, New KCC Shares Refund Deposit, Total War Against Aids (TOWA) and Retention Monies, respectively. However, management has not given explanation as to why these balances have remained uncleared for several years.

#### **789. Omitted Balances**

The Statement does not reflect closing balances of Kshs.5,492,601.00, Kshs.280,779.00 and Kshs.1,157,150.00 in regard to Registration and Miscellaneous Deposits, Returned Salaries and Annual Registration accounts respectively, for 2011/2012 which should have been brought forward to 2012/2013. In addition, the statement reflects a brought forward Inquiry Fees Deposits balance of Kshs.720.00 which differs with a balance of Kshs.818,508.00 reflected in the audited statement as at 30 June 2012. Under the circumstances, the accuracy and validity of the balances reflected in the statement could not be ascertained.

#### **790. Unsupported Account Movements**

The Statement also reflects account movements during the year of Kshs.1,750,838.00 in respect of Management and Supervision Fund and Kshs.22,758.00, Kshs.1,707,298.00 and Kshs.12,000.00 in respect of Temporary Imprest, Paymaster General and TOWA accounts respectively, which have not been supported by verifiable documents. In addition, the Statement reflects temporary imprest balance of Kshs.415,242.00 which ought to have been surrendered or accounted for on or before 30 June, 2013. No explanation was provided for not accounting for the imprests as required by Government Financial Regulations and Procedures.

#### **791. Retention Account Balance**

The Statement reflects Retention Monies balance of Kshs.1,092,408.00 which relate to the period between June 2006 and June 2011. However, management has not given explanation as to why the money has not been paid to the respective contractors taking into account that Government Financial Regulations and Procedures require that retention money be released upon expiry of the defect liability period and after satisfactory completion of a contract.

## **792. Paymaster General Account**

(i) The Statement further reflects Paymaster General Account balance of Kshs.8,232,564.00 which differs with the amended cash book balance of Kshs.10,115,000.00 as at 30 June, 2013. No documents supporting the adjusted cashbook balance was produced for audit confirmation.

(ii) The Bank Reconciliation Statement for deposits cashbook as at 30 June, 2013 reflects payments totalling Kshs.208,463.00 in the bank statement not recorded in the cashbook which included Kshs.146,363.00 relating to the period between 25 October 2004 and 21 December 2012. The reconciliation statement also reflects receipts totalling Kshs.1,939,959.00 in the bank statement but not recorded in the cash book which included Kshs.754,921.00 relating to the period between 23 March 2012 and 29 August 2012. No reason has been provided for failure to have the payments of Kshs.208,463.00 and receipts totalling Kshs.1,939,959 recorded in the cashbook as at 30 June, 2013.

## **MANAGEMENT, SUPERVISION AND LIQUIDATION FUND ACCOUNT**

### **Basis for Qualified Opinion**

#### **793. Non-Current Assets**

The Statement of Financial Position reflects furniture as the only non-current asset with a net book value of Kshs.1,876,313.00 as at 30 June 2013. However, this figure includes additions of Kshs.589,500.00 which should have been classified as equipment and computers. Further, the same rate of depreciation was applied instead of different rates had the classification been properly done. Consequently, it has not been possible to confirm that the non-current assets balance of Kshs.1,876,312.00 as at 30 June 2013 is fairly stated.

#### **794. Receivables**

The statement reflects receivables balance of Kshs.35,296,457.00 as at 30 June 2013 compared to Kshs.47,178,812.00 as at 30 June 2012, resulting in a difference of Kshs.11,882,355.00 attributed to adjustments made to correct errors in the debtors' ledger. However, no documentary evidence was provided to support the adjustments. Further, the Ministry has not provided a plan on how it intends to recover these debts, some of which have been outstanding for a long time.

#### **795. Management and Supervision Fund (Capital)**

The Management and Supervision Fund (Capital) balance decreased from Kshs.49,123,534.00 in the previous year to Kshs.37,048,727.00 as at 30 June 2013, resulting to an unsupported and unexplained difference of Kshs.12,074,807.00.

## **796. Travel and Subsistence**

The Statement of Comprehensive Income for the year ended 30 June 2013 reflects an expenditure of Kshs.7,186,548.00 on travel and subsistence expenses. The amount includes payments of meal allowances of Kshs.2,070,000.00 for which no explanation has been provided for charging meal allowances to this expenditure item. Consequently, it has not been possible to determine that the travel and subsistence expenses are fairly stated and have been properly incurred.

## **797. Failure to Prepare Statement of Cash Flows**

As previously reported, the Ministry did not prepare a Statement of Cash Flows for the year under review, contrary to the requirements under Treasury Circular No.AG.3/088/VOL.6 (58) of 05 September 2012 on annual preparation of financial statements.

# **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 122**

## **Basis for Qualified Opinion**

### **798. Discrepancy between the Appropriation Account and Trial Balance**

The Appropriation Account reflects total net expenditure of Kshs.152,173,992.00 while the trial balance as at 30 June 2013 reflects a net expenditure of Kshs.1,196,057.00. No explanation or reconciliation has been provided for the difference of Kshs.150,977,935.00 between the two set of records.

### **799. Unsupported Expenditure**

The Appropriation Account reflects expenditure totalling Kshs.17,000,000.00 under Head 0009 Item 31113000- Purchase of Certified Seeds, Breeding Stock and Live Animals. No documentary evidence was provided to support the expenditure and consequently, its propriety could not be ascertained.

Further, the Account reflects receipt of Appropriations-In-Aid of Kshs.20,099,434.00 under the Head 0009, 13220100-Grants from International Organizations - Cash through the Exchequer. The receipt of the Appropriations-In-Aid however could not be confirmed since there were no relevant supporting documents submitted for audit review.

### **800. Expenditure Omitted from the Appropriation Account**

The Ministry spent a total of Kshs.37,699,174.00 under Head 0009, Item 3110700 relating to Purchase of Vehicles and Other Transport Equipment during 2012/2013. However, the Appropriation Account reflects only Kshs.24,137,346.00 with

Kshs.13,561,828.00 paid in May 2013 not captured in the ledger and therefore, omitted from the Appropriation Account for the year ended 30 June 2013.

In addition, a Fixed Asset Register was not maintained to record purchase or disposal of assets.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE (D.122)**

### **Basis for Qualified Opinion**

#### **801. Uncleared Balances**

The Statement of Assets and Liabilities for Vote D-122 as at June 2013 reflects brought forward balances relating to the period 2011/ 2012 and earlier years which remained uncleared during the year under review as analysed below:-

<b>Debit Balances</b>	<b>Amount (Kshs.)</b>
Exchequer Account (2011/2012)	3,723,362
Exchequer Account (2011/2012)	803,484
District Suspense Account	<u>3,472,634</u>
	<b><u>10,180,561</u></b>
<b>Credit Balances</b>	
General Account of Vote	8,836,764
Paymaster General	<u>2,367,059</u>
<b>Total</b>	<b><u>11,203,823</u></b>

No explanation has been provided as to why these balances have not been cleared in the books of account.

#### **802. Unanalyzed Balance**

The Statement reflects a debit balance of Kshs.12,573,0155 against District Suspense Account which has not been fully analysed since only an amount of Kshs.9,100,381.00 has been supported with an analysis, leaving a balance of Kshs.3,472,634.00 brought forward from 2011/2012.

#### **803. General Account of Vote**

The Statement also reflects General Account of Vote (GAV) credit balance of Kshs.16,168,227.00 representing net surplus to be surrendered to the Exchequer for 2012/2013 while the Appropriation Account for Vote D.122 for the same period recorded a net surplus of Kshs.29,716,008 resulting in an unreconciled difference of Kshs.13,547,782.00.

#### **804. Paymaster General**

As noted in the previous year, the statement continues to reflect Paymaster General Account credit balance of Kshs.2,367,059.00 in respect of 2011/2012 financial year and prior years. However, no supporting evidence was available for audit review to grant authority to overdraw the cashbook. Further, the statement reflects Paymaster General Account balance as at 30 June, 2013 of Kshs.9,300,542.00. However, the bank reconciliation statement for the Development cashbook as at the same date reflects payments totalling Kshs.1,172,139.00 in the bank statement not recorded in the cashbook and relating to the period between 18 February 2010 and August 2012. No reason has been provided for failure to record the payments in the cashbook.

#### **805. Temporary Imprest**

The Statement of Assets and Liabilities as at 30 June 2012 reflected a temporary imprest of Kshs.195,075.00. However, during the year under review, the Ministry cleared this imprest without supporting documents produced for audit verification.

# CABINET OFFICE

## APPROPRIATION ACCOUNT FOR VOTE R.123

### Basis for Qualified Opinion

#### 806. Certificate of Declaration

The Trial Balance as at 30 June 2013 reflected an expenditure of Kshs.76,390,943.00 against Item 2211312- Confidential Expenditure at the Cabinet Office. However, a Certificate of Declaration by the Minister responsible for this expenditure, certifying that the money has been properly expended and has not been used to supplement the emoluments of any officer as required by section 5.2.5 of the Government Financial Regulations and Procedures was not availed for audit review.

#### 807. Unauthorized Expenditure

Further, documents made available for audit indicate that Kshs.79,090,520.00 was paid as confidential expenditure during the financial year 2012/2013 resulting in unauthorized reallocation of Kshs.2,699,577.00 and over expenditure of Kshs.2,690,520.00 over and above Kshs.76,400,000.00 reflected in the approved estimates as at 30 June 2013.

#### 808. Payments to Individuals

Records made available also show that out of the total confidential expenditure amounting to Kshs.79,090,520.00, an amount of Kshs.66,500,000.00 was paid to the Government Spokesman while Kshs.12,590,520.00 was paid to the Principal Administrative Secretary – Cabinet Office. It has not been explained why the payments were made to individuals and not to the respective offices responsible for the activities.

#### 809. Unsupported Expenditure

In addition, evidence of receipts of money paid out of confidential expenditure and authority for such payment was not availed for audit verification. It has therefore, not been possible to obtain reasonable assurance that the confidential expenditure amounting to Kshs.79,090,520.00 was free from material misstatement and it was not possible to confirm that the expenditure was lawful as required by Article 229 (6) of the Constitution of Kenya.

#### 810. Weak Internal Control

It was observed during the audit that the management of the Cabinet Office has not put in place adequate internal control to mitigate risks arising from using confidential expenditure funds to supplement any officer's emoluments. In addition, evidence made available for audit indicates that the same officer authorizes and examines payment vouchers. No reason has been given for lack of segregation of duties and failure of the

Accounting Officer to personally authorize and approve payment of confidential expenditure in accordance with Section 68 (1) of the Public Financial Management Act, 2012.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.123**

### **Basis for Qualified Opinion**

#### **811. Unsupported Account Balances**

The account balances reflected in the Statement of Assets and Liabilities have not been supported by a Trial balance as required. Consequently, the completeness and accuracy of the balances could not be confirmed as at 30 June 2013.

#### **812. Outstanding Imprests**

The Statement of Assets and liabilities for Vote R.123 as at 30 June 2013 reflected a debit balance of Kshs.2,769,415.80 against Imprest Account balance while the Imprest Registers indicated an outstanding balance of Kshs.27,162,881.45 as at 30 June 2013. No reconciliation or explanation has been provided for the difference of Kshs.24,465.65 between the two sets of records. Further, no reasons have been given for failure to surrender or recover the outstanding imprests from the salary of the defaulting officers.

#### **813. Agency, Clearance and General Deposit Balances**

The Statement further reflects Inter-ministerial Agency, Clearance Account and General Deposit balances of Kshs.14,867,889.20, Kshs.70,846,402.50 and Kshs.1,047,050.00 respectively which have not been analyzed. Therefore, the validity and accuracy of these balances could not be ascertained.

#### **814. Exchequer Account**

The Statement also reflects a debit balance of Kshs.565,154,428.00 as at 30 June 2013 which includes Kshs.358,393,723.00 against Exchequer Account for the year 2011/2012 and earlier years. No reasons have been given for failure to clear these long outstanding balances.

#### **815. General Suspense Account**

The Statement further reflects a credit balance of Kshs.7,952,404.95 and a debit balance of Kshs.9,518,339.95 for 2011/2012 and earlier years against General Suspense account which have not been analyzed. Therefore, it has not been possible to confirm the accuracy of the General Suspense Account balance for 2012/2013 of Kshs.7,952,404.95 which ought to have been cleared and no documentary evidence has been made available to support the clearance of the 2011/2012 balance.

#### **816. General Account of Vote**

The Statement reflects a credit balance of Kshs.633,054,029.15 against General Account of Vote which includes Kshs.442,936,993.00 relating to financial year 2011/2012 and earlier years. No reasons have been provided for failure to obtain instructions from Treasury so as to surrender Kshs.442,936,993.00 to the Exchequer in accordance with Section 5.4.21 of the Government Financial Regulations and Procedures.

#### **817. Stale Cheques**

The Statement reflects stale cheques credit balance of Kshs.11,826,666.30 relating to 2011/2012 and earlier years. No reason has been provided for failure to replace stale cheques and clear them from the books of accounts.

### **APPROPRIATION ACCOUNT FOR VOTE D. 123**

#### **Basis for Qualified Opinion**

#### **818. Under Expenditure and Under-collection of Appropriations-in-Aid**

The Development Appropriation Account Summary for the year ended 30 June 2013 reflects a gross total estimated expenditure of Kshs.1,578,600,000.00 and a gross total actual expenditure of Kshs.1,052,655,560.05 resulting in a surplus of gross estimates over actual expenditure of Kshs.525,944,439.95 which is 33.32% of the gross approved estimates.

The Appropriation Account summary also shows gross estimated Appropriations-in-Aid (AIA) of Kshs.908,600,000.00 and actual collection of Kshs.621,133,159.40 resulting in under-collection of Kshs.287,466,840.60 which is 31.64% of the gross estimated collection. There was therefore, a net surplus to be surrendered to the Exchequer of Kshs.238,477,599.35. No explanation has been provided for the under-expenditure and under-collection of A.I.A.

#### **819. Unsupported Capital Gross Expenditure**

The Appropriation Account reflects expenditure amounting to Kshs.100,000,000.00 incurred in respect of capital grants to the National Fund for the Disabled. However, no expenditure returns have been provided for audit review. In the circumstance, it has not been possible to confirm the propriety of the expenditure.

#### **820. Purchase of Building**

An amount of Kshs.160,000,000.00 was paid to the National Fund for Disabled through account number 0001-01-3110102 vide Payment Voucher number 0001 on 11 January 2013 for the purchase of a building. However, no evidence of actual purchase has been



made available for audit review. In the circumstances, it has not been possible to confirm accuracy and propriety of the expenditure of Kshs.160,000,000.00.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D. 123**

### **Basis for Qualified Opinion**

#### **821. Exchequer Account**

The Statement of Assets and Liabilities for Vote D.123 as at 30 June 2013 reflects a debit balance of Kshs.524,809,245.20 which includes Kshs.284,809,245.20 against Exchequer Account for the year 2011/2012 and earlier years and Kshs.240,000.00 for 2012/2013 which have not been transferred to the exchequer account as required by Section 5.4.21 of the Government Financial Regulations and Procedure. No reasons have been given for failure to surrender these long outstanding balances.

#### **822. General Deposits, Contractors Retention and General Suspense**

The General Deposits, Contractors' Retention money and General Suspense Account debit balance of Kshs.1,215,819.80 and credit balances of Kshs.426,389.55 and Kshs.18,569,959.20 respectively reflected in the Statement have not been analyzed. Consequently, it has not been possible to confirm the validity and accuracy of the balances.

#### **823. General Account of Vote**

The Statement further reflects a credit balance of Kshs.507,988,525.25 against General Account of Vote which includes Kshs.269,510,925.90 relating to financial year 2011/2012. No reasons have been provided for failure to obtain instructions from Treasury so as to surrender Kshs.269,510,925.90 to the Exchequer as required by Section 5.4.21 of the Government Financial Regulations and Procedures.

#### **824. Unsupported Account Balances**

The account balances reflected in the Statement were not supported by a trial balance as at 30 June 2013 in accordance with Section 5.5.16 of Government Financial Regulations and Procedures. As a result, it has not been possible to confirm the completeness and accuracy of the balances.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 123**

### **Basis for Qualified Opinion**

#### **825. Unsupported Account Balances**

The account balances reflected in the Statement were not supported by a Trial balance as at 30 June 2013. Consequently, it has not been possible to ascertain the completeness and accuracy of the balances as at 30 June 2013.

# MINISTRY OF EAST AFRICAN COMMUNITY

## RECURRENT APPROPRIATION ACCOUNT VOTE R. 124

### Basis for Qualified Opinion

#### 826. Avoidable Expenditure

The Ministry's records indicate that a local hospitality firm made a claim to the Ministry in the year 2009 that it hosted the Somali peace initiative delegates but had not been paid. The firm however, claimed that there were some outstanding bills on which interest had accrued to a total of Kshs.108 million as at 28 February 2009. However, audit review of documents used to compute the purported accrued interest revealed that the interest was based on bills which had been settled as far back as the year 2005. In March 2009, the Ministry officials negotiated a reduced claim of Kshs.77,462,213.00 and signed an undertaking to pay Kshs.65,000,000.00 (sixty five million shillings). On realizing that the claim may have been false, the Ministry became reluctant to pay upon which the Ethics and Anti-Corruption Commission was requested to investigate the matter. At the time of audit, there was no evidence of any action or conclusion on the matter.

The claimant went to court on 19 November 2009 and was awarded a summary judgement for the Ministry to pay the firm Kshs.65 million agreed in the undertaking signed between the two parties. The amount was paid through the Attorney General's Office in March 2013. In a letter from the firm's advocates dated 19 June 2013, it was indicated that the Ministry still owed the firm Kshs.20,991,905.00 which included interest accrued up to 31 March 2013 of Kshs.19,615,547.00 at court rates. It is however, not clear under what circumstances the Ministry agreed to pay accrued interest on bills which had been cleared earlier. Further, no contractual agreement was produced for audit verification. Available information indicates that an attempt by the Ministry to appeal against the ruling was stopped by the Attorney General's office who advised to the contrary.

On 11 July 2013, the State Law Office through a letter reference AG/CIV/44/09 wrote to the Principal Secretary requesting for payment of Kshs.20,359,412.00 being accrued interest on delay of payment from 2 February 2010 to 4 April 2013 when the amount was paid. However, scrutiny of available records revealed that the ruling was made on 2 December 2010 and not 2 February 2010 as quoted in the letter from the State Law Office.

Under the circumstances, the expenditure of Kshs.65million incurred during the year could not be confirmed as a proper charge on public funds. In addition, the claim for accrued interest and other charges of Kshs.20,359,412.00 should not be settled until

accuracy of the initial payments and the basis of computation of the interests is determined.

### **827. Personal Emoluments**

The Appropriation Account reflects expenditure of Kshs.163,313,974.00 on Personal Emoluments whereas the payroll records for the year reflect Kshs.162,522,223.00, hence a variance of Kshs.791,751.00. Further, the trial balance reflects a figure of Kshs.163,264,807.00 while the Appropriation Account reflects Kshs.164,313,874.00, and therefore a variance of Kshs.1,049,067.00. Consequently, the correctness of expenditure reflected on personal emoluments could not be ascertained.

## **STATEMENT OF ASSETS AND LIABILITIES VOTE R. 124**

### **Basis for Qualified Opinion**

#### **828. Opening Balances**

The Statement reflects opening balances during 2012/2013 which differ with 2011/2012 certified figures as listed below:

<b>Account Particulars</b>	<b>2012/2013 Kshs</b>	<b>2011/2012 Kshs</b>	<b>Amount Kshs</b>
Advances	378,365	1,016,613	(638,248)
Temporary Imprest	262,557	1,084,281	(821,724)
PMG Account 2011/2012	-	(10,133,518)	(10,133,518)
P.M.G Account & Earlier Years	32,722,614	44,316,104	(11,593,490)

As a result, of the incorrect opening balances, the accuracy of the statement's balances as at 30 June 2013 could not be ascertained.

#### **829. Unsupported Cleared Balances**

No documentary evidence was provided to support clearance of balances from the Statement for the accounts indicated below:-

<b>Account Particulars</b>	<b>Amount <u>Kshs</u></b>
Advances	247,027
Temporary Imprest Account	117,944
P.M.G Account & earlier years	8,658,401

Consequently, the balances in the Statement may have been cleared without relevant authority and in contravention of Government Financial Regulations and Procedures.

### **830. Trial Balance**

The following accounts balances in the Statement were not reflected in the trial balance as at 30 June 2013:-

<b>Account Particulars</b>	<b>Amount (Kshs)</b>
Exchequer Account	(7,773,427)
Temporary Imprest Account	144,613
P.M.G Account	12,974,839
P.M.G Account & Earlier periods	35,657,703
Excess Appropriation In Aid 2012/2013	336,400
G.A.V Account & Earlier Years	40,798,667

Failure to extract the financial statement balances from the trial balance may imply that the Statement was not supported by primary documents.

## **DEVELOPMENT APPROPRIATION ACCOUNT VOTE D.124**

### **Basis for Qualified Opinion**

#### **831. Unsupported Expenditure**

An expenditure of Kshs.65,208,458.00 incurred under vote D.124 was not adequately supported making it difficult to confirm the nature of goods and services supplied and whether they were delivered and utilized for the intended purpose. Further, the Ministry did not provide a trial balance for the Development Account for audit verification. Consequently, it has not been possible to confirm the propriety of the expenditure.

## STATEMENT OF ASSETS AND LIABILITIES VOTE D.124

### Basis for Qualified Opinion

#### 832. Non Clearance of Long Outstanding Balances

The Statement as at 30 June 2013 includes account balances relating to 2011/2012 and earlier years which remained uncleared as detailed below:

<b>Account Particulars</b>	<b>Amount (Kshs)</b>
<u>Debit Balances</u>	
Exchequer Account	72,244,468
P.M.G 2010/2011	1,614,619
P.M.G 2011/2012	<u>1,896,940</u>
	<b><u>75,756,026</u></b>
<u>Credit Balance</u>	
G.A.V	<u>75,756,026</u>
<b>Total</b>	<b><u>75,756,026</u></b>

The management has not provided any satisfactory explanation for failure to clear these balances as at 30 June 2013.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS

### Basis for Qualified Opinion

#### 833. Omission of Balances in the Statement

The trial balance as at 30 June 2013 reflects debit and credit balances which have not been included in the statement as analyzed below:

<b>Account Particulars</b>	<b>Amount Kshs.</b>
Cash Clearing	1,666,734
Ministry Headquarters Deposits Bank Account	(2,339,056)
Temporary Imprests	161,893
General Suspense	338,734

No explanation has been provided for the omission.

In the circumstances, the accuracy and validity of the balances as reflected in the Statement of Assets and Liabilities could not be ascertained.

#### **834. Unsupported Cleared Balances**

The Statement reflects Kshs.338,733.60 credit balance in respect of Deposits account after a balance of Kshs.2,962,664.00 was cleared during the year. However, no documents supporting clearance of this particular balance were made available for audit confirmation. Consequently, the accuracy and validity of the deposits balance as at 30 June, 2013 could not be ascertained.

## **STATE LAW OFFICE**

### **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 125**

#### **Basis for Qualified Opinion**

#### **835. Long Outstanding Balances**

The Statement of Assets and Liabilities as at 30 June 2013 reflects a General Account of Vote of Kshs.87,289,526.00, Suspense Account of Kshs.2,439,765.00 and Clearance Account of Kshs.278,489.00 which had not been cleared. No reasons were provided for not clearing these long overdue balances.

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 125**

#### **Basis for Qualified Opinion**

#### **836. Long Outstanding Balances**

The Statement of Assets and Liabilities for Development Vote 125 reflects uncleared balances under suspense account and District un-surrendered/ unspent Exchequer issues of Kshs.12,555,575.95 and Kshs.295,482.00 respectively, and a General Account of Vote balance of Kshs.8,917,238.00

No reasons were provided for failure to clear the long outstanding balances as at 30 June 2013.



# THE JUDICIARY

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 126

### Basis for Adverse Opinion

#### **837. Unsupported Expenditure**

During the year ended 30 June 2013, the Judiciary made payments for goods and services totalling Kshs.262,656,610.00 without the prerequisite supporting documents such as purchase orders, deliveries and invoices contrary to Section 5.5.13 of the Government Financial Regulations and Procedures. In the circumstances, it has not been possible to confirm validity and legality of the expenditure of Kshs.262,656,610.00 as at 30 June 2013.

#### **838. Unsupported expenditure- Purchase of Office Furniture and General Equipment**

The Appropriation Account for Recurrent Vote 126 reflects expenditure totalling Kshs.39,889,257.50 charged under Purchase of Office Furniture and General Equipment. However, payment vouchers and other supporting documents for the expenditure were not made available for audit.

#### **839. Irregular Procurement**

Payments totalling Kshs.82,966,546.00 to various hotels were paid to cater for accommodation and conference facilities on diverse dates. Audit review revealed that procurement procedures were not followed in the identification of these hotels. Further, details of the purpose of the seminars and the authorization were not provided for audit review.

In addition, it was noted that two workshops ran concurrently: one in Sportsman Arms – Nanyuki and Bontana Hotel – Nakuru between 24 and 27 January 2013 for at a total cost of Kshs.6,432,500.00. No reason was given for holding the workshops separately given that the theme of the workshop was the same.

#### **840. Irregular payment for air tickets through imprest**

The Judiciary paid Imprest amounting to Kshs.447,500.00 to a staff member for purchase of air tickets through a travel agency. There was no justification for payment through imprest as opposed to direct payment to the agent/airline. Further, no documents were provided to show evidence of travel, purpose, number of staff who travelled and the approval for the journey. Consequently, it was not possible to confirm the propriety of the payment.

#### **841. Double payment for Legal services**

The Judiciary paid Kshs.12,500,000.00 to two law firms at Kshs.7,500,000.00 and Kshs.5,000,000.00 respectively for consultancy fees in respect of the Judicial Service Commission (JSC)'s defense. Audit revealed that the two law firms represented JSC on the same case/matters as outlined in the petitions. Both law firms invoiced through different fee notes while representing JSC with one charging Kshs.1,500,000.00 per petition and the other charging Kshs.1,000,000.00 per petition. Further, no contract documents were made available for audit verification. As a result, propriety and probity of the expenditure could not be ascertained.

#### **842. Cash disbursements to Judiciary Training Institute (JTI)**

According to the approved estimates for the financial year 2012/2013, the budgetary estimates to JTI was Kshs.134,605,893. However, Kshs.232,205,893.00 was disbursed to JTI through various AIE. JTI therefore exceeded its approved estimates by Kshs.97,600,000. No reason or approval has been provided on the over expenditure.

#### **843. Purchase of Motor Vehicles and other Transport Equipment for Magistrates' and Kadhis' Courts**

During the year under review, the Judiciary procured one hundred and eight (108) motor vehicles for the Supreme Court Headquarter and Magistrates and Kadhis' Courts for Kshs,561,840,240.00. However, payment vouchers in respect of supply of motor vehicles of Kshs.500,695,248.00 were not provided for audit review. Further, payment of Kshs.445,140,000.00 in respect of the same supply could not be traced to the bank statement of the Recurrent account. In view of the foregoing, the propriety of the expenditure could not be ascertained.

#### **844. Unvouched and Unsupported Expenditure - Foreign Travel & Subsistence Allowance**

The Recurrent Appropriation Account for Vote 126 for the year ended 30 June 2013, includes under Item no.2210400 Foreign Travel and Allowances expenditure totalling Kshs.121,091,754.00. Out of this amount, expenditure totalling Kshs.46,966,972.75 and Kshs.10,894,730.00 was not vouched and supported by payment vouchers respectively. In the circumstances, it has not been possible to ascertain the propriety of the expenditure.

## **STATEMENT OF REVENUE HEAD 1430100 - FINES AND FORFEITURES**

### **Basis for Disclaimer of Opinion**

#### **845. Unsupported Transfers to Treasury Exchequer**

The Revenue Statement for the year ended 30 June 2013 reflects an amount of Kshs.1,465,498,052.70 as transfers to the Treasury. However, an amount of Kshs.455,387,482.90 was not supported with a payment voucher to the Treasury and it was also not posted in the cash book.

#### **846. Unsurrendered Revenue Receipts**

Out of the total revenue collected of Kshs.1,481,025,392.70, a balance of Kshs.15,527,340.00 reflected in the Statement of Arrears of Revenue as at 30 June 2013 had not been surrendered to the Treasury. No reasons have been provided for not surrendering the revenue of Kshs.15,527,340.00 as required.

#### **847. Unaccounted for Revenue**

Records maintained at the Sirisia Judiciary office reflects that a total of Kshs.181,000.00 was collected as revenue and not accounted for. Further, a total of Kshs.683,000.00 had been irregularly paid to District Treasury officials. No recoveries have been made for the irregular payments.

#### **848. Trial Balance and General Ledger not Availed**

As similarly reported in the previous year's audit, the management did not avail a trial balance and general ledger for the year ended 30 June 2013 as required. As a result, it has not been possible to ascertain the accuracy and completeness of the figures reflected in the Statement of Revenue as at 30 June 2013.

#### **849. Unresolved Previous Years issues**

- (i) 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.
- (ii) 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 or 2012/2013 were provided for audit review.

## **Bungoma law courts**

### **850. Irregular use of Revenue**

A total of Kshs.1,194,661.90 collected during the year as Court Fees and Fines was not banked intact but instead held as partly paid vouchers. This is in contravention of Government Financial Regulations and Procedures which require all collections be banked intact.

## **Githunguri Law Courts**

### **851. Unsupported Payments**

The Judiciary Department spent Kshs.730,088.00 for purchase of stationery and general office supplies and fixing of grills at the Law courts registry. However, the payments were not supported by quotations, inspection and acceptance committee reports and counter receipt vouchers for audit verification. In the absence of supporting documents it was not possible to confirm that value for money was obtained from the procurements made.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 126**

### **Basis for a Qualified Opinion**

#### **852. Advances Account**

The Statement of Assets and Liabilities shows advances account opening balance of Kshs.779,685.70 and a debit closing balance of Kshs.662,590.15 as at 30 June 2013. Although an amount of Kshs.117,905.55 appears to have been recovered during the year, no analysis or breakdown of the amount of advances recovered or outstanding at the year end was availed for audit review. Consequently, it has not been possible to confirm the accuracy and completeness of the outstanding balance.

#### **853. Outstanding Government Imprests**

The Statement reflects Government Imprests account balance of Kshs.2,738,707.95 as at 30 June, 2013 out of which Kshs.2,583,103.97 relates to 2011/2012 and earlier years. No explanation has been provided for failure to clear the long outstanding balances.

#### **854. Bank Reconciliation Statement**

##### **a. Payment in cashbook not in bank statement**

The cashbook includes payments totalling Kshs.2,320,151.25 which are not reflected in the bank statement. Further, the dates on which payments were made to various recipients were not reflected in the cash book and the respective vouchers were not availed for audit verification.

##### **b. Receipts in the Bank Statement not in Cashbook**

Included in the balance of Kshs.6,723,528.50 is Kshs.1,975,607.50 which represents long outstanding reconciling items which had not been cleared from the reconciliation statement as at 30 June 2013.

##### **c. Payments in the Cashbook not in the Bank statement**

Bank Reconciliation Statement as at 30 June 2013 reflects payments in the cashbook not in the bank statement totalling Kshs.661,689,315.14 out of which Kshs.1,915,454.00 has remained outstanding since the year 2011/2012. No explanation was provided as to why the balance remains outstanding.

#### **855. General Account of Vote**

The Statement of Assets and Liabilities for R.126 reflects a General Account of Vote (GAV) credit balance of Kshs.162,986,516.55 which includes an amount of Kshs.534,824.03 relating to 2011/2012 and earlier years. No explanation has been provided for failure to clear the balances.

#### **856. District Suspense Account**

The Statement shows District Suspense Account credit balance brought forward of Kshs.4,598,244.14 from prior years and Kshs.38,053.96 for 2012/2013. The closing balance of Kshs.4,636,298.10 was not analyzed and no explanation was provided for failure to analyse or clear the balances during the year under review.

#### **857. Cash and Bank Balances-Judiciary Training Institute**

Examination of the relevant documents revealed the following:

- (a) The cashbook was not balanced regularly as required by Section 5.9.1.1 of the Government Financial Regulations and Procedures making it difficult to ascertain and reconcile the cash book balance with the balance at the bank.
- (b) The Judiciary management did not constitute a board of survey on cash to physically establish the cash position of JTI as at 30 June 2013 and report its findings to the Accounting Officer as required by Section 5.9.9.2 of the Government

Financial Regulations and Procedures. In the circumstances, it has not been possible to confirm the accuracy of the cash and bank balances as at 30 June 2013.

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 126**

### **Basis for Disclaimer of opinion**

#### **858. Single Sourcing of Consultancy Services from Jomo Kenyatta University of Agriculture and Technology Enterprises Ltd (JKUATEs)**

- (i) During the year 2012/2013 the Judiciary appointed JKUATEs to provide consultancy services for management and supervision of works at a total cost of Kshs.127,831,944.00. Major works supervised included completion of Kisumu law courts, prefabricated court buildings and partitioning works at Elgon Place. The appointment of JKUAT appears to have been done through single sourcing contrary to Sections 73 and 74 of the Public Procurement and Disposal Act, 2005.
- (ii) From the records, it was not clear what factors the Judiciary considered in single sourcing JKUATEs to supervise the above projects when the same service could have been obtained free of charge or at a lower cost from the Ministry of Public Works. Further, payments of Kshs.127,831,944.00 were made to JKUATEs without evidence of work done on the above projects as there were no interim architectural certificates issued contrary to the terms of the contract requiring payments to be based on interim certificate of works.
- (iii) In addition, based on the tender documents, the total cost of construction of prefabricated courts during the financial year was Kshs.626,000,000.00. As per the contract, JKUATEs was entitled to an amount of Kshs.62,600,000.00 being 10% of contract sum. However, JKUATEs was paid Kshs.82,737,000.00 as an advance which was in excess of Kshs.62,600,000.00 by Kshs.20,137,000.00 towards the construction of the prefabricated courts.

No reasons were given for the excess payments.

#### **859. Overvalued Costs for Construction of Prefabricated Court Houses**

On 27 November 2012, the Judiciary Tender Committee awarded tenders for the construction of prefabricated courts to various contractors in various towns as shown below.

<b>Court</b>	<b>Cost (Kshs.)</b>
Bomet	81,664,580
Othaya	81,664,580
Marimati	81,664,580
Wanguru	81,664,580

Tawa	99,959,218
Mavoko	99,959,218
Garsen	<u>99,959,218</u>
<b>Total Cost</b>	<b><u>629,535,974</u></b>

From the records availed for audit, there was no justification for construction of temporary structures which would be demolished at a later date and at a cost equivalent to the recently completed two storey court buildings. In comparison to newly completed two storey court buildings in Naivasha, Busia and Sirisia, the cost of building permanent court buildings was between Kshs.80 million and Kshs.170 million. No explanation has been provided for the anomaly.

#### **860. Irregular Contract at Bomet Law Court**

The Judicial Tender Committee on 27 November 2012 awarded the tender for the construction of prefabricated court structures at Bomet Law Courts to a contractor at a cost of Kshs.81,664,580.00. However, on 9 May 2013, another contractor was awarded a tender for the construction of the proposed Bomet Court at a cost of Kshs.688,800,000.00. It was not clear and management has not explained why a new contract was awarded yet the prefabricated building works was ongoing and 75% complete.

#### **861. Payment for Works Not Done – Mavoko Law Courts**

An audit inspection at Mavoko Law Courts revealed that the Judiciary had spent a total of Kshs.46,458,069.00 for the construction of a prefabricated court at Mavoko. The amount included in the Kshs.46,458,069.00 was Kshs.42,234,609.00 for the contractor and Kshs.4,223,460.00 to JKUAT for supervision. However, there was no structure in existence on the ground. It was also observed that the court operates from two steel containers. It was not clear why payments were made for works not done nor has any recoveries been made.

#### **862. Irregular Procurement of Chief Justice House -LR NO.7785/13/ Runda Ridge**

The Judiciary incurred an expenditure of Kshs.310,000,000.00 for the purchase of property LR No.7785/13 at Runda Ridge, being the proposed new residence for the Hon.Chief Justice through Tender No.JUD/13/2012-2013. Three bidders were responsive to the tender with financial bids of Kshs.270,000,000.00, Kshs.325,000,000.00 and Kshs.425,000,000.00. The evaluation committee recommended the purchase of a fully furnished residential property from the lowest responsive tender of Kshs.270,000,000.00.

However, security concerns were raised at a meeting held on 6 December 2012 that the location of the residence was too close to the road. There was concurrence that security was paramount to the occupant. Therefore, a security survey was commissioned by the Judiciary through a private security firm which concluded that the residential property

tendered by the lowest bidder failed the security test. The security firm recommended the residence tendered by the highest responsive bidder at a price of Kshs.425,000,000.00 (including furniture). The price was however negotiated downwards to Kshs.310,000,000.00 without furniture.

The following unsatisfactory matters were observed:

**i) Over-expenditure**

The approved estimates for the purchase of the residential property from revised estimates was Kshs.219,664,924.00 inclusive of furniture but the Judiciary spent Kshs.310,000,000.00 without furniture. The Judiciary therefore incurred an over-expenditure of Kshs.90,335,076.00 and it was not clear which vote was utilized to cover for this excess. Further, it could not be established how much was used to furnish the residence and the source of finance.

**ii) Title Deed for the Residential Property**

The Title Deed to the residential property purchased was not availed for audit verification making it difficult to determine ownership by the Judiciary.

**863. Irregular Leasing of Excess Office Space- Rahimtulla/ Elgon Place**

The tender for leasing of space to provide offices and court rooms for the Court of Appeal Judges was awarded to two bidders. The tender specified for a minimum space of approximately 40,000 square feet within two (2) kilometers from Milimani Court.

The bidders offered office space at Rahimtulla Trust building (33,500 square feet) and Elgon place (49,000 square feet).

However, the following unsatisfactory matters were observed:

- (a) The Tender Committee awarded an extra space of 42,500 square feet (Rahimtulla 33,500 square feet and Elgon Place 49,000 square feet) contrary to the specifications. This amounted to change of scope since the requirement for 40,000 square feet was changed to 82,500 square feet while the requirement for Court of Appeal courts and offices was changed to include a new requirement for offices. These were therefore, done in contravention of the Public Procurement and Disposal Act, 2005 and related 2006 Regulations. The Judiciary should have re-advertised for the offices.
- (b) Elgon Place was awarded the lease contrary to Section VI - 3 of the terms and conditions of the tender as it was still under construction at the time of the tender. The condition stated that the premises should be in a serene and secure location and in good condition, ready to be occupied and not in post-construction state or requiring major reconstruction or renovation and premises should be properly licensed and registered.



In the circumstances, the award of the tender was irregular and the Judiciary has leased excess space.

#### **864. Single Sourcing for Partitioning of Elgon Place**

The partitioning works were awarded to the landlord, Elgon Place, through single sourcing at a cost of Kshs.188,059,723.00. However, the company was not a registered contractor. The Judiciary operated in total disregard of the Public Procurement and Disposal Act, 2005 and ignored the possibility of conflict of interest in the appointment of the landlord as the contractor. In addition, the offices remained unoccupied by the Judiciary raising the question as to whether proper needs assessment was done prior to the contract and value for money in the transaction was obtained.

#### **865. Rent Payment for Unoccupied Office Space at the Rahimtulla Building, Elgon Place and Agricultural Finance Corporation Buildings**

The Judiciary paid rent of approximately Kshs.1billion for office space not fully occupied. Audit visit to Rahimtulla Building and Elgon Place, revealed that about 70% of the available space in Rahimtulla Building was not occupied while 100% of the space in Elgon place remained unoccupied.

Further, the Judiciary had entered into 11 lease agreement with Agricultural Finance Corporation for office space in its building across the country at a cost of Kshs.43,537,609.00 per.annum. It was, however, noted that the leased space from Agricultural Finance Corporation was also not utilized.

No reasons were provided for hiring office space and not utilizing it. It is doubtful that the Judiciary is obtaining value for money from the transaction.

#### **866. Unsigned Lease Agreement**

##### **(a) Unsupported Payment**

The Judiciary tendered for office space through tender No.Jud /16/2012/2013 on 14 November 2012 and awarded the tender to firm at a cost of Kshs.3,379,776.00 per year. However, there was no signed lease agreement between the Judiciary and the firm to support the payment.

##### **(b) Unsupported Expenditure- Leasing of the Mayfair Court**

The Judicial Service Commission leased Mayfair court building LR No.209/18174 Upper Hill and occupied it in September 2013. However, the Judiciary paid rent of Kshs.10,734,548.00 for two years, 1 October 2011 to Sept 2013, without a binding contract before the building was occupied.

### **867. Unsupported Payment to Kenya Prisons Service**

The Judiciary paid Kshs.59,999,840.00 to the Kenya Prisons Service on 15 March 2013 for the supply of various types of furniture based on a proforma invoice. There was no information as to where this furniture was to be used. Further, the criteria used to select Kenya Prisons Service as the supplier was not provided for audit review and there was no evidence that the furniture were delivered to the Judiciary.

### **868. Irregular Payment to National Museums of Kenya**

The Judiciary entered into a Memorandum of Understanding (MOU) with the National Museums of Kenya on 28 November 2012 where the Supreme Court was to be converted to a museum. Under this MOU, the cost of conversion of the Supreme Court to a museum was to be Kshs.70million, and the Judiciary made a down payment of Kshs.35million on 14 February 2013. The payment of Kshs.35 million to the National Museums was irregular, since it is not the responsibility of the Judiciary to develop museums and such an item was not provided for in the estimates.

### **869. Defects on Completed Projects**

#### **(i) Naivasha Court**

The new court at Naivasha was handed over to the Judiciary on 5 July 2013 and the following matters were noted;

#### **(a) Perimeter Wall**

The perimeter wall about 50 meters long on the northern side was not constructed. It was not clear why this section of the perimeter wall was not constructed.

#### **(b) Court Building**

Though the court has a ramp to cater for the disabled, there are visible cracks on the eastern/western side of the wall and also on the pillars, raising doubts as regards the overall structural strength of the building. On the ground floor, the walls were both wet and a white deposit is evident indicating leakage of water from the ground.

The court has wash rooms only in the first floor. The other two floors have no wash rooms thereby making the facilities insufficient for the officers.

The doors fitted are of poor quality with a poor finishing. Cracks are visible in most doors while some doors have bends hence cannot lock properly. Lightning arresters were not fitted and being a building on a high ground there is a risk of loss of property and life if lightning was to strike the court building.

## **ii) Busia Court**

The contract for Busia Court was awarded to a firm on 3 April 2009 for a period of 52 weeks with an expected completion date of 4 April 2010. However, the project was completed in May 2013 after a period of 208 weeks without any justification for the delay. On completion of the project, a site meeting held on 29 May 2013 before the handover of the building reported several defects on the building. Major defects reported were hanging ceilings due to leaking roofs and poor workmanship on sinks, ventilations, paint work, window fasteners and stays, lights and air condition (AC) system. At the time of audit in October 2013, the reported defects had not been corrected by the contractors who had left the site.

In view of the foregoing, it has not been possible to confirm that the Judiciary obtained value for money from the contract and that occupational health and safety of staff and the public has been taken into account effectively.

### **870. Irregular Supply of Servers and Containerized Data Centre**

On 15 June 2012, the Judiciary entered into a contract with a firm for the supply, delivery, installation and commissioning of enterprise servers, medium enterprise servers and rack cabinets at a contract price of Kshs.54,719,000.00. Examination of relevant documents revealed that the LPO'S for the tender were approved on 18 June, 2012 but a proforma invoice for the supplies was raised on 14 June, 2012 before contractual obligations were entered into between Judiciary and the contractor. Further, the Judiciary procured during the year under review, a Containerized Data Center from another firm at a cost of Kshs.106,720,048.00 for use in integrated data systems within the Judiciary. It was, however, observed that the Containerized Data Center was not operational even after spending Kshs.106,720,048.00. No reasons were provided for the irregularity.

### **871. Overstated Payment of WAN Services and Improvement of LAN in the Judiciary in Makadara, Milimani and Bungoma Stations**

The Judiciary entered into a contract with a Contractor on 15 December 2012 in respect of provision of WAN services and improvement of LAN in the Judiciary in Makadara, Milimani and Bungoma stations at a contract price of Kshs.113,109,512.00.

Examination of relevant documents revealed that the contract price for Bungoma Law Courts as reflected in the Tender Committee minutes was Kshs.30,615,480.00 whereas the amount reflected in the signed contract document was Kshs.35,615,480.00. This results in an overstatement of the contract price for Bungoma Law Courts by Kshs.5,000,000.00. No explanation has been provided for the overstatement in the signed contract documents.

### **872. Unsupported Expenditure- Supply, Delivery, Installation and Commissioning of PABX and Structured Cabling at the Supreme Court of Kenya**

During the year under review, the Judiciary entered into a contract with a firm for the supply, delivery, installation and commissioning of PABX and structured cabling at the Supreme Court of Kenya at a contract price of Kshs.58,041,487.00.

The Notification letter of award of contract was sent to the firm on 15 June 2012. The contractor accepted the offer of contract on 18 June 2012, the same date the local purchase order was raised. In the correspondence from the contractor dated 20 June, 2012, the contractor requested the Judiciary to give them a 30% advance of the total contract price before commencement of work which amounted to Kshs.17,412,446.00. The Judiciary, however, paid Kshs.21,000,000.00 thereby resulting in an overpayment of Kshs.3,587,539.00. The amount was paid against a bank guarantee from Equity Bank which was neither witnessed nor sealed making it impossible to ascertain its authenticity and legality. Further, contract documents between the firm and the Judiciary and completion certificate for the service were not availed for audit verification. Consequently, the authenticity and legality of the expenditure could not be confirmed as at 30 June 2013.

### **873. Irregular Pre-financing of Contractors**

The Judiciary made advance payments totalling Kshs.309,559,041.6 being 30% of contract price to providers of LAN/WAN services contrary to the provisions of Government Financial Regulations and Procedures and the provisions of Chapter 12 of the Constitution.

### **874. Unapproved Budget Reallocation to Judicial Training Institute**

During the year under review, the Judicial Training Institute (JTI) incurred Kshs.479,809,127.55 against Approved Estimates of Kshs.480,000,000.00 for non-residential buildings. Inspection at the institute revealed that there were no non-residential buildings acquired or constructed during the year under review. Further, scrutiny of relevant documents revealed that the account was used to pay expenditure of a development nature yet JTI does not operate a development account.

The explanation provided was that the amount paid for development through JTI was as a result of delays in exchequer issues and that the amounts would be refunded upon receipt of the exchequer. However, evidence of recovery of the same amount was not availed for audit verification. No reasons were availed for reallocation/transfer of the funds.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 126**

### **Basis for Qualified Opinion**

#### **875. Bank Reconciliation- Paymaster General**

Payments in the bank statement not in the cashbook of Kshs.656,425.75 representing long outstanding reconciling items have not been posted in the cashbook and cleared from the reconciliation statement.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 126**

### **Basis for Qualified Opinion**

#### **876. Lack of Trial Balance and Ledger**

A Trial balance and ledger were not provided for audit review to support the Statement of Assets and Liabilities – Deposits as at 30 June 2013. Consequently, it has not been possible to confirm the accuracy and completeness of the statement.

#### **877. District Suspense**

The statement of assets and liabilities for Deposits as at 30 June 2013 reflects an uncleared District Suspense Account balance of Kshs.29,106,916.15 relating to the period between 1997 and 2003. No explanation has been provided for failure to clear these balances from the books of account.

#### **878. Paymaster General**

The statement further reflects Paymaster General Account balance of Kshs.2,394,598,382.55 which was not analyzed or supported with board of survey reports. Further, bank reconciliation statements for all the various bank accounts to support the Paymaster General Account were not made available for audit verification. Consequently, the accuracy of the balances reflected in the statement as at 30 June 2013 could not be ascertained.

#### **879. Cash and Bank balances**

The bank reconciliation statements for Head Office and Makadara Offices availed for audit revealed the following:

**(i) Cash Receipts in Bank statements not in cash book - Nairobi station**

A total of Kshs.116,677,586.00 had been received in the Bank but not posted in the cash book by 30 June 2013. Further, a transfer of Kshs.7,976,675.00 in the year 2011/2012 had not been supported.

**(ii) Receipts in Cashbook not in Bank Statements - Nairobi Station**

The bank reconciliation statement for Nairobi Station, reflects receipts in cash book not in bank statements of Kshs.11,181,103.00. No explanation was provided for not banking the cash.

**(iii) Receipts in cashbook not in the Bank statement for Makadara Law Courts**

The bank reconciliation statement for the Makadara Law Courts reflects receipts in cashbook not in bank of Kshs.497,000.00 which had not been accounted for. Further, a board of survey report was not made available for audit review.

**880. Unauthorized Commercial Bank Accounts**

The Statement of Assets and Liabilities for Deposits as at 30 June 2013 reflects a General Deposit account of Kshs.2,291,272,329.55 which includes Deposits from other court stations of Kshs.1,549,176,116.35 held in various Kenya Commercial Bank accounts. No authority from Treasury was availed by the Judiciary to sanction the opening of commercial bank accounts, contrary to Section 28 (1) of the Public Finance Management Act, 2012.

**881. Unresolved previous year issues**

- (i) As reported in 2011/2012, the Statement of Assets and Liabilities for Deposits as at 30 June 2012 reflects a District Suspense Account debit balance of Kshs.34,848,965.10 relating to frozen deposits from 1997 and 2003. The balance has not been cleared up to date and no reason has been provided for non-clearance of the balance from the books of accounts.
- (ii) The Statement also 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. Management has not provided any analysis even during the current audit. Therefore, it has not been possible to ascertain the accuracy of the balance of Kshs.927,969,550.15.
- (iii) A 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.

# MINISTRY OF ENERGY

## RECURRENT APPROPRIATION ACCOUNT FOR VOTE 130

### Unqualified Opinion

There were no material issues to report on this statement.

## STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 130

### Basis for Qualified Opinion

#### 882. General Suspense

The Statement of Assets and Liabilities for Vote R130 as at 30 June, 2013 reflects a General Suspense Account balance of Kshs.247,623,794.45 whose analysis was not availed for audit review. Consequently, the accuracy and completeness of the balance could not be confirmed.

## DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE 130

### Basis for Qualified Opinion

#### 883. Construction of Ministry Headquarters

On 1 April 2011, the Ministry awarded a contract for the construction of the Ministry Headquarters building to the lowest evaluated bidder at a contract sum of Kshs.1,625,917,898.00. The contract sum was in respect of main works at a cost of Kshs.1,101,667,998.00 and a provisional sum of Kshs.524,249,900.00 for subcontract works which had not been awarded. The construction works commenced on 3 May, 2011 and were expected to be completed by 19 November, 2012. After the adjudication of subcontract works, the contract sum was varied by Kshs.163,527,201.00 to Kshs.1,789,445,099.00.

It was, however, noted that the Ministry does not pay the contractor directly but has disbursed funds totalling Kshs.2,278,095,000.00 since the inception of the construction to National Oil Corporation of Kenya (NOCK); a Corporation under the Ministry which makes payments to the contractor on its behalf. However, no evidence to show that this arrangement was approved by the National Treasury was availed for audit review. Further, the funds disbursed to NOCK on account of the construction exceeded the contract sum of Kshs.1,789,445,099.00 by Kshs.488,649,901.00. The Ministry was therefore in breach of the Government Financial Regulations and Procedures and Public Finance Management Act, 2012.

#### **884. Disbursement to Kenya Power and Lighting Company Limited**

The Appropriation Account as at 30 June 2013 shows that the Ministry disbursed funds totalling Kshs.1,328,000,000.00 to Kenya Power and Lighting Company Limited during the year under Head 0006 Item 2630200: - Capital Grants to Government Agencies and other Levels of Government. However, examination of payment vouchers indicate that out of the Kshs.1,328,000,000.00, disbursed an amount of Kshs.309,000,000.00 was transferred to National Oil Corporation of Kenya (NOCK). It is not clear how the amount meant for KPLC was redirected to NOCK.

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 130**

#### **Basis for Qualified Opinion**

#### **885. Cash at Bank**

The Statement of Assets and Liabilities for Vote D 130 as at 30 June 2013 reflects a cash at bank balance of Kshs.244,944,548.35 while the cash book reflects a balance of Kshs.263,173,048.35 as at the same date. The resultant difference of Kshs.18,228,500.00 has not been reconciled or explained.

#### **886. Suspense Account Adjustment**

The Statement also reflects a Suspense Account Adjustment debit balance of Kshs.1,269,821,356.75 whose supporting analysis was not availed for audit review. Consequently, the existence and accuracy of the Suspense Account Adjustment balance of Kshs.1,269,821,356.75 as at 30 June 2013 could not be confirmed.

### **STATEMENT OF ASSETS AND LIABILITIES FOR FUNDS, SCHEMES AND DEPOSITS 130**

#### **Unqualified Opinion**

There were no material issues to report on this statement.



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

### **Basis for Qualified Opinion**

#### **887. Excess Shareholding**

As reported in the previous year, the Ministry continues to hold more than one share each in KENGEN and Geothermal Development Corporation 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 Principal Secretary, Treasury as a body corporate.

#### **888. Failure to change Name on Share Certificate**

The share certificate in respect of one share with a book value of Kshs.20.00 which the Ministry holds in Kenya Pipeline Company Limited (KPC) is held in the name of a former Permanent Secretary, Ministry of Energy and Petroleum instead of the current office holder.

## **FINANCIAL STATEMENTS OF PETROLEUM DEVELOPMENT LEVY FUND**

### **Basis for Disclaimer of Opinion**

#### **889. Discrepancy between Ledger and Petroleum Development Levy Fund Accounts**

The Fund's Income Statement for the year ended 30 June 2013 reflects petroleum development levy income of Kshs.1,398,683,000.00 and total expenditure of Kshs.1,343,077,357.20, while the ledger for the same year shows petroleum development levy receipts (Appropriations-In-Aid) totalling Kshs.1,305,726,508.05 and expenditure amounting to Kshs.1,409,668,232.50 under various heads. The resultant differences of Kshs.92,956,491.95 and Kshs.66,590,875.30 respectively between the two sets of records has not been explained or reconciled.

## **STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY THE GOVERNMENT OF KENYA**

### **Unqualified Opinion**

There were no material issues to report on this statement.

## **FINANCIAL STATEMENTS OF KENYA ENERGY SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND**

### **Basis for Qualified Opinion**

#### **890. Contributions by Other Parties**

The Fund's Balance Sheet as at 30 June 2013 reflects an accounts receivables balance of Kshs.2,668,033,365.00 which includes Kshs.1,350,500,000.00 due from six (6) State Corporations specified in the Funds Regulations and the balance of Kshs.1,317,533,365.00 owing from the Ministry of Energy and Petroleum contrary to the requirements of Government Financial Management (Kenya Energy Sector Environment and Social Responsibility Programme Fund) Regulations, 2007 and the programme's ten years Action Plan (2008-2018). Failure by the parties to meet their statutory contributions has negatively affected programmes under the 10 year Action Plan.

#### **891. Failure to Utilize Funds**

As similarly reported in the previous year, the Fund's Balance Sheet as at 30 June 2013 reflects a cash at bank balance of Kshs.518,192,379.05 which apparently is lying idle in the bank account. Further, during the year, the Ministry disbursed Kshs.53,828,869.05 to the Fund. No justification has been provided for the failure to utilize the funds to achieve the objectives and purpose of the Fund as stipulated under Section 4 of the Fund's Regulations.

## **FINANCIAL STATEMENTS OF PETROLEUM TRAINING FUND**

### **Basis for Disclaimer of Opinion**

#### **892. Income**

The statement of financial performance for the year ended 30 June 2013 reflects income of Kshs.1,724,704,940.80 which includes Training Contributions and income from other sources of Kshs.351,989,262.97. The inclusion of funds from other sources other than moneys paid by Oil Exploration Companies as training contributions contravenes Section 5 of the Petroleum Exploration and Production Training Fund Regulations, 2006.

#### **893. Discrepancy between Trial Balance and Training Fund Accounts**

The Fund's statement of financial performance for the year ended 30 June 2013 reflects surface fees, training contributions, signature bonuses, penalties, community contribution and royalties balances, all totalling Kshs.1,691,736,745.35 and training expenses balance of Kshs.205,878,306.50. The Trial balance on the other hand, reflects royalties balances amounting to Kshs.1,195,335,776.85 and training expenses

totalling Kshs.107,681,721.00. The resultant differences of Kshs.496,400,968.50 and Kshs.98,196,585.50 respectively, between the two sets of records, which the Ministry has attributed to delay in capturing the same in the Integrated Financial Management Information System (IFMIS), have not been reconciled.

# MINISTRY OF EDUCATION

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 131

### Basis for Disclaimer of Opinion

#### 894. Accuracy of the Appropriation Account

- (i) The Appropriation Account for the Recurrent Vote reflects Approved Estimates figure of Kshs.45,509,606,826.00 while the June ledger and Trial balance reflects estimated expenditure of Kshs.625,533,016,426.00 resulting in a difference of Kshs.580,023,409,600.00 which has not been explained. Further, the Appropriation Account shows total expenditure for the year of Kshs.40,363,468,226.70 while the supporting ledger reflects total expenditure of Kshs.40,178,543,737.91. The variance of Kshs.184,924,488.79 between the two sets of records has not been explained or reconciled.
- (ii) The Appropriation Account also reflects Supplementary Estimates totalling 37,592,817,301.00 in nine (9) heads while the printed Supplementary estimates reflect Kshs.37,596,649,827.00 resulting to a difference of Kshs.3,832,526.00. In addition, the Appropriation Account reflects Supplementary Estimates totalling Kshs.1,903,892,265.00 in two (2) heads while the printed Supplementary Estimates reflect Kshs.1,900,059,749.00 resulting to a variance of Kshs.3,832,516.00. The differences have not been explained or reconciled.

Under the circumstances the accuracy and completeness of the Appropriation Account for vote R.131 could not be confirmed.

#### 895. Current Grants to Government Agencies and Other Levels of Government

The Appropriation Account reflects under various Heads, expenditure totalling Kshs.15,260,677,549.00 under Item 2630100 – Current Grants to Government Agencies and Other Levels of Government, representing funds released to various Government Educational Institutions, Colleges and Schools during the year ending 30 June, 2013. Out of this amount, an amount of Kshs.10,005,615,240.00 has been confirmed received in the respective Institutions leaving a balance of Kshs.5,255,062,309.00 sent to thirteen (13) institutions. Under the circumstances, the propriety of the expenditure of Kshs.5,255,062,309.00 incurred during the year could not be confirmed.

#### 896. Unsupported Expenditure - Scholarship and Other Educational Benefits

The Appropriation Account also reflects under Heads 00200, 0022 and 0035 – Item 2640100 – Scholarship and Other Educational Benefits, expenditures of Kshs.10,000,000.00, Kshs.10,000,000.00 and Kshs.1,040,425,284.00 respectively,

totalling Kshs.1,060,425,284.00 disbursed to various Educational Institutions. Kenya Institute of Special Education (KISE) and Primary Teachers Training Colleges received Kshs.10,000,000.00 each while the balance of Kshs.1,040,425,284.00 was in respect of educational scholarships disbursed through the Constituency Bursary Fund Committees. However, no documentary evidence in form of returns and lists of beneficiaries were available for audit verification. Under the circumstances, the propriety of the expenditure of Kshs.1,040,425,284.00 on Scholarship and other Educational Benefits could not be confirmed.

#### **897. Unsupported Expenditure on Sanitary Towels**

Examination of records maintained at the Ministry's Headquarters revealed that the Ministry entered into contracts with three (3) firms for the supply of sanitary towels to schools in seven (7) provinces. As at 30 June, 2013, the Ministry had paid the firms a total of Kshs.297,990,193.20 for the towels. However, although the receiving documents (S12's) were attached to the payment vouchers as proof of delivery of the goods to the Ministry, information available indicates that this was done as a formality as the goods were delivered by the suppliers directly to the schools with the supervision of District Education Officers (DEOs). No supporting documents including returns from the respective DEOs Offices and recipient schools confirming receipt of the sanitary towels were made available for audit review. In the absence of these documents, the expenditure of Kshs.297,990,193.20 could not be confirmed.

#### **898. Doubtful Payment**

Records maintained at the Ministry indicate that an amount of Kshs.1,673,039.00 was paid to a media house vide payment voucher no. 7160 dated 15 May 2013. The payment was supported by Local Service Orders (LSO's) nos. 0694273, 0694261, 0694262 and 0694260 for Kshs.811,072.00, Kshs. 216,195.00, Kshs. 52,780.00 and Kshs. 592,992.00 respectively, all dated 14 February 2013 while the respective invoices were for various dates in 2011/2012. The amount paid was not reflected as part of pending bills in 2011/2012. No explanation was provided as to why the Ministry raised the above four (4) LSOs long after it had received the respective invoices. Further, copies of the advertisements were not available for audit review. In the circumstances, the propriety of the expenditure of Kshs.1,673,039.00 could not be ascertained

#### **899. Nugatory Payment**

The Ministry disbursed Kshs. 48,500,000.00 to various Teachers Training colleges vide Payment voucher no.734 of 30 August 2012. Included in the amount was Kshs.2,093,181.45 disbursed to Kilimambogo Teachers Training College to settle a court award for wrongful dismissal of one of its officers. However, records maintained by the Ministry show that the officer was awarded Kshs.672,111.70 on 3 November, 2011 vide court case HCCC No.344 of 2007. The difference of Kshs.1,421,069.75 was mainly interest due to delay in settlement of the award. No explanation was given as to why the court award was not settled on time. In the circumstances, the expenditure of Kshs.1,421,069.75 is nugatory.

## **900. Revenue**

The Ministry's revenue print out availed for audit review reflects revenue receipts totalling Kshs.22,228,719.00 during the year from registration of schools, vetting, sale of tenders and sale of motor vehicles. However, the cash book reflects receipts of Kshs.20,303,719.00 for the same period. The difference of Kshs.1,925,000.00 has not been reconciled or explained.

## **901. Pending Bills**

Records maintained by the Ministry indicate that bills totalling Kshs.5,645,843.30 for the year 2012/2013 were not settled during the year but were instead carried forward to the year 2013/2014. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account for Vote R.131 would have reflected a reduced net surplus of Kshs.2,128,902,356.00 instead of the Kshs.2,134,548,199.30 now shown. Failure to pay bills in the financial year they relate to distorts the financial resources of the following year when they are settled on a priority basis.

## **902. Bulk Purchase of Fuel – Nandi East District Education Office**

Examination of records maintained at the Nandi East District Education Office revealed that 4,333 litres of bulk fuel worth Kshs.457,600.00 were purchased during the year under review. However, fuel registers and detailed orders were not updated. Further, relevant work tickets were not made available for audit review. The propriety of the expenditure of Kshs.457,600.00 therefore, could not be ascertained.

## **903. Unaccounted for Funds – Kitui County Director of Education**

The County Director of Education, Kitui County paid Kshs.600,000 to Kitui Secondary Schools Activities Association vide payment voucher No.5459 and cheque no 002039 of 7 & 8 May 2013, respectively, to cater for Science and Engineering Fair County Competitions during the year. However, no expenditure returns detailing how the funds were utilized were made available for audit confirmation. In the circumstance, the expenditure of Kshs.600,000 could not be confirmed as a proper charge to public funds.

## **904. Unaccounted for Fuel – Balambala District Education Office**

Expenditure totalling Kshs.560,142.50 incurred on fuel during the year was not supported by work tickets and fuel detail orders. Delivery notes and field fuel registers were not made available for audit review, contrary to Chapter 18.2 and 18.3.2 of the Government Financial Regulations and Procedures which require that records of receipt and issues of stores including fuel be maintained. In the absence of delivery notes, work tickets and detail orders, it has not been possible to confirm whether or not the fuel drawn during the year was used for the intended purpose and that the expenditure of Kshs.560,142.50 was a proper charge to public funds.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 131**

### **Basis for Adverse Opinion**

#### **905. Accuracy of the Statement**

The Statement of assets and liabilities reflects total assets and liabilities balance of Kshs.1,671,956,265.54 each which were not supported by the relevant trial balance as at 30 June, 2013. In the circumstance, the accuracy of the statement balances as at 30 June, 2013 could not be ascertained.

#### **906. General Account of Vote (GAV)**

The Statement also reflects a General Account on Vote (GAV) balance of Kshs.778,109,039.05 for the year 2012/2013. However, the Appropriation Account for Recurrent Vote 131 for the year ended 30 June 2013, reflects a net surplus to be surrendered to the Exchequer of Kshs.2,134,548,199.30 resulting into an un explained and un-reconciled difference of Kshs.1,356,439,160.25. Under the circumstances, the source and accuracy of the GAV balance as at 30 June, 2013 could not be ascertained.

#### **907. Agency Account**

The Statement further reflects an Agency Account balance of Kshs.11,590,292.70 for the year 2012/2013. However, a list of uncleared effects availed for audit review reflected total Agency Account balance of Kshs.643,554.55. No reconciliation or explanation has been provided for the difference of Kshs.10,946,738.15 between the two sets of records.

#### **908. Standing Imprest Account**

The Statement further reflects a standing imprest balance of Kshs.230,722.60 brought forward from the previous year but which was cleared during the year under review. However, no documents were provided to support the clearance of the balance from the books of account. Further, an analysis of standing imprest provided for audit review showed that the Kshs.230,722.60 was still outstanding as at 30 June, 2013. Consequently, the accuracy of the standing imprest balance could not be confirmed.

#### **909. Temporary Imprest**

The Statement further reflects Temporary Imprest balance of Kshs.13,783,030.10 brought forward from the previous year out of which Kshs.1,676,323.50 was cleared during the year under review. However, no evidence was provided in support of the clearance of this balance from the books of account. In addition, examination of temporary imprests records maintained at the Ministry Headquarters revealed that temporary imprest totalling Kshs.6,561,518.40 which ought to have been surrendered or otherwise accounted for on or before 30 June 2013, was still outstanding as at that

date. No explanation has been provided for failure to recover the temporary imprest. Further, the Statement reflects a Temporary Imprest balance of Kshs.12,106,706.60 as at 30 June 2013 which is owed by officers who are deceased or are no longer with the Ministry. In the circumstances, the recovery of the Kshs.12,106,706.60 imprest is doubtful.

### **910. Uncleared Balances**

The Statement of Assets and Liabilities as at 30 June, 2013 for Vote R.131 reflects various debit and credit balances totalling Kshs.5,270,363,435.05 and Kshs.10,953,738.15 respectively, relating to 2011/2012 and earlier years as indicated below:

<b><u>Debits</u></b>	<b><u>Amount (Kshs.)</u></b>
District/Prov/Acc	526,919,984.80
Advances	1,599,075.65
Temporary Imprest	12,106,706.60
Suspense General	31,972,375.30
PMG	<u>4,697,765,292.70</u>
<b>Total</b>	<b><u>5,270,363,435.05</u></b>

### **Credits**

Clearance	<b>10,953,738</b>
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No explanations have been provided for non- clearance of the long outstanding debit and credit balances from the books of account.

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 131**

### **Basis for Qualified Opinion**

#### **911. Accuracy of the Statement - Variance between the Appropriation Account and the Ledger**

The Appropriation Account reflects total net expenditure of Kshs.5,596,006,316.60 while both the ledger and the trial balance reflect expenditure of Kshs.5,584,345,186.60 resulting to an unexplained and un-reconciled difference of Kshs.11,661,130.00. In addition, the Appropriation Account summary also reflects expenditure of Kshs.1,065,000,000.00 under Head 0019- School Feeding Programme which however is not included in the main Appropriation Account. In the circumstances the accuracy and completeness of the Appropriation account could not be confirmed.

#### **912. Under Expenditure and Under Collection of Appropriation-In-Aid**

The Appropriation Account for Vote D.131 for the year ended 30 June, 2013 reflects under-expenditure of Kshs.2,221,062,401.65 or about 21% of the approved estimated



expenditure of Kshs.10,465,013,353.00. The under-expenditure occurred mainly under Sub-Votes 3501 and 0101-Secondary and Tertiary Education and Directorate of Field Services respectively. The Account also reflects under-collection of Appropriations-in-Aid of Kshs.1,765,565,365.25 or about 40% of the expected receipts of Kshs.4,413,510,000.00. The under-expenditure and under-collection of Appropriations-in-Aid were attributed to late submission of documents by UNICEF and other funding agencies, delayed Exchequer releases, late submission of completion certificates by the Districts, delay in signing of contracts by schools and lengthy procurement procedures 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 Appropriations-in-Aid.

### **913. Difference between Approved Budget and the Consolidated Fund Warrant**

The Appropriation Account for the year ended 30 June, 2013 for Vote D.131 reflects an approved budget of Kshs. 6,051,503,353.00. However, the consolidated fund warrant No.3 of 2012/2013 dated 28 June, 2013 reflects a revised budget of Kshs.5,851,503,353.00 for the Vote resulting in an unexplained and un-reconciled difference of Kshs.200,000,000.00. Further, although the Appropriation Account reflects no supplementary estimates, the warrant reflects a budget reduction of Kshs.1,016,000,000.00. In the circumstances, the accuracy and completeness of the appropriation account could not be confirmed.

### **914. Unsupported Expenditure on ICT Equipment**

The Appropriation Account reflects under Head 0005 – Headquarters Administrative Services, Subhead 02 – Information Communication Technology Unit Headquarters, an expenditure of Kshs.47,583,999.00 relating to purchase of ICT Equipment through funding by Belgium. However, the expenditure was supported by Journal Entry Nos.0014 and 0050 of Kshs.13,511,855.20 and Kshs.33,988,144.00 respectively, both totalling Kshs.47,499,999.20. The difference of Kshs.83,999.80 between the two sets of records has not been explained.

Further, records and correspondences from the donor, reflects disbursements totalling Kshs.52,034,048.28 in 2012/2013 for the project resulting in an unexplained difference of Kshs.4,450,049.28. In addition, details of the procurement method used were not disclosed for audit review.

In the circumstances, it was not possible to ascertain whether the expenditure of Kshs.47,583,999.00 was expended as appropriated or whether the Ministry got value for money.

### **915. Pending Bills**

Records maintained by the Ministry indicate that bills totalling Kshs.111,507,274.80 for the year 2012/2013 chargeable to the development vote were not settled during the year but were instead carried forward to the financial year 2013/2014. Included in the

amount are bills totalling Kshs.96,660,000.00 or about 87% owed to one firm. No explanation has been provided for not settling the bills. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account for vote D.131 for the year ended 30 June, 2013 would have reflected a reduced net surplus to be surrendered to the exchequer of Kshs.343,989,761.60 instead of the net surplus of Kshs.455,497,036.40 now shown.

#### **916. Proposed Extension of District Education Office – Nandi East District Office**

Contract for construction of proposed extension of District Education Office was competitively awarded on 14 March 2013 to an Eldoret based company at a contract sum of Kshs.2,984,850.00. It was however, observed that contract agreement dated 3 April 2013 did not specify the contract period and was to be set and agreed between the project manager (Public Works) and the contractor. It was therefore, not clear how the construction would be supervised in absence of contract period.

Further, although physical inspection carried out on the project revealed that the construction had reached lintel level and first payment amounting to Kshs.955,000.00 released to the contractor, there was no evidence that the payment was certified by an Inspection and Acceptance Committee. It is not possible therefore, to ascertain whether the works carried out were as per specifications and of right quality.

#### **917. Unsupported Payment for Construction of Office Block – Balambala District Education Office**

A total of Kshs.3,867,271.80 was paid to a contractor (Excluding retention and withholding tax of Kshs.444,514 and Kshs.133,354.20 respectively) for the construction of an office block in Balambala. However, the Bills of Quantity (BQs) used to evaluate the bidders including that for the winning bidder were not availed for audit. Although the works had been certified 95% complete according to site inspection report dated 18 December 2012, it was not possible to confirm specific works input in terms of quantity and quality in the absence of the BQs. Physical verification conducted in February, 2014 revealed that the project was incomplete while project cost had been paid in full except for retention money and withholding tax.

In the circumstances, the propriety of expenditure of Kshs.4,445,140.00 charged to public funds during 2012/2013 could not be confirmed.

### **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.131**

#### **Basis for Disclaimer of Opinion**

#### **918. Unsupported Balances**

The Statement of Assets and Liabilities balances as at 30 June 2013 were not supported by the relevant trial balance. Further, the Ministry did not provide analysis and schedules for balances reflected in the Statement in respect of GAV –

Kshs.3,453,853,764.75, Agency – Kshs.156,811,142.55, and Miscellaneous Items – Kshs.41,706.50. In the circumstance, the accuracy of the Statement balances as at 30 June, 2013 couldnot be ascertained.

**919. Paymaster General (PMG) Account**

The reconciliation statement reflects balance as per bank statement of Kshs.1,898,561.80 while the bank confirmation certificate reflects a bank balance of Kshs.11,867,906.40. The difference of Kshs.9,969,344.60 has not been explained or reconciled. Under the circumstances, the accuracy of the PMG balance of Kshs.855,428.80 as 30 June, 2013 could not be confirmed.

**920. General Account of Vote (GAV)**

The Statement further reflects a General Account of Vote (GAV) balance of Kshs.3,453,853,764.75 as at 30 June, 2013 which includes surplus for the year of Kshs.200,771,396.80. However, the figure differs with the net surplus of Kshs.455,497,036.40 reflected in the Development Appropriation Account for 2012/2013. The variance of Kshs.254,725,639.60 has not been reconciled or explained. Under the circumstances, the accuracy of GAV balance as at 30 June, 2013 could not be confirmed.

**921. Uncleared Balances**

The Statement reflects long outstanding debit and credit balances totalling to Kshs.3,409,893,510.50 and Kshs.3,407,510,760.50 respectively, which have been brought forward from previous years.

<u>Debits</u>	<b>Amount (Kshs.)</b>
Exchequer	3,242,415,223.75
Temporary Imprest	2,639,927.50
Agency	82,405,195.10
Miscellaneous Items	41,706.50
PMG	<u>80,008,707.65</u>
<b>Total</b>	<b><u>3,407,510,760.50</u></b>
<b>Credits</b>	
GAV	3,253,082,367.95
Agency	<u>156,811,142.55</u>
<b>Total</b>	<b><u>3,409,893,510.50</u></b>

No explanations have been provided for non clearance of these long outstanding balances from the books of account.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 131**

### **Basis for Disclaimer of Opinion**

#### **922. Paymaster General (PMG)**

The Statement of Assets and Liabilities as at 30 June, 2013 for Deposits reflects cash with Paymaster General balance of Kshs.166,867,833.30 which differs with the cashbook balance of Kshs.165,280,719.95 by Kshs.1,587,113.80. Further, the Statement reflects PMG balance of Kshs.167,334,635.75 brought forward from 2011/2012 which differs from the audited balance of Kshs.166,227,232.25 as at 30 June, 2012. The difference of Kshs.1,107,403.50 has not been reconciled or explained. Under the circumstances, the accuracy of the PMG balance of Kshs.166,867,833.30 as at 30 June 2013 could not be confirmed.

#### **923. Headquarters Deposit Account**

The Statement also reflects Headquarters Deposit Account balance of Kshs.165,624,629.80 as at 30 June 2013 while analysis supporting the figure shows a balance of Kshs.160,735,063.76. The resultant difference of Kshs.4,889,566.04 has not been reconciled or explained.

#### **924. Posting to Non existing Accounts**

In addition, the Statement reflects a brought forward balance of Kshs.7,805,087.60 described as posting to non-existing accounts which differs from the audited balance of Kshs.6,697,684.10 as at 30 June, 2012. The difference of Kshs.1,107,403.50 has not been reconciled or explained. Further, it was not clear what the posting to non existing accounts entails.

Under the circumstances, the validity of the balance could not be ascertained.

#### **925. Accuracy of the Statement**

The Statement also reflects Assets and Liabilities balances each totalling Kshs.174,348,364.85 which were not supported by the relevant trial balance as at 30 June, 2013. Further, these balances were not supported by the relevant schedules and analyses. In the circumstance, the completeness and accuracy of the statement balances as at 30 June, 2013 could not be ascertained.

#### **926. Uncleared Balances**

As similarly reported in the previous year, the Statement of Assets and Liabilities for Deposits 131 as at 30 June, 2013 reflects long outstanding debit and credit balances amounting to Kshs.6,877,929.10 and Kshs.174,348,364.85 respectively against various accounts as indicated here below:-

<b>Debits</b>	<b>Amount (Kshs.)</b>
Temporary Imprest	1,056,221.15
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-Research	<u>35.00</u>
<b>Total</b>	<b><u>6,877,929.10</u></b>
<b>Credits</b>	
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
Headquarters Deposits	166,227,232.25
Mombasa-Non Existing Deposit	294,792.70
Posting to Non Existing Accounts	<u>7,805,087.60</u>
<b>Total</b>	<b><u>174,348,364.85</u></b>

No reason has been given for the non clearance of these balances from the books of accounts.

# MINISTRY OF INFORMATION AND COMMUNICATIONS

## Basis for Qualified Opinion

### RECURRENT APPROPRIATION ACCOUNT VOTE R 132

#### 927. Personal Emoluments

The Appropriation Account reflects under various heads basic salaries and Personal allowances paid as part of salary totalling Ksh.465,114,459.00. However, the monthly Integrated Payroll and Personal Database (IPPD) system and actual salaries and payment vouchers for 2012/2013 shows expenditure totalling Kshs.452,899,409.00 as at 30 June 2013. The variance of Kshs.12,215,050.00 has not been explained or reconciled.

### STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 132

## Basis for Qualified Opinion

#### 928. General Account of Vote - Long Outstanding Balance

The statement of Assets and Liabilities for Vote R132 as at 30 June 2013 reflects balance of Kshs 28,825,658.30 and Kshs.13,455,337.30 under General Account Vote and Exchequer Account which relates to 2011/2012 and earlier years. No explanation has been provided for non-clearance of the long outstanding balance as required by Treasury Circular AG.17/011/VOL.5/153 dated 16 June 2009.

#### 929. Unanalysed Balances

The Statement of Assets and Liabilities as at 30 June 2013 reflects a debit balance of Kshs.717,942.10 against District Suspense Account whose supporting analysis/schedules were not provided for audit review. In the circumstances, it has not been possible to confirm the accuracy and completeness of the district suspense account balance of Kshs.717.942.10 as at 30 June 2013.

#### 930. Paymaster General Account

The Statement of Assets and Liabilities reflects a debit Paymaster General Account balance of Kshs.53,791,926.05 which was at variance with the cashbook balance of Kshs.959,240.35 by an unexplained difference of Kshs.52,832,685.70. It was therefore, not possible to confirm the accuracy of the Paymaster General Account balance of Kshs.53,791,926.05 as at 30 June 2013.

## **DEVELOPMENT APPROPRIATION ACCOUNT VOTE D 132**

### **Basis for Qualified Opinion**

#### **931. Accuracy of the Development Appropriation Account**

The Development Appropriation Account (Vote D 132) for the year ended 30 June 2013 reflects net total vote of Kshs.4,299,698,042.00 against actual expenditure of Kshs.3,617,917,601.25 resulting to a net surplus to be surrendered to Exchequer of Kshs.681,780,440.75. However, records maintained by the Ministry indicate that Pending Bills relating to Development Vote amounting to Kshs.51,565,869.00 relating to 2012/2013 financial year were not settled as at 30 June 2013. Had these bills been paid and the expenditure charged to the financial statements for 2012/2013, the Development Appropriation account for Vote D132 for the year ended 30 June 2013 would have reflected a reduced net surplus to be surrendered to Exchequer of Kshs.630,214,571.75 instead of Kshs.681,780,440.75 now reflected.

#### **932. Under Collection of Appropriation-In-Aid**

The Development Appropriation Account for the year ended 30 June 2013 reflects under collection of Appropriation-In-Aid totalling Kshs.1,296,948,121.00. The under collection was noted under Head-0001-Headquarter Administrative services, sub-Head 01-Headquarters Item 5120200-Domestic accounts payables of Kshs.1,103,948,121.00 and Head 0007- Provincial and District Information Sub Head 98-Devolved Functions provincial and District Information Item 1310200-Grants from Foreign Governments-Direct payments treated as AIA of Kshs.193,000,000.00. No explanation was provided as to why this amount was not collected as at 30 June 2013.

#### **933. Under Expenditure**

The Development Appropriation Account vote D132 for the year ended 30 June 2013 reflects under expenditure totalling Kshs.2,113,476,754.00 under various expenditure items.

No explanations were provided as to why the amounts were not spent on the related programs and services under the respective items.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 132**

### **Basis for Qualified Opinion**

#### **934. Unreconciled Paymaster General Account**

The Statement of Assets and Liabilities for Vote D 132 as at 30 June 2013 reflects a balance of Kshs.447,197,990.90 under Paymaster General Account out of which

Kshs.219,461,971.15 relates to the financial year 2011/2012 and earlier years. This balance is at variance with the cashbook balance of Kshs13,294,403.20 by an unreconciled balance of Kshs.433,903,587.70.

### **935. Long Outstanding Balances**

The Statement of Assets and Liabilities for Vote D 132 as at 30 June 2013 reflects long outstanding balances of Kshs.1,589,985,452.00 and Kshs.1,931,642,033.15 in respect to Exchequer Account and General Account of Vote respectively for the financial year 2011/2012 and earlier years. No explanation was provided as to why these balances have not been cleared from the books of account.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 132**

### **Basis for Qualified Opinion**

#### **936. Unsupported Balance**

The Statement of Assets and Liabilities for Deposits as at 30 June 2013 reflects a balance of Kshs.447,984.40 whose analysis/breakdown was not availed for audit review. Consequently, the accuracy and completeness of the balance of Kshs.447,984.40 as at 30 June 2013 could not be ascertained.

#### **937. Unreconciled Paymaster General Balance**

The Statement of Assets and Liabilities for deposits as at 30 June 2013 reflects a balance of Kshs.447,984.40 in respect of Paymaster General Account. However, the cashbook reflects cash and bank balance of Kshs.305,855.40 as at the same time. The difference of Kshs.142,129.00 between the two sets of records has not reconciled or explained.

## **STATEMENT OF REVENUE**

### **Basis for Qualified Opinion**

#### **938. Unsupported Revenue Balance**

The Statement of Revenue reflects a balance of Kshs.9,635,338.00 in respect of registration of Newspapers, Books and Periodicals whose supporting schedules or analysis were not availed for audit review. It was, therefore, not possible to confirm the accuracy and correctness of the balance of Kshs.9,635,338.00 as at 30 June 2013.



## **STATEMENT OF OUTSTANDING OBLIGATIONS GUARANTEED BY GOVERNMENT OF KENYA**

### **Basis for Qualified Opinion**

#### **939. Unsupported Loan Balances**

The statement of outstanding obligations guaranteed by the Government of Kenya reflects outstanding liabilities as at 30 June 2013 totalling Kshs.4,286,524,098.40 made up of Kshs.352,644,537.90 and Kshs.3,933,879,560.50 relating to ECD Canada loan to Telkom (K) Ltd and Government of Japan Loan No. KEP 12 to Kenya Broadcasting Corporation respectively. No explanation for failure to provide the records was given. Thus the accuracy and authenticity of the balances could not be ascertained

# **ETHICS AND ANTI-CORRUPTION COMMISSION**

## **Basis for Qualified Opinion**

### **940. Irregular Personal Allowances**

Included in administration expenses of Kshs.840,876,055.00 for the year ended 30 June 2013 is acting allowance amounting to Kshs.1,773,000.00 which was paid to the immediate former Chief Executive Officer between July 2012 and September 2012 contrary to Circular No. OP/CAB/55/1 dated 1 February 2012. Similarly, the Commission had paid acting allowance of Kshs.4,669,323.00 in the year 2011/2012 to the same officer against an entitlement of Kshs.579,427.00 over the entire period. The Commission's efforts have so far not yielded any results to recover the excess allowance of Kshs.5,862,895.90 as at 30 June 2013.

### **941. Loss of Consumable Stock**

The statement of financial position reflects inventory of Kshs.15,204,367.00 as at 30 June 2013. However, 400 tonners valued at Kshs.2,929,820.00 which were ordered on October 2010 from five suppliers and 10 tonners of Kshs.94,100.00 ordered on 10 February 2011 and supplied by one supplier could not be accounted for. The 410 tonners worth Kshs.2,923,920.00 were lost under unclear circumstances and the Commission has made a loss provision in Note 6 to the financial statements. The Commission has not made any recovery of the amount lost through collusion of its former staff.

### **942. Wealth Declaration Management Project**

The Commission through the United Nations Development Programme (UNDP) funding of USD 400,000 and Government of Kenya counterpart funding of USD 54,250 was to develop a Wealth Declaration Management System starting 01 March 2011 and be completed in March 2013. However, Kshs.20,457,206.00 had been incurred on the project as at 30 June 2013 without fully attaining the desired deliverables and goals as spelt out in the project's financing agreement signed on 5 April 2011.

# MINISTRY OF STATE FOR SPECIAL PROGRAMMES

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 135

### Basis for Disclaimer of Opinion

#### 943. Expenditure on Personnel Emoluments

The Appropriation Account for Vote R.135 for the year ended 30 June 2013 reflects under Items 2110100, 2110200 and 2110300 expenditure totalling Kshs.143,434,876.00 relating to (Kshs.84,777,915.00) basic salaries – permanent employees; (Kshs.2,924,683.00) basic salaries – temporary employees; and allowances paid a part of salaries of Kshs.55,732,278.00. The total expenditure of Kshs.143,434,876.00, however, differs with the related Integrated Personnel and Payroll Data records for July 2012 to June 2013 which reflects expenditure totalling Kshs.137,250,864.60 on the items. The expenditure difference of Kshs.6,184,011.40 has not been reconciled or explained. In the circumstances, expenditure of Kshs.143,434,876.00 on personnel emoluments as reflected in the Appropriation Account cannot be confirmed as correct.

#### 944. Unsupported Expenditure

Expenditure totalling Kshs.1,445,244,760.00 charged to Account Item 2640200 – Emergency Relief and Refuge Assistance and relating to purchase of beans and rice has not been supported with goods received notes. Consequently, it has not been possible to ascertain whether the cereals were delivered by the suppliers, received and taken on charge in the stores.

#### 945. Pending Bills

Bills totalling Kshs.169,829,824.00 relating to 2012/2013 and chargeable to the Recurrent Vote R.135, were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Recurrent Appropriation Account for the year ended 30 June 2013 would have reflected an irregular excess vote of Kshs.60,785,931.00 instead of net surplus of Kshs.109,043,893.00 now shown.

#### 946. Inaccuracy of the Appropriation Account

The Appropriation Account reflects net total expenditure of Kshs.5,346,159,217.00 which differs with the Trial Balance total expenditure of Kshs.5,276,918,440.07. The resultant difference of Kshs.69,240,776.93 has not been reconciled or explained.

#### 947. Unaccounted for Expenditure

Available information indicate that the Ministry issued an Authority to Incur Expenditure (A.I.E.) No. A649989 of Kshs.825,000,000.00 to the Ministry of Agriculture on 21 March

2013 to facilitate purchase of fertilizer. However, expenditure returns and other supporting documentation from the Ministry of Agriculture were not availed for audit review to confirm whether the funds were actually received and used for the intended purposes by the Ministry. Consequently, the propriety of the expenditure of Kshs.825,000,000.00 charged to public funds could not be ascertained.

#### **948. Lack of Footnotes**

Contrary to the requirements under Chapter 11 Paragraph 11.7 of the Government Financial Regulations and Procedures, no footnotes to the Appropriation Account have been provided to explain the reasons for material variations between the approved estimates and actual expenditure/appropriations-in-aid (AIA) for the following items:

<b>Head</b>	<b>Item</b>	<b>Amount (Kshs)</b>
0001-01	1420600 (AIA)	1,263,700.00
0001-01	2110300	1,609,485.00
0001-98	2640200	153,290,226.00
0005-01	2211300	4,567,738.00
002- 01	2211300	34,945,704.00

No explanation has been provided for the above omission.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 135**

### **Basis for Disclaimer of Opinion**

#### **949. Format of the Statement**

The Statement of Assets and Liabilities for Vote R.135 as at 30 June 2013 submitted for audit does not conform to the requirements of Chapter 11, Paragraph 11.8 of the Government Financial Regulations and Procedures in that the balances relating to the current year's (2012/2013) transactions have been omitted. This omission has not been justified by the Ministry.

#### **950. Exchequer Account**

The Statement reflects an Exchequer account debit balance of Kshs.91,203,110.00 while records maintained at the Office of the Controller of Budget show a balance of Kshs.89,703,110.00 in respect of Vote R.135. No reconciliation or explanation has been provided for the difference of Kshs.1,500,000.00.

### **951. Suspense Account**

The Statement reflects a Suspense Account brought forward debit balance of Kshs.166,436,399.40 which differs with the closing balance of Kshs.164,366,335.40 reflected in the audited Statement for the year 2011/2012 by Kshs.2,070,064.00. The Statement's Suspense Account balance of Kshs.101,508,421.00 as at 30 June 2013 has not been supported with analysis and documentation. Consequently, it has not been possible to confirm the accuracy of suspense figure of Kshs.101,508,421.00 as at 30 June, 2013.

### **952. General Account of Vote**

The Statement also reflects a General Account of Vote (G.A.V) brought forward balance of Kshs.144,133,841.00 which differs with the closing balance of Kshs.142,063,777.60 reflected in the audited Statement for the year 2011/2012 by Kshs.2,070,063.40. The Statement in addition reflects a G.A.V. balance of Kshs.196,476,412.00 which similarly differs with the balance of Kshs.109,043,893.00 shown in the Appropriation Account for Vote R.135 for the year ended 30 June 2013 by Kshs.87,432,519.00. No explanation or reconciliations have been provided for these differences. In the circumstances, the accuracy of General Account of Vote transactions for the year and balance of Kshs.196,476,412.00 as at 30 June, 2013 could not be ascertained.

### **953. Inaccuracies of Accounts**

All the balances reflected in the Statement of Assets and Liabilities for Vote R.135 were not supported with ledgers and trial balance. As a result, the accuracy and validity of the balances could not be ascertained.

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 135**

### **Basis for Disclaimer of Opinion**

#### **954. Failure to Sign Account**

Contrary to the requirements under Section 4(3) (d) of the Public Audit Act 2003 the Appropriation Account for Vote D.135 for the year ended 30 June 2013 submitted for audit was not signed by the Accounting Officer. The Ministry is, therefore, in breach of the law.

#### **955. Lack of Footnotes**

Contrary to the requirements under Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures, no footnotes were attached to the Appropriation Account for Vote D.135 to explain reasons for material variations of over Kshs.1,000,000.00 above or below the approved estimates and actual

expenditure/appropriations-in-aid receipts. The financial statements therefore, lack in details and contents as prescribed by the regulations.

#### **956. Under-Expenditure and Under-Collection of Appropriation-In-Aid**

The Appropriation Account for Vote D.135 for the year ended 30 June 2013 reflects a gross under-expenditure of Kshs.2,335,285,443.70 or about 38% of the approved gross estimates of Kshs.6,098,582,941.00. The Account also reflects a deficiency in Appropriations-In-Aid of Kshs.465,749,555.25 or about 65% of the estimated receipts of Kshs.713,692,400.00. No reasons in form of footnotes have been provided for the variances. The Ministry has not indicated the measures it has put in place to mitigate against the under-expenditure and under collection of Appropriations-In-Aid.

#### **957. Pending Bills**

Bills totalling Kshs.247,560,624.00 chargeable to Vote D.135 and relating to the year 2012/2013 were not paid during the period but were instead carried forward to 2013/2014. Had the bills been settled and the expenditure charged to the accounts for 2012/2013, the Appropriation Account would have reflected a reduced net surplus of Kshs.1,621,975,264.45 instead of Kshs.1,869,535,888.45 now shown.

#### **958. Grants to National Aids Control Council**

The Appropriation Account reflects under Head 000700, a net expenditure of Kshs.1,829,247,487.00 in respect of grants to the National Aids Control Council. The organisation's financial records for the year 2012/2013, however, indicate receipts totalling Kshs.1,758,497,487.00 during the year. The resultant difference of Kshs.70,750,000.00 is reflected as a pending bill as at 30 June 2013 but at the same time irregularly captured in the Appropriation Account as an expenditure.

#### **959. Grants and Transfer to National Humanitarian Fund**

The Appropriation Account reflects under Head 000100 Item 2640500 actual expenditure of Kshs.1,194,007,100.00 relating to capital grants and transfers to the National Humanitarian Fund which, however differ with the Ministry's cash book and the Fund's financial statements Kshs.1,026,257,100.00 amount disbursed to and received by the Fund during the year. The resultant difference of Kshs.167,750,000.00 has similarly been declared by the Ministry as a pending bill as at 30 June 2013 but at the same time irregularly captured as an expenditure in the Appropriation Account.

#### **960. Western Kenya Flood Mitigation Project**

The Appropriation Account reflects net expenditure of Kshs.384,403,588.00 against Head 000900-Western Kenya Flood Mitigation Project which differs with receipts of Kshs.477,678,802.00 reflected in the project's financial statements for the year ended 30 June 2013 by Kshs.93,275,214.00. The difference has not been reconciled or explained.

## 961. Lack of Ledger and Trial Balance

The approved estimates, actual expenditure and appropriations-in-aid figures reflected in the Appropriation Account for the year ended 30 June 2013 were not derived from ledgers and trial balance. Consequently, it has not been possible to ascertain the completeness and accuracy of the balances reflected in the Appropriation Account for Vote D.135 for the year ended 30 June, 2013.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 135

### Basis for Disclaimer of Opinion

## 962. Presentation of Financial Statements

The format and presentation of the Statement of Assets and Liabilities for Vote D.135 as at 30 June 2013 submitted for audit do not conform with the requirements under Chapter 11, Paragraph 11.8.3. of the Government of Kenya Financial Regulations and Procedures in that the column showing net movement in assets and liabilities during the current year (2012/2013) had been omitted. In addition, no trial balance was provided to support the account balances as reflected in the Statement provided. Consequently, the accuracy and validity of the balances reflected in the Statement as at 30 June, 2013 could not be ascertained.

## 963. Brought Forward Balances

Brought forward account balances reflected in the Statement under liabilities differs with the closing balances reflected in the audited Statement for the year 2011/2012 as follows:

<b>Account</b>	<b>Brought Forward Balances 2012/13 Kshs.</b>	<b>Audited Closing Balance 2011/2012 Kshs.</b>
General Account of Vote	943,455,704.00	979,904,214.00
Suspense	64,946,109.00	113,459,378.00
2008/2009 Exchequer "Recovered"	84,961,779.00	Nil

No justification has been provided for the anomaly.

## 964. Suspense

The Statement also reflects a debit balance of Kshs.5,301,267.85 against a Suspense Account which, however, has not been supported with analysis and documentation. It has not been possible, therefore, to ascertain accuracy and validity of the balance.

#### **965. General Account of Vote**

The General Account of Vote balance of Kshs.2,064,784,554.10 reflected in the Statement differs with the net surplus to be surrendered of Kshs.1,869,535,888.45 recorded in the Appropriation Account for Vote D.135 for the year by Kshs.195,248,665.65. The difference has not been reconciled or explained.

#### **966. Unsupported Clearance**

No information or documentary evidence has been provided to support clearance of the following brought forward account balances relating to 2011/2012 and earlier years during the year under review as reflected in the Statement as at 30 June 2013.

<b>Account</b>	<b>Amount (Kshs)</b>
Exchequer	1,084,153,093.00
Paymaster General	8,210,499.00
General Account of Vote	943,455,704.00
Suspense	64,946,109.00

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 135**

#### **Unqualified Opinion**

There were no material issues to report on this statement.

### **FINANCIAL STATEMENTS FOR NATIONAL HUMANITARIAN FUND**

#### **Basis for Disclaimer of Opinion**

#### **967. Presentation of Financial Statements**

The Fund's financial statements have not been prepared and presented in accordance with International Financial Reporting Standards or International Public Sector Accounting Standards. There are no significant accounting policies and explanatory notes to support balances in these financial statements.

#### **968. Lack of Ledger and Trial Balance**

The ledger and trial balance as at 30 June 2013 from which the balances reflected in the Fund's financial statements for the year ended 30 June 2013 had been drawn were not produced for audit review. As a result, the completeness and accuracy of the balances reflected in these financial statements could not be ascertained.



#### **969. Paymaster General Account**

The Fund's Statement of Assets and Liabilities as at 30 June 2013 reflects a Paymaster General Account balance of Kshs.652,883,737.00 which according to Note (1) to the accounts includes a Co-operative Bank Account cashbook balance of Kshs.6,899,050.00. However, board of survey of report, certificate of bank balance and bank reconciliation statement as at 30 June 2013 for the Co-operative Bank Account cashbook balance of Kshs.6,899,950.00 were not provided for audit review. In the circumstances, the existence, accuracy and validity of the Kshs.6,899,950.00 bank balance could not be ascertained.

#### **970. Suspense Account**

The Statement of Assets and Liabilities reflects Suspense Authority to Incur Expenditure (A.I.Es) balance of Kshs.245,517,724.00 which according to Note (3) to the financial statements had been arrived at after taking into account brought forward A.I.Es accounted for through expenditure returns of 2011/2012 and prior years, Mau Forest evictees A.I.Es and A.I.Es accounted for through expenditure returns. However, the said expenditure, analyses of the outstanding balances and other documentary evidence were not produced for audit review. Consequently, the accuracy and validity of the Kshs.245,517,724.00 Suspense (A.I.E) balance could not be ascertained.

#### **971. Task Force Balance**

Similarly, the Statement of Assets and Liabilities Suspense (Task Force) balance of Kshs.184,076,612.00 was not supported with analysis and documentation.

#### **972. Unsupported Exchequer Receipts**

The Statement of Income and Expenditure for the year ended 30 June 2013 reflects Exchequer Receipts totalling Kshs.1,026,257,100.00 out of which an amount of Kshs.297,007,100.00 was not supported with receipts documentation and bank statements.

#### **973. Unsupported Excess of Income over Expenditure**

The Statement of Income and Expenditure reflects a balance brought forward on excess income over expenditure of Kshs.1,186,110,140.00 which differs with the carried forward balance of Kshs.1,417,179,452.00 reflected in the audited financial statements for 2011/2012 by Kshs.231,069,312.00. The difference has been described under Note (15) as net surrenders, but not supported with documentary evidence. Consequently, the accuracy of the net balance of Kshs.1,186,110,140.00 could not be ascertained.

# FINANCIAL STATEMENTS FOR STRATEGIC GRAIN RESERVE TRUST FUND

## Basis for Disclaimer of Opinion

### 974. Stocks

The stocks balance of Kshs.6,361,962,350.35 composed of 2,347,219 bags of maize reflected in the balance sheet as at 30 June, 2013 includes 94,154 bags of maize valued at about Kshs.255,197,407.00 reported as normal loss. No provision has been made for the loss in the Trust Fund's financial statements. Moreover, the balance has not been supported with stock records and adequate documentation. It has not been possible in the circumstances to confirm that the carrying value of stocks figure of Kshs.6,361,962,250.35 as stated in the financial statements reflect the fair values of the stocks as at the balance sheet date.

### 975. Gunny Bags

- (i). The Strategic Grain Reserve Fund Trustees in December 2012 transferred cash amounting to Kshs.100,000,000.00 from the Fund's account at Central Bank to National Cereals and Produce Board (NCPB) to facilitate purchase of gunny bags. Later, in June 2013, an additional Kshs.100,000,000.00 was transferred to the Fund's Kenya Commercial Bank (KCB) Account No.1141385120 similarly for purchase of the gunny bags. No authority or minutes of the meeting of Strategic Grain Reserve Trustees in support of these withdrawals were provided for audit review. It has not, therefore, been possible to ascertain whether the withdrawals and the proposed procurement complied with Clause 6(1) of the Exchequer and Audit (Strategic Grain Reserve Trust Fund) Regulations, 2002 which requires that such expenditure shall be on the basis of and limited to the annual work programmes and cost estimates which shall be submitted to the Trustees for approval.
- (ii). Although the amount of Kshs.100,000,000.00 transferred to NCPB was acknowledged as received in December 2012, no documentary evidence was produced to confirm whether NCPB had procured the gunny bags for the Fund in the year 2012/2013.
- (iii). The balance sheet also reflects under current assets a balance of Kshs.100,000,000.00 described as gunny bags. This figure has not been supported with documentary evidence. Under the circumstance, the existence and valuation of these current assets could not be ascertained.

### 976. Accounts Receivable

The balance sheets reflects a Famine Relief Account receivable balance of Kshs.6,865,220,613.00 which includes amounts totalling Kshs.6,844,720,613.00 or

about 99.7% which relates 2011/2012 and earlier years. No explanation has been provided for failure to recover this long outstanding debt. Any additional provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.

### 977. Cash at Bank

The balance sheet reflects Cash at Bank of Kshs.322,303,663.55 which according to Note (7) to the financial statements includes an amount of Kshs.142,994,020.00 held in the Revenue Collection account maintained at the Kenya Commercial Bank (KCB). However, the transactions during 2012/2013 in respect of this revenue collection account were not recorded in the main Strategic Grain Reserve Fund cashbook. No separate cashbook was likewise maintained for this revenue collection account. In addition no bank reconciliation statements or certificate of bank balance as at 30 June 2013 for the account were produced for audit. Consequently, the existence, completeness and accuracy of the Kshs.142,944,020.00 balance relating to the revenue collection account could not be ascertained.

### 978. Unsupported Balances

The Trust Fund's financial statements for the year ended 30 June 2013 reflects the following balances that were not supported by analyses and documentary evidence:

<b>Note</b>	<b>Amount as per the Notes (Kshs)</b>	<b>Amount Supported (Kshs)</b>	<b>(Difference) (Kshs)</b>
<b>(i) Sales</b>			
Sales	670,813,660.00	452,221,465.00	218,592,195.00
Transfer to Relief and NHF	563,500,000.00	Not provided	563,500,000.00
<b>(ii) Stocks</b>			
Transfer to Relief(245,000 bags)	527,933,350.00	527,730,000.00	203,350.00
Sales to Commercial (245,598 bags)	686,034,211.20	219,117,338.74	466,916,872.46.00
<b>(iii) Account Receivable</b>			
Transfer to NHF	57,500,000.00	Not provided	57,500,000.00
Transfer to Relief	<u>506,000,000.00</u>	<u>Not provided</u>	<u>506,000,000.00</u>
<b>Total</b>	<b><u>3,011,781,221.20</u></b>	<b><u>1,199,068,803.74</u></b>	<b><u>1,812,712,417.46</u></b>

Consequently, the validity and accuracy of these amounts as reflected in the financial statements could not be ascertained.

## **FINANCIAL STATEMENTS FOR NAKUMATT/MOLO FIRE VICTIMS FUND**

### **Basis for Disclaimer of Opinion**

#### **979. Fixed Deposit Interest**

As reported in the year 2011/2012, interest income totalling Kshs.4,332,027.72 earned from fixed deposits held at the Equatorial Bank that was not captured and accounted for in the Receipts and Expenditure Statement for the year ended 30 June 2012 was similarly not captured in the Statement for the year ended 30 June 2013. Consequently, the Fund's balance of Kshs.38,222,713.25 as at 30 June, 2013 is understated by a similar amount.

#### **980. Unaccounted for Income**

The Statement of Receipts and Expenditure for the year ended 30 June 2013 Interest income of Kshs.6,475,214.60 includes an amount of Kshs.4,546,453.60 earned from Equatorial Commercial Bank. However, the bank statements reflects interest income of Kshs.5,457,165.30 resulting to unaccounted for income of Kshs.815,511.70.

#### **981. Sachangwan Memorial Site**

The Statement of Receipts and Expenditure also reflects an expenditure of Kshs.43,526,754.75 described in Note (5) as payments to contractors in respect of construction of Sachangwan memorial site. However, no documentary evidence was produced in support of the expenditure. Consequently, the propriety of the Kshs.43,527,554.75 expenditure could not be confirmed.

#### **982. Cash and Bank Reconciliation**

The Ministry did not prepare cashbooks and monthly bank reconciliation statements for the whole year. Under the circumstances, accuracy of all bank and cash transactions and bank balance of Kshs.38,222,713.25 could not be confirmed.

## **FINANCIAL STATEMENTS FOR FAZA FIRE DISASTER FUND**

### **Basis for Disclaimer of Opinion**

#### **983. Non Submission of Financial Statements**

Contrary to the requirements of Section 6 of the Public Audit Act, 2003 and Section 84(3) of the Public Finance Management Act, 2012, the Accounting Officer, did not prepare and submit for audit, the Faza Fire Disaster Fund financial statements for the year ended 30 June 2013. No explanation has been provided for this omission.

#### **984. Cash at Bank Balance**

The Fund's audited financial statements for the year ended 30 June 2012 reflected cash at bank balance of Kshs.4,501,618.04 as at that date. In absence of the financial records and statements for the year ended 30 June 2013, it has not been possible to ascertain whether all cash and bank transactions and their respective balances in the year 2012/2013 were fairly stated and that they existed.

#### **985. Unsupported Expenditure**

In the Report for 2011/2012, it was indicated also that expenditure amounting to Kshs.2,072,700.00 was not supported by payment vouchers and other records. The related payment vouchers and records have not been provided to date for audit review.

# MINISTRY OF LANDS

## RECURRENT APPROPRIATION ACCOUNT FOR VOTE 136

### Basis for Qualified Opinion

#### 986. Pending Bills

Bills totalling Kshs.158,223,342.75 relating to 2012/2013 and chargeable to Vote R.136 were not paid during the year, but were instead carried forward to 2013/2014. Had the bills been settled and the expenditure charged to the financial statements for 2012/2013, the Appropriation Account for Vote R.136 for the year ended 30 June 2013 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.53,645,387.25 instead of Kshs.211,868,730.00 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the accounts for the subsequent year to which the expenditure will be charged. No proper explanation has been provided for this omission.

## STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 136

### Basis for Qualified Opinion

#### 987. Long Outstanding Uncleared Balances

The Statement of Assets and Liabilities for Vote R.136 as at 30 June 2013 reflects the following brought forward Account balances relating to 2011/2012 and earlier years which were not cleared in the year 2012/2013.

<u>Account</u>	<u>Balance (Kshs)</u>
Exchequer	334,140,471.65
Temporary Imprest	2,106,279.20
Advances	384,264.35
District Suspense	49,692,695.75
GAV	243,234,393.35
Excess A-I-A	159,403,034.10

No reasons have been provided for the failure to clear these long outstanding balances.

## **DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE 136**

### **Basis for Qualified Opinion**

#### **988. Kenya National Spatial Data Infrastructure Complex**

The expenditure on Construction of Buildings reflected in the Appropriation Account relates to a contract for the construction of Kenya National Spatial Data Infrastructure Complex at Ruaraka, Nairobi. Although the project period of 156 weeks expired on 11 May 2013, a site visit carried out in March 2014 revealed that final finishing is yet to be completed and the building has, therefore, not been handed over. The delay in completing the project has not been explained.

#### **989. Under-expenditure and under-collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.136 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.615,019,077.20, representing approximately 27% of approved estimates of Kshs.2,208,850,281.00. The Account further reflects under-collection of Appropriations-In-Aid of Kshs.81,226,100.00 which represents 100% of estimated receipts. No indication has been given on the measures the Ministry is taking to avoid the recurrence of a similar situation in future.

#### **990. Pending Bills**

Bills totalling Kshs.356,116,100.60 relating to 2012/2013 and chargeable to Vote D.136 were not paid during the year but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the Account, the Appropriation Account for the year ended 30 June 2013 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.177,676,876.60 instead of Kshs.533,792,977.20 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the accounts for the subsequent year to which the expenditure will be charged.

#### **991. Yatta District Lands Officer**

Examination of payment vouchers revealed that an amount of Kshs.350,000.00 was paid to a construction company for renovation of Kithimani Settlement Offices. However, there were no specific details or Bills of Quantities detailing what the renovation entailed.

Further, there was no inspection and acceptance report or completion certificate hence it was not possible to ascertain the specific works carried out, and the period the work was undertaken. No market surveys were done or quotations raised prior to acquisition of the works and hence cases of overpricing could not be ruled out.

This raises doubt on whether there were any works done for the payment made, and whether the whole amount thereby paid for the works purported to have been done was a proper charge on public funds.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 136**

### **Basis for Qualified Opinion**

#### **992. Exchequer Account**

The Statement of Assets and Liabilities for Vote D.136 reflects a balance of Kshs.959,147,559.30 as at 30 June 2013 against Exchequer Account which includes a balance of Kshs.351,617,118.30 relating to 2011/2012 and earlier years. No explanation has been given for failure to clear the long outstanding balance from the Ministry's records.

#### **993. General Account of Vote**

The Statement also reflects a General Account of Vote balance of Kshs.885,771,618.50 which includes a balance of Kshs.351,978,641.30 that relates to 2011/2012 and earlier years. Similarly, no explanation has been given for failure to clear the long outstanding balance from the Ministry's records.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 136**

### **Basis for Qualified Opinion**

#### **994. Paymaster General**

The Statement as at 30 June, 2013 reflects a Paymaster General (PMG) Account balance of Kshs.926,095,543.70. However, the bank reconciliation statement for the Deposits cashbook as at 30 June 2013 reflects payments totalling Kshs.147,745.00 in the cashbook not in the bank statement relating to the period between 19 August 2010 and 6 December 2010 that had become stale as at that date. No reason was given for failure to reverse these entries in the cashbook.

The reconciliation statement also shows receipts in the cashbook not recorded in the bank statement amounting to Kshs.45,349,339.80 relating to the period between 20 August 2009 and 30 June 2012. The statement further reflects receipts in the bank statement not recorded in the cashbook totalling Kshs.169,620,957.35 relating to the period between 26 March 2009 and 21 May 2013, and which include Kshs.56,143,000.00 described as funds transfer dated 20 July 2012 from Kenya Ports Authority. No reasons have been given for failure to bank the receipts, as well as for not posting receipts to the cashbook as at 30 June 2013.

In addition, the reconciliation statement reflects payments in the bank statement not in the cashbook totalling Kshs.3,079,736.95 relating to the period between 29 August 2012 and 11 February 2013. No reason has been provided for failure to update the cashbook as at 30 June 2013 with these payments.



#### **995. Accuracy of Balances**

The trial balance as at 30 June 2013 was not made available for audit verification. 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 136 as at 30 June 2013.

### **LAND REVENUE STATEMENT**

#### **Basis for Qualified Opinion**

#### **996. Revenue Paid to Exchequer**

The Statement reflects revenue totalling Kshs.1,791,959,213.31 paid to the Exchequer, which includes Kshs.716,164,236.32 remitted by the Ministry of Lands, and Kshs.1,075,794,976.99 paid directly by Kenya Revenue Authority during the year. However, the Land Revenue Statement prepared by Ministry of Finance reflects total receipts of Kshs.1,072,504,035.00 in respect of the revenue item during the year. No reconciliation or explanation has been provided for the difference of Kshs.719,455,178.30 between the two sets of records.

#### **997. Revenue Collected by Kenya Revenue Authority**

The Statement in addition reflects remittances made directly by Kenya Revenue Authority to Ministry of Finance during the year totalling Kshs.1,075,794,977.00. However, agency agreement between the Ministry of Lands and Kenya Revenue Authority was not availed for audit confirmation of the specific terms and conditions of the agreement.

#### **998. Accuracy of the Statement**

The Statement also reflects total revenue collected during the year of Kshs. 1,846,530,320.99 instead of the correct figure of Kshs.1,838,311,851.49, resulting in an overstatement of revenue collections and revenue on hand by an equivalent amount of Kshs.8,218,469.50.

### **TOWNSHIP ROADS AND DRAINS ACCOUNTS**

#### **Basis for Disclaimer of Opinion**

#### **999. Failure to include notes to the Financial Statements**

The Township Roads and Drains financial statements for the year ended 30 June 2013 exclude notes to the financial statements, including disclosure of significant accounting policies and comparative figures, and a statement of cash flows. No explanation has been given for failing to present the financial statements in the format required by Section 81(2)

(e) of Public Finance Management Act, 2012, and Paragraph 11.10.3 of Government Financial Regulations and Procedures.

**1000. Cash at Bank**

The Balance Sheet as at 30 June, 2013 reflects cash at bank balance of Kshs.276,155.00. However, the Ministry did not maintain a cashbook and no bank reconciliation statement was prepared to support the balance of Kshs.276,155.00 as at 30 June 2013. As a result, the accuracy and existence of this balance could not be confirmed.

**1001. Un-authorized Clearance of Accumulated Deficit**

In the Audit Report for 2011/2012 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 Account as at 30 June 2004. Available information indicates that the Treasury in January 2012 declined to grant the Ministry authority to write off the deficit. No explanation has been given on why the Ministry cleared the balance without Treasury authority as required by Government Financial Regulations and Procedures.

## MINISTRY OF STATE FOR IMMIGRATION AND REGISTRATION OF PERSONS

### APPROPRIATION ACCOUNT FOR RECURRENT VOTE 140

#### Basis for Qualified Opinion

#### 1002. Over Expenditure:

The Appropriation account for Recurrent Vote 140 reflected an expenditure of Kshs.1,054,517,637.00 against approved estimates of Kshs.964,334,985.00 resulting to an over-expenditure of Kshs.90,162,652.00 as analyzed below:

#### Headquarter Field Registration Services (Districts):

Item	Details	Approved Estimates	Actual Expenditure	Over Expenditure
2110100	Basic salaries – Permanent Employees	240,879,830.00	260,879,830.00	(20,000,000.00)
2110300	Personal Allowance paid as part of salary	126,924,901.00	131,457,924.00	(4,533,023.00)

#### Headquarters District Registration Services:

Item	Details	Approved Estimates	Actual Expenditure	Over Expenditure
2110100	Basic salaries –Permanent Employees	136,786,241.00	141,786,241.00	(5,000,000.00)
2110200	Basic wages – Temporary Employees	774,681.00	9,693,037.00	(8,918,356.00)
2210100	Supplies and Services	6,242,205.00	7,953,478.00	(1,711,273.00)

## Headquarters National Registration of Persons Bureau

Item	Details			
2110100	Basic salaries – Permanent Employees	452,727,127.00	502,727,127.00	(50,000,000.00)
<b>Total</b>		<b><u>964,334,985.00</u></b>	<b><u>1,054,517,637.00</u></b>	<b><u>(90,162,652.00)</u></b>

No Treasury authority has been made available for audit review to validate the re-allocation of the expenditure items.

### 1003. Pending Bills

Pending Bills totalling Kshs.165,925,504.70 had not been settled during the year 2012/2013. However, if the pending bills had been paid in the year under review, the net surplus should have been Kshs.151,873,732.05 instead of the reported net surplus of Kshs.317,799,236.75. The pending bills now carried forward may affect the following year's appropriation account.

### 1004. Payment for work not done

Examination of the Ministry's recurrent payment records maintained at Bungoma Central District Treasury revealed that an enterprise was paid Kshs.628,000.00 in respect of installation and commissioning of Closed Circuit Television (CCTV). Physical verification at Immigration office in Bungoma South revealed that the CCTV was not installed though paid for. Under the circumstances, the validity of the Kshs.628,000.00 expenditures could not be ascertained.

### 1005. Procurement of Bulk Fuel

During the financial year 2012/2013, the District Registrar of Persons, Ganze procured fuel in bulk from a Kilifi fuel filling station totalling Kshs.380,000.00 in three deliveries. However, the fuel procured in bulk and paid for upfront was not taken on charge as no records such as fuel registers, detail orders, delivery notes and original motor vehicle work tickets were availed to for audit verification. There was no report by the inspection and acceptance committee to confirm that the correct quantity was received and that the technical standards had been met.

In the absence of requisite records and reports, it was not possible to confirm propriety of the expenditure amounting to Kshs.380,000.00.

### 1006. Motor Vehicle Maintenance

An amount of Kshs.169,937.00 was incurred in the maintenance of motor vehicles but the evaluation and award minutes for the quotations were not prepared and attached to the payment vouchers before payments were done. Further, a procurement requisition register for initiating the procurement process was not availed for audit verification. In

addition, the motor vehicles were not inspected by the inspection and acceptance committee to ensure that the technical standards have been met and the repairs were not recorded in the logbook as required.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 140**

### **Basis for Qualified Opinion**

#### **1007. Exchequer Balance**

The Statement of Assets and Liabilities indicates an Exchequer balance for the year 2012/2013 of Kshs.205,849,569.85. However records of the Controller of Budget indicate an exchequer balance at the year end of Kshs.2,145,396.00. The difference of Kshs.203,704,173.85 between the two records has not been explained.

#### **1008. Long Overdue Payments**

The bank reconciliation reflected payments in the cash book not in bank statement exceeding six months totalling Kshs.3,021,571.30. No reason has been given for failure to reverse the long overdue payments.

#### **1009. Outstanding Imprest**

The statement reflected an imprest balance of Kshs.468,719.50 which was supported by a schedule. However, the trial balance indicated an imprest outstanding as at 30 June 2013 totalling Kshs.1,523,599.60 resulting in an unexplained difference of Kshs.1,054,880.00. No reasons have been given for the difference of Kshs.1,054,880.00 between the two sets of records that should normally be similar.

#### **1010. Unreconciled Advances**

The statement reflect an advances balance of Kshs.38,302.90 which was supported by a schedule. However, the trial balance indicated an advance total of Kshs.363,226.85 analyzed as follows:-

<b>Account No.</b>	<b>Details</b>	<b>Amount (Kshs.)</b>
6710102	Salary paid in advance	7,776.00.00 Dr
6710103	Salary advance	34,000.30 Dr
6710103	Salary advance	(10,144.30) Cr
6720101	Advance – Govt organization	<u>331,594.85</u> Dr
		<b><u>363,226.85</u></b>

No explanation has been provided for the difference of Kshs.324,923.95 between the two sets of records.

### **1011. Unreconciled General Account of Vote**

The summary to the Appropriation Account indicates an approved estimates of Kshs.4,619,145,396.00 and actual expenditure of Kshs.4,301,346,159.25 hence a surplus of gross estimates over expenditure of Kshs.317,799,236.75. However, the recurrent appropriation account on summary item for the period from July 2012 to June 2013 indicates approved estimates of Kshs.4,619,145,396.00 and total net expenditure of Kshs.4,301,320,870.00 hence a surplus of gross estimates over expenditure of Kshs.317,824,526.00 resulting in an unexplained difference of Kshs.25,289.25.

### **1012. Clearance Account Balance**

Included in the Clearance Account balance of Kshs.108,469,048.55 as at 30 June 2013 are nine accounts with debit balances totalling Kshs.52,168,463.05 as indicated in the trial balance as follows:-

NHIF	640.00
House Rent	3,183,226.80
NSSF	27,600.00
Cooperatives	3,987,109.05
Hire purchases	14,888,390.60
Court Attachments	20,619.00
WCPS	6,241,559.50
Staff Welfare Association	2,412,595.55
Salary Control Account	<u>21,406,722.50</u>
	<b><u>52,168,463.05</u></b>

No explanation has been provided for this anomaly of clearance accounts with debit balances instead of the normal credit balances.

### **1013. Unreconciled Contractor Retention Money**

Also included in the clearance account of Kshs.108,469,048.55 is the contractors' retention money reflected as Kshs.7,490,332.75 while the trial balance indicates a credit balance of Kshs.9,369,487.00. The resultant difference of Kshs.1,879,154.25 has not been explained.

#### **1014. Unreconciled Prior Year Balances**

The following closing balances as at 30 June 2013 and earlier years were incorrectly shown as opening balances in the Statement of Assets and Liabilities for the year 2012/2013 as follows;

- (i) Interministerial prior year's balance of Kshs.122,144.00 is indicated as Kshs.10,824,437.00.
- (ii) General suspense prior year's balance of Kshs.654,695,449.00 is indicated as Kshs.665,397,742.10.

No explanation has been provided for the anomaly in the prior year balances.

### **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 140**

#### **Basis for Qualified Opinion**

#### **1015. Pending Bills**

In the financial year under review, pending bills totalling Kshs.265,025,389.20 which were chargeable to Appropriation Account for Development Vote 140 were not paid during the year but were carried forward to year 2013/2014. Had these pending bills been paid and the entire expenditure charged to the 2012/2013 financial statements, the Appropriation account would have reflected a lower net surplus of Kshs.74,963,097.55 instead of Kshs.339,988,486.75 shown in the Development Appropriation Account Summary.

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 140**

#### **Basis for Qualified Opinion**

#### **1016. Un-reconciled differences in balances between the Statement of Assets and Liabilities and the Detailed Trial balance.**

The Statement of Assets and Liabilities for Development Vote D.140 reflects a balance of Kshs.(97,252,679.25) against District Suspense account which is at variance with nil balance in the detailed Trial balance.

The resultant difference of Kshs.(97,252,679.65) has not been explained or reconciled.

### 1017. Long Outstanding Balances

The Statement of Assets and Liabilities for Development Vote 140 for the year 2012/2013 reflects the following list of balances on the respective items which were yet to be cleared as at the end of the financial year:

<b>Account</b>	<b>Amount</b>
District Suspense	85,890,211.40 (CR)
Stale Cheques	940,822.40 (CR)
GAV	622,466,923.85 (CR)

The management has not explained why these balances were not cleared as at the end of the financial year under review.

### 1018. Unanalyzed account balances

The Statement of Assets and Liabilities for Development Vote140 further reflects the following balances which were not analyzed:-

District Suspense	97,252,679.65 (CR)
General Account of Vote	966,254,752.60 (CR)

No explanation has been provided for failure by management to provide analysis for the account balances.

### 1019. Unreconciled District and General Suspense Balances

The opening balances for the year under review in respect of District and General Suspense accounts were incorrectly shown in the Statement of Assets and Liabilities for the year 2012/2013 as follows:

<b>Item</b>	<b>Statement Balance</b>	<b>Audited Closing Balance</b>	<b>Variance</b>
		<b>2011/2012</b>	
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
District Suspense	(85,890,211.40)	(102,603,323.90)	(16,713,112.50)
General Suspense	23,457,368.40	40,170,480.90	16,713,112.50

No explanation has been provided for the variances between the two sets of records that normally should tally.

### 1020. Paymaster General Balance

The Paymaster General account balance as per the Statement of Assets and Liabilities for Development Vote 140 as at 30 June 2013 showed an amount of Kshs.2,609,756.65



while the bank reconciliation as at 30 June 2013 and Board of Survey Report for the same date reflected a combined balance of Kshs.2,690,756.65 with a resultant difference of Kshs.81,000.00. This variance has not been explained or the reported balance analyzed. The Statement therefore does not reflect the correct position as it leads into an imbalanced statement of assets against the liabilities.

#### **1021. Unreconciled General Account of Vote Balance**

The summary to the Appropriation Account indicates approved estimates of Kshs.2,063,201,565.00 and actual expenditure of Kshs.1,723,213,078.25 hence a surplus of gross estimates over expenditure of Kshs.339,988,486.75. However, the Statement of Assets and Liabilities for Development Vote 140 as at 30 June 2013 reflected a General Account of Vote amount of Kshs.343,787,828.75 with a resultant unexplained difference of Kshs.3,799,342.00.

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 140**

#### **Basis for Qualified Opinion**

#### **1022. Long Outstanding Balances**

The Statement of Assets and Liabilities for Deposits Vote 140 for the year 2012/2013 reflects General Deposits of Kshs.546,294.10 (CR) and Retention Monies of Kshs.3,644,640.15 (CR) for 2011/2012 and earlier years which were yet to be cleared as at the end of the financial year. No reason has been given for failure to clear these long outstanding balances.

#### **1023. Bank Reconciliation Statement Balances**

The Statement reflects receipts in bank statement not in cashbook totalling Kshs.24,770,392.60 out of which Kshs.327,557.60 relates to the period 2011/2012 and earlier years as well as being more than six months old at the closure of the financial year. It also reflects receipts in the cash book but not recorded in the bank amounting to Kshs.16,189,858.95 out of which Kshs.10,639,475.70 is either six months old and over as at 30 June 2013. No explanations have been given for failure to clear the long outstanding balances.

### **STATEMENT OF REVENUE FOR VOTE 140**

#### **Basis for Qualified Opinion**

#### **1024. Non Remittance of Revenue**

Revenue records maintained at Mombasa, Busia, Eldoret and Malaba offices showed that revenue cash balances of Kshs.36,611,458.75 held in the stations had been collected but not remitted to the National Treasury as is required. Further, bank reconciliations and board of survey reports for all stations were not availed for audit

review and it was therefore not possible to confirm the accuracy of the revenue cash balances.

### **1025. Unexplained Excess Surrender**

The Revenue statement for the year under review reflects an excess surrender of Kshs.1,331,949.15 which could not be explained.

### **1026. Difference between Controller of Budget and the Ministry's Revenue remittances records**

Records maintained at the Controller of Budget Office differed from those maintained at the Ministry Headquarters on revenue remitted from the Ministry as shown below

<b>Revenue Item</b>	<b>Revenue Statement</b>	<b>Controller of Budget</b>	<b>Variance</b>
1420224-Registration of births and deaths	280,418,040.00	0	280,418,040.00
1420225-Immigration Visa and Consular Fees	2,689,222,187.00	2,688,094,056.70	1,128,131.00
140226-Passport Fees	568,791,050.00	502,181,114.65	66,609,936.00
1420227- Work Permit Fees	4,054,981,522.00	4,277,488,809.00	-222,507,287.00
1420228- Identity Card Fees	283,021,458.00	0	283,021,458.00
1420229-Other Immigration Fees	276,630,572.00	0	276,630,572.00
1420601-Sale of Tender Document	122,089.00	0	122,089.00

No reasons were availed for the difference.

### **1027. Unresolved previous year's issues**

- (i) The Statement of Revenue, Ministry of State for Immigration and Registration of Persons for the year ended 30 June 2012 reflects actual receipts totalling Kshs.6,556,343,394.65 which differs from the total amount of Kshs.6,825,658,236.20 recorded vide receipt vouchers and the cash book. Upto date, the Ministry has not provided explanations for the unaccounted for difference of Kshs.269,314,841.55 in revenue collection.
- (ii) The statement reflects transfers to Exchequer Account totalling Kshs.6,415,696,345.00 which also differs by Kshs.197,154.060.50 from the total payments of Kshs.6,612,850,405.50 recorded in the payment records and the cash book. The difference of Kshs.197,154.060.50 has not been explained or accounted for.
- (iii) An audit investigation undertaken at Kisumu Immigration Office in October/November 2013 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 and there was no evidence of the loss report in accordance with existing regulations.

# MINISTRY OF STATE FOR NATIONAL HERITAGE AND CULTURE

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 141

### Basis for Qualified Opinion

#### 1028. Unsigned Account

Contrary to the requirements of Section 4(3) (d) of the Public Audit Act 2003, the Appropriation Account for Vote R.141 submitted by the Ministry for audit was not signed by the Accounting Officer.

#### 1029. Unreconciled Expenditure on Personal Emoluments

The Appropriation Account for Vote R.141 for the year ended 30 June 2013 reflects under personal emoluments expenditure totalling Kshs.255,773,145.10 which differ with the Integrated Payroll and Personnel Data (IPPD) records and supporting documentation expenditure totals of Kshs.250,735,033.65. The difference of Kshs.5,038,111.45 between the two sets of records has not been reconciled or explained.

#### 1030. Grants to Government Agencies

The Ministry's grants to three government agencies listed below reflected in the Appropriation Account differs with amounts shown as receipts in the respective agencies financial statements for the year ended 30 June 2013.

Agency	Amount as per the Appropriation Account Kshs.	Amount as per the Financial Statements Kshs.	Difference Kshs.
Kenya National Library Services	494,220,000.00	445,200,000.00	49,020,000.00
National Museums of Kenya	594,209,000.00	531,208,000.00	63,001,000.00
NGO Board	<u>105,000,000.00</u>	<u>95,000,000.00</u>	<u>10,000,000.00</u>
	<b><u>1,193,429,000.00</u></b>	<b><u>1,071,408,000.00</u></b>	<b><u>122,021,000.00</u></b>

The resultant differences have not been reconciled or explained.

### 1031. Pending Bills

Records maintained by the Ministry indicate that bills totalling Kshs.27,216,827.35 relating to 2012/2013 and chargeable to the Recurrent Vote were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Recurrent Appropriation Account for Vote R.141 for the year would have reflected an Excess Vote of Kshs.1,016,738.80 instead of net surplus of Kshs.28,233,566.15 now shown.

### 1032. Lack of Footnotes to the Account

The Appropriation Account reflects various items with over or under expenditure in excess of Kshs.1,000,000.00 which have not been explained by footnotes contrary to the provisions of Chapter 11, Paragraph 11.7 of the Government Financial Regulations and Procedures. No reasons have been provided for failure to attach footnotes to the Account.

## STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 141

### Basis for Qualified Opinion

### 1033. Paymaster General Account

The Statement of Assets and Liabilities for Vote R.141 as at 30 June 2013 reflects a Paymaster General (PMG) Account debit balance of Kshs.6,212,413.00 that differs with cashbook balance of Kshs.2,898,482.00. The resultant difference of Kshs.3,313,931.00 between the two sets of records has not been reconciled or explained.

### 1034. Uncleared Balances

The Statement also reflects the following debit and credit account balances relating to 2011/2012 and earlier years which had not been cleared as at 30 June 2013.

<u>Debit Account Balance</u>	<u>Amount (Kshs)</u>
Exchequer 2011-2012	22.00
Exchequer 2010-2011	387,600.00
Exchequer 2007-2008	417,600.00
Advance	573,381.80
Clearance	<u>9,131.00</u>
	<b><u>1,387,734.80</u></b>

<u>Credit Account Balance</u>	<u>Amount (Kshs)</u>
GAV 2011/2012	788,968.90
GAV 2010/2011	2,030,442.40
GAV Previous Years 2006/2007	3,293,788.95
General Suspense	337,772.65
Excess A.I.A 2010/2011	1,447,722.35
Excess A.I.A. 2011/2012	2,983,763.05
District Suspense Account	<u>5,256,068.30</u>
	<b><u>16,138,526.60</u></b>

No satisfactory explanation has been provided for non- clearance of the balances.

### **1035. Outstanding Imprests**

The Statement further reflects long outstanding Imprests Account balances totalling Kshs.163,140.00 which were due from three officers and relating to the year 2009. No reason has been provided for failure to recover the long outstanding imprests from the respective officers.

### **1036. District Suspense Account**

The Statement in addition reflects a District Suspense Account debit balance of Kshs.5,259,806.70 which apart from being unanalysed also differs with the ledger balance of Kshs.2,461,857.25. The resultant difference of Kshs.2,797,949.45 between the two sets of records has not been explained or reconciled.

## **APPROPRIATION ACCOUNT FOR VOTE DEVELOPMENT 141**

### **Basis for Qualified Opinion**

#### **1037. Failure to Sign Appropriation Account**

Contrary to the requirements under Section 4(3) (d) of the Public Audit Act, 2003 the Appropriation Account for Vote D.141 submitted for audit was not signed by the Accounting Officer.

#### **1038. Pending Bills**

Records maintained at the former Ministry of State for National Heritage and Culture indicates that bills totalling Kshs.30,404,490.00 relating to 2012/2013 and chargeable to Vote D.141 were not settled during the year, but were instead carried forward to 2013/2014. Had the bills been settled and charged to the account for 2012/2013, the

Appropriation Account for Vote D.141 for the year ended 30 June 2013 would have reflected a reduced net surplus of Kshs.14,727,154.60 instead of an amount of Kshs.45,131,644.60 now shown.

### 1039. Grants to Kenya National Library Service

The Appropriation Account for Vote D.141 reflects under Sub-vote 415, Head 913 capital grants totalling Kshs.240,000,000.00 paid to Kenya National Library Service. However, the financial statements of the organisation for the year ended 30 June 2013 reflects development grants receipt of Kshs.230,000,000.00. The resultant difference of Kshs.10,000,000.00 has not been reconciled or explained by the Ministry.

### 1040. Lack of Footnotes to the Account

Contrary to the requirements under Paragraph 11.7 of the Government Financial Regulations and Procedures, the Appropriation Account for Vote D.141 does not have footnotes to explain the reasons for material variances between the approved estimates and actual expenditure or actual appropriations in aid in respect of the following account items:

<u>Head</u>	<u>Item</u>	<u>Description</u>	<u>Approved Estimate</u> <u>Kshs</u>	<u>Actual Expenditure</u> <u>Kshs</u>	<u>(Over)Under</u> <u>Kshs.</u>
015	3110500	Construction and civil works	10,000,000.00	2,598,658.60	7,401,341.40
494	2211000	Specialized materials	11,150,000.00	10,028,982.00	1,121,018.00
494	3110300	Refurbishment of buildings	10,500,000.00	8,615,212.40	1,884,787.60
449	3111100	Purchase of specialized plant	6,000,000.00	1,085,350.00	4,914,650.00
496	3110200	Construction of building	30,420,000.00	29,100,000.00	1,320,000.00
849	2210300	Domestic travel and subsistence	4,000,000.00	-	4,000,000.00
849	2210700	Training expenses	6,000,000.00	-	6,000,000.00
849	1310200	Grants from foreign Government-A.I.A	5,000,000.00	-	5,000,000.00

916	3111400	Research, feasibility studies, project preparation and design	2,800,000.00	800,000.00	2,000,000.00
925	3110200	Construction of building	73,850,000.00	71,193,096.00	2,656,904.00
925	3111400	Research, feasibility studies, project preparation and design	1,000,000.00	-	1,000,000.00
913	3110200	Construction of buildings	20,000,000.00	-	20,000,000.00

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE DEVELOPMENT 141**

### **Basis for Qualified Opinion**

#### **1041. Uncleared Balances**

The Statement of Assets and Liabilities for Vote D.141 as at 30 June 2013 reflects various debit and a credit balances relating to 2011/2012 and earlier years as follows:

<b>Debit Balances</b>	<b>Amounts (Kshs)</b>
Exchequer Account 2011/2012	7,400,217.60
Exchequer Account 2010/2011	3,519,000.00
General Suspense Account	5,750,000.00
District Suspense Account	<u>4,009,007.45</u>
<b>Total</b>	<b><u>20,678,225.05</u></b>
<b>Credit Balance</b>	
G.A.V. 2011/2012	<u>12,673,874.15</u>

No explanation has been provided for failure to clear these long outstanding balances from the Ministry's books of account as at 30 June 2013.



#### **1042. Paymaster General (PMG) Account**

The Statement also reflects a Paymaster General Account balance of Kshs.961,280.05 which differs with the cash book balance of Kshs.211,271.05 as at 30 June 2013 by Kshs.750,009.00. The resultant difference of Kshs.750,009.00 has not been reconciled or explained.

#### **1043. Unanalysed Balance**

The Statement also reflects under assets a balance of Kshs.5,000,000.00 against "Deficient AIA". This balance has not been supported with analysis and documentary evidence.

#### **1044. Unsupported Transaction**

The Statement show that a General Account of Vote (G.A.V.) balance of Kshs.9,168,111.85 relating to year 2010/2011 was cleared in the year 2012/2013. No documentary evidence has however been provided in support of the clearance.

#### **1045. District Suspense Account**

The Statement reflects a District Suspense Account debit balance of Kshs.16,735,021.10 which, however, has not been supported by analyses and documentary evidence. Consequently, the validity and accuracy of the balance of Kshs.16,735,021.10 could not be ascertained.

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 141**

#### **Basis for Qualified Opinion**

#### **1046. Irregular Transfer of Funds**

As reported in the year 2011/2012, the Ministry similarly transferred an amount of Kshs.3,219,613.00 (2011/2012 Kshs.1,800,000.00) from Deposits Account to Recurrent Vote Account during the year under review. The transfer of the deposit funds for use other than those for which the deposits were lodged contravened the provisions of Chapter 8, Paragraph 8.6 of the Government Financial Regulations and Procedures. The Accounting officer has not provided a plausible justification for this irregularity.

# MINISTRY OF STATE FOR YOUTH AFFAIRS AND SPORTS

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 142

### Basis for Adverse Opinion

#### 1047. Under Collection of Appropriations- In- Aid

The Appropriation Account for Vote R.142 for the year ended 30 June 2013 reflects under- collection of Appropriations-In- Aid (AIA) of Kshs.28,699,671.45 or about 33.37% of estimated receipts of Kshs.86,000,000. This has been attributed mainly to non-remission of AIA collected at the districts to the Headquarters. However, no concrete steps have been taken to address the underlying causes of under collection of Appropriation –In- Aid (AIA)

#### 1048. Unreconciled Variations between the Appropriation Account and Trial Balance

As similarly noted in the previous years report, the Appropriation Account similarly reflects expenditure totalling Kshs.4,212,092,153 under various heads which differs with the trial balance figures of Kshs.4,206,929,471.40 as at 30 June 2013 as shown below:-

Head	Appropriation Account Kshs.	The Trial Balance (Kshs)	Difference (Kshs)
142000100	220,807,447.00	218,048,751.00	2,758,696.00
142000300	1,242,469,991.00	1,241,436,480.75	1,033,510.25
142000600	75,695,549.00	75,632,279.25	63,269.75
142000700	148,622,051.00	148,379,250.50	242,800.50
142000800	271,501,637.00	271,410,866.85	90,770.15
142001000	422,052,462.00	421,995,681.70	56,780.30
142001100	404,146,909.00	403,623,599.00	523,310.00
142001200	130,325,526.00	130,293,996.45	31,529.55
142001300	352,843,722.00	352,619,221.90	224,500.10
142001400	338,124,154.00	338,101,263.80	22,890.20
142001600	413,923,231.00	413,888,731.05	34,499.95
142002200	191,579,474.00	191,499,349.15	80,124.85
	<b>4,212,092,153.00</b>	<b>4,206,929,471.40</b>	<b>5,162,681.60</b>

The difference of Kshs.5,162,681.60 between the two sets of records has not been reconciled or explained.

#### **1049. Payroll Records**

The Appropriation Account reflect expenditure of Kshs.2,003,672,030.00 under all Sub-votes on basic salaries (permanent and temporary employees), personal allowances paid as part of salaries and personal allowances paid as reimbursement of Kshs.1,466,861,061.00, Kshs.517,258,236.00 and Kshs.19,552,878.00 respectively. However, the Integrated Payroll and Personnel Data (IPPD) by-products and other payroll records for the same period indicate that an expenditure of Kshs.2,258,842,454.75 was charged against all these items during the year. The resultant difference of Kshs.255,170,424.75 between the two sets of records has not been reconciled or explained.

#### **1050. Subsidies to Non-Financial Public Enterprises**

The Appropriation Account reflects grants of Kshs.745,389,743.00 under Head 0015 Item 2510100- Subsidies to Non- Financial Public Enterprises disbursed to various Youth Polytechnics across the country, to meet tuition expenses, teachers' salaries and purchase of materials and workshop tools. The receipt and usage of the funds could not, however, be confirmed as the Polytechnics did not submit expenditure returns or prepare financial statements for the year ended 30 June 2013 to support the Kshs.745,389,743 disbursement.

#### **1051. Pending Bills**

Bills totalling Kshs.25,139,597.60 and chargeable to the Recurrent Vote R.142 were not paid in the year 2012/2013 but were instead carried forward to 2013/2014. Had these bills been paid and charged to the accounts for 2012/2013, the Appropriation Account for Vote R.142 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.268,557,790.95 instead of Kshs.293,697,388.55 now shown.

#### **1052. Doubtful Purchase of Seedlings at District Youth Office**

Amount totalling Kshs.700,000.00 was used by the District Youth Officer, Bahari District to purchase certified crop seedlings under the Trees for Money programme during the year under review. It was, however, not possible to confirm receipt, storage, issue and point of use of these seedling as no stores records were made available. No information or evidence was availed to confirm where the seedlings were planted.

#### **1053. Unsupported Payments at District Sports Office - Athi River**

Examination of payment vouchers revealed that cash payments made to various payees amounting to Kshs.820,350.00 were not supported by the necessary documentation. It was not possible therefore to confirm the propriety of the expenditure in the absence of the supporting documents and schedules.

Out of the above, a payment was made vide payment voucher No. 053 of 3/4/2013 amounting to Kshs.140,000.00 to an officer, in respect of surrender of imprest for paying coaches and tournament facilitation. A scrutiny of the payment voucher indicated some inconsistencies in the payees. Although the payees signed against money received,

they did not indicate their ID Numbers and further exhibited different versions of their signatures despite having the same names.

#### **1054. Payments for Work not Done**

During the year under review, the Samia District Sport Officer awarded a 24 weeks contract for development of Bumbo stadium at a sum of Kshs.3,172,635.00 which had been paid in full at the time of the audit. Physical verification carried 6 months later revealed that only the excavation work on track, football, netball and volleyball pitches using burnt bricks had been completed. The supply and spreading of murrum, loam soil on the track and pitches had not been done. The Public may not get value for money for the Kshs.3,172,635.00 expenditure as the project may not be completed.

#### **1055. Unsupported Expenditure – District Youth Office Tana Delta-Sub-County**

Payments totalling Kshs.1,059,360.00 paid to a staff member in form of reimbursement for expenses incurred were not supported with documentary evidence. Two other staff members were paid Kshs.1,070,000.00 and Kshs.305,000.00 (totalling Kshs.1,375,000.00) for environmental promotion activities for which no documentary evidence was availed for audit. Consequently, the propriety of Kshs.2,434,360.00 expenditure charged to public funds could not be ascertained.

### **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 142**

#### **Basis for Adverse Opinion**

#### **1056. Accuracy of Balances Brought Forward**

The Statement of Assets and Liabilities for Vote R.142 as at 30 June 2013 reflects brought forward balances from the year 2011/2012 of Kshs.15,421,743,420.55 under total assets and Kshs.11,247,616,471.20 under total liabilities which differ with the audited statement for 2011/2012 closing balance of Kshs.47,858,124,664.70 on both assets and liabilities. No justification has been provided for these anomalies.

#### **1057. Unsupported and Un-analyzed Balances**

The Statement of Assets and Liabilities as at 30 June 2013 also reflects total assets of Kshs.16,019,008,822.70 which differ with total liabilities debit balance of Kshs.4,740,867,139.00 by unexplained and unreconciled difference of Kshs.20,759,875,961.70. Further, all account balances reflected in the Statement have not been supported with analysis and a trial balance as at 30 June, 2013.

#### **1058. Exchequer Account**

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.10,334,594.00 against the Vote. No reason has been provided for the omission.

#### **1059. General Account on Vote**

As noted in the year 2011/2012 report, reference was made to the exclusion of net surplus to be surrendered to the Exchequer from the statements for the years 2010/2011 and 2011/2012. In the year under review, net surplus of Kshs.293,679,388.55 reflected in the Appropriation Account Vote R.142 for the year 2012/2013, has similarly been omitted from the Statement of Assets as Liabilities as at 30 June, 2013. Consequently, the accuracy of the General Account on Vote balance as at 30 June 2013 could not be ascertained.

#### **1060. Paymaster General Account**

The Statement reflects a Paymaster General Account (PMG) debit balance of Kshs.149,772,299,807.15 which differ with the cash book debit balance of Kshs.42,227.55 as at 30 June, 2013. The significant difference of Kshs.149,772,257,579.60 between the two sets of records has not been reconciled or explained.

The bank reconciliation statement as at 30 June 2013 for the recurrent cashbook reflects payments in the cashbook not recorded in the bank statement amounting to Kshs.831,435,169.60 relating to the period between 18 June 2009 and 28 June 2013. No explanation has been provided for failure to reverse the long outstanding payments in the cashbook.

In view of the above, I am unable to confirm the accuracy of the Paymaster General Account balance of Kshs.149,772,299,807.15 as at 30 June, 2013.

#### **1061. Outstanding Temporary and Standing Imprests**

The Statement as at 30 June, 2013 also reflects a Temporary Imprests balance of Kshs.491,578,346.55 which differ with the imprests register and other related records maintained at the Ministry's Headquarters balance of Kshs.137,450. No explanation or reconciliation has been provided for the difference of Kshs.491,440,896.55 between these records.

Further, the Statement reflects a Standing Imprests balance of Kshs.44,857,126.70, that differ with the imprests register and other related records maintained at the Ministry's Headquarters balance of Kshs.75,000 as at 30 June 2013. No explanation or reconciliation has been provided also for the difference of Kshs.44,782,126.70 between these records.

Under the circumstances, Temporary and Standing Imprest balances of Kshs.491,578,346.55 and Kshs.44,857,126.70 respectively, as at 30 June, 2013 have not been confirmed as correct.

## 1062. Un-remitted Statutory Deductions

The Statement of Assets and Liabilities for Vote R.142 reflects unremitted statutory deductions totalling Kshs.120,565,837.94 as shown below:-

<b>Particulars</b>	<b>Amount (Kshs.)</b>
National Social Security Fund (NSSF)	4,957,973.85
National Health Insurance Fund (NHIF)	28,983,729.00
Value Added Tax (VAT)	80,236,335.60
General Withholding Tax	<u>6,387,799.49</u>
<b>Total</b>	<b><u>120,565,837.94</u></b>

The Ministry is therefore in contravention of Income Tax and Retirements Benefits Acts, which may attract penalties.

## 1063. Failure to Remit Other Deductions

The Statement also reflects other unremitted deductions as shown below:-

<b>Particulars</b>	<b>Amount (Kshs)</b>
Co-operatives	2,185,156.85
Staff Welfare Associations	305,738,188.25
Mortgages/Bank Loans	228,807,156.30
Civil Servants Housing Fund	152,455,908.05
Hire Purchase	<u>7,447,806.75</u>
<b>Total</b>	<b><u>696,634,216.20</u></b>

The Ministry has not given any reasons for failure to remit these funds to the respective beneficiary institutions.

## APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 142

### Basis for Adverse Opinion

#### 1064. Under Expenditure and Under Collection of Appropriations- In- Aid

The Appropriation Account for Vote D.142 for the year ended 30 June, 2013 reflects gross under expenditure of Kshs.676,294,221.55 or about 17.2% of the approved estimates of Kshs.3,921,029,200.00. The Account also reflects under collections of Appropriation-In-Aid of Kshs.89,613,316.90 or approximately 34% of the estimated receipts of Kshs.262,499,000.00. The under expenditure and under collection of Appropriations-In-Aid have been explained in the footnotes to the account as due to exchequer under issue, non-receipt of donor funds and adverse weather which affected harvest of farm produce. The Ministry, has, however, not indicated the measures it has instituted to address these challenges.

### **1065. Unreconciled Variances between the Appropriation Account and Trial Balance**

The Development Appropriation Account summary for the year reflects expenditure totalling Kshs.2,492,081,625.35, under various Sub-Vote which differ with the Trial Balance expenditure totals of Kshs. 2,131,786,826.75 as summarized below:

<b>Sub Vote</b>	<b>Head</b>	<b>Appropriation Account (Kshs)</b>	<b>Trial Balance (Kshs)</b>	<b>Variance (Kshs)</b>
142000300	0003	1,179,592,787.35	1,049,742,475.75	129,850,311.60
142001300	0013	356,182,321.00	355,467,320.60	715,000.40
142001500	0015	553,095,818.80	495,577,030.40	57,518,788.40
142001600	0016	394,513,658.40	231,000,000.00	163,513,658.40
142001800	0018	8,697,039.80	0	8,697,039.80
<b>Total</b>		<b>2,492,081,625.35</b>	<b>2,131,786,826.75</b>	<b>360,294,798.60</b>

The difference of Kshs.360,294,798.60 between the two sets of records has not been reconciled or explained.

### **1066. Irregular Transfer of Funds**

An expenditure of Kshs.150,007,111.00 reflected under Sub Vote 142000100, Head 0001, Item 2110200 Basic Wages -Temporary Employees was irregularly transferred to Recurrent from Development Vote without Parliamentary authority. The Accounting Officer has not provided justification for this irregularity.

### **1067. Irregularities in Management of Contracts**

The Appropriation Account reflects under Sub-Vote 14200300 - National Youth Service, Heads 0003, 0004 and 0010 Item 3110200 - Construction of Buildings, expenditure totalling Kshs.289,510,639.00 mainly incurred on construction of classrooms, workshops, double span kitchen, dining hall and barracks at NYS Engineering Institute - Ruaraka and NYS Yatta. The following irregularities were noted with respect to the year under review.

### **1068. Construction of Classrooms and Workshops at National Youth Service - Engineering Institute - Ruaraka**

As similarly reported in the previous year, works on Contract No. 0966 AM for construction of classrooms and workshops at NYS commenced on 13 June 2011 for a duration of fifty two (52) weeks and were anticipated to be completed by 9 June, 2012. Available information indicates that the project was 68% complete as at 30 June, 2013

(30 June 2012 – 48%). However the works remains uncompleted to date despite approval of extension of contract period to 12 January 2013. A review of the latest statement of payment valuation Certificate No.05 dated 29 September 2012 indicates that a total of Kshs.39,401,423.57 or 44.37% out of total contract sum of Kshs.88,794,355.00 had been paid as at 30 June 2013. No justification has been provided for the delay in execution of the contract.

**1069. Construction of Double Span Kitchen, Dining Hall and Barrack at National Youth Service Engineering Institute – Ruaraka**

The Contract No. 0966AS had a duration of seventy eight (78) weeks with anticipated completion date of 10 December, 2012. Available information indicates that the contract period was extended to 18 February 2013 yet the works remains uncompleted with only 73% complete as at 30 June 2013. In addition, the latest Interim Payment Certificate No. 6 dated 22 November 2012, indicates that a total of Kshs.99,415,325.80 or 51.78 % of the contract sum of Kshs.192,000,000.00 had been paid as at 30 June 2013. No justification has been provided for failure to complete the works as stipulated in the contract.

**1070. Construction of Double Span Kitchen, Dining Hall and Barrack at National Youth Service –Yatta**

Although the agreement for contract No.1963S 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 which translates to the project taking 157 weeks. However an additional 83 weeks have since elapsed since the new revised completion date while available information indicates that only 85% of the works had been completed as at 30 June 2013.

A review of the latest statement for valuation certificate No.20 dated 17 September 2012, indicates that a total of Kshs.140,162,716.68 or 89.93% out of total revised contract sum of Kshs.155,857,555.50 had been paid as at 30 June 2013.

No explanation has been provided for the significant delay in execution of the contract even after extending the contract period by over 100%.

**1071. Pending Bills**

Bills totalling Kshs.218,695,988.83 chargeable to Vote D.142 and relating to the year 2012/2013 were not paid but instead carried forward to 2013/2014. Had these bills been settled during the year under review, the Appropriation Account would have reflected instead a reduced net surplus of Kshs.367,984,915.82 instead of the Kshs.586,680,904.65 surplus to be surrendered to the Exchequer now shown.



## STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 142

### Basis for Adverse Opinion

#### 1072. Brought Forward Balances not Included

As similarly reported in 2010/2011 and 2011/2012, the Statement of Assets and Liabilities for Vote D.42 as at 30 June 2013 does not include balances brought forward from the year 2009/2010 as shown below:-

#### 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>
	<b><u>856,913,956.56</u></b>

#### 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>
	<b><u>856,913,956.56</u></b>

#### 1073. Unreconciled Balances

The Statement of Assets and Liabilities as at 30 June 2013 reflects balances brought forward as at 1 July, 2012 which differ with those reflected in the audited statement as at 30 June, 2012 as shown below:-

#### Assets

	<b>Closing Balances 2011/2012 Kshs.</b>	<b>Opening Balances 2012/2013 Kshs.</b>
Temporary Imprests	4,064,583.20	58,122,212.80
HQ Recurrent Cash A/c	114,169,527.10	3,958,342.80
Ministry HQ Development Bank A/c	17,494,041,677.00	66,148,431,258.55
Prepayments	47,487,375.00	33,520,500.00
R/D Cheques	328,881,118.00	6,832,069,487.10
Standing Imprests	-	600,000.00

District Suspense	9,267,121,548.70	38,599,705,369.20
District-Development Bank A/C	-	(14,557,110,694.20)
General Suspense	115,976,887.60	121,563,600.00
Ministry HQ Recurrent Bank A/c	-	14,210.00
<b>Liabilities</b>		
	-	5,088,028.40
PAYE	-	1,562,798.00
NHIF	-	1,294,128.00
NSSF	-	113,315,584.40
Salary Control Account		
Cash Clearing	(27,370,942,716.00)	(89,941,468,801.15)
Provision for Encumbrances	(17,746,113,787.10)	(67,552,003,896.00)

#### **1074. Unreconciled Totals**

The Statement of Assets and Liabilities total assets of Kshs.7,382,949,681.35 differs with total liabilities of Kshs.70,523,982,117.20 as at 30 June 2013 by an unexplained and un-reconciled figure of Kshs.63,141,032,435.85. Further, all balances reflected in the Statement are not supported with analyses and Trial Balance as at 30 June, 2013.

#### **1075. Exclusion of Balances**

The Statement also excludes Exchequer Under Issues and General Account on Vote (GAV) balances of Kshs.479,200,190.00 and Kshs.586,680,904.65 respectively, as at 30 June 2013. These balances are, however, reflected in the Exchequer records at the Treasury and the Appropriation Account for Vote D.142 for the year ended 30 June, 2013. No explanation has been provided for these omissions.

#### **1076. Paymaster General**

The Statement also reflects Ministry Headquarter Development Bank Account debit balance of Kshs.69,318,345,086.35 which differs with the Cashbook debit balance of Kshs.4,632,709 as at 30 June, 2013. No reconciliation has been provided for the difference of Kshs.69,313,712,377.35 between the two sets of records.

## STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 142

### Basis for Disclaimer of Opinion

#### 1077. Incorrect Brought Forward Balance

As reported in prior years, the Statements of Assets and Liabilities for Deposits 142 as at 30 June, 2013 reflects incorrect balances brought forward from 2011/2012 as indicated below:-

	<b>Closing Balances 2011/2012 (Kshs)</b>	<b>Opening Balances 2012/2013 (Kshs)</b>	<b>Difference (Kshs)</b>
<b>Assets</b>			
Ministry HQ Deposit Bank A/c	11,887,855,221.20	15,811,491,002.45	3,923,635,781.25
District-Deposit Bank A/c	238,680.00	168,480.00	70,200.00
R/D Cheques	12,473,215.00	3,300,615.00	9,172,600.00
Temporary Imprest	31,227,513.95Cr	21,508,125.80Cr	9,719,388.15Cr
General Suspense	57,904,129.10Cr	36,597,339.40Cr	21,306,789.70Cr
District Suspense	647,911,768.30	434,463,552.00	213,448,216.30
Cash Clearing	12,407,781,977.60	6,035,525,512.55Cr	18,443,307,490.1
<b>Liabilities</b>			
Staff Welfare Associations	49,222,204.20Dr	42,561,758.40Dr	6,660,445.80Dr
Contractors Retention Money	1,184,644,447.23Dr	926,596,463.95Dr	258,047,983.28Dr

In the absence of reconciliation or explanation for the above differences, the completeness and accuracy of the balances reflected in the Statement as at 30 June, 2013, could not be ascertained.

#### 1078. Unexplained Variation between Total Assets and Total Liabilities

The statement reflects total assets balances of Kshs.10,227,388,770.20 and liabilities of Kshs.(1,007,487,944.45) which differ by Kshs.9,219,900,825.75 as analysed below:-

**Assets**  
**2012/2013**

**(Kshs.)**

Ministry HQ Deposit Bank A/c	16,102,453,676.35
District-Deposit Bank A/c	168,480.00
R/D Cheques	3,300,615.00
Temporary Imprests	(21,952,725.80)
General Suspense	(35,515,899.40)
District Suspense	(434,463,552.00)
Cash Clearing	<u>(6,255,528,927.95)</u>
<b>Total</b>	<b><u>10,227,388,770.20</u></b>

**Liabilities**

Staff Welfare Associations	(42,561,758.40)
Contractors Retention Money	(964,926,186.05)
<b>Total</b>	<b><u>(1,007,487,944.45)</u></b>

**Difference** **9,219,900,825.75**

The differences have not been investigated and adjusted. Consequently, the accuracy and validity of the balances as at 30 June, 2013 could not be ascertained.

**1079. Unusual Debit and Credit Balances**

The statement reflects a temporary imprest credit balance of Kshs.21,952,725.80 which under normal circumstances should reflect a debit or nil balance. The statement also reflects a debit balance of Kshs.964,926,186.05 against contractor's retention money which also under normal circumstances should reflect a credit balance or nil balance. No justification has been provided for the irregular balances.

**1080. Variations Between the Statement and Trial Balance Balances**

The following balances as reflected in the statement differs with the Trial Balance balances as at 30 June, 2013 as follows:

	<b>Balance Statement (Kshs)</b>	<b>Trial Balance (Kshs)</b>	<b>Difference (Kshs)</b>
Ministry HQ Deposit Bank A/c	16,102,453,676.35	242,975,283.70	15,859,478,392.65
District-Deposit Bank A/c	168,480.00	Nil	168,480.00
R/D Cheques	3,300,615.00	Nil	3,300,615.00
Temporary Imprests	(21,952,725.80)	Nil	(21,952,725.80)
General Suspense		Nil	

	(35,515,899.40)		(35,515,899.40)
District Suspense	434,463,552.00	1,081,500.00	433,382,052.00
Cash Clearing	(6,255,528,927.95)	Nil	(6,255,528,927.95)
General Deposit	Nil	7,323,000.00	(7,323,000.00)
Remuneration of Instructors & Contract based Training Services	Nil	11,800.00	(11,800.00)
Sale of Goods and fees for services	Nil	1,245,988.80	(1,245,988.80)
Contractors Retention Money	Nil	567,493.50	(567,493.50)
<b>Total</b>	<b>10,227,388,770.20</b>	<b>253,205,066.00</b>	<b>9,974,183,704.20</b>
<b>Liabilities</b>			
Staff Welfare Associations	(42,561,758.40)	Nil	(42,561,758.40)
Contractors Retention Money	(964,926,186.05)	38,897,215.60	(1,003,823,401.65)
Sundry Revenue	Nil	29,495,147.00	(29,495,147.00)
Trade Shows and Exhibitions	Nil	26,865,626.10	(26,865,626.10)
Training Allowance	Nil	20,379,100.95	(20,379,100.95)
<b>Total</b>	<b>(1,007,487,944.45)</b>	<b>115,637,089.65</b>	<b>(1,123,125,034.10)</b>
<b>Difference</b>	<b>9,219,900,825.75</b>	<b>137,567,976.35</b>	<b>9,082,332,849.40</b>

No reconciliation or explanation has been provided for the above differences.

#### 1081. Un-analyzed Balances

The Statement also reflects various debit and credit balances which have not been supported with analyses and documentary evidence contrary to requirements of Government Financial Regulations and Procedures as shown below:-

<b>Assets</b>	<b>Amount (Kshs)</b>
Ministry HQ Deposit Bank A/c	16,102,453,676.35
District-Deposit Bank A/c	168,480.00

R/D Cheques	3,300,615.00
Temporary Imprests	(21,952,725.80)
General Suspense	(35,515,899.40)
District Suspense	434,463,552.00
Cash Clearing	(6,255,528,927.95)

### **Liabilities**

Staff Welfare Associations	(42,561,758.40)
Contractors Retention Money	(964,926,186.05)

### **1082. Unreconciled Cash and Bank Balances**

The Ministry Headquarters Deposit Bank Account balance of Kshs.16,102,453,676.35 reflected in the Statement differs with the cashbook cash and bank balance of Kshs.194,230,019.05 as at 30 June, 2013. The difference of Kshs.15,908,223,657.30 between the two sets of records has not been reconciled or explained.

Bank reconciliation statement for Deposits cash book as at 30 June 2013 reflects receipts in cashbook not in bank statement totalling Kshs.85,322,621.40 out of which, an amount of Kshs.73,178,389.65 relates to a transaction dated 29 March 2013 and described as "PS MOYAS - CO TANA RIVER". However, the nature of this receipt has not been explained or supported with any documentary evidence.

In the circumstances, it has not been possible to ascertain whether all bank Deposits transactions during the year and bank balance as at 30 June, 2013 are fairly stated.

## **NATIONAL YOUTH SERVICE (NYS) MECHANICAL AND TRANSPORT FUND**

### **Basis for Disclaimer of Opinion**

#### **1083. Domestic and Commercial Debts**

The Domestic Debts balance of Kshs.92,383,043.91 reflected in the Statement of Financial Position includes long outstanding debts totalling Kshs.24,148,662.17 brought forward from the previous years. Similarly, the Statement of Financial Position reflects a balance of Kshs.603,700,824.00 against Commercial Debts out of which an amount of Kshs.554,511,000.00 relates to 2011/2012 and earlier financial years. It has not been possible to confirm whether or when the Fund will be able to recover the outstanding amounts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

**1084. PMG – MOYAS Deposit**

The Statement of Financial Position also reflects a PMG - MOYAS Deposit balance of Kshs.247,530,866.95 which differs with the balance of Kshs.17,963,411.99 reflected in the Ministry's deposits cash book by Kshs.229,567,454.96. The difference has not been reconciled or explained.

**1085. Unreconciled Difference**

The Fund's Statement of Financial Position as at 30 June 2013 reflects Non Current Assets of Kshs.2,396,192,660.30 and Total Current Assets of Kshs.1,163,798,444.36 against Equity and Current Liabilities totalling Kshs.3,647,755,201.47. The resultant difference of Kshs.87,764,096.81 has not been reconciled or explained.

# MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 143

### Basis for Qualified Opinion

#### 1086. Accuracy of the Appropriation Account

The Appropriation Account reflects under various items in Head 143001501- Provincial Technical Services and Head 143003001-Bursaries and Scholarships Subsidies, Item 2220200-Routine Maintenance, under-expenditure totalling Kshs.26,579,565.00 and Kshs.3,660,672.00 respectively. However, the corresponding footnotes to the Account reflected under-expenditure of Kshs.31,145,737.00 and Kshs.1,240,420.00 resulting into unexplained and unreconciled variances of Kshs.4,566,172.00 and Kshs.2,420,252.00 respectively.

The Appropriation account also reflects under various Heads, a supplementary budget increase of Kshs.4,834,996,840.00 during the year. However, printed supplementary estimates and warrant no.3 of 2012/2013 reflected a decrease of Kshs.34,660,000.00 in the Ministry's budget resulting to a variance of Kshs.4,869,656,840.00 between the two sets of records. No explanation or reconciliation has been provided for the variance. Under the circumstances, the accuracy of the financial statements as at 30 June 2013 could not be confirmed.

#### 1087. Pending Bills

Records maintained by the Ministry indicate that bills totalling Kshs.313,396.05 for the year 2012/2013 chargeable to the recurrent vote were not settled during the year, but were instead carried forward to the financial year 2013/2014. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account for vote R.143 for the year ended 30 June, 2013 would have reflected a reduced net surplus to be surrendered to the exchequer of Kshs.173,736,208.45 instead of the net surplus of Kshs174,049,604.50 now shown.

#### 1088. Unsupported Expenditure

The Appropriation Account reflects under various Heads, Item 2110100- Basic Salary, an actual and estimated expenditure on basic salary of Kshs.203,164,142.00 and Kshs.190,450,045.00 respectively resulting to an over-expenditure of Kshs.12,714,097.00. However, although the Ministry has explained that the over-expenditure was due to Government re-organization which resulted in payment in lieu for exiting officers and entry of other officers who were not budgeted for, a list of officers who exited and those who entered was not made available for audit review.

Further, examination of the payroll records revealed that Kshs.196,667,066.75 was spent on basic salaries. The resultant difference of Kshs.6,497,075.25 between the



figure in the Appropriation Account and the corresponding figure in the payroll records has not been reconciled or explained.

### **1089. Unsupported Expenses**

The Appropriation Account reflected under various Heads, Item 2210700- Training Expenses, an actual and estimated expenditure on training of Kshs.34,154,795.00 and Kshs.44,600,400.00 respectively resulting into an under expenditure of Kshs.10,445,605.00. However, although the Ministry has explained that the under expenditure was occasioned by delays in training approvals, the causes of the delays in approvals were not explained.

Further, a review of training records revealed that a training institute was paid Kshs.1,220,610.00 vide payment voucher No.00111 dated 14 August, 2012 to train forty six (46) officers on use of computers. However, included in the forty six (46) officers were fourteen (14) officers whose admission letters were not available for audit review and a further fourteen (14) officers who were not in the approved list of computer trainees. In the circumstances, it was not possible to ascertain that the Kshs.1,220,610.00 was expended as appropriated.

The Ministerial Training Committee of 28 November, 2012 recommended the sponsoring of one officer for a Doctor of Philosophy course at the University of Nairobi at a cost of Kshs.900,000.00. However, a review of training records including payment voucher no. 02977 revealed that the course was undertaken at a different University. Invoices no.0830 and 0906 amounting to Kshs.1,005,500.00 and Kshs.1,065,000.00 respectively from the University showed that the cost of the course was Kshs.2,070,500.00. No reason or approval was availed in support of the change of the Universities which resulted to an unauthorized over-expenditure of Kshs.1,170,500.00.

### **1090. Current Grants to Government Agencies and Other Levels of Government**

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.43,302,668,963.00. The figure includes grants totalling Kshs.28,639,728,054.00 representing funds disbursed to some thirty five (35) institutions during the year. However, the 2012/2013 financial statements for these institutions reflected grant receipts totalling Kshs.24,680,920,204.90 resulting to an overall difference of Kshs.3,958,807,849.10. Further, included in the Kshs.3,958,807,849.10 were over-disbursements to various institutions totalling Kshs.155,456,132.50. No explanation or reconciliation has been provided for the above variances.

### **1091. Scholarships and Other Educational Benefits**

The Appropriation Account reflects under Head 0029, Item 26040100- Scholarships and Other Educational Benefits, an expenditure of Kshs.193,563,543.80 paid to various beneficiaries. However, payment voucher numbers 000215, 000189 and 000913 in

support of the scholarships and other benefits, reflected payments totalling Kshs.290,255,592.80 resulting to difference of Kshs.96,692,049.00. Although the Ministry's Account Analysis Report indicated that the Kshs.96,692,049.00 was an erroneous capture which was reversed, the relevant journal entry was not availed for audit review. In the circumstances, it was not possible to ascertain the accuracy and completeness of Kshs.193,563,543.80 for scholarships and other educational benefits as reflected in the accounts.

### **1092. Unconfirmed Expenditure**

The Ministry procured 520 blouses and 520 shirts with the Ministry's logo at a cost of Kshs.1,976,000.00 vide payment voucher no. 0167 dated 16 August 2011 for the Ministry's ISO 900:2008 celebrations. As at 30 June, 2013 the items were still in the store. A review of the stores records in August 2013 revealed that the items were no longer in the store. However, no S11 and S13 counter requisition and issue vouchers signed by the recipients were availed for audit review. In the circumstances it was not possible to ascertain that the Kshs.1,976,000.00 was expended as appropriated.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 143**

### **Basis for Disclaimer of Opinion**

#### **1093. Paymaster General (PMG) Account**

The Statement reflects a Paymaster General (PMG) Account balance of Kshs.109,937,188.65, which differs with the cashbook balance of Kshs.109,878,748.05 resulting in unexplained and un-reconciled difference of Kshs.58,440.60. Further, the footnotes attached to the Statement reflects a PMG balance of Kshs.110,412,371.10 as at 30 June 2013. The difference of Kshs.475,182.45 has also not been explained. Under the circumstances, the accuracy of the PMG balance of Kshs.109,937,188.65 as at 30 June, 2013 could not be ascertained.

#### **1094. Anomalies in the Bank Reconciliation Statement**

##### **(i) Payments in Cash Book not Recorded in the Bank Statement**

The Bank Reconciliation Statement for the Recurrent Cash Book reflects payments in the cash book totalling Kshs.69,425,429.10 not recorded in the bank statement which includes stale cheques amounting to Kshs.10,541,488.75. No reason has been provided for failure to replace the stale cheques. Further, included in the Kshs.69,425,429.10 were unexplained positive cash adjustments of Kshs.133,000.00 and negative adjustments of Kshs.15,217,687.45 resulting to an unexplained overall cashbook adjustment of Kshs. 15,084,687.45.

**(ii) Receipts in the Bank Statement not Recorded in the Cash Book**

The bank reconciliation statement also reflects an amount of Kshs.1,565,703.05 as receipts in the bank statement not yet recorded in the cash book which includes Kshs.1,214,178.00 relating to the year 2011/2012. No reason has been given for not recording this amount yet the G-pay provides reconciliation on a daily basis.

**(iii) Payments in the Bank Statement not Recorded in the Cash Book**

The statement further reflects Kshs.11,253,575.65 as payments in the bank not recorded in the cash book. These are direct debits from the month of June 2011 to May 2013. No reason has been given for this situation yet the G-pay provides reconciliation reports on a daily basis.

**(iv) Receipts in the Cash Book not Recorded in the Bank Statement**

The reconciliation statement reflects a total of Kshs.7,544,101.65 as receipts in the cashbook not recorded in bank statement relating to the period between June 2011 and June 2012. No reason has been provided for the prolonged delay in banking these amounts. Further, included in the Kshs.7,544,101.65 was Kshs.374,480.45 referred to as an error in the cashbook. However, no documents or explanation has been provided for the cashbook error.

**(v) Unexplained Difference in Cash Balance**

The bank reconciliation statement as at 30 June, 2013, reflects a reconciled cash book balance of Kshs.107,592,556.05 while the cash book reflect a bank balance of Kshs.109,015,485.20 resulting into an unexplained and un-reconciled difference of Kshs.1,422,929.15. No reason has been given for the difference between the two sets of records which should ordinarily be the same.

**(vi) Unanalyzed/Unsupported Entries in the Bank Reconciliation Statement**

The reconciliation statement further reflects forty four (44) entries totalling Kshs.2,406,583.45 whose details including dates of entry and payees were not indicated. In the circumstances, the transactions seem doubtful and the figures appear to be balancing items in the reconciliation.

**1095. Unreconciled Balance**

The Statement in addition reflects a General Account on Vote (GAV) balance of Kshs.130,239,010.80 for the year 2012/2013. However, the Appropriation Account for Vote R.143 for the year ended 30 June 2013, reflects a net surplus to be surrendered to the Exchequer of Kshs.174,049,604.50 resulting into an un-explained and un-reconciled difference of Kshs.43,810,593.70. Under the circumstances, the source and accuracy of the GAV balance of Kshs.130,239,010.80 for the year could not be ascertained.

### **1096. Advances**

The Statement further reflects advances account balance of Kshs.1,735,883.00 as at 30 June, 2013, which includes long outstanding advances totalling to Kshs.258,724.35 due from eight (8) officers who were either transferred to other Ministries or retired. No adequate explanation has been provided for non-recovery of the advances.

### **1097. Temporary Imprest**

The Statement also reflects Temporary Imprest balance of Kshs.752,958.80 as at 30 June, 2013. Imprest records maintained by the Ministry on the other hand reflected a balance of Kshs.722,958.80 resulting to a difference of Kshs.30,000.00 between the two sets of records which has not been reconciled or explained. Further, the Imprest was owed by officers who were dismissed, deceased or transferred to other Ministries. No adequate explanation has been provided for non-recovery of the imprest.

### **1098. Unsupported Balances**

The Statement also reflects Assets and Liabilities balances each totalling Kshs.462,346,284.80 which were not supported by the relevant trial balance. In addition, the Statement reflects clearance of General Suspense and Suspense balances of Kshs.58,311,377.65 and Kshs.13,298,050.00 respectively. However, documents showing how the suspense was cleared including authority for write-off from the National Treasury were not availed for audit review. In the circumstance, the accuracy and validity of the statement balances as at 30 June, 2013 could not be ascertained.

### **1099. Long Outstanding Balances**

The Statement reflects various debit and credit balances totalling Kshs.240,378,204.45 and Kshs.332,107,274.00 respectively, relating to 2011/2012 and earlier years as shown below:

<b>Debits</b>	<b><u>Amount (Kshs)</u></b>
Exchequer Account	238,437,094.05
Advances	991,000.00
Temporary Imprest	30,500.00
Standing Imprest	38,000.00
General Suspense	394,644.40
District Agency	<u>486,966.00</u>
	<b><u>240,378,204.45</u></b>
<b>Credits</b>	
GAV	332,107,274.00

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

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 143**

### **Basis for Qualified Opinion**

#### **1100. Under Expenditure and Under Collection of Appropriation-In-Aid**

The Appropriation Account for the year ended 30 June, 2013 for Vote D.143 reflects gross under-expenditure of Kshs.8,061,613,123.00 or about 56% of the approved estimated expenditure of Kshs.14,286,272,966.00. The Account also reflects an under-collection of Appropriations-in-Aid of Kshs.6,445,188,584.85 or about 88% of the estimated receipts of Kshs.7,356,822,966.00. According to the footnotes to the Account, the under-expenditure and under-collection of Appropriations-in-Aid has been attributed to delayed Exchequer releases and late submission of documents to donors for payment 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 Appropriations-in-Aid.

#### **1101. Capital Grants to Universities**

The Appropriation Account reflects under various expenditure Heads, grants totalling Kshs.3,714,884,140.80 disbursed to various Universities and University Colleges. The figure includes grants totalling Kshs.1,184,180,365.00 disbursed to nine (9) universities during the year. However, the 2012/2013 financial statements of these universities reflected receipt of grants totalling Kshs.1,234,679,223.65. The resultant difference of Kshs.50,498,858.65 has not been reconciled or explained.

#### **1102. Installation of Fibre Optic Cable in Tivet Institutions**

##### **(i) Irregular Procurement**

The Ministry contracted a firm vide tender No. MOHEST/010/2011-2012 dated 25 July, 2012 to design, supply and install fiber optic cable to Tivet Institutions at a contract sum of Kshs.239,705,045.00 and a contract period of three (3) months from the contract date. However, the Ministry did not do a feasibility study before tendering for the works to ascertain the magnitude of works and the estimated cost.

Further, the Ministry did not engage the services of professionals from the Ministry of Public Works or a consultant to supervise the works. Documents availed showed that payment certificates for Kshs.126,257,794.70 paid to the contractor as at 30 June 2013, were signed by the Project Manager who was not technically qualified to supervise the works.

##### **(ii) Delays in Completion of the Works**

Although the Contract provided for three (3) months contract duration with effect from 25 July 2012 to 25 October 2012, a review of the project progress in January 2014, which was fifteen (15) months after the due date, revealed that the contractor had not

completed the work and no contract duration extension documents were availed for audit review. Further, the performance security bond of Kshs.11,985,252.25 being 5% of the contract price expired on 27 November, 2013 and no evidence of renewal was availed for audit verification.

### **(iii) Failure to Supply Bandwidth Charges (10mbps)**

According to the contract documents, the contractor was to supply internet bandwidth (10mbps) to the forty (40) Tivet Institutions at Kshs.220,000.00 per Institute all totalling Kshs.8,800,000.00 within one (1) year from the contract date. However, information available from five (5) Institutions indicated that the contractor had not provided the internet service by January 2014, 19 months after the award date of the contract.

### **1103. Pending Bills**

Records maintained by the Ministry indicate that bills totalling Kshs.1,459,494,575.80 for the year 2012/2013 chargeable to the development vote were not settled during the year but were instead carried forward to the 2013/2014 financial year. Had the bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account for Vote D.143 for the year ended 30 June, 2013 would have reflected a reduced net surplus to be surrendered to the exchequer of Kshs.156,929,963.10 instead of the net surplus of Kshs.1,616,424,538.90 now shown.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 143**

### **Basis for Disclaimer of Opinion**

#### **1104. Unsupported Balances**

The Statement reflects Assets and Liabilities balances each totalling Kshs.3,373,382,679.95 which were not supported by the relevant trial balance as at 30 June, 2013.

#### **1105. Paymaster General Account**

The Statement further reflects a Paymaster General (PMG) Account balance of Kshs.21,447,513.95 for the year under review. However, the cashbook, the Board of survey report and the bank reconciliation statement reflect a cash and bank balance of Kshs.23,411,706.90 Kshs.23,071,338.35 and 23,071,338.35 resulting to a difference of Kshs.1,964,192.95, Kshs.1,623,824.40 and Kshs.1,623,824.40 respectively. Under the circumstances, the accuracy of the PMG balance reflected in the Statement as at 30 June, 2013 could not be confirmed.

## 1106. Anomalies in the Bank Reconciliation Statement

### (i) Payments in Cash Book not yet Recorded in the Bank Statement

The Bank Reconciliation Statements for the Development Cash Book reflects payments in the cash book totalling Kshs.51,722,391.20 not recorded in the bank statement which includes stale cheques amounting to Kshs.28,211,951.70. No reason has been provided for failure to replace or reverse the stale cheques.

### (ii) Payments in the Bank not Recorded in the Cash Book

The statement also reflects Kshs.33,298,642.15 as payments in the bank not recorded in the cash book which includes Kshs.33,131,692.15 brought forward from 2011/2012 and earlier years. No reason has been given for this situation yet the G-pay provides reconciliation reports on a daily basis.

### (iii) Receipts in the Cash Book not recorded in the Bank Statement

Further, the bank reconciliation statement reflects a total of Kshs.15,746,178.90 as receipts in the Cash book not recorded in bank statement relating to 2011/2012 financial year. No reason has been provided for the prolonged delay in banking these amounts.

## 1107. General Account of Vote

The Statement further reflects a General Account of Vote (GAV) balance of Kshs.1,781,256,596.50 for the year under review. However, the figure differs with the net surplus of Kshs.1,616,424,538.90 reflected in the Development Appropriation Account for 2012/2013. The variance of Kshs.164,832,057.60 has not been reconciled or explained. Under the circumstances, the accuracy of the General Account of Vote balance as at 30 June, 2013 could not be confirmed.

## 1108. Long Outstanding Balances

The Statement reflects long outstanding debit and credit balances amounting to Kshs.1,746,932,680.00 and Kshs.3,373,382,679.95 respectively against various accounts as indicated below:

<b>Debit balance</b>	<b>Amount (Kshs)</b>
Exchequer	1,725,485,166.00
PMG	<u>21,447,513.95</u>
	<b><u>1,746,932,680.00</u></b>
<b>Credit balance</b>	
GAV	<u>3,373,382,679.95</u>

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

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 143**

### **Basis for Disclaimer of Opinion**

#### **1109. Accuracy of the Statement**

The Statement reflects Assets and Liabilities balances each totalling Kshs.123,664,547.85 which were not supported by a trial balance. Further, the miscellaneous deposit balance of Kshs.1,980,308.70 has not been supported with an analysis. Under the circumstances, the accuracy of the Assets and Liabilities balances of Kshs.123,664,547.85 as at 30 June, 2013 could not be confirmed.

#### **1110. Unreconciled Paymaster General Account Balance**

The Statement of Assets and Liabilities for Deposits reflected a Paymaster General (PMG) Account balance of Kshs.123,664,547.85 as at 30 June, 2013 while the cashbook reflected a balance of Kshs.123,855,765.45 as at the same date. No explanation or reconciliation was provided for the difference of Kshs.191,217.60. Further, the reconciliation statement included long outstanding receipts in the bank statement not in the cashbook amounting to Kshs.1,043,598.80 and receipts in the cashbook not in bank statement amounting to Kshs.10,750.00. No explanation has been provided as to why these long outstanding items have not been cleared. Under the circumstances, the accuracy of the PMG Account balance of Kshs.123,664,547.85 as at 30 June, 2013 could not be confirmed.

#### **1111. Miscellaneous Deposits Account**

The Statement in addition reflected miscellaneous deposit account balance brought forward from 2011/2012 of Kshs.1,960,305.30 which differs from the audited balance of Kshs.1,980,308.70 as at 30 June, 2012. The difference of Kshs.20,003.40 has not been explained or reconciled.

#### **1112. Retention Balance**

The statement reflects retention balance brought forward from 2011/2012 of Kshs.27,550,013.80 which differ with the audited balance of 27,525,756.40 as at 30 June 2012. The difference of Kshs.24,257.40 has not been explained or reconciled. Further, the statement reflects retention balance of Kshs.93,709,518.10 for the year under review while the cash book reflect a balance of Kshs.92,836,248.45. The difference of Kshs.873,269.65 has not been reconciled or explained. The retention balance of Kshs. 27,525,756.40 further includes Kshs.455,675.20 received in 2007 from a local firm and another Kshs.16,710,269.60 received from the Ministry of Education in 2008 and which was not supported with the relevant analysis. No explanation has been provided for failure to clear these long outstanding balances from the books of account.

Under the circumstances the accuracy of the retention balance of Kshs.121,259,531.90 as at 30 June 2013 could not be confirmed.



# MINISTRY OF HOUSING

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 144

### Basis for Qualified Opinion

#### 1113. Under-expenditure and Under-collection of Appropriations-In-Aid

The Appropriation Account for Vote R.144 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.651,993,802.30 or approximately 30% of approved estimates of Kshs.2,190,997,266.00. Similarly, the Account reflects a nil collection of Appropriations-In-Aid against estimated receipts of Kshs.485,000,000.00. The Ministry has not indicated the measures it has put in place to forestall the recurrence of a similar situation in future.

#### 1114. Personal Emoluments

The Appropriation Account reflects a total expenditure of Kshs.458,626,761.00 under various Heads, Sub-Heads, Items 2110100 and 2110300 - Basic Salaries - permanent employees and personal allowances paid as part of salary, respectively. However, payment vouchers, the Integrated Payroll and Personnel Database (IPPD) and other related records show a total expenditure of Kshs.463,329,021.40 against the items. No explanation has been given for the difference of Kshs.4,702,260.40, between the two sets of records or a reconciliation done to address the difference.

#### 1115. Pending Bills

Bills totalling Kshs.301,814,107.40 relating to 2012/2013 and chargeable to Recurrent Vote were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the accounts for 2012/2013, the Appropriation Account for R.144 for the year ended 30 June 2013, would have reflected an Excess Vote of Kshs.134,820,305.10 instead of the Net Surplus of Kshs.166,993,802.30 now shown. Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

## STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 144

### Basis for Adverse Opinion

#### 1116. Trial Balance and Ledger

The balances reflected in the Statement of Assets and Liabilities for Vote R.144 as at 30 June 2013 have not been supported by a trial balance as at that date or ledger for the year

then ended. Consequently, the completeness and accuracy of these balances could not be confirmed.

#### **1117. Unanalyzed Balances**

The Statement reflects balances of Kshs.209,522,097.50 and Kshs.37,648.00 against District Suspense and Advances Accounts, respectively, which have not been supported with analyses. Consequently, the validity and accuracy of these balances could not be ascertained.

#### **1118. Long Outstanding Balances**

The Statement reflects the following Account balances relating to 2011/2012 and earlier years that have not been cleared from the books of account as required by financial regulations:-

<u>Account</u>	<u>Amount (Kshs)</u>
Exchequer	310,253,578.00
District Suspense Account	209,522,097.50
General Account of Vote	929,367,180.45

No reason has been provided for not clearing these long outstanding balances from the books of account.

#### **1119. Unsupported Cleared Balances**

The Statement shows the following Account balances that were cleared during the year under review for which no supporting documentary evidence was provided:-

<u>Account</u>	<u>Amount (Kshs)</u>
District Suspense	87,605,482.70
Advances Account	185,776.00
Temporary Imprest	1,420,686.00

Consequently, the authenticity of the clearances could not be confirmed.

#### **1120. Paymaster General Account**

The Statement reflects a Paymaster General Account balance of Kshs 34,478,993.25 which tallies with the cashbook balance as at 30 June 2013. However, the bank reconciliation statement as at 30 June 2013 reflects payments in cashbook not in bank statement totalling Kshs.177,046,147.80, which include stale cheques amounting to Kshs.8,556,505.95. No explanation has been provided for failure to reverse these cheques in the cashbook.

The reconciliation statement also reflects receipts in bank statement not recorded in the cashbook totalling Kshs.19,712,615.40 relating to the period between 2 April 2013 and 18 May 2013. No explanation has been provided for failure to record these receipts in the cashbook.

The statement further reflects payments in bank statement not recorded in the cashbook totalling Kshs.112,691,680.35, which include payments amounting to Kshs.91,824,214.10 relating to the period between 19 December 2011 and 28 May 2013. No explanation has been given for not recording these payments in the cashbook.

In addition, out of the total payments in bank statement not in cashbook totalling Kshs.112,691,680.35, payments totalling Kshs.14,401,235.40 were charged to Development Account but were reflected in the Recurrent Account. No explanation has been given for this anomaly.

The statement in addition reflects receipts in cashbook not in bank statement totalling Kshs.134,581,442.45 out of which receipts totalling Kshs.34,531,441.51 relate to the period between 18 August 2011 and 4 April 2013. No explanation has been given for failure to bank these receipts.

Further, the bank reconciliation statement as at 30 June, 2013 reflects numerous cashbook undercasts / overcasts which is an indication of poor book keeping and therefore rendering accuracy and validity of cashbook entries doubtful.

## **APPROPRIATION ACCOUNT FOR DEVELOPMENT VOTE 144**

### **Basis for Qualified Opinion**

#### **1121. Accuracy of the Appropriation Account**

The approved supplementary estimates reflect net total estimates of Kshs.2,600,648,914.00, while the Appropriation Account reflects an amount of Kshs.2,400,648,914.00 resulting in a difference of Kshs.200,000,000. Had the Appropriation Account reflected the correct estimated amount, the Account would have reflected a higher Net Surplus to be Surrendered to the Exchequer of Kshs.539,791,084.75 instead of Kshs.339,791,084.75 now shown. No explanation has been given for the difference between the two set of records.

In addition, the Appropriation Account reflects, under Head 0007, a total expenditure of Kshs.656,295,892.00 while the Account Summary shows an expenditure of Kshs.639,922,554.00 against the same Head. No explanation or reconciliation has been provided for the difference of Kshs.16,373,337.00.

#### **1122. Under Expenditure**

The Appropriation Account for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.339,791,084.75 or approximately 14% of Approved Estimates of

Kshs.2,400,648,914.00. No indication has been given on measures the Ministry is taking to forestall the recurrence of a similar situation in future.

### **1123. Excluded Expenditure**

The Appropriation Account reflects expenditure totalling Kshs.656,295,892.00 under Head 0007 – Housing Department. However, payment vouchers and other related documents provided in support of this expenditure show that a total of Kshs.793,057,785.00 was incurred under this Head. No explanation has been given for the exclusion of expenditure amounting to Kshs.136,761,893.00 from the Account.

### **1124. Transfers to Kenya Slum Upgrading Project Fund (KENSUF)**

The Appropriation Account reflects under Head 0006, Sub-Head 01, Items 2211300 and 3110500 expenditure of Kshs.903,290,648.00 incurred in respect to Kenya Slum Upgrading Project Fund. The amount includes Kshs.898,413,116.00 and Kshs.4,877,532.00 for construction and civil works and other operating expenses, respectively. However, the financial statements of the Fund for the year ended 30 June 2013 show that only a total of Kshs.810,553,613.00 was received from the Ministry. No explanation or reconciliation has been given for the difference of Kshs.92,737,035.00 between the two set of records.

### **1125. Renovation and Alteration to Bima House – Mombasa (Phase II) and Crescent House – Nairobi**

A contract for renovation and alteration to Bima House Mombasa (Phase II) and Crescent House – Nairobi, was awarded on 14 July 2011 to a construction company at a contract sum of Kshs.328,381,208.84 and a contract period of 52 weeks, commencing 9 August 2011 and ending on 2 August 2012. Records available indicate that during the year under review, the contractor was paid an amount of Kshs.23,689,173.85, bringing the total amount paid as at 30 June 2013 to Kshs.135,435,727.45.

Although the project was scheduled for completion on 2 August 2012, an audit inspection carried out in October 2013 revealed that the works had not been completed, more than 14 months after commencement. The contractor was, however, found on site even though no extension of contract period had been sought and approved by the Ministry's Tender Committee. According to Interim Certificate No. 6 dated 20 February 2013, the project was behind completion schedule with the value of permanent works done estimated at 41% against the contract period which had elapsed by over 14 months.

No explanation was given for retaining the contractor on site long after the expiry of the contract duration without approved extension period. It was also not clear whether the Government will realize value for money on the project whose completion has been affected by delays.

### **1126. Pending Bills**

Bills totalling Kshs.306,137,343.90 relating to 2012/2013 and chargeable to Development Vote were not settled during the year but were instead carried forward to 2013/2014. Had the bills been paid and expenditure charged to the accounts for 2012/2013, the Appropriation Account for Vote D.144 would have reflected a reduced Net Surplus to be Surrendered to the Exchequer of Kshs.33,653,740.85 instead of Kshs.339,791,084.75 now shown. Failure to settle bills in the year to which they relate distorts the financial statements for that year and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

### **1127. Irregular award of Contract**

The County Director of Housing- Mandera County, procured works amounting to Kshs.4,999,814.00 through direct procurement method. The District Tender Committee (DTC) awarded the contract to one contractor citing limited time to the closure of the financial year and also that the firm was the only one in the County with appropriate equipment and skilled personnel.

Although full payment of the contract sum of Kshs.4,999,814 was made to the firm on 28 June, 2013, the works had not been completed as at 7 September, 2013 as evidenced by the minutes of a site meeting which indicated that the works were 40% complete.

Further, the Department of Housing in a letter ref no. MDR/HD/ABT/VOLI/004 of 9 October, 2012 had requested the Clerk to the County Council of Mandera to allocate one acre of land for the project. However, no evidence was made available for confirmation that the land was allocated to the department as requested. It was therefore not possible to confirm that the land on which the project stands belongs to the Department.

In the absence of documentary evidence that the project was satisfactorily completed, it was not possible to confirm that value for money was realized on the expenditure of Kshs.4,999,814.00 incurred during the year.

### **1128. Proposed Construction of County Housing Offices in Lodwar Town, Turkana Central District**

Audit of the county records revealed that request for quotation method was used to identify the contractor for the construction of Turkana Central District County Housing Offices. A local construction company being the lowest bidder was awarded the contract at a cost of Kshs.4,973,546.40 which exceeded the threshold for request for quotation method. Further, minutes of the Tender Committee, Engineer's Estimates and Drawings were not provided for audit review. No reason was provided as to why the provisions of the Public Procurement and Disposal Regulations, 2006 were not adhered to.

In addition, the contractor was paid Kshs.1,432,200.00 on 11 February 2013 towards the project. However, the payment was not supported by contract documents and certificates of work done. Consequently, the propriety of the expenditure could not be confirmed.

# STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE 144

## Basis for Qualified Opinion

### 1129. District Suspense Account

The Statement of Assets and Liabilities for Vote D.144 as at 30 June, 2013 reflects a District Suspense Account balance of Kshs.235,400,773.40 that has not been analyzed. As a result, it has not been possible to confirm what the balance represents.

### 1130. Long Outstanding Balances

The Statement reflects the following Account balances relating to 2011/2012 and earlier years which as at 30 June 2013 had not been cleared from the Ministry's books of account:

<u>Account</u>	<u>Amount (Kshs)</u>
District Suspense Account	44,906,142.15
Exchequer Account	764,520,908.05
General Account of Vote	969,153,345.85

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

### 1131. Trial Balance

The balances reflected in the Statement have not been supported by either a trial balance or a ledger for the year ended 30 June 2013. Consequently, the completeness and accuracy of the balances could not be confirmed.

### 1132. Paymaster General Account

The Statement reflects a Paymaster General Account balance of Kshs.23,355,420.00 as at 30 June 2013. However, the bank reconciliation statement as at 30 June 2013 for the Development cashbook reflects payments in cashbook not recorded in the bank statement (unpresented cheques) totalling Kshs.123,144,659.65, which include stale cheques of Kshs.52,995,604.05. No reason has been given for failure to replace the cheques or reverse the entries in the cashbook.

The statement further reflects payments in bank statement not recorded in the cashbook totalling Kshs.66,662,358.30 which relate to the period between 17 June 2011 and 22 May 2013. No reason has been given for failure to record the long outstanding payments in the cashbook. Consequently, the accuracy of the PMG balance as at 30 June, 2013 could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 144**

### **Basis for Disclaimer of Opinion**

#### **1133. Paymaster General Account**

The Statement of Assets and Liabilities for Deposits 144 as at 30 June 2013 reflects a Paymaster General (PMG) Account balance of Kshs.454,917,787.90 which differs from the cashbook balance of Kshs.251,780,166.45 by Kshs.203,137,621.50. The difference relates to PMG balance as at 1 July 2012 omitted from the cashbook. No explanation has been provided for the omission.

The bank reconciliation statement for the Deposits cashbook as at 30 June 2013 reflects payments in the cashbook not in the bank statement (unpresented cheques) totalling Kshs.1,417,820.95, which include stale cheques amounting to Kshs.134,547.00. No reason has been provided for failure to replace the stale cheques issued between the months of August and December 2012, or reverse the entries in the cash book.

The statement also reflects an amount of Kshs.6,861,049.10 as receipts in the bank statement which had not been recorded in the cashbook as at 30 June 2013. The figure includes a total of Kshs.1,413,621.55 and Kshs.43,792.50 described as Development and Recurrent receipts respectively. However, details of these receipts were not produced for audit confirmation. Also, no reason has been given for the non-recording of these receipts in the cashbook yet the G-pay provides reconciliations on a daily basis.

The reconciliation statement in addition reflects Kshs.1,860,494.80 as payments in the bank not recorded in the cashbook for the months of May and June 2012. No explanation has been provided for the delay in recording these payments in the cashbook, some of which are indicated as relating to Development cashbook.

Further, the reconciliation statement reflects a total of Kshs.5,595,110.70 as receipts in the cashbook not recorded in the bank statement which include Kshs.5,591,635.70 relating to the period December 2011 to April 2013. No reason has been provided for the delay in banking these receipts, most of which relate to Retention Money Account.

The Statement of Assets and Liabilities further reflects a Rent Restrictions Deposits Account credit balance of Kshs.3,189,350.00 which has not been analysed. No explanation has been given for the failure to analyze the balance, and consequently, it has not been possible to confirm what it represents.

The Statement also reflects a 10% Retention Money Account balance of Kshs.328,779,270.55 and a BP Shell Deposits balance of Kshs.122,949,167.35. However, availed schedules support 10% Retention Money Account and BP Shell Deposits balances of Kshs.172,899,061.85 and Kshs.58,631,511.35, respectively. The resultant differences of Kshs.155,880,208.70 and Kshs.64,317,656.00 respectively, between the two sets of records have not been reconciled or explained.

The account balances reflected in the Statement of Assets and Liabilities for Deposits 144 as at 30 June 2013 were not supported by a Trial Balance or Ledger for the year then ended. As a result, the completeness and accuracy of the balances could not be ascertained.

## **CIVIL SERVANTS HOUSING SCHEME FUND**

### **Basis for Disclaimer of Opinion**

#### **1134. Land and Buildings Rental**

The Balance Sheet as at 30 June 2013 reflects a balance of Kshs.988,060,882.00 against Land and Buildings Rental. However, ownership documents for the property were not made available for audit verification. Consequently, the ownership of the property by the Civil Servants Housing Scheme Fund could not be confirmed.

#### **1135. Fixed Assets Register**

The Balance Sheet reflects a fixed assets balance of Kshs.4,721,483,093.05 as at 30 June 2013. However, a fixed assets register was not provided for audit verification. Consequently, the completeness and accuracy of the balance could not be confirmed.

#### **1136. Accuracy of the financial statements**

The financial statements reflect various balances relating to 2011/2012 which differ with the corresponding audited closing balances for 2011/2012 as detailed below:

<b><u>Account</u></b>	<b><u>Opening Balances 2012/2013 (Kshs.)</u></b>	<b><u>Audited Figures 2011/2012(Kshs.)</u></b>	<b><u>Difference (Kshs.)</u></b>
Land and Building	51,221,000.00	54,421,000.00	3,200,000.00
Mortgage Recoverable	1,014,493,627.25	976,664,243.25	37,829,384.00
Cash and Bank Balance	460,562,097.42	475,525,970.42	15,263,873.00
Working Capital	3,061,171,745.72	3,076,135,618.72	14,963,873.00
Property Validation and Rental Collections	157,630,376.72	159,202,376.72	1,572,000.00
Accounts Payable (10% Deposits)	558,859,391.60	537,724,911.60	21,134,480.00
Capital Reserves	4,601,806,878.02	4,582,244,398.02	19,562,480.00

The differences between the two sets of balances have not been reconciled or explained. The Balance Sheet further reflects an increase of Kshs.400,000,000.00 in Capital Reserves Government Contribution Grant while the Statement of Changes in Fund balances shows a figure of Kshs.575,392,935.40, resulting in a difference of Kshs.175,392,935.00.

The Balance Sheet also reflects a figure of Kshs.14,827,166.32 against Net Fixed Assets which differs by an amount of Kshs.25,318.53 from the balance of Kshs.14,801,847.79 shown in the ledger. The difference was not explained.



### **1137. Cash and Bank Balance**

The Balance Sheet further reflects cash and bank balance of Kshs. 1,109,583,425.00 as at 30 June 2013 while the Operational Account and Funds Deposits Account show a total balance of Kshs.620,400,591.00. The resultant difference of Kshs.489,182,834.00 has not been explained or reconciled.

### **1138. Unanalyzed Debtors / Accounts Receivable**

The balance sheet also reflects a balance of Kshs 47,017,046.64 against Debtors / Accounts Receivable. However, no records or analyses were provided in support of the balance. As a result, it has not been possible to ascertain the completeness and accuracy of the balance.

## **STATEMENT OF REVENUE**

### **Basis for Qualified Opinion**

#### **1139. Irregular Recording of Revenue in Recurrent Account**

The audit revealed that revenue collected during the year totalling Kshs.279,333,102.45 was being banked in Recurrent Account instead of Deposits Account contrary to the requirements of Government Financial Regulations and Procedures. No explanation has been given for this anomaly.

#### **1140. Under-collection of Revenue**

The Statement of Revenue for the year ended 30 June 2013 reflects under-collection of revenue of Kshs.159,654,202.10 or 36% of the estimated receipts of Kshs.438,987,223.00. Although the Ministry has explained that the shortfall was as a result of over-estimation, there was no indication of any measures being taken to forestall the recurring of a similar situation in future.

#### **1141. Trial balance and ledger**

The Account balances reflected in the Statement of Revenue have not been supported by a trial balance as at 30 June 2013 or ledger for the year then ended. As a result, the completeness and accuracy of the balances could not be confirmed.

#### **1142. Failure to have the Statement Signed by the Receiver of Revenue**

The Statement of Revenue has not been signed by the Accounting Officer of the Ministry, who is the appointed Receiver of Revenue, contrary to the requirements of Government Financial Regulations and Procedures. No explanation has been provided for the omission.

## KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND PROGRAMME

### Basis for Qualified of Opinion

#### 1143. Opening Balances

The financial statements of the Fund reflect several opening balances which differ from the corresponding closing balances reflected in the audited financial statements for the year ended 30 June 2012, as shown below:

Item/Account	Closing Balance in the Financial Statements for 2011/2012	Opening Balance in the Financial for 2011/2013	Difference
Fixed Assets	1,080,607,850.00	1,187,475,947.00	106,868,097.00
Revaluation Reserve	Nil	106,868,110.00	106,868,110.00
Revenue Grants	329,179,902.00	329,866,354.00	686,452.00
Depreciation	33,446,224.14	140,900,935.00	107,454,728.86
Capital Grant	8,015,507.20	1,328,376,900.00	1,320,361,392.80

No explanation has been given for these variances.

#### 1144. Unexplained Variances

The income statement reflects capital grants of Kshs.80,000,000.00 while the statement of cash flows and Note 7 to the financial statements reflect balances of Kshs.527,307,584.00 and Kshs.690,536,223 respectively. The statement also reflects a figure of Kshs.96,913,301.00 against interest income while the statement of cash flows shows a figure of Kshs.82,376,212.00. Further, the statement of cash flows reflects a figure of Kshs.30,928,957.00 against depreciation while fixed assets movement schedule reflects a figure of Kshs.47,991,974.00.

No reconciliation or explanation has been provided for these variances.

# NATIONAL INTELLIGENCE SERVICE

## APPROPRIATION ACCOUNT FOR RECURRENT VOTE 145

### Basis for Qualified Opinion

#### 1145. Pending Bills

Records maintained at the National Intelligence Service indicate that bills totalling Kshs.166,130,948.00 chargeable to Recurrent Vote were not settled during the year 2012 / 2013 but were instead carried forward to 2013 / 2014. Had the bills been paid and expenditure charged to the financial statements for 2012/2013 the Recurrent Appropriation Account for Vote R145 for the year ended 30 June 2013 would have reflected a reduced net surplus of Kshs.181,384,589.93 instead of Kshs.15,253,641.93 to be surrendered to the exchequer.

#### 1146. Proposed Construction of Training Facilities and a Perimeter Wall at Kitisuru

##### (i) Use of Restricted Tendering

The contract for the construction of training facilities and perimeter wall at Kitisuru was awarded to a contractor at a contract sum of Kshs.400,000,000.00 using restricted tendering method with expected completion date of 02 October 2012. However, the use of restricted tendering has not been justified in accordance with Section 133 of the Public Procurement and Disposal Act, 2005.

##### (ii) Delay in Completing the Project

Although, the contractor sought a fourth extension of time through a letter dated 28 June 2013, the project had not been completed by 19 August 2013 and no recovery of liquidated damages had been effected contrary to clause 27 of the conditions of contract.

##### (iii) Variation of Contract

Although the contract cost has been varied by Kshs.42,830,603.64 due to additional design drawings and bills of quantities, a letter of authority was not availed for audit review.

##### (iv) Quality of Workmanship

In addition, the Project was said to have been handed over on 30 January 2014 and a handing over certificate issued, an audit inspection undertaken on 15 May 2014 and a review of the letter reference number D45/9784A/VOL.II/130 dated 17 February 2014

written by a Quantity Surveyor reveals that the workmanship achieved did not meet specifications as per bills of quantities as stone cladding on external walls is defective. In addition, the pavement was noted to have massive cracks, broken stones and the surface is irregular.

Further, the drainage systems appear to have been poorly planned in that rain water collecting on the roof top is draining on the pavement.

In the circumstances, therefore, it has not been possible to confirm that the value for money has been obtained in the total expenditure amounting to Kshs. 403,711,357.35 incurred in the contract.

## **STATEMENT OF ASSETS AND LIABILITIES FOR RECURRENT VOTE 145**

### **Basis for Qualified Opinion**

#### **1147. Outstanding Imprests**

Examination of imprests records maintained by the NIS revealed that imprests totalling Kshs.6,975,337.30 which ought to have been surrendered on or before 30 June 2013 were still outstanding. Further, the records also show that various officers were issued with additional imprests totalling Kshs.5,789,687.70 before having surrendered or accounted for balances previously issued contrary to Government Financial Regulations and Procedures.

#### **1148. Advances**

The Statement of Assets and Liabilities for vote R145 as at 30 June 2013 reflects a debit balance of Kshs.698,389.80 against advances which relate to previous years and no explanation has been given for failure to recover these long outstanding advances.

#### **1149. Long Outstanding Balances**

In addition, the Statement reflects Kshs.125,857,404.88 against Agency (Advances to MFA) which relate to the year 2007 and earlier years. No explanation has been given for failure to clear these long outstanding balances.

#### **1150. Unaccounted Balances**

The Statement further reflects debit balance of Kshs.36,644,320.41 against Treasury Recovery Suspense, which includes PMG Cashbook balance of Kshs.410,727.70 that has been explained in the notes to accounts as having been recovered and accounted for by NIS, whereas, Treasury has not recovered the same. The Statement also reflects a credit balance of Kshs.118,372,670.00 against Treasury Recovery Suspense which has been explained in notes to the account as balances which have not been accounted

for by Ministry of Foreign Affairs without explaining reasons for failure to account for outstanding balances which relate to 2006/2007 and earlier years.

#### **1151. Bank Reconciliation**

The Bank Reconciliation Statement for Recurrent Cashbooks as at 30 June 2013 reflects payments totalling Kshs.735,499.30 in respect of stale cheques. No explanation has been given for failure to reverse stale cheques.

The Statement also reflects receipts totalling Kshs.486,718.00 in Bank Statement not recorded in the Cashbook relating to 2006/2007. No reason has been given for failure to record these long outstanding receipts in the cashbook.

### **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 145**

#### **Basis for Qualified Opinion**

#### **1152. Bank Reconciliation**

The Bank Reconciliation Statement for the Deposits Cashbook reflects receipts in the Bank Statement not recorded in the Cashbook totalling Kshs.41,246,850.00 No reason has been provided for failure to record these receipts in the Cashbook.

In addition, it has been explained that these receipts are in respect of payments for insurance cover to various officers, however, no reason has been given for failure to disburse these amounts to listed beneficiaries.

# MINISTRY OF TOURISM

## RECURRENT APPROPRIATION ACCOUNT VOTE R 146

### Basis for Qualified Opinion

#### 1153. Tourist Trust Fund

##### i) Improper Winding up of Tourist Trust Fund

Tourist Trust Fund (TTF) was created by Legal Notice No. 47 and financing agreement between Ministry of Finance and European Union (EU) in 2001. Records made available for audit review revealed that the deliverables described in the functioning agreement were not achieved by the time of winding up of the Fund in 2012. Further, no proper handing over appears to have taken place between Tourist Trust Fund management and the Ministry of Tourism which was supposed to take over the projects' assets, financial records and administration of the Fund after closure, as there was no handing over report availed for audit review. Though there is a recommendation to degazette the Fund, this had not been done by the time of audit in December, 2013.

As reported in the previous year, the financial statements of Tourist Trust Fund for 2011/2012 and for the year under review have not been submitted for audit. No stock take was done for materials and equipment worth Kshs.15,466,123.00 held in TTF's office at the time of winding-up as stated in the unsigned progress report of TTF as at 31 July, 2013. Further, no inventory record was availed for audit review. Also, staff dues totalling Kshs.5,782,585.00 in form of gratuity and other salaries and creditors totalling Kshs.1,550,000.00 were still outstanding as at 30 June, 2013.

##### ii) Incomplete Projects

The following projects had not been completed as at the time of winding up the fund in January, 2012:-

- (a) 1912/93 Stabex frame work for mutual obligation under Tourism Institutional Strengthening and Market Promotion Programme (TISMPP) funded by Kenya Tourism Board (KTB) with an initial commitment of Kshs.1 billion was under implementation with effect from 5 March 2001.
- (b) 8<sup>th</sup> European Development Fund (EDF) under Tourism Diversification and Sustainability Development Programme (TDSDP) funded by Ministry of Finance in 1998 with an initial commitment of Kshs.1.2 billion.
- (c) Tourist Trust Fund (TTF) land in Mombasa purchased under TDSDP to preserve and conserve tourism areas for beach traders has been lying idle with no activities taking place.

#### **1154. Unbudgeted Expenditure**

Government Financial Regulations and Procedures section 5.1.2.(f) states that expenditures must not be incurred in excess of the total sum authorized by Parliament or be spent on any Vote, Head and Item. The Ministry of Tourism purchased a vehicle Reg. No. KBU 272X Honda CRV RE4 costing Kshs.2,000,000.00 for the former Permanent Secretary on 29 June, 2013. The expenditure was charged to other operating expenses under Sub-Head 01 Item 2211300 since there was no budgetary allocation for purchase of motor vehicles. This amounts to unauthorized expenditure in the absence of parliamentary approval. In addition, on 29 June 2013, the Ministry paid Kshs.2,361,447.00 to the former Permanent Secretary as payment of three months gross salary in lieu of notice and commutation of leave although the officer is still in Government employment and is currently attached to Ministry of Foreign Affairs. This was contrary to Government Financial Regulations and Procedures on retirement benefits for Public Servants.

#### **1155. Pending Bills**

Records maintained by the Ministry reflects bills totalling Kshs.4,369,911.00 chargeable to the Recurrent Vote not paid during 2012/2013 but were instead carried forward to 2013/2014 financial year. Had the bills been settled and the expenditure reflected in the financial statements for 2012/2013, the Appropriation Account for Vote R.146 for the year would have reflected an Excess Vote of Kshs.1,185,114.00 instead of a Net Surplus to be Surrendered to the Exchequer of Kshs.3,184,797.00 now shown.

### **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R146**

#### **Basis for Qualified Opinion**

#### **1156. Bank Reconciliation**

The Statement of Assets and Liabilities as at 30 June, 2013 reflects Paymaster General Account balance of Kshs.9,183,369.00 which differs with cashbook balance of Kshs.11,786,828.00, leading to an unsupported and unexplained difference of Kshs.2,603,459.00. Further, the Statement did not balance by Kshs.100 due to an incorrect figure for Paymaster General Account balance for 2011/2012 captured as Kshs.6,857,958.00 instead of Kshs.6,857,858.00.

Consequently, it was not possible to ascertain the completeness and accuracy of the statement.

#### **1157. Unsupported Balance**

The Statement reflects a General Account of Vote brought forward figure of Kshs.7,996,262.00 which was cleared during 2012/2013 but without supporting documentary evidence. Consequently, propriety of the clearance could not be confirmed.

### **1158. General Deposits**

The Statement includes Kshs.6,660,000.00 paid to M/s Wamukoya and Associates in respect of provision of services for technical support for the implementation of subsidiary legislation of the Tourism Act. No explanation was however provided as to why the amount was not captured in the Statement of Deposits instead of it being captured in this particular statement.

## **DEVELOPMENT APPROPRIATION ACCOUNT VOTE D 146**

### **Basis for Qualified Opinion**

#### **1159. Overpayment of Grants**

The Ministry paid to Kenyatta International Conference Centre (KICC) grants totalling Kshs.72 million which exceeded approved estimated amount of Kshs.52 million by Kshs.20 million during 2012/2013. Although it was noted that the Ministry wrote to KICC on 4 December 2013 asking for a refund of the amount, the same had not been confirmed received by the time of audit. No explanation has been provided for the irregular overpayment of grants.

## **STATEMENT OF ASSETS AND LIABILITIES VOTE D146**

### **Basis for Qualified Opinion**

#### **1160. Unreconciled Balances**

The Statement reflects Paymaster General Account balance of Kshs.12,215,473.00 while the cashbook reflects a balance of Kshs.578,920.00 as at 30 June 2013, resulting in an unexplained or unreconciled difference of Kshs.11,636,553.00. Consequently, it has not been possible to ascertain the accuracy of the statement.

#### **1161. Unsupported Clearance**

As reported in 2011/2012, the Statement of Assets and Liabilities reflected PMG, District Suspense Account, General Account on Vote (GAV) and Exchequer Account balances of Kshs.3,05,105.00, Kshs.13,003,068.00, Kshs.181,080,156.00 and Kshs.175,000,000.00 respectively, brought forward from 2010/2011 and earlier years and cleared in 2011/2012. No documentary evidence supporting the clearances have to date been availed for audit verification. As a result, it has not been possible to ascertain the validity of the clearance.

#### **1162. Long Outstanding Balances**

The Statement also reflects a debit and credit balance of Kshs.1,309,058.00 and Kshs.889,620.05 for Exchequer Account and General Account of Vote respectively,



which were not cleared during the year. No explanation was provided for failure to clear these balances from the records.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 146**

### **Basis for Qualified Opinion**

#### **1163. Revenue on Hand**

The revenue on hand of Kshs.4,362,149.00 as at 30 June 2013 as reflected in the Statement of Revenue has not been reflected in the Statement of Assets and Liabilities for Deposits. Consequently, it has not been possible to ascertain that the Statement reflects the correct position.

## **STATEMENT OF REVENUE FOR VOTE 146**

### **Basis for Qualified Opinion**

#### **1164. Revenue Collection at Regional Offices**

The Statement of Revenue for Head 1420000 – Sale of Goods and Services for the year ended 30 June 2013 reflects actual receipts of Kshs.40,588,040 against estimated receipts of Kshs.39,998,998.00. The amount includes revenue from regional offices of Kshs.18,318,687.00 banked in accounts maintained with Kenya Commercial Bank from which the revenue is transmitted to the Central Bank of Kenya – Deposit account. Information available indicates that the regional officers submit summaries of the revenues banked but which are not accompanied by bank notifications/banking slips/statements, and therefore making it difficult for a bank reconciliation to be carried out at the Head Office. Consequently, in the absence of documentation from the regions on revenue collection, banking and transfers to Central Bank of Kenya, it has not been possible to accurately ascertain that the collection of Kshs.40,588,040.00 is fairly stated.

#### **1165. Payments to Exchequer**

The Statement reflects revenue of Kshs.36,225,891.00 remitted to the Exchequer Account during 2012/2013. However, no records were made available from the Treasury to confirm how much was received from the Ministry. However, IFMIS printouts reflect amount transferred to Exchequer of Kshs.39,238,860.00 while the statement shows Kshs.36,225,891.00. Further, official receipts reflect a figure of Kshs.28,723,310.00. The differences between the three sets of figures could not be reconciled or explained.

#### **1166. Revenue on Hand**

The Statement reflects revenue on hand balance of Kshs.4,362,149.00 as at 30 June 2013, which has not been reflected in the Statement of Assets and Liabilities for

Deposits 146 as at the same date. Consequently, it has not been possible to ascertain that revenue on hand has been properly accounted for in the Ministry's financial statements.

## **OUTSTANDING LOANS FOR VOTE 146**

### **Basis for Qualified Opinion**

#### **1167. Unpaid Loans and Interest**

The Statement of Outstanding Loans as at 30 June 2013, reflects total loans lent balance of Kshs.182,000,000.00 made up of Kshs.48,000,000.00 and Kshs.134,000,000.00 against Kenya Tourist Development Corporation (KTDC) and Catering Levy Development Trustees (CLDT) respectively. Kenya Tourist Development Corporation (KTDC) was granted the loan on 18 Feb 1991 at an interest rate of 8.5% per annum. The loan was to be utilized to finance lending to projects under the revolving fund programme. The audited records 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 paid 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 total of Kshs.15,232,000.00 stands as unpaid interests of which Kshs.1,496,000.00 relates to 1990/1991 financial year, and the balance of Kshs.13,736,000.00 relates to 2010/2011 financial year. In addition, the principal loan of Kshs.48,000,000.00 has not been repaid as at 30 June 2013.

Further, the Catering Levy Development Trustee (CLT) (now Tourism Fund) was granted a 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. Kenya Utalii College (KUC) paid the principal of this loan at a rate of Ksh.1million per month from July to December 2012, leaving a balance of Ksh.134,000,000.00 outstanding. As at 30 June 2013, a total of Kshs.1,280,709,137.00 in form of interests and penalties on this loan was still outstanding. No explanation has been given for failure to service these loans.

# OFFICE OF THE PRIME MINISTER

## RECCURENT APPROPRIATION ACCOUNT – R.148

### Basis for Qualified Opinion

#### 1168. Pending Bills

Records maintained at the Office of The Prime Minister indicated that bills totalling Kshs.8,737,073.90 chargeable to the Recurrent Vote were not settled during the year 2012/2013 but were instead carried forward to 2013/2014 financial year. Had the bills been paid and expenditure charged to the account for 2012/2013, the Appropriation Account for Vote R148 for the year would have reflected an excess vote of Kshs.8,675,801.90 instead of the Net Surplus to be surrendered to the exchequer of Kshs.61,272.00 shown in the Appropriation Account.

#### 1169. Over expenditure and Under expenditure

The Recurrent Appropriation Account for vote R148 for the year ending 30 June 2013 reflects expenditure on various expenditure items totalling Kshs.24,607,221.00 which was in excess of the approved estimates. The Appropriation Account also shows under expenditures on various expenditure items by more than Kshs.1,000,000.00 amounting to Kshs.14,800,424.00. No explanation has been provided for failure by the Office to adhere to the budgetary controls.

#### 1170. Hiring of Motor Vehicles

An examination of records maintained at the Office of the Prime Minister revealed that the Ministry invited quotations from a firm which was not in the list of prequalified suppliers for 2012/2013 contrary to Section 59(2) of the Public Procurement and Disposal Regulations, 2006. The firm was consequently paid a total of Kshs.3,515,000.00 for hire of motor vehicles to the Office during the year. No satisfactory explanation was provided for contravening the public Procurement and Disposal Regulations, 2006.

## STATEMENT OF ASSETS AND LIABILITIES FOR RECCURENT VOTE – R.148

### Unqualified Audit Opinion

No material issue was raised raised on this Statement.

## **DEVELOPMENT APPROPRIATION ACCOUNT – D.148**

### **Basis for Disclaimer of Opinion**

#### **1171. Unvouched Expenditure**

The Appropriation Account for vote D148 for the year ended 30 June 2013 under Head 1480002-01 reflects expenditure totalling Kshs.53,705,306.00 charged against items, 2211300 – Other Operating expenses, 2220100 – Routine maintenance- Vehicles and other Transport Equipment, 3111100- Purchase of Specialized Plant, Equipment and Machinery and 3111400 – Research, Feasibility Studies, Project Preparation and Design. Although the expenditure was funded through a grant from the Government of Japan, documents and records in support of the expenditure were not made available for audit review. Consequently, the propriety of the expenditure could not be ascertained.

#### **1172. Pending Bills**

Records maintained at the Office of the Prime Minister indicated that pending bills totalling Ksh.39,595,399.45 chargeable to the Development Vote were not settled during the year 2012/2013 but were instead carried forward to 2013/2014 financial year. Had these bills been paid and expenditure charged to the account for 2012/2013, the Appropriation Account for Vote D.148 for the year would have reflected an excess vote of Kshs.22,054,778.05 instead of the Net Surplus to be surrendered to the Exchequer of Kshs.17,540,621.40 now shown.

#### **1173. Under-expenditure and Under Collection of Appropriations-In-Aid**

The Development Appropriation Account for Vote D.148 for the year ended 30 June 2013 reflects gross total expenditure of Kshs.419,389,783.30 against gross provision of Kshs.498,900,000.00 resulting in surplus of gross estimates over expenditure of Kshs.79,510,216.70 or about 16% of the approved estimates. The account also shows actual receipts of Appropriations-In-Aid totalling Kshs.139,030,404.70 against estimated receipts of Kshs.201,000,000.00 resulting in an under collection of Kshs.61,969,595.30 or 31% of the approved estimates. Although it has been explained that the reasons for the under -collection was delay of release of donor funds, it is not clear and no evidence was availed to show how the problem was subsequently addressed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEVELOPMENT VOTE – D.148**

### **Basis for Disclaimer of Opinion**

The Statement of Assets and Liabilities for Vote D.148 as at 30 June 2013 reflects a debit balance of Kshs.30,919,898.90 and a similar credit balance relating to various items. However, these balances have not been supported with a ledger or trial balance as at 30 June 2013 contrary to the requirements of Government Financial Regulations

and Procedures. As a result, the accuracy of the figures reflected in the Statement of Assets and Liabilities could not be ascertained.

# MINISTRY OF PUBLIC HEALTH AND SANITATION

## FINANCIAL STATEMENTS FOR VOTE R.149

### APPROPRIATION ACCOUNT

#### Basis for Qualified Opinion

#### **1174. Under expenditure and under collection of Appropriation-In-Aid**

The Appropriation Account for Vote R.149 for the year ended 30 June 2013 reflects under-expenditure of Kshs.53,419,422.15 against the approved gross expenditure of Kshs.16,607,825,500.00. The Account further reflects Appropriation-In-Aid of Kshs.22,069,793.20 out of the estimated receipts of Kshs.57,800,000.00 thereby recording an under collection of Kshs.35,730,206.70 approximately 62% of the estimated receipts. Reasons given in the footnotes for the under expenditure and under collection of A-I-A include delayed procurement process and over provision of estimates among others. It is not clear how the problems are being addressed.

#### **1175. Unreconciled Balances**

The appropriation Account also reflects expenditure on salaries and allowances totalling Kshs.12,804,246,904.00 while the Ministry's monthly payroll records reflect payments amounting to Kshs.13,206,853,962.85 during 2012/2013. No explanation or reconciliation has been provided for the difference of Kshs.402,607,058.85 between the two sets of records.

#### **1176. Pending Bills**

Records maintained by the Ministry indicate that bills totalling Kshs.3,263,474.00 chargeable to the Recurrent Vote R149 were not settled in the year 2012/2013 but were instead carried forward to 2013/2014. The Account excludes bills relating to the financial year 2011/2012 of Kshs 7,638,548.00 but no evidence was availed to confirm that the bills were settled during the year ended 30 June, 2013. Had these bills been paid and charged to the Recurrent vote, the Appropriation Account would have reflected a reduced Net Surplus to the Exchequer of Kshs.14,425,741.00 instead of the Kshs.17,689,215.45 now shown.

## **STATEMENT OF ASSETS AND LIABILITIES**

### **Basis for Qualified Opinion**

#### **1177. Unsupported Clearance**

The Statement of Assets and Liabilities for Vote R.149 as at June 2013 reflects balances of Ksh.1,401,004.00 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 the validity of the balances cleared during the year.

#### **1178. Unanalyzed Balances**

The Statement in addition reflects Kshs.1,977,977.25, Kshs.5,889,475.36 and Kshs.643,430,477.05 in respect of Salary Advance, District Suspense and Paymaster General Account respectively which were not supported by a Trial Balance. In the absence of a correct Trial Balance, the completeness and accuracy of the above balances could not be ascertained.

#### **1179. Omission of Balances**

As similarly reported in 2011/12, the Statement excludes various balances, under Exchequer, Paymaster General and General Account of Vote Account, although the balances appeared in the audited Statement for 2007/2008. No reason has been given for the omissions and as a result, the accuracy of the Statement cannot be ascertained.

#### **1180. Long Outstanding Balances**

The Statement reflects long outstanding balances of Kshs.549,861,908.61 and Kshs.6,082,990.00 that relate to GAV and Exchequer Accounts respectively which have not been cleared for a long period of time. No explanation has been given for failure to clear these long outstanding balances.

#### **1181. Bank Reconciliation Statement**

- (i) The reconciliation statement for Recurrent cash book as at 30 June 2013 reflects receipts in the bank statement not recorded in the cashbook of Kshs.95,616,722.60. No reason has been given why the receipts were not recorded in the cashbook.
- (ii) The Statement further reflects payments in the bank statement not recorded in the cash book of Kshs.22,768,423.60. No reason has been provided for failure to enter and update the cashbook with the payments.
- (iii) The bank reconciliation statement further reflects receipts in the cashbook recorded in the bank statement of Kshs.1,326,707,539.35 and which includes 3 receipts of Kshs.500,000,000.00, Kshs.700,000,000.00 and Kshs.113,538,545.00 all totalling

Kshs.1,200,538,556.00 or 90% of total receipts for two exchequers and Afya Sacco respectively. No reason has been given for failure to bank the receipts as at 30 June 2013.

- (iv) The bank reconciliation statement reflects payments in the cashbook not recorded in the bank statement totalling Kshs.1,260,211,393.00 which include overcast balances amounting to Kshs.345,114.25. No reason has been given for failure to present the cheques for payment and update the cashbook appropriately.

## **APPROPRIATION ACCOUNT VOTE D.149**

### **Basis for Qualified Opinion**

#### **1182. Under expenditure and under collection of Appropriation-In-Aid**

The Appropriation Account for vote D.149 for the year ended 30 June, 2013 reflects an under-expenditure of Kshs.6,206,259,059.65 representing 26% of the approved gross expenditure of Kshs.24,959,845.00. The Account further reflects an under collection of Kshs.1,974,556,042.00 or approximately 15% of estimated receipts of Kshs.13,113,658,200.00. Reasons given in the footnotes for the under expenditure and over expenditure of A-I-A include over provision of estimates, lack of committal documents from donors and delayed disbursements of funds among others. It is not clear how the problems are being addressed.

#### **1183. Unreconciled Grants transfers**

As previously reported, the Appropriation Account for the year 2011/2012 reflected transfers to the Health Sector Services Fund for disbursements to Health Facilities totalling Kshs.1,039,124,438.00. However, the financial statements of the Fund for 2011/2012 reflected receipts of Kshs.1,019,140,800.00 resulting in an unaccounted for difference of Kshs.19,983,638.00. During the year under review a further Kshs.10,000,000 was refunded to the exchequer. The resultant difference of Kshs.9,983,638.00 between the two sets of records has not been reconciled or explained.

## **STATEMENT OF ASSETS AND LIABILITIES VOTE D.149**

### **Basis for Disclaimer of Opinion**

#### **1184. Unanalysed Balances**

The Statement of Assets and Liabilities reflects a District Suspense and General Account of Votes balance of Kshs.61,854,068.47 and Kshs.344,215,140.00 which has not been supported with relevant analyses. In the absence of the analyses, the completeness and accuracy of the above balances could not be ascertained.



### **1185. Lack of Trial Balance**

The Statement reflects Kshs.274,153,637.45, Kshs.1,377,411.25 and Kshs.10,420,123,511.40 in respect of Paymaster General (PMG) debit balance, returned Salaries and Exchequer Balance respectively which have not been supported by a Trial Balance. In the absence of a Trial Balance, the completeness and accuracy of the above balances could not be ascertained.

### **1186. Bank Reconciliation Statement**

- (i) The bank reconciliation statement for Development cashbook as at 30 June 2013 reflects payments in the cashbook not recorded in the bank statement amounting to Kshs.1,225,403,792.15. No explanation has been given for failure to reverse the payments in the cashbook.
- (ii) The Statement further reflect receipts in the bank statement not yet recorded in the cashbook amounting to Kshs.32,492,823.65. No reasons have been given for failure to record the receipts in the cashbook.
- (iii) The Statement also reflects payments in the bank statement not recorded in the cashbook totalling Kshs.118,974,771.80 relating to 2011/2012 and previous years. No reason has been given for the failure to record payments in the cashbook.
- (iv) Further, Receipts in the cashbook not recorded in the bank statements as at 30 June 2013 amounting to Kshs.819,636,325.55 in the cashbook and not recorded in the bank statement included an amount of Kshs.8,962,754.85 which relates to the year 2010/2011 and previous years. No reason has been given for failure to bank the receipts as at 30 June 2013.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS**

### **Basis for Adverse Opinion**

#### **1187. Unreconciled PMG Balance**

The Statement of Assets and Liabilities for Deposits as at 30 June 2013 reflects a Paymaster General Account balance of Kshs.26,821,899.50 which includes an amount of Kshs.2,469,374.90 recorded in the deposit cashbook as payment to Health Sector Support Fund (HSSF). The amount differs with the figure reflected in the HSSF cashbook of Kshs.2,144,846.00 by Kshs.323,528.80. This difference has not been reconciled or explained.

### **1188. Unsupported Balances**

The Statement as at 30 June 2013 also reflects Kshs.26,821,899.50, Kshs.21,799,209.50 and Kshs.5,022,690.00 under the PMG, General Deposit and Retention Money account balances respectively but which were not supported by a Trial Balance. Under the circumstances, the validity and accuracy of these balances could not be confirmed.

### **1189. Bank reconciliation Statement**

- (i)** The bank reconciliation statement for Deposits cashbook as at 30 June 2013 reflects payments in cashbook not in bank statement totalling Kshs.3,438,330.00. No reason was given for failure to clear this figure in the cashbook.
- (ii)** The reconciliation statement also reflects receipts in bank statement not yet recorded in cashbook totalling Kshs.28,613,214.75 as at 30 June 2013 which includes Kshs.6,647,866.20 relating to 2011/ 2012 and previous years. No explanation has been given as to why the receipts were not recorded in the cashbook by 30 June 2012.
- (iii)** The reconciliation statement further reflects payments in the bank statement not recorded in the cashbook amounting to Kshs.11,978,277.25 which includes a balance of Kshs.11,899,872.65 relating to 2011/2012 and previous years. No reason has been provided for failure to enter and update the cashbook with the payments.
- (iv)** The bank reconciliation statement further reflects receipts in the cashbook not recorded in bank statement of Kshs.3,592,743.15 as at 30 June 2013. No reason was given for failure to bank the receipts as at 30 June 2013.

# MINISTRY OF FORESTRY AND WILDLIFE

## APPROPRIATION ACCOUNT VOTE R.155

### Basis for Qualified Opinion

#### 1190. Under Collection of Appropriations-In-Aid

The Appropriation Account for Vote R.155 for the year ended 30 June 2013 reflects gross under-collection of Appropriations-In-Aid of Kshs.286,780,250.20 or about 12% of the total estimated receipts of Kshs.2,305,070,000.00. The under-collection occurred mainly under Kenya Forest Service. No explanation for the under-collection has been provided in the footnotes to the Account.

#### 1191. Unreconciled Difference

The Appropriation Account for Vote R.155 reflects expenditure totalling Kshs.98,009,500.00 in respect of basic salaries (Kshs.59,029,227.00) and personal allowances paid as part of salaries (Kshs.38,980,273.00). However, the total amount paid differs with a figure of Kshs.108,768,938.20 that was derived from vouchers and related Integrated Personnel and Payroll Data (IPPD) expenditure records and other supporting payment documentations. The resultant expenditure difference of Kshs.10,759,438.20 between the two sets of records has not been reconciled or explained.

#### 1192. Pending Bills

Bills amounting to Kshs.5,830,680.00 chargeable to the Recurrent Vote R.155 were not settled in the year 2012/2013 but were instead carried forward to 2013/2014. Had these bills been paid and the expenditure charged to the Account, the Appropriation Account for Vote R.155 for the year 2012/2013 would have reflected a reduced Net Surplus to be surrendered to the Exchequer of Kshs.15,994,533.40 instead of Kshs.21,825,213.40 now shown. Carrying over of bills adversely affects the operations of subsequent year's budgetary provisions as the bills form a first charge.

#### 1193. Unaccounted for Expenditure

Included in the Recurrent Appropriation Account under Head 0001 – Headquarters Administrative Services, Item 2211300 – Other Operating Expenses actual expenditure of Kshs.159,336,885.00 is an amount of Kshs.13,196,900.00 paid to the Permanent Secretary, Office of the President through Authority to Incur Expenditure (A.I.E). The funds were to be used for “Operation Fagia Tsavo Ranches” - to flush out herders who had invaded the ranches in Taita, Kwale and Kilifi. However, no expenditure returns or supporting documentation were provided to confirm the ultimate recipients and utilization of the funds. Consequently, the propriety of the total Kshs.13,196,900.00 expenditure could not be ascertained.

#### **1194. Grants to Wildlife Clubs of Kenya**

The Recurrent and Development Appropriation Accounts reflect expenditure totalling Kshs.40,320,000.00 in respect of grants issued to Wildlife Clubs of Kenya. The Organisation's financial statements for the year then ended, however, reflects receipts from the Ministry totalling Kshs.38,796,000.00. The resultant difference of Kshs.1,524,000.00 between the Ministry's and the Organisation's records has not been reconciled or explained.

### **STATEMENT OF ASSETS AND LIABILITIES VOTE R.155**

#### **Basis for Disclaimer of Opinion**

#### **1195. Long Outstanding Balances**

The Statement of Assets and Liabilities as at 30 June 2013 reflects long outstanding, brought forward balances relating to 2011/2012 and earlier years that were not cleared during the year under review as shown below:

<b>Account Details</b>	<b>Debits (Kshs.)</b>	<b>Credits (Kshs.)</b>
PMG - HQS	19,376,531.75	
-KFS	186,097,015.15	
General Account of Vote	1,755,327.00	4,089,446.45
AIA Deficiency	7,450.00	
Exchequer Over-Issue		16,870,019.00
KFS Excess AIA		186,097,015.15
AIA- HQS	<u>-</u>	<u>436,790.00</u>
<b>Totals</b>	<b><u>207,236,323.90</u></b>	<b><u>207,493,270.60</u></b>

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

#### **1196. Unanalysed Balance**

The Statement also reflects, under Salary Advance Account, a debit balance of Kshs.176,947.90 which has not been analysed and supported with documentation. Consequently, it has not been possible to ascertain accuracy and validity of the balance.

#### **1197. Unsupported PMG Balance**

The Statement in addition reflects debit balances of Kshs.36,266,710.95 and Kshs.186,097,015.15 under PMG - Headquarters and PMG - Kenya Forest Service respectively which, however, were not supported with bank reconciliation statements. The Ministry's cash book and Board of Survey Report, to the contrary, reflects a balance of Kshs.6,500,218.90 under PMG - Headquarters which differs with the

Kshs.36,266,710.95 balance by an unreconciled Kshs.29,766,492.05 as at 30 June 2013. Further, no cash book and Board of Survey Report were provided to support the Kshs.186,097,015.15 balance relating to Kenya Forest Service. Consequently, it has not been possible to ascertain whether all Paymaster General (PMG) transactions and balances during the year under audit are fairly stated.

#### **1198. Lack of Trial Balance and Ledger**

The Ministry did not provide the ledger and trial balance from which the balances reflected in the Statement had been drawn. Consequently, the completeness and accuracy of the balances reflected in the Statement of Assets and Liabilities for Vote R.155 as at 30 June, 2013, could not be ascertained.

### **APPROPRIATION ACCOUNT VOTE D.155**

#### **Basis for Qualified Opinion**

#### **1199. Under-Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.155 for the year ended 30 June 2013 reflects a gross under-expenditure of Kshs.976,776,311.25 or about 17.8% of the approved gross estimates of Kshs.5,494,151,360.00. Further, it reflects a gross under-collection of Appropriations-In-Aid of Kshs.709,199,448.40 or about 41% of the estimated receipts of Kshs.1,715,475,000.00. The reasons provided in the footnotes to the Account for under-expenditure and under-collection of Appropriations-In-Aid include, non-release of exchequer by the National Treasury, late approval of the revised estimates and non-release of funds by the donors. The Ministry has not explained how it is addressing this unsatisfactory situation.

#### **1200. Omission of Footnotes**

The Government Financial Regulations and Procedures, Chapter 11, Paragraph 11.7 requires the Accounting Officer to explain by way of footnotes the reasons for any variation of Kshs.1,000,000.00 and above between the estimated and actual expenditure or collection of Appropriations-In-Aid against any item of the Account. The Appropriation Account for Vote D.155, however, reflects the following items with material differences of Kshs.1,000,000.00 and above between the approved estimates and actual expenditure/receipts for which no explanatory footnotes have been provided:-

<b>Heads and Description</b>	<b>Over-Expenditure Kshs.</b>	<b>UnderCollection Kshs.</b>
<b>0003 – Kenya Wildlife Service</b>		
1320200-Grants from International Organisations		277,000,000.00
<b>004-Hqs Forestry Department</b>		
2211000-Specialised Mat. & Supplies	9,611,177.00	
2211300-Other Operating Expenses	11,392,250.00	

No reason has been provided for the above omission. Consequently, the Appropriation Account lacks in detail and content and does not provide relevant and reliable information as prescribed by the Government Financial Regulations and Procedures.

#### **1201. Unaccounted Grants**

The Appropriation Account for the year ended 30 June 2013 reflects a net expenditure in respect of grants issued to Kenya Forestry Research Institute, Kenya wildlife Service and Kenya Forest Service which differs with the amounts reflected in the respective agencies financials statement as shown below:

<b>Agency</b>	<b>Appropriation Account (Kshs.)</b>	<b>Agency Financial Statement (Kshs.)</b>	<b>Difference (Kshs.)</b>
Kenya Forestry Research Institute	97,000,000.00	125,000,000.00	28,000,000.00
Kenya Wildlife Service	1,156,594,130.00	1,127,165,870.00	29,428,260.00
Kenya Forest Service	2,058,719,434.00	1,926,982,703.90	131,736,730.00

The resultant discrepancies have not been reconciled or explained.

#### **D. STATEMENT OF ASSETS AND LIABILITIES VOTE D.155**

##### **Basis for Disclaimer of Opinion**

##### **1202. Long Outstanding Balances**

The Statement of Assets and Liabilities as at 30 June 2013 reflects long outstanding balances under the Exchequer Account and General Account of Vote of Kshs.494,015,182.00 and Kshs.518,386,549.70, respectively relating to 2011/2012 and

earlier years. No explanation has been provided for failure to clear these balances in the year under review.

### **1203. Unreconciled PMG Balance**

The Statement reflects a balance of Kshs.108,793,225.55 under Paymaster General Account which comprises of a brought forward figure of Kshs.26,031,363.25 and current year's balance of Kshs.82,761,862.30. This differs with Board of Survey and the Ministry's cash book balance of Kshs.86,599,267.30 as at 30 June 2013 by Kshs.22,193,957.80. The Ministry did not prepare bank reconciliation statements for the whole year and hence it has not been possible, in the absence of explanation for the difference of Kshs.22,193,957.80, to ascertain whether all Paymaster General Account bank transactions and Kshs.108,793,225.55 balance as at 30 June 2013 are fairly stated.

### **1204. Unsupported Clearance of Balances**

The Statement further reflects that during the year under review, the brought forward Retention Evasound Account and Extra Funds Received (KFS) Account credit balances of Kshs.855,630.00 and Kshs.804,365.55, respectively were cleared from the books of Account. However, no information or documentary evidence was provided in support of these clearances. As a result, the validity of the clearances could not be ascertained.

### **1205. Lack of Trial Balance/Ledger**

The Ministry did not provide ledger and trial balance from which the balances reflected in the Statement were drawn. Consequently, the completeness, accuracy and validity of the balances reflected in the Statement could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS VOTE 155**

### **Basis for Disclaimer of Opinion**

#### **1206. Unsupported Balances**

The Statement of Assets and Liabilities for Deposits as at 30 June 2013 reflects Revenue Account credit balance of Kshs.1,482,139.90 that has not been supported with analysis and documentation. Consequently, it has not been possible to ascertain accuracy and validity of the Kshs.1,482,139.90 Revenue Account balance.

#### **1207. Balances Cleared Without Supporting Documents**

The Statement's brought forward Suspense Account balance of Kshs.633,059.50 was cleared in the year 2012/2013 without any supporting documentary evidence and information. In the circumstances, the validity of the clearance could not be ascertained.

**1208. Failure to Prepare Bank Reconciliation Statements**

The Ministry did not prepare monthly bank reconciliation statements for the whole year. Consequently, it has not been possible to ascertain whether all bank transactions during the year and Paymaster General Account balance of Kshs.1,482,139.90 as at 30 June 2013 are fairly stated.

**1209. Lack of Ledger and Trial Balance**

The Ministry did not provide ledger and trial balance to support all account balances reflected in the Statement. Consequently, the completeness, accuracy and validity of the balances reflected in the Statement of Assets and Liabilities for Deposit 155 as at 30 June 2013 could not be ascertained



# MINISTRY OF FISHERIES DEVELOPMENT

## RECURRENT APPROPRIATION ACCOUNT- R. 156

### Unqualified Opinion

There were no material issues noted in this statement.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R.156

### Basis for Adverse Opinion

#### 1210. Presentation of the Statement

The format in which the Statement of Assets and Liabilities for Vote R.156 is presented does not conform to that prescribed under Chapter 11, Paragraph 11.8.3 of the Government Financial Regulations and Procedures. The Statement has been presented in four columns while the Regulations require three columns. No explanation has been provided for failing to prepare the Statement as required by Government Financial Regulations and Procedures.

#### 1211. Incorrect Opening Balances

The Statement reflects the following Accounts with opening balances that differ with closing balances reflected in the audited Statement as at 30 June 2012: -

<u>Account Particulars</u>	<u>Opening Balance in the Statement as at 30 June 2013</u>	<u>Closing Balance in the Statement as at 30 June 2012</u>	<u>Difference</u>
Exchequer Account	685,673.60	64,272,710.40	63,587,036.80
District Suspense Account (Dr)	49,498,493.05	7,971,637.10	41,526,855.95
General Suspense Account (Dr)	(5,216,822.70)	7,060,069.50	12,276,892.20
General Account of Vote	126,566,866.65	160,903,939.70	34,337,073.05
General Suspense Account (Cr)	5,216,822.70	Nil	5,216,822.70
Excess A.I.A	Nil	60,365.55	60,365.55

It was, therefore, not possible to confirm the accuracy and validity of the account balances reflected in the Statement of Assets and Liabilities for Vote R.156 as at 30 June 2013.

#### **1212. Uncleared Balances**

The Statement also reflects the following balances relating to 2011/2012 and earlier years that have not been cleared:-

<b><u>Account Particulars</u></b>	<b><u>Amount (Kshs)</u></b>
Exchequer Account	685,673.60
District Suspense Account (Dr)	49,498,493.05
Advances Account	94,850.70
General Account of Vote	126,566,866.65
Agency Account	860.00
General Suspense Account	5,216,822.70

No explanation has been provided for failure to clear these balances from the books of account.

#### **1213. Paymaster General Account**

The Statement reflects a PMG balance of Kshs.32,535,354.20 as at 30 June, 2013. However, the bank reconciliation statement for Recurrent cashbook as at 30 June 2013 reflects payments in cashbook not in bank statement amounting to Kshs.5,864,997.00, which include stale cheques totalling Kshs.683,570.40. No reason has been given for failure to replace the stale cheques or reverse the entries in the cashbook.

The bank reconciliation statement also reflects payments in bank statement not in cashbook totalling Kshs.551,980.70 which include three entries totalling Kshs.521,610.10 for January, 2011 and June and December 2012. No explanation has been provided for not recording the payments in the cashbook.

#### **1214. Accuracy of the Statement**

The balances reflected in the Statement of Assets and Liabilities have not been supported with a Trial Balance as at 30 June 2013 or ledger for the year then ended. It is, therefore, not clear how the balances were arrived at. Consequently, the accuracy and completeness of the Statement could not be confirmed.

## **APPROPRIATION ACCOUNT FOR VOTE D.156**

### **Basis for Qualified Opinion**

#### **1215. Under-Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.156 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.444,491,358.60 or about 17% of Approved Estimates of Kshs.2,693,789,156.00. The Account also reflects under-collection of Appropriations-In-Aid of Kshs.58,000,000.00 or 58% of the estimated receipts of Kshs.100,000,000.00. The Ministry has, however, not indicated the measures it has taken to ensure the situation does not recur in future.

#### **1216. Irregular implementation of Fish Project – Kabarnet District**

The office made payments totalling Kshs.30,528,600.00 in respect of purchase of fish fingerlings, fish nets, dam liners and fish feeds all of which were to be distributed to identified farmers under the project. There was, however, no information to show how the purchased fingerlings and fish brood worth Ksh.9,480,000.00 were distributed. Further, Tender documents to show how the suppliers of fish nets worth Kshs.5,277,000.00, dam liners worth Kshs.1,944,000.00 and fish feeds worth Kshs.13,827,600.00 were identified were not provided for audit review. In addition, there were no documents to show how the items were distributed.

#### **1217. Unsupported and Unvouched Expenditure on Civil Works – Kabarnet District**

Payment vouchers together with the supporting documents for refurbishment of non-residential buildings amounting to Kshs.460,000.00 were not provided for audit. In addition a payment of Kshs.601,980.00 to a local company for supply of building materials was not supported with a report of the Inspection and Acceptance Committee. Consequently, the propriety of the total expenditure of Kshs.31,590,580.00 incurred by the District Fisheries Office, Kabarnet could not be confirmed.

#### **1218. Bahari Sub County - Abandoned Fish Pond Projects**

Records available at the Bahari Fisheries Sub-County Office indicate that expenditure totalling Kshs.15,629,600.00 was incurred on fish pond projects in Ganze, Magarini, Kaloleni, Rabai, Bahari and Malindi Districts in Kilifi County during the period. The expenditure included the supply of liners Kshs.9,000,000.00, food stuffs Kshs.3,239,600.00, breeding stocks Kshs.1,890,000.00 and casual labour payment of Kshs.1,500,000.00. However, a physical verification carried out revealed that the said fish ponds were dry, dilapidated and abandoned and there were no signs of fish farming in the areas. There were no verifiable records to confirm whether fish was ever reared.

In view of the above observation, the investment of Kshs. 15,629,600.00 ended up being a waste of public funds and the value for money may have not been achieved as the projects have not benefited the community.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.156**

### **Basis for Qualified Opinion**

#### **1219. Trial Balance and Ledger**

The balances reflected in the Statement of Assets and Liabilities for Vote D.156 as at 30 June 2013 were not supported by a trial balance as at that date or a ledger for the year then ended. Consequently, the basis of preparation of the Statement under review could not be confirmed.

#### **1220. Long Outstanding Balances**

The Statement reflects the following Account balances that have not been cleared although they relate to 2011/2012 and earlier years.

<u>Account</u>	<u>Balances (Kshs)</u>
District Suspense Account	296,110,441.15
General Suspense Account	505,701.00
General Account of Vote	1,198,880,902.00
Exchequer Account	757,585,257.75

No explanation has been provided for failure to clear the long outstanding balances from the record

#### **1221. Paymaster General Account**

The Statement reflects a Paymaster General Account debit balance of Kshs.10,654,256.90. However, the bank reconciliation statement for Development cashbook as at 30 June 2013 reflects payments in cashbook not in bank statement (unpresented cheques) amounting to Kshs.138,730,227.90, which include stale cheques totalling Kshs.962,795.10. No reason has been given for failure to reverse the cheques in the cashbook. The reconciliation statement also reflects a receipt in the bank statement of Kshs.84,659.90 that has not been recorded in the cashbook although it relates to December 2012. No explanation has been given for failure to update the cashbook with the receipt.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 156**

### **Basis for Qualified Opinion**

#### **1222. Trial Balance and Ledger**

The Account balances reflected in the Statement of Assets and Liabilities for Deposits 156 as at 30 June 2013 were not supported by a trial balance as at 30 June 2013 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**

The Revenue Statement for the year ended 30 June 2013 reflects Revenue cash on hand balance of Kshs. 2,557,198.25 instead of actual balance of Kshs.2,496,832.75. No reconciliation or explanation has been provided for the resultant difference of Kshs.60,365.50.

# **MINISTRY OF NAIROBI METROPOLITAN DEVELOPMENT**

## **APPROPRIATION ACCOUNT - VOTE R.157**

### **Basis for Qualified Opinion**

#### **1223. Unauthorised Utilisation of Excess Appropriations-in-Aid**

The Ministry collected Appropriations-in-Aid (AIA) of Kshs.4,200,099.00 against the approved estimate of Kshs.1,000,000.00 resulting in excess Appropriations-in-Aid of Kshs.3,200,099.00. These were receipts from sale of tenders and earnings of interest from the recurrent account due to gains from foreign exchange. However, the Ministry used the excess Appropriations-in-Aid of Kshs.3,200,099.00 to meet various recurrent expenses without approval from Parliament. Further, no analysis was produced for audit review.

#### **1224. Omission of Footnotes**

A review of the Appropriation Account R.157 revealed that the footnotes for two (2) expenditure items, 2210500 - Printing, Advertising and Information Supplies and Services had an under expenditure of Kshs.1,857,386.00 while 2210600-Rentals of Produced Assets had an over expenditure Kshs. 2,057,059.00. However, footnotes to the accounts were not provided for audit verification.

#### **1225. Pending Bills**

Bills amounting to Kshs.9,077,306.00 relating to 2012/2013 financial year and earlier years were not settled during the year but were instead carried forward to 2013/2014. Further, payment vouchers of bills totalling Kshs.708,586.00 were not availed for audit verification. Hence, it was not possible to confirm the existence and accuracy of these pending bills. Had the bills been paid and the expenditure charged to the accounts for 2012/2013 the Appropriation Account would have recorded a reduced net surplus to be surrendered to the Exchequer of Kshs.11,737,747.00 instead of Kshs.20,815,053.00 now shown.

## **STATEMENT OF ASSETS AND LIABILITIES - R.157**

### **Basis for Qualified Opinion**

#### **1226. Failure to Provide Ledgers and Trial Balance**

The Statement of Assets and Liabilities reflects various balances which were not supported by Ledgers and Trial Balance as at 30 June, 2013. As a result, the accuracy of the balances in the Statement could not be confirmed.

#### **1227. Bank Reconciliation Statements**

The bank reconciliation statement which supported the PMG balance of Kshs.5,769,429.00 had some long outstanding items as shown below:-

- (i) The bank reconciliation statement for Recurrent Cashbook as at 30 June 2013 reflects payments in the cashbook not in bank statement amounting to Kshs.19,192,943.10 which had not been cleared as at 30 June 2013.
- (ii) The bank reconciliation statement further reflects payments of Kshs.3,392,061.30 in the bank statement not recorded in the cashbook.
- (iii) The bank reconciliation statement reflects Kshs.5,986,199.40 as receipts in cashbook not reflected in the bank statement.

However, no explanation has been given for non clearance of these balances.

#### **1228. Unanalysed Balances**

The Statement shows Exchequer, Imprest, Advances Account and General Account of Vote balances of Kshs.13,378,589.45, Kshs.696,651.50, Kshs.26,131.60 and Kshs.5,024,757.55 respectively which have not been analysed. In absence of the analyses it has not been possible to confirm the accuracy of these balances as at 30 June 2013.

#### **1229. Long Outstanding Balances**

The Statement reflects debit balances of Kshs.13,378,589.45, Kshs.13,011.75, Kshs.26,131.60 against the Exchequer Account, Imprest Account and, Advances Account respectively and a credit balance on General Account of Vote of Kshs.13,439,921.30 relating to 2011/2012 and earlier years. No reason has been provided for failure to clear the long outstanding balances.

#### **1230. Unreconciled Balances**

The Statement of Assets and Liabilities reflects an excess Vote of balance of Kshs.8,415,163.75 for the financial year 2012/2013 which differs with the amount of

Kshs.20,815,053.90 shown in the Appropriation Account as Surplus to be surrendered to the Exchequer. The variance of Kshs.29,230,217.65 between the two sets of accounts has not been explained.

## **APPROPRIATION ACCOUNT - D.157**

### **Basis for Qualified Opinion**

#### **1231. Accuracy of the Accounts**

The Development Appropriation Account for Vote D.157 for the year ended 30 June 2013 reflects a Net expenditure of Kshs.1,699,648,747.70. However, the Trial Balance for the same period reflects an expenditure of Kshs.1,705,048,747.70 resulting in a difference of Kshs.5,400,000.00 which has not been explained.

#### **1232. Under-expenditure**

The Development Appropriation account shows an expenditure of Ksh.1,699,648,747.70 against approved estimates of Ksh.3,259,894,415.00 resulting in an under expenditure of Kshs.1,560,245,667.30 or 47% of Gross estimated expenditure, an indication of challenges with capacity to fully absorb voted funds. Although the under expenditure has been explained as World Bank delays with respect to due diligence on the bids process, the Ministry has not given measures it intends to take to ensure expenditure on voted funds are fully absorbed as provided for in the budget.

#### **1233. Unauthorised Expenditure**

The Development Appropriation account reflects expenditure of Kshs.85,290,511.90 incurred under Head 0005, Item 3110202- Non- Residential Buildings (offices, schools, hospitals etc) against which only Kshs.24,500,000.00 had been made in the budget. However, details of how the Ministry financed the over expenditure of Kshs.60,790,511.90 incurred under the Head were not availed for audit review. Although the over expenditure has been explained in the footnotes as occasioned by a budget cut of Kshs.100,500,000.00 in the supplementary estimates after commitments had been made, the Ministry has not given any explanations or reasons why it incurred excessive unauthorized expenditure without adequate budgeting provisions.



## **STATEMENT OF ASSETS AND LIABILITIES - D.157**

### **Basis for Qualified Opinion**

#### **1234. Lack of Trial Balance**

The Statement of Assets and Liabilities reflects balances which were not supported with a Trial Balance as at 30 June, 2013 or Ledger for the year then ended. As a result, the accuracy of the balances in the statement could not be confirmed.

#### **1235. Long Outstanding Items in the Bank Reconciliation**

The bank reconciliation statement which supported the PMG balance of Kshs.1,831,257.85 had some long outstanding items as shown below;

- (i) The bank reconciliation statement for Development Cashbook as at 30 June 2013 reflects payments in the cashbook not in bank statement amounting to Kshs.199,981,906.70. In addition transactions amounting to Kshs.1,110,462.40 being cheques which are six months overdue have not been cleared from the reconciliation.
- (ii) The bank reconciliation statement further reflects payments of Kshs.7,269,002.50 in the bank statement not recorded in the cashbook. No explanation has been given for non clearance of these balances.

#### **1236. Unanalysed Balances**

The Statement shows Exchequer, Suspense account and General Account of Vote balances of Kshs.2,116,829,710.00, Kshs.338,609,365.30 and Kshs.897,024,665.95 respectively which have not been analysed. In absence of the analysis it has not been possible to confirm the accuracy of these balances.

#### **1237. Long Outstanding Balances**

The Statement reflects debit and credit balances of Kshs.733,671,295.00 and Kshs.897,024,665.95 against the Exchequer Account and General Account of Vote respectively, relating to 2011/2012 and earlier years. No reason has been provided for failure to clear the long outstanding balances.

## **STATEMENT OF ASSETS AND LIABILITIES - DEPOSITS - VOTE 157**

### **Basis for Qualified Opinion**

#### **1238. Non Remittance of Retention Monies to the Deposit Account**

The Statement of Assets and Liabilities for Deposits as at 30 June, 2013 reflects

PMG Account debit balance of Kshs.143,752,291.75. The bank reconciliation statement for Deposits cashbook as at 30 June 2013, reflects receipts amounting to Kshs.13,697,553.00 in the cashbook not in the bank statement. This amount was deposited in the Development bank account instead of the Deposits account. No explanation was provided for failure to remit the retention monies to the Deposits account.

**1239. Balances not Supported by a Ledger or Trial Balance**

The Statement further reflects balances under Paymaster General Account Retention Monies account which have not been supported with a Ledger or Trial Balance as at 30 June 2013. Consequently, the accuracy of the balances reflected in the statement as at 30 June, 2013 could not be ascertained.

# MINISTRY OF STATE FOR DEVELOPMENT OF NORTHERN KENYA

## APPROPRIATION ACCOUNT FOR VOTE R.158

### Unqualified opinion

No material issue was noted on this statement

## STATEMENT OF ASSETS AND LIABILITIES

### Basis for Qualified Opinion

#### 1240. Long Outstanding Balances

The Statement of Assets and Liabilities for Vote R.158 as at 30 June 2013 reflects Exchequer Account, District Suspense Account and General Account of Votes of Kshs.1,667,923.15, Kshs.34,539,676.55 and Kshs.64,286,147.00(CR) respectively relating to 2011/2012 and earlier years which have not been cleared for a long period.

<u>Account</u>	<u>Amount</u>
	(Kshs)
<b>Assets</b>	
Exchequer Account	1,667,923.15
District Suspense	34,539,676.55
<b>Liabilities</b>	
General Account of Vote	64,286,147.00

No reasons have been given for failure to clear these long outstanding balances.

#### 1241. Unsupported Clearance

The Statement shows that a General Suspense Account brought forward debit balance of Kshs.6,233,908.30 was cleared during the year. However, no information or documentary evidence has been provided in support of the clearance.

#### **1242. Unanalysed Balance**

The Statement's District Suspense Account debit balance of Kshs.15,867,600.05 has not been analysed or supported with documentation. Consequently, its validity and accuracy can not be ascertained.

#### **1243. Unreconciled Balance**

The Statement reflects a Paymaster General Account balance of Kshs.71,670,329.35 which differs from the cash book balance Kshs.16,252,816.25 by Kshs.55,417,513.10. The difference relates to brought forward cumulative balances for 2011/2012 and earlier years which have not been supported and cleared for unexplained reasons. In the circumstances accuracy of the bank transaction and Paymaster General Account balance of Kshs.71,670,329.35 as at 30 June 2013 could not be ascertained.

#### **1244. Outstanding Imprests**

The Statement reflects temporary imprests balance of Kshs.2,677,140.75 which includes amounts totalling Kshs.2,510,086.75 relating to 2011/2012 and earlier years. This is contrary to Government Regulations and Procedures which require imprest to be surrendered or accounted for within 48 hours after officers return to duty station, failure to which, amounts must be recovered from officers' payroll.

### **APPROPRIATION ACCOUNT VOTE D.158**

#### **Basis for Qualified Opinion**

#### **1245. Under-Expenditure and Under-Collection of Appropriations-In-Aid**

The Appropriation Account for Vote D.158 for the year ended 30 June 2013 reflects gross under-expenditure of Kshs.759,452,514.55 representing approximately 29% of the approved expenditure estimates of Kshs.2,657,917,394.00. The account also reflects an under collection of Appropriations-In-Aid of Kshs.218,682,588.45 or about 28% of the approved estimated receipts of Kshs.787,874,391.00.

The under-expenditure and under-collection of Appropriations-In-Aid have been explained in the footnotes to the Account as mainly due to works not completed at the end of the financial year, slow absorption of donor funds by an implementing agency and non release of funds by a donor. No satisfactory explanation has however, been provided by the Ministry on the measures it has taken to mitigate against such factors in future.

## **1246. Pending Bills**

Bills relating to Vote D.158 amounting to Kshs.77,885,781.00 were not paid during the year 2012/2013 but were instead carried forward to 2013/2014. Had these bills been paid and the expenditure charged to the accounts for 2012/2013, the Appropriation Account for Vote D.158 would have recorded a reduced Net Surplus of Kshs.462,884,145.00 instead of the Kshs.540,769,926.00 now shown. This situation adversely affects operations of the Ministry for the subsequent year as such bills form first charge on that year's budgetary provisions.

## **1247. Drought Management Office**

### **(i) Unsupported Expenditure**

The Drought Management Officer of Eyewo Water Project, Baringo North District entered into a contract with a local Agency on 30 January 2013 for laying of 1.55km main distribution 3"G pipes and construction of 100m<sup>3</sup> masonry tank at Eyewo in Baringo North District at a contract sum of Kshs.7,799,943.00. According to the contract, the contractor was to be paid 30% for mobilization of personnel and materials and 70% upon completion of work. However, minutes of the Tender Committee, Bill of Quantities and Engineer's Estimates were not provided to show how the contractor was identified and how the contract sum of Kshs.7,799,943.00 was determined.

On 27 February 2013, the contractor was paid an amount of Kshs.5,100,000.00 which was approximately 65% of the contract price of Kshs.7,799,943.00. No reason has been given for not adhering to the provisions of the contract agreement. In addition, the payment was not supported by a certificate of work done. Final payment of Kshs.2,699,943.00 was made on 28 June 2013. However, it was also not supported by a certificate of completion and the report of the Inspection and Acceptance Committee as required by Public Procurement and Disposal Regulations, 2006. Further, the retention money was not recovered from the payments as required of Government contracts.

### **(ii) Unsupported Expenditure**

During the year 2012/2013, the Drought Management Office made disbursements totalling Kshs.16,000,000.00 to eight schools in Baringo County for various projects. However, the payments were not supported by Tender documents, Certificate of Completion, Inspection reports and expenditure returns from the funds' recipients to support how the funds were utilised.

## 1248. Unsupported Expenditure

(i) An Authority to Incur Expenditure (AIE) of Kshs.3,900,000.00 for the construction of two classrooms in each of three schools namely, Buyani, Hola and Ghamano Secondary Schools, was given to the County Drought Coordinator in Tana River County during the period under audit. However, audit inspection revealed that none of the classrooms were built in any of the Secondary Schools. The coordinator instead diverted the money to build two (2) classrooms and one (1) toilet in Daba Primary School without any approval. No documentation, including Bill of Quantities (BQs) and Tender documents, were available to justify the amounts spent.

(ii) The County drought coordinator also received an AIE of Kshs.10,000,000.00 for the construction of a dam at Katumba area in Bangale but instead channeled the money to the construction of two (2) water pans at Chuma Mrefu and Kote Dimu at a cost of Kshs.4,954,000.00 and Kshs.4,921,500.00 respectively without valid authority. There were no Tender documents available to confirm how the contractor was identified and how the costs of the projects were arrived at. The Ministry has not provided justification for these irregular payments.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.158

### Basis for Disclaimer of Opinion

## 1249. Long Outstanding Balances

The Statement of Assets and Liabilities for Vote D.158 as at 30 June 2013 reflects the following account balances relating to 2011/2012 and earlier years which were not cleared during the year under review:-

<u>Account</u>	<u>Amount (Kshs)</u>
<b>Assets</b>	
Exchequer	1,309,804,743.00
District Suspense	2,287,795,936.00
<b>Liabilities</b>	
General Account of Vote	2,132,146,394.30
General Suspense	1,757,275,186.75

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

### **1250. Unanalysed Balances**

The Statement also reflects a District Suspense Account debit balance of Kshs.2,441,022,908.75 and a General Suspense Account credit balance of Kshs.1,757,275,186.75 that have not been supported with analyses or documentation. As a result the accuracy and validity of these balances could not be confirmed.

### **1251. Unreconciled Balance**

The Statement, in addition, reflects a Paymaster General Account balance of Kshs.304,229,762.40 which differs from the cash book balance of Kshs.12,173,033.10 as at 30 June 2013. The difference of Kshs.292,056,729.30 which relates to 2011/2012 and earlier years has not been cleared for unexplained reasons. Consequently, it was not possible to ascertain whether all bank transactions and Paymaster General Account balances during the year were fairly stated.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 158**

### **Basis for Disclaimer of Opinion**

#### **1252. Lack of Trial Balance**

The Statement of Assets and Liabilities for Deposits 158 as at 30 June 2013 reflects a balance under the Paymaster General Account debit balance of Kshs.25,272,168.35 and Contractors' Retention Money credit balance of Kshs.25,272,168.35 which were not supported with a Trial Balance as at 30 June 2013. The completeness and accuracy of these balances could not, therefore, be ascertained.

#### **1253. Unreconciled Cashbook Balances**

The Deposits cash book also reflects three different bank balances of Kshs.29,635,460.15, Kshs.27,146,901.30 and Kshs.24,849,662.65, respectively totalling Kshs.81,632,024.10 as at 30 June 2013 which were not supported with Board of Survey reports. It has not been explained by the Ministry why a cash book would have three different balances on the same date at the close of business. In the circumstances, accuracy of the Kshs.25,272,168.35 Paymaster General Account balance could not be confirmed.

# MINISTRY OF PUBLIC WORKS

## RECURRENT APPROPRIATION ACCOUNT FOR VOTE 159

### Basis for Disclaimer of Opinion

#### 1254. Unreconciled Balances

The Appropriation Account reflects Total Net Expenditure balance of Kshs.1,778,914,904.00 while the Trial Balance for Recurrent Vote as at 30 June 2013 shows Total Net Expenditure of Kshs.1,779,603,404.40. The resulting difference of Kshs.688,500.40 has not been reconciled or explained.

In addition, the Appropriation Account on summary item reflects approved estimates and actual expenditure of Kshs.1,962,632,817.00 and Kshs.1,778,914,904.00 while the Appropriation Account summary availed reflects Kshs.1,962,581,617 and Kshs.1,799,836,956.95 respectively. The variances between the two records of Kshs.51,200.00 for approved estimates and Kshs.20,922,052.95 for actual expenditure have not been explained.

#### 1255. Pending Bills

Examination of the Ministry's records indicates that bills totalling Kshs.90,919,044.95 relating to the year 2012/2013 and chargeable to the Recurrent Vote were not paid during the year but were instead carried forward to 2013/2014 financial year. Had the bills been paid and expenditure charged to 2012/2013 financial statements, the Recurrent Appropriation Account for Vote 159 would have reflected a Net Surplus to be Surrendered to Exchequer of Kshs.71,825,615.10 instead of Kshs.162,744,660.05 now shown.

## STATEMENT OF ASSETS AND LIABILITIES FOR VOTE R. 159

### Basis for Disclaimer of Opinion

#### 1256. Unreconciled Cashbook Balances

The Bank Reconciliation Statement for the Recurrent cashbook as at 30 June 2013 reflects payments in bank statement not recorded in the cashbook totalling Kshs.58,980,636.50 and payments in cashbook not recorded in the bank statement of Kshs 98,597,359.85 out of which Kshs.47,980,636.60 relate to 2011/2012 and earlier years. In addition, the Reconciliation Statement reflects receipts in the cashbook not recorded in bank statement of Kshs.50,321,227.15. The Ministry has not explained why these payments and receipts have not been cleared from the Reconciliation Statement.



### **1257. Uncleared Balances**

The Statement of Assets and Liabilities reflects debit balances under PMG Account, Exchequer Account, Suspense Account, Imprest and Advances Account all totalling Kshs.47,915,382.05 and credit balances under GAV Account and Excess A-I-A totalling Kshs.47,915,382.05 relating to 2011/2012 and earlier years. No explanation has been provided for failure to clear the long outstanding balances.

### **1258. Suspense Account**

The Statement also shows a Suspense Account debit balance of Kshs.38,567,942.15 as at 30 June 2013 comprising of Kshs.31,990,234.45 for the current year and Kshs.6,577,707.70 for prior years which has not been analysed or supported.

### **1259. Paymaster General Account**

As similarly reported in 2010/2011, the Statement of Assets and Liabilities for Vote R159 reflected a Paymaster General Account balance of Kshs.62,505,322.75 which differed from the cashbook and Board of Survey Report balance of Kshs.44,114,136.90. The resultant difference of Kshs.18,391,185.85 between the two sets of records has not been reconciled or explained.

As reported in 2011/2012 the Statement excluded an Exchequer debit balance of Kshs.236,313,951.35 and a GAV credit balance of Kshs.265,020,880.00 which were cleared in 2011/2012 financial year. However, no documentary evidence was provided to support the clearances.

Further, the GAV brought forward balance of Kshs. 369,104,978.00 in 2011/2012 financial year differed from the 2010/2011 balance carried forward of Kshs.363,726,403.00 by an unexplained difference of Kshs.5,378,575.00.

### **1260. Paymaster General Account**

The Statement of Assets and Liabilities as at 30 June 2013 reflects a Paymaster General Account balance of Kshs.19,139,872.70 which differs from the cashbook and Board of Survey Report balance of Kshs.12,803,265.65 as at the same date. The resultant difference of Kshs.6,336,607.05 between the two sets of records has not been reconciled or explained.

## **DEVELOPMENT APPROPRIATION ACCOUNT FOR VOTE D.159**

### **Basis for Disclaimer of Opinion**

#### **1261. Pending Bills**

Examination of the Ministry's records indicates that bills totalling Kshs.1,661,429,939.42 relating to 2012/2013 financial year were not settled during the year but were instead carried forward to 2013/2014 financial year. Had the bills been settled and the expenditure charged to the Appropriation Account for 2012/2013, the Appropriation Account for Vote D.159 would have reflected an Excess Vote of Kshs.1,206,134,573.00 instead of Kshs.455,295,366.70 now shown.

#### **1262. Government Housing Project at West Park.**

The Ministry of Public Works entered into a contract with a construction company for the completion of a Government housing project at West Park, Nairobi, at a contract sum of Kshs.1,369,638,652.64 for a contract period of 104 weeks. The commencement date was 5 October, 2009 and completion date was 5 October, 2011 before being revised to 27 March, 2013. The scope of works included 115 type C maisonettes (4 bed room each); 192 type D (3 bed roomed) flats (24 blocks of 8 units each) and 288 type E (2 bed roomed) flats.

However, as per the progress report dated 29 July 2013, the works were 90% complete while the contract period had elapsed and no approval for extension was availed for audit. In addition, out of the total certified amount of Kshs.1,369,638,652.00, an amount of Kshs.49,262,055.72 related to interest on delayed payments. The amount of Kshs.49,262,055.72 on delayed payment could have been avoided if payments were made within the stipulated time.

#### **1263. Refurbishment of Ministry of Public Works Sports Club in South C, Nairobi**

The Ministry of Public Works entered into a contract with a construction company for refurbishment of MOPW sports club, South C, Nairobi, at a contract sum of Kshs.20,620,180.00. The scope of works included: masonry works on the building and walling, replacement of roof, painting of external and internal walls, mechanical and electrical works. The works commenced on 5 October, 2013 for a period of 40 weeks and was scheduled to be completed by 25 March, 2014. As at 30 June 2013, a total of Kshs.6,047,903.60 had been paid.

However, an audit inspection carried out on 12 February 2014 revealed that the contractor had abandoned the site after being paid the Kshs.6,047,903.60 and no progress report was availed to confirm the percentage of work done.

#### **1264. Completion of New Mitihani House Phase V**

On 21 April, 2008, the Ministry of Public Works entered into a contract with a contractor for the completion of New Mitihani House Phase V at an original contract sum of Kshs.865,582,801.00 for a contract period of 130 weeks. The commencement date of the project was 21 October, 2008 and completion date was 21 October 2011. Later, the completion date was revised four times to 25 August 2013. The scope of works included: completion of 3 office block towers of 6 floors each with the following associated works: civil works (roads and car park), electrical installation, plumbing and drainage works, lifts installation, structured cabling, CCTV & PABX, laboratory fume cupboard, refuse chute, ventilation and air conditioning.

However, as at the time of audit, the project was 55% complete and the project period had elapsed without evidence of extension. In addition, out of the total amount certified of Kshs.807,241,866.20, an amount of Kshs.42,855,259.00 related to interest on delayed payments which is an avoidable expenditure.

#### **1265. Kibish Police Station and GSU Base Camp Project**

As reported in the previous year, 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.

The services of these consultants were to include a review of the existing documentation (where available), preparation of bid documents, working documentation in consultation with each other as well as post contract supervision.

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 construction firm at a contract sum of Kshs.2,211,024,033.00.

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 later added to the contract. The contract commenced on 12 January 2010 for a duration of 156 weeks, with expected completion date of 12 January 2013. However, the project had not been completed as at the time of audit and no approval for extension was availed for audit. In view of the above anomaly, it has not been possible to confirm that the public resources were used in the best interest of stakeholders.

Additionally, the audit of the project revealed the following unsatisfactory matters as reported in 2011/12:-

## 1266. Unvouched Expenditure

Information available relating to the completion of Kibish Police Lines, G.S.U Base Camp and A.P Lines Project revealed that a 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	<u>15,915,329.00</u>
		<b><u>40,043,515.70</u></b>

Payment vouchers in support of these payments were not availed for audit review.

## 1267. Permissible Contractual Claims – Nugatory Payments

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:

<u>Cert. No.</u>	<u>Cert.Date</u>	<u>Pay Date</u>	<u>Amount (Kshs)</u>
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>
			<b><u>151,592,343.25</u></b>

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:

<u>Particulars</u>	<u>Amount (Kshs.)</u>
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>
Sub-total	90,649,976.00
Add: 15% Administrative Overhead	<u>13,597,496.40</u>
Total Amount of Contractual Claim	<u>104,247,472.40</u>
Payable:40%xKshs.104,247,472.40	<u>41,698,988.96</u>

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.

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 the 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 resulted in a figure of Kshs.4,356,265.81 as follows:

<b>Certificate AmountPaid (Kshs)</b>	<b>Date Certified</b>	<b>Last Due Date</b>	<b>Date Paid</b>	<b>No of Days Payment Delayed</b>	<b>3% CBK Rate of interest</b>	<b>Interest Payable Kshs.</b>
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>
					<b>Total</b>	<b><u>4,356,265.80</u></b>

The expenditure of Kshs.41,698,988.96 is therefore nugatory.

### **1268. Overpayment**

As similarly reported in 2011/2012, 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 were overstated by Kshs.300,000.00.

## **Construction of Footbridges**

### **1269. Milimani-Siwakafi, Kirmuk-Endo and Cheptoo Footbridges**

As reported in 2011/2012, 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 3½ months and was expected to be completed by end of June 2011.

### **1270. Cost Overruns**

As previously reported, a review of 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.

### **1271. Overpricing of Project Vehicle and Ineligible Payment of Maintenance Costs**

As previously reported a 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 the contractor was to procure a 4WD Diesel Vehicle at a cost of Kshs.4,000,000.00 to be used for project supervision. Also included in the BQs were running and maintenance costs 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 price of Kshs.6,535,082.00.

Enquiries at the CMC Motors Group Ltd – Eldoret, revealed that the contractor paid only Kshs.4,825,001.00 for the vehicle, which also incorporated a three (3) year warranty or 60,000 kms, whichever came first.

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.

### **1272. Ownership of the Vehicle**

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.

### **1273. Chepkemei, Muruny and Nakwijit-Lokichar Footbridges**

Another tender for the construction of three footbridges at Chepkemei, Muruny and Nakwijit – Lokichar in West Pokot and Turkana Districts was competitively awarded to a building and civil engineering and construction company at a contract sum of Kshs.25,790,717.00. The contract was to commence in February 2011 and be completed by end of August 2011. The audit revealed the following unsatisfactory issues:-

### **1274. Overpricing of Project Vehicle and Ineligible Payment of Maintenance Costs**

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 costs 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.

Enquiries at the CMC Motors Group Ltd – Nairobi revealed that the contractor paid only Kshs.3,366,150.00 for the vehicle 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, together with the supervision costs of Kshs.1,200,000.00, all totalling Kshs.1,833,850.00 is irregular and therefore recoverable from the contractor.

### **1275. Ownership of the Vehicle**

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.

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.

### **1276. Taita, Msambweni and Changamwe Footbridges**

As similarly reported in 2011/2012, 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 Changamwe District by the Ministerial Tender Committee 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 project was however, completed on 6 November 2012 when a Certificate of Practical Completion was issued by the County Works Officer, Mombasa. 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 vehicle:-

### **1277. Overpricing**

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. 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.

### **1278. Ownership of the Vehicle**

Although the contractor was paid money to purchase the vehicle, records held at the Kenya Revenue Authority (KRA) indicate 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 fully paid for it. Since project vehicles are supposed to revert to Government upon completion of such projects, there is a likelihood of the vehicle not reverting to the Government in case the contractor fails to clear the loan.

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 full funding for its purchase.

### **1279. District Works Office**

Examination of payment vouchers at the District Works Office, Githunguri, revealed that there were long outstanding certified works for the project amounting to Kshs.8,599,524.00 which had not been settled as at the time of audit. Further delay may lead to the contractor charging contractual penalties.



## **1280. Unbudgeted Projects**

During the period under review, the County Works Officer (CWO), Makueni, received two Authorities to Incur Expenditure (AIEs) Nos. A671846 and A695964 dated 28 August, 2012 and 13 February 2013 for Kshs.5,000,000.00 and Kshs.4,500,000.00 respectively, to cater for civil works at Makueni and construction of CWO's Makueni Office. However, the County Works Officer undertook construction of three classrooms at Nziu Secondary School and a Proposed Home Science Laboratory, and a three bedroomed house at St. Lawrence Nziu Girls Secondary School. A total of Kshs.9,287,940.00 was spent vide Cheque numbers 571, 607, 608, 609, 610 and 672 between the months of February and June 2013, to complete the projects.

Included in the expenditure is an amount of Kshs.2,298,580.00 relating to construction of a three bed-roomed house which had not been included in the A.I.E.s. The A.I.E.s were specifically for construction of non-residential buildings but the same was used to construct a residential house at St. Lawrence Nziu Girls Secondary School.

No documentary evidence was provided to show that there was application and authority to reallocate part of these funds to build residential houses.

Further, there were no documents made available to show user needs, thereby making it difficult to verify and confirm the procedure used to identify the projects that were implemented.

In the circumstance, it was not possible to confirm that the expenditure was a proper charge on public funds.

## **1281. Ogembo Bus Park Foot Bridge**

A construction firm was contracted to erect to completion Ogembo bus park foot-bridge at a contract sum of Kshs.15,038,089.00. Information available indicates that the construction of the footbridge had been stopped for redesigning which affirmed to the contractor in April 2013. No justification for this act has been provided by management nor were Bills of Quantities for the redesigned work availed for audit verification. A physical verification of the footbridge revealed that the construction work had stalled with only supporting pillars erected while a payment of Kshs.12 million has been made. Management indicated that the construction of the bus park was stopped by National Environment Management Authority (NEMA), an indication that the project was not properly planned. In the circumstances, the propriety of the Kshs.12 million expenditure could not be confirmed.

## **STATEMENT OF ASSETS AND LIABILITIES FOR VOTE D.159**

### **Basis for Disclaimer of Opinion**

The balances reflected in the Statement could not be traced to the Trial Balance provided. In the circumstances, it was not possible to confirm the source, accuracy and completeness of the balances.

The Statement of Assets and Liabilities reflects an Exchequer Account debit balance of Kshs.370,316,404.50 which includes an amount of Kshs.80,238,719.50 relating to 2011/2012 and earlier years. No explanation has been provided for failure to clear this long outstanding balance from the books of account.

The Statement also reflects a District Suspense Account debit balance of Kshs. 78,006,142.85 whose supporting analysis was not availed for audit review.

As similarly reported in 2011/2012, the Statement also reflected a GAV balance brought forward as at 30 June 2012 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 were availed to support the clearance.

The Trial Balance as at 30 June 2013 reflects a District Suspense, Stale Cheques, Headquarters Recurrent Cash and Ministry Headquarters Bank Account debit balances totalling Kshs.4,528,725,222.25. It also reflects Refer to Drawer Cheques, General Suspense Account and Cash Clearing Account credit balances totalling Kshs.13,036,694,520.70. However, these accounts and respective balances were not reflected in the Statement under review. No reason has been provided for not including the above balances in the Statement.

### **1282. Bank Reconciliation Statements**

- (i) The Bank Reconciliation Statement for the Development cashbook as at 30 June 2013 reflects payments in the cashbook not recorded in bank statement (unpresented cheques) totalling Kshs.92,398,766.50 which include an amount of Kshs.48,807,638.15 relating to the period between 1 September 2008 and 29 June 2012. No reason has been provided for failure to replace or reverse these long outstanding cheques in the cashbook.
- (ii) Further, the Reconciliation Statement reflects receipts in bank statement not recorded in the cashbook of Kshs.43,425,280.60 which include a cheque cleared twice of Kshs.450,651.90 relating to the year 2008/2009.
- (iii) The Reconciliation Statement in addition, reflects payments in bank statement not yet recorded in the cashbook of Kshs.111,753,272.65, which include payments totalling Kshs.45,270,527.25 relating to the period between 30 August, 2008 and 6 November, 2012. No reason has been provided for failure to record these long outstanding payments in the cashbook.

- (iv) The Reconciliation Statement also reflects Receipts in cashbook not recorded in the bank statement totalling Kshs.25,882,249.35, which include an amount of Kshs.24,352,249.35 relating to the period from 11 September 2008 to 14 March 2012. No explanation has been provided for failure to bank these long outstanding receipts.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS 159**

### **Basis for Disclaimer of Opinion**

The balances reflected in the Statement could not be traced to the Trial Balance provided. In the circumstances, it has not been possible to confirm the source, accuracy and completeness of the balances as at 30 June 2013.

The Statement also reflects Departmental Representative (DR) Account credit balance of Kshs.13,326,516.05 as at 30 June 2013. However, the balance of Kshs.13,326,516.05 includes a balance of Kshs.11,261,820.85 relating to the year 2011/2012 which could not be traced to the Trial Balance as at 30 June 2012. The validity and accuracy of the DR account balance of Kshs.13,261,820.85 as at 30 June 2013 could, therefore, not be confirmed.

As reported in the previous year, the Statement of Assets and Liabilities for Deposits 159 as at 30 June 2013 reflects a Paymaster General Account balance of Kshs.1,033,518,113.00 which differs from the cashbook bank balance of Kshs.1,067,384,733.35. The cashbook bank balance of Kshs.1,067,384,733.35 also excludes cash at hand balance of Kshs.437,480.00 hence understating the cash and bank balance by Kshs.437,480. The overall resultant difference of Kshs.33,429,140.35 has not been reconciled or explained.

As similarly reported in 2011/2012, the Statement reflects a Retention Money credit balance of Kshs.785,683,327.30. However, this balance includes Kshs.602,995,217.15 relating to 2011/2012 which differed with the Trial Balance figure of Kshs.392,053,122.50 by an unexplained difference of Kshs.210,942,094.65. The Statement as at 30 June 2013 reflects a brought forward balance on Other Deposits of Kshs.229,455,388.65 which includes amounts of Kshs.474,140,908.05 and Kshs.234,858,022.60 relating to Retention Money and Miscellaneous Deposits respectively. No explanation has been provided by the Ministry for including these balances in Other Deposits Account.

The Statement as at 30 June 2013, further reflects under Miscellenous Deposits and Other Deposits brought forward balances of Kshs.79,586,059.35 and Kshs.229,455,388.65 totalling Kshs. 309,041,448.00 which differ from the Trial Balance figure of Kshs.53,620,825.40 reflected against General Deposits Account. The difference of Kshs.255,420,622.60 has not been explained or reconciled.

### **1283. Bank Reconciliation Statements**

The Bank Reconciliation Statement for Deposits 159 as at 30 June 2013 reflects payments in the cashbook not recorded in the bank statement, receipts in bank statement not recorded in the cashbook, payments in bank statement not recorded in the cashbook and receipts in cashbook not recorded in the bank statement totalling Kshs.7,511,697.80, Kshs.36,691,889.00 Kshs.5,628,005.70 and Kshs.72,442,201.45 respectively, which have been outstanding from previous years. No reason has been provided for failure to clear these long outstanding receipts and payments from the reconciliation statement.

## **STORES AND SERVICES FUND ACCOUNT**

### **Basis for Disclaimer of Opinion**

#### **1284. Accuracy of the Fund Balances**

The Stores and Services Fund Account reflects Unsettled Losses Account balance of Kshs.145,375,999.30 which includes a brought forward figure of Kshs.136,721,571.35 whose analysis was not availed for audit. It is not clear why the balance of Kshs.145,375,999.30 has also remained unchanged for three years. Consequently, the completeness, accuracy and validity of the amount as reflected in the Statement could not be ascertained.

#### **1285. Losses Account**

Further, the Unsettled Losses Account balance of Kshs.145,375,999.30 also includes an amount of Kshs.7,333,214.30 relating to the year 2011/2012 and which represents losses on disposal of obsolete and non-moving items and donations of obsolete items to health institutions. However, no Loss Report in respect of these losses has been availed for audit review.

#### **1286. Debtors Account**

As similarly reported in 2011/2012 the Fund Account reflects Debtors Account debit balance of Kshs.64,069,466.44, out of which an amount totalling Kshs.52,237,570.54 relates to 2011/2012 and earlier years. It has not been possible to confirm whether or when the Fund will recover these debts. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements. As a result, the valuation, accuracy and collectability of the debtor's balance of Kshs. 64,069,466.44 as at 30 June 2013 could not be ascertained.

### **1287. Unsupport Accounts Balances**

The Fund Account also reflects Supplies Branch Suspense and PMG Accounts debit and credit balances of Kshs.482,983,865.58 and Kshs.844,003,800.33 respectively, for which as in the previous years, supporting analyses were not availed for audit review. Consequently, it has not been possible to ascertain the validity, accuracy and completeness of the balances reflected in these financial statements.

### **1288. Suspense Credit Balance**

The Account also reflects a Mark-up Suspense credit balance of Kshs.46,574,470.89 as at 30 June 2013 which has had no movement for the last three years and whose supporting analysis has not been availed for audit review.

### **1289. Bank Reconciliation**

- (i) The Bank Reconciliation Statement for the Fund cashbook as at 30 June 2013 reflects payments in the cashbook not recorded in the bank statement of Kshs.2,237,444.25 and receipts in cashbook not recorded in the bank statement of Kshs.1,756,803.20 relating to the period between 17 September 1997 and 11 December 2010. No explanation has been given for failure to clear these amounts from the reconciliation statement.
- (ii) The Bank Reconciliation Statement also reflects long outstanding receipts in bank statement not recorded in the cashbook of Kshs.10,293,724.20 and payments in bank statement not recorded in cashbook of Kshs.10,051,676.20. These have in effect understated revenues and expenditures in the financial statements for the years they relate to.

# MINISTRY OF INDUSTRIALIZATION

## RECURRENT APPROPRIATION ACCOUNT VOTE R.160

### Basis for Disclaimer of Opinion

#### 1290. Failure to provide footnotes to the Account

The Appropriation Account reflects variances in excess of Kshs.1,000,000.00 under four (4) items for which no footnotes were provided as shown below -:

Head	Sub-Head	Item	Approved Estimates (kshs)	Actual Expenditure (Kshs)	Variance (Kshs)
0001	01	2210500	5,499,328	4,386,840	1,112,488
0001	01	3111100	1,048,000	30,000	1,018,000
0003	01	2211000	1,360,000	0	1,360,000
0010	01	2620100	5,000,000	0	5,000,000
0010	07	2630100	24,192,000	6,563,239	<u>17,628,761</u>
					<u>26,119,249</u>

No reasons have been given for failure to provide the footnotes as required under Section 11.7.2 of Government Financial Regulations and Procedures.

#### 1291. Unreconciled Balances

The appropriation account reflects a total amount of Kshs.273,361,957.00 incurred on personal emoluments while the payroll shows a figure of Kshs.266,892,449.00 as per IPPD data verified. The resultant variance of Kshs.6,469,508.00 has not been reconciled or explained.

#### 1292. Unvouched Expenditure

The following items of expenditure could not be confirmed or verified as supporting documents were not availed:-

Item	Title	Amount in the Account (Kshs)	Amount supported by P.V (Kshs)	Difference Kshs
2211100	Office and General Supplies and Services	22,459,248	3,556,884	18,902,364
2210500	Printing, Advertising and Information	14,740,569	-	14,740,569

2211300	Other operating Expenses	24,113,548	1,447,160	22,666,388
3111100	Purchase of office Equipment and Gen. Equipment	19,818,472	-	19,818,472
	Rental of produced assets	<u>81,356,911</u>	<u>64,406,396</u>	<u>16,950,515</u>
		<b><u>162,488,748</u></b>	<b><u>69,410,440</u></b>	<b><u>93,078,308</u></b>

No satisfactory explanation was provided by management for failure to avail supporting documentary evidence for audit verification.

### **1293. Unsupported Over-Expenditure on Basic Salaries**

The Appropriation Account reflects over expenditure on basic salaries under Kenya Industrial Training Institute of Kshs.1,499,365.00. However, no information was provided to confirm the source of funds that were used to meet the over-expenditure of Kshs.1,499,365.00, and also why basic salaries paid during the year exceeded the approved budget.

### **1294. Wrongly Charged Account**

A total of Kshs.23,350,498.00 was spent on payment of pension and retirement benefits under item 2710100. Included in this figure are payments relating to subsistence and overtime allowances totalling Kshs.4,595,294.00 which do not relate to the expenditure item. No explanation has been provided for the misallocation.

## **STATEMENT OF ASSETS AND LIABILITIES VOTE R.160**

### **Basis for Disclaimer of Opinion**

### **1295. Long Outstanding Balances**

The statement of assets and liabilities as at 30 June 2013 reflects long outstanding debit and credit balances amounting to Kshs.348,781,452.00 and Kshs.4,721,108,551.00 respectively, which has not been cleared as detailed below-;

<b>Debit Balances</b>	<b>Amount (Kshs.)</b>
PMG A/c	64,049,981
Exchequer A/c	642,495
Advances A/c	540,896
Temporary A/c	3,489,924
Provincial District A/c	278,206,162
Standing Imprest A/c	243,055
General Suspense A/c	<u>1,608,939</u>
<b>Total</b>	<b><u>348,781,452</u></b>

<b>Credit Balances</b>	<b>Amount (Kshs)</b>
GAV A/C	13,787,305
Exchequer A/c	133,022,562
District Recurrent A/c	147,140,341
GAV cheques A/c	48,370,642
R/Dcheques A/c	3,873,515
Excess A.IA A/c	1,452,454
Insurance/Welfare/Sacco & others A/c	631,763
Inter-Bank Transfers	30,027
Vote Control Account	<u>4,372,799,942</u>
<b>Total</b>	<b><u>4,721,108,551</u></b>

However, no reasons have been given for not clearing these long outstanding balances from the Ministry's books of account.

#### **1296. Unreconciled PMG Balance**

The Statement reflects Paymaster General (PMG) Account balance of Kshs.64,134,852.00 as at 30 June 2013 which was at variance with both the reconciled cashbook balance of Kshs.84,871.00 and actual cashbook balance of Kshs.13,764,957.00 as per the Board of Survey report of 04 July, 2013. The resultant differences between the three sets of records have not been reconciled or explained.

In addition, the bank reconciliation statement as at 30 June 2013 reflects receipts of Kshs.700,000.00 in the bank statement not recorded in the cashbook. Further, the Statement reflects receipts in cashbook not recorded in the bank statement of Kshs.4,309,577.00 which implies that revenue was not banked intact. No reasons have been given for not updating the Ministry's records with the outstanding reconciling items.

#### **1297. Unreconciled Balances**

The Statement reflects General Account of Vote (GAV) credit balance of Kshs.149,392,022.00 as at 30 June 2013. However, Appropriation Account for Vote R-160 reflects a balance of Kshs.111,247,162.00 as net surplus to be surrendered to the Exchequer. The resultant difference of Kshs.38,144,860.00 has not been reconciled or explained.

#### **1298. Unprocedural Cash Management**

The Ministry's cashbook is operated on a float of Kshs.700,000.00 per week. However, instances were noted where cash was withdrawn from the bank even when the cashbook had an unspent balance of over Kshs.1,000,000.00. No satisfactory reasons have been given as to why extra cash withdrawals were made when Kshs.1,000,000.00 had not been utilized, and which may lead to misuse of funds.



### **1299. Unanalysed Balance**

The Statement of Assets and Liabilities reflects a balance of Kshs.278,206,162.00 under Provincial/District Suspense Account as at 30 June 2013. However, this balance has not been analysed and supported with adequate documentation. As a result, it has not been possible to confirm what it represents.

## **DEVELOPMENT APPROPRIATION ACCOUNT VOTE D.160**

### **Basis for Qualified Opinion**

#### **1300. Capital Grants to Government Agencies**

The Appropriation Account reflects capital grants remitted to Kenya Industrial and Research Development Institute totalling Kshs.645,999,999.00. However, the cashbook and payment vouchers availed indicate disbursements totalling Kshs.575,999,999.00, resulting in an unreconciled and unexplained difference of Kshs.70,000,000.00.

Further, the Appropriation Account shows grants to Numerical Machining Complex Limited of Kshs.387,999,999.00 while entries in the cashbook amounted to Kshs.402,224,139. The resultant difference of Kshs.14,224,140.00 has not been explained or supported.

#### **1301. Unaccounted for Expenditure**

During the year under review, the Ministry made payments to Kenyatta International Conference Centre (KICC) totalling Kshs.28,111,906.00. Audit verification confirmed that Kshs.25,913,890.00 was for the conference on African Ministers of Industries in all African Union Countries held between 10 and 14 June 2013 at KICC. However, the balance of Kshs.2,198,016.00 has not been accounted for.

#### **1302. Wrongly Charged Accounts**

The Appropriation Account reflects expenditure on routine maintenance and other assets amounting to Kshs.202,565,284.00 against the approved estimate of Kshs.200,000,000.00, leading to an over-expenditure figure of Kshs.2,565,284.00. Further, included in the expenditure are recurrent expenses in respect of rent and service charges but described as minor alterations on buildings and civil works amounting to Kshs.52,284,715.00. The irregular utilization of funds voted for development expenditure to meet expenditure of recurrent nature has not been explained.

### 1303. Unvouched Expenditure

The Appropriation Account figure of Kshs.202,565,284.00 for routine maintenance and other assets differs from the cashbook entries totalling Kshs.100,502,409.00 by an unexplained difference of Kshs.102,062,875.00. In addition, the expenditure could not be verified since expenditure returns from District Industrial Development Officers (DIDO) were not availed. Further, included in the figure were 2011/2012 pending bills amounting to Kshs.3,673,473.00 which were initially not captured as pending as at 30 June 2012. No explanation has been provided for the omission.

### 1304. Differences between Appropriation Account and Cashbook

Differences were noted between Appropriation Account and Cashbook as follows:-

<b>Code</b>	<b>Particulars</b>	<b>Appropriation A/c. Kshs.</b>	<b>Cashbook (Kshs.)</b>	<b>Difference (Kshs.)</b>
2210800	Hospitality, supplies and services	3,094,500	-	3,094,500
2210300	Domestic, Travel and subsistence and other Transportation costs	4,971,473	182,279	4,789,194
2210400	Foreign Travel and subsistence and other Transportation costs	3,913,600	-	<u>3,913,600</u>
<b>Total</b>				<b><u>11,797,294</u></b>

The difference of Kshs.11,797,294.00 has not been reconciled or explained.

### 1305. Unsupported Disbursements

Disbursements made to Kenya Industrial Training Institute (KITI) amounted to Kshs.41,626,997.00. However, the entire disbursement could not be verified since there were no expenditure returns from the Institute. Further, the cashbook indicates that disbursements to KITI totaled Kshs.36,499,997.00 giving rise to an unexplained difference of Kshs.5,127,000.00.

## **STATEMENT OF ASSETS AND LIABILITIES VOTE D.160**

### **Basis for Qualified Opinion**

#### **1306. Unreconciled Balances**

The Statement of Assets and Liabilities as at 30 June, 2013 reflects a Paymaster General (PMG) Account balance of Kshs.1,757,371,668.00 which includes kshs.51,427,986.00 relating to the year 2012/2013. However, the cashbook and board of survey report as the same date show a balance of Kshs.335,476.00. The resultant difference between the two sets of records has not been reconciled or explained.

It was further revealed that payments amounting to Kshs.78,907,490.00 and receipts of Kshs.130,000.00 relating to the year under review had not been captured in the cashbook by the date of the Board of Survey on 30 June 2013, resulting in adjustments being made after the Board of Survey exercise on 4 July, 2013. The Ministry has not given reasons why these amounts were not captured in the cashbook when the payments and receipts were made or received.

Consequently, accuracy and completeness of the PMG balance as at 30 June, 2013 could not be confirmed.

#### **1307. Unreconciled Balances**

The Statement reflects an Exchequer Account balance of Kshs.339,825,081.00. However, the Controller of Budget's balance on the same as at 30 June, 2013 was reflected as Kshs.187,538,896.00. The difference of Kshs.152,286,185.00 between the two sets of records has not been reconciled or explained.

#### **1308. Unreconciled Balances**

The Statement reflects GAV balance of Kshs.394,565,512.00 as at 30 June 2013 while the Appropriation Account reflects a figure of Kshs.327,881,125.00. The resultant difference of Kshs.66,684,387.00 has not been reconciled or explained.

#### **1309. Long Outstanding Balances**

The Statement as at 30 June, 2013 reflects various debit and credit balances amounting to Kshs.6,597,801,875.00 and Kshs.8,305,214,526.00 respectively relating to earlier years which have not been cleared as detailed below:-

<b>Debit Balances</b>	<b>Amount (Kshs.)</b>
(a) Ministry Hqs. – Development Bank A/C	2,360,973,423
(b) Exchequer Account	2,443,714,716
(c) Temporary Imprest Account	313,075
(d) Exchequer Releases/provisioning Account	1,400,279,592
(e) Provisional/District Suspense Account	<u>392,521,069</u>
<b>Total</b>	<b><u>6,597,801,875</u></b>

<b>Credit Balances</b>	<b>Amount (Kshs.)</b>
(a) General Account of Vote (GAV) A/c	528,044,805
(b) Provision/District Suspense A/c	269,593,791
(c) Vote Control Account	<u>7,507,575,930</u>
<b>Total</b>	<b><u>8,305,214,526</u></b>

However, no reasons have been given for not clearing the above long outstanding balances from the books of account.

### **1310. Unanalysed Balances**

The Statement reflects three account balances which have not been supported with analyses as shown below:-

<b>Debits Balances</b>	<b>Amount (Kshs)</b>
(a) General Suspense Account	6,403,200
(b) Temporary Imprest	313,075
(c) Provisional/District Suspense Account	<u>392,521,069</u>
<b>Total</b>	<b><u>399,237,344</u></b>

<b>Credits Balances</b>	<b>Amount (Kshs)</b>
(a) Provisional/District Suspense Account	269,593,791
(b) District Development Bank Account	<u>1,621,787</u>
<b>Total</b>	<b><u>271,215,578</u></b>

It has therefore, not been possible to confirm what the balances represent.

## **STATEMENT OF ASSETS AND LIABILITIES FOR DEPOSITS**

### **Basis for Adverse Opinion**

#### **1311. Unreconciled Balances**

(i) The Statement of Assets and Liabilities for Deposits Vote 160 as at 30 June 2013 reflects a Paymaster General Account balance of Kshs.7,909,414.45.00 which differs with the cashbook balance of Kshs.5,576,469.05 as at the same date. The resultant difference of Kshs.2,332,945.40 has not been reconciled or explained. Further, the Deposits cashbook bank reconciliation statements and other related records revealed receipts in bank not recorded in cashbook amounting to Kshs.1,152,320.00 relating to the months of September, November and December, 2012. Further, receipts recorded in the cashbook totalling Kshs.350,000.00 and dated October and December 2012 had not been banked as at 30 June, 2013. No explanation has been provided for not recording the receipts in the cashbook and also for not banking the receipts as at 30 June 2013. In the circumstances, it has been possible to confirm that the PMG balance of Kshs.7,909,414.45 as at 30 June, 2013 is fairly stated.

(ii) The General Ledger reflects a balance of Kshs.2,250,984.00 as at 30 June, 2013 under Deposit account which differs from the Statement balance of Kshs.5,576,469.00 as at the same date. The difference of Kshs.3,325,485.00 between the two sets of records has not been reconciled or explained.

## **STATEMENT OF OUTSTANDING OBLIGATIONS**

### **Basis for Qualified Opinion**

#### **1312. Contigent Liability**

The Statement of Outstanding Obligations guaranteed by the Government of Kenya as at 30 June 2013 reflects outstanding contingent liability of Kshs.2,225,870,284.00 (Japanese Yen 2,557,240,000 Exchange Rate 0.870419) in respect of a loan lent by the Japanese Government to the East African Portland Cement Company for rehabilitation of the factory's plant. However, the financial statements of the Company for the same period reflect principal loan balance of Kshs.2,361,554,000 resulting in an unreconciled and unexplained difference of Kshs.135,683,716.00.

## **DIRECTOR OF PUBLIC PROSECUTIONS**

The audit of the following financial statements did not reveal any material issues:-

- (i) Appropriation Account for Recurrent Vote R.163
- (ii) Statement of Assets and Liabilities for Recurrent Vote R.163
- (iii) Appropriation Account for Development Vote D.163
- (iv) Statement of Assets and Liabilities for Development D.163

# COMMISSION FOR THE IMPLEMENTATION OF THE CONSTITUTION

## **Unqualified Opinion**

There were no material issues noted during the audit of the Appropriation Account for Recurrent Vote R.165 and the Statement of Assets and Liabilities for Recurrent Vote R.165

# OFFICE OF THE REGISTRAR OF POLITICAL PARTIES VOTE

## Unqualified Opinion

There were no material issues noted during the audit of the following financial statements:-

- (i) Statement of Assets and Liabilities for Recurrent Vote 168
- (ii) Appropriation Account for Recurrent Vote 168
- (iii) Financial statements of the Political Parties Fund

## Other Matters

I draw your attention to the following matters;

The Office of the Registrar of Political Parties has no functional Internal Audit unit and Audit Committee as required by the International Standards for the Professional Practice of Internal Auditing to ensure effective internal controls.

The Office has no formal Risk Management and Information Technology policies and procedures.

These matters may compromise the operational efficiency and effectiveness of the Office of the Registrar of Political Parties. My opinion is not qualified in respect of these matters.



# WITNESS PROTECTION AGENCY

## **Unqualified Opinion**

There were no material issues noted during the audit of the financial statements for the Witness Protection Agency.

# KENYA NATIONAL COMMISSION ON HUMAN RIGHTS

## Basis for Qualified Opinion

### **1313. Long Outstanding Bank Reconciliation Items**

The bank reconciliation statements provided for audit review include items totalling Kshs.598,520.83 that have been consistently reflected for a long period. No reasons were given for not clearing the items.

### **1314. Unresolved 2011/2012 Audit Issues**

The Commission has not adequately responded to and resolved the following audit issue which was the basis of qualification of the financial statements in the year 2011/2012.

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 of Kshs.93,792.00 owed by a former employee and a staff advance of Kshs.954,201.32 owed by former Commissioner. No evidence of the action taken to recover the long outstanding imprest and advance has been provided.

# INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION (IEBC)

## **Basis for Qualified Opinion**

### **1315. Un-Vouched Expenditure**

The statement of financial performance for the year ended 30 June 2013 reflects total expenditure of Kshs.23,078,618,000.00. However, an expenditure totalling Kshs.13,631,429,031.60 charged under eleven (11) items includes Kshs.4,690,168,908.00 which was not supported with documentary evidence. Consequently, the propriety of the expenditure could not be ascertained as at 30 June 2013.

### **1316. Irregular Charge of Expenditure**

The Commission made payments totalling Kshs.96,152,389.00 in respect of foreign travel and subsistence and irregularly charged the expenditure to domestic travel and subsistence and office and general supplies and services. Although it has been explained that the Accounting Officer allowed virement, Parliamentary approval was not sought and obtained as required by Section 15.18 of the Government Financial Regulations and Procedures.

### **1317. Unsupported Training Expenditure**

The statement of financial performance shows training expenses of Kshs.1,104,955,000.00 for the year ended 30 June 2013. However, the expenditure was not supported with documentary evidence as no expenditure returns were availed from the regions. As a result, the propriety of the expenditure could not be ascertained as at 30 June 2013.

### **1318. Over Expenditure on Voted Provision**

(i) A comparison between the approved estimates and the actual expenditure reflected in the statement of financial performance revealed that the Commission spent in excess of the voted provision a sum of Kshs.2,074,821,94.006 on various items. No authority from Treasury was availed for the over expenditure as required by Section 43 (1) and (2) of the Public Finance Management Act, 2012.

**(ii)** The Approved budget for the financial year 2012/2013 reflects Kshs.315,500,000.00 under Items 2211308 and 2211318 – Legal dues and Fees and Witness Expenses respectively. A scrutiny of the expenditure under these items for the year under review revealed that, the Commission incurred an expenditure of Kshs.1,987,406,464.21 on legal dues of which Kshs.577,366,471.35 has been paid while the balance is still outstanding. The Commission therefore exceeded its voted provision for these sub-items by Kshs.1,671,906,464.21. No explanation has been provided for the over-expenditure incurred.

### **1319. Payment for Lapsed Contract**

The Commission entered into a contract with a media firm for provision of corporate branding consultancy at a contract sum of Kshs.35,322,000.00 in the financial year 2011/2012 vide Local Service Order No.0593399 dated 27 June 2012. A scrutiny of the document revealed that UNDP was to cater for the expenditure but instead the expenditure was charged to the voted provisions and no reasons were provided as to why UNDP declined to honour the commitment. Further, the Commission paid a deposit of Kshs.21,193,200.00 being 60% of the contract sum leaving an unpaid balance of Kshs.14,128,800.00 at the close of the financial year. In addition, the supplier raised the invoice before the LSO was issued contrary to the Public Procurement and Disposal Act, 2005.

### **1320. Irregular payment of Basic Salary and Allowances**

#### **(i) Responsibility Allowance**

During the year under review, the Commission paid Kshs.2,940,000.00 being responsibility allowances to thirty four (34) officers in Grade 4 irregularly. According to the Human Resources and Administration Policies and Procedures Manual, the officers should have been paid Kshs.10,000.00 per month and not Kshs.15,000.00 now reflected in the pay slips. Further, two other officers were paid this allowance while they did not qualify for the same as they were not Managers or Regional Electoral Coordinators. These officers have been earning the allowance since 2009 resulting in an over-overpayment of Kshs.10,200,000.00 as at 30 June 2013.

#### **(ii) Entertainment Allowance**

The Commission also paid Kshs.1,380,000.00 as Entertainment Allowance to seventeen (17) officers irregularly. According to the Human Resources and Administration Policies and Procedures Manual, the officers were not entitled to Entertainment Allowance as per their grades.

### **(iii) Extraneous Allowance**

During the year under review, the Commission paid Kshs.1,010,235.60 as extraneous allowance to twelve (12) officers irregularly, as they were not entitled to extraneous allowance as per their grades contrary to the Human Resources and Administration Policies and Procedures Manual.

### **(iv) Basic Salary Overpayment**

Audit review revealed that the Commission paid certain officers basic salaries above the authorized entitlement in the Human Resources and Administration Policies and Procedures Manual resulting in excess payment of Kshs.8,015,063.53 during the year under review. No explanation was provided for this irregularity.

### **1321. Undisclosed Grant Income**

The statement of financial performance for the year ended 30 June 2013 reflects Other Incomes totalling Kshs.124,512,000.00 which comprised other receipts as Appropriation in Aid (AIA). However, the Commission did not capture grants of Kshs.2,566,588,000.00 from UNDP, IDEA and UNWOMEN in the Statement of financial performance. Further, these grants had not been provided for in the Commission's estimated receipts during the year 2012/2013 contrary to Section 9.6.1 of the Government Financial Regulations and Procedures. In addition, had the grants been disclosed, the total income would have reflected Kshs.27,857,100,000.00 compared to Kshs.25,290,511,000.00 now reflected. In the absence of the provision in the approved estimates, it has not been possible to ascertain how the funds were received and accounted for and the Commission income is therefore understated by an equivalent amount.

### **1322. Incorrect Opening Balances**

The statement of financial position as at 30 June 2013 reflects property, plant and equipment and intangible assets balances of Kshs.6,137,695,000.00 and Kshs.23,932,000.00 respectively. However, the opening balances as at 1 July 2012 differ with the audited closing balances as at 30 June 2012 as follows;

<b>Item</b>	<b>Closing Balance 2011/2012</b>	<b>Opening Balance 2012/2013</b>	<b>Variance (Kshs.)</b>
Property, Plant & Equip	928,183,957.00	556,844,793.15	371,339,163.85
Software	51,462,191.00	24,033,552.00	27,428,639.13
Accumulated Depreciation	272,379,504.00	525,588,229.48	(253,208,725.48)
Software Accum Depreciation	22,055,225.00	42,918,484.31	(20,863,259.31)
<b>Total</b>	<b>1,274,080,877.00</b>	<b>1,149,385,058.94</b>	<b>124,695,818.06</b>

No explanation has been provided for the variances between the closing balances and opening balances that normally should be the same.

### **1323. Accounts Payable (ECK-Recurrent)**

The statement of financial position reflects accounts payable (ECK Recurrent) balance of Kshs.4,420,710,916.55 which relates to uncleared liabilities as at 30 June 2013. The balance includes General Account of Vote of Kshs.4,364,870,633.50, Excess AIA of Kshs.55,216,680.90 and salary advance of Kshs.623,602.15. These figures were not analyzed and have continued to be reflected in the financial statements thus casting doubt on the accuracy and authenticity of the balances which could not be confirmed.

### **1324. Car Loan Fund Scheme**

The statement of financial position reflects car loan fund scheme of Kshs.47,633,000.00 out of which Kshs.26,192,965.00 represents debtors whose balances remained unrecovered during the year under review. Further, the bank statement for the fund reflects a cash balance figure of Kshs.20,857,760.85 while the cashbook indicates Kshs.20,878,468.85 resulting in an explained difference of Kshs.20,708.00. In addition, the cash and bank balances were not supported with bank statement, Board of Survey report or the Cash book. At the same time the Commission has not prepared the financial statements for the car loan scheme Fund since the year 2009/2010. In the circumstances, the accuracy of the fund balance could not be confirmed.

### **1325. Accounts Receivables (ECK-Recurrent)**

The Statement of financial position reflects accounts receivables (ECK-Recurrent) balance of Kshs.4,420,710,916.55 which relates to uncleared assets as at 30 June 2013. The balance includes advances of Kshs.9,838,335.50, Imprest of Kshs.1,945,359.80 and a general suspense of Kshs.2,114,658,326.60. These are unanalyzed figures which have continued to be reflected in the financial statements and have not been explained. As a result, the accuracy and authenticity of this balance could not be confirmed as at 30 June 2013.

### **1326. Accounts Receivables (Car Loan)**

The statement of financial position as at 30 June 2013 reflects accounts receivable (car loan) of Kshs.26,755,000 in respect to commissioners car loan scheme debtors, out of which a figure of Kshs.562,009.00 relates to an accrued interest earned during the year under review. The audited accounts for 2011/2012 reflected an amount of Kshs.29,444,630.00 under car loan scheme for Electoral Commission Fund Account while the financial statements as at 30 June 2012 showed Kshs.26,192,965.00. The

resultant difference of Kshs.3,251,665.00 between the two sets of accounts has not been reconciled or explained . Under the circumstances, the accuracy and validity of the account receivable balance of Kshs.26,755,000.00 could not be ascertained as at 30 June 2013.

### **1327. Financing Activities**

Donor funding of Kshs.269,757,000.00 appears in the Statement of Cash Flows yet it was not part of the components in the financial statements. However, the figure reflected of Kshs.269,757,000.00 differs with the one reflected in note 17 to the financial statements of Kshs.2,566,588,000.00. No explanation has been given for this anomaly.

### **1328. Pending Bills**

#### **(i) Unsupported Pending Bills**

Audit examination of the pending bills revealed that bills totalling Kshs.4,045,024,000.00 were not settled during the year but were instead carried forward to 2013/2014. The bills were not accompanied by adequate supporting documents such as LPO/LSO, invoices, inspection and acceptance certificates, counter receipt vouchers, quotations/tender documents and tender committee minutes. In the absence of these supporting documents, the correctness and legality of the pending bills could not be confirmed as at 30 June 2013.

#### **(ii) Undisclosed Pending Bills**

Regional field inspections revealed that pending bills amounting to Kshs.238,481,511.00 in seven (7) regional offices had been incorrectly reflected in the financial statements as compared with actual balance at the regions. No explanation was provided for the discrepancies between the financial statements figures and the regional records balances.

Further, an amount of Kshs.841,427,633.86 relating to other petitions was outstanding as at 30 June 2013 which differed with the amount disclosed in the financial statements of Kshs.486,276,755.50 by Kshs.355,150,878.00. No explanation was provided for non disclosure of the pending bills.

#### **(iii) Paid Bills Included as Pending Bills**

It was further observed that bills totaling Kshs.5,210,248.00 had been paid in the year under review, however, they were included in the list of pending bills for the year. No explanation was given for inclusion of the paid bills as part of pending bills.

### **1329. Cash and Bank Balance**

#### **Bank Reconciliation Statement – Central Bank Account**

The bank reconciliation statement reflects payments in the cashbook not in bank statement of Kshs.945,435,455.30 which include Kshs.232,655.00 being payments through cheques which have remained outstanding for over six months hence have become stale. No explanation has been provided for failure by the Commission to investigate these balances and clear them from the books.

The bank reconciliation statement also reflects payments in cashbook not in bank statement of Kshs.457,000,000.00 as transfers to the regions while the Central Bank of Kenya bank statement for the month of July 2013 reflects the same amount as withdrawals to the Secretary, Independent Interim Electoral Commission. It was not clear why the payments were not done to specific regions as was the case in the prior months in the year. It was therefore not possible to verify which regions the funds were disbursed to and how they were utilized and accounted for.

### **1330. Incorrect Accumulated Fund Balance**

The statement of financial performance for the year reflects a surplus of Kshs.2,211,895,000.00 which if aggregated with the previous year's deficit of Kshs.12,026,000.00 totals Kshs.2,199,869,000.00. However, the statement of financial position reflected accumulated surplus of Kshs.2,135,111,000.00 resulting to an unexplained difference of Kshs.64,758,000.00. Further, the statement of financial position reflects Accumulated Fund balance for the year of Kshs.1,216,046,000.00 while the opening balance reflects Kshs.1,255,548,000.00. However, no details were provided in Note 13 for the difference of Kshs.39,502,000.00 during the year.

### **1331. Irregular Procurement of Election Materials**

The Commission procured several election equipment including Biometric Voter Registration (BVR)-Kshs.6.4 billion, Electronic Voter Identification Devices (EVID)-Kshs.1.3 billion, Universal Polling Kits (UPK) at Kshs.1.53 billion and Electronic Results Transmission System (ERTS)-Kshs.25.8 million. However, the Commission did not have an approved Procurement Plan for the year. Therefore, the above items were procured contrary to the Public Procurement and Disposal Act, 2005.



# PARLIAMENTARY SERVICE COMMISSION

## RECURRENT APPROPRIATION ACCOUNT R.204

### Unqualified Opinion

There were no material issues noted in this Statement.

## STATEMENT OF ASSETS AND LIABILITIES- R.204

### Basis for Qualified Opinion

#### 1332. Variances in Imprests and Suspense Accounts

The Statement of Assets and Liabilities' opening balances for 2012/2013 differ from the Statement's audited accounts balances as at 30 June 2012 as follows:-

<b>Account</b>	<b>Closing Balance 2011/2012 Kshs.</b>	<b>Balance B/f 2012/13 Kshs.</b>	<b>Difference Kshs.</b>
Imprest	4,755,932.20	617,185.15	4,138,747.05
Advances	4,624,796.80	00	4,624,796.80
Suspense	20,589,807.20	00	20,589,807.20

Further, included in the Statement of Assets and Liabilities for Vote R.204 Imprest Account Balance of Kshs.18,775,305.15, is an amount of Kshs.617,185.15 due from two former Members of Parliament.

## DEVELOPMENT APPROPRIATION ACCOUNT - D.204

### Basis for Qualified Opinion

#### 1333. Retention Money not Refunded

Records maintained by the Commission indicate that various companies had been contracted for various contracts and retention monies totalling Kshs.66,706,048.00 had been deducted and not refunded by the time of audit, three years after the completion of

the contracts. Further, deposit account bank statements and works completion certificates were not made available for audit verification. In the circumstances, it has not been possible to confirm the existence and legality of the retention monies.

#### **1334. Delay in Project Implementation and Cost Variations- Remodeling of Senate Chambers and Offices for the Parliamentary Service Commission.**

The Commission advertised tenders for the Remodeling of Senate Chamber and Offices for the Parliamentary Service Commission in the year 2012. Six companies tendered for the contract, and after evaluation a construction firm was awarded the tender at a cost of Kshs.2,209,173,478.00.

The works commenced on 24 September 2012 with an estimated completion period of 72 weeks ending 10 February 2013. At the time of audit, a total of Kshs.1,174,158,899.20 had already been expended on the project (53.3% of the total project cost) at 46 weeks. With 24 weeks remaining, it was quite clear that the project would be delayed and no reasons were given on the cause of the delay.

Further, examination of the available certificates indicated that there were variations in the project cost totalling Kshs.69,428,813.15. However, details of the variations and the approvals by the Tender Committee were not made available for audit review. Further, the variations have not been approved for payment by the tender committee as required.

#### **1335. Irregular Re-allocation of Funds**

The Appropriation Account for Development Vote D 204 for the year under review reflected expenditures under Head 003 Senate Item 3110700 Purchase of Vehicles and other Transport Equipment of Kshs.13,534,361.00 and Head 005, Joint Services; Item 3110300 Purchase of Vehicles and other Transport Equipment of Kshs.3,801,841.00. It was observed that the Commission purchased 11 motor vehicles from DT Dobie, 2 Toyota L/C Prado, 5 Mercedes Benz 250E and 4 Nissan Urvan at Kshs.86,967,480.00 during the year, out of which an amount of Kshs.66,433,119.00 has been wrongly charged to Head 003 Senate Item 3110300 Refurbishment of Buildings and Head 005 Joint Services Item 3110300 Refurbishment of Buildings instead of charging Head 003 Senate; Item 3110700; Purchase of Vehicles and other Transport Equipment. No reasons were provided for the irregular re-allocation of Kshs.66,433,119.00 in the year ended 30 June 2013.

## **STATEMENT OF ASSETS AND LIABILITIES D.204**

### **Basis for Qualified Opinion**

#### **1336. Uncleared Balance**

The Statement of Assets and Liabilities for Vote D.204 shows a credit balance on General Account on Vote of Kshs.1,158,599,255.65. This includes an amount of Kshs.912,370,937.00 relating to 2010/2011 which has not been cleared.

## **STATEMENT OF ASSETS AND LIABILITIES DEPOSITS 204**

### **Basis for Disclaimer of Opinion**

#### **1337. Failure to Prepare Statement**

As reported in the previous year, the Commission did not prepare and submit for audit a Statement of Assets and Liabilities for Deposits to account for the retention monies.

## COMMISSION ON REVENUE ALLOCATION

### **Unqualified Opinion**

There were no material issues noted during the audit of the financial statements of the Commission of Revenue Allocation.



variance of Kshs.414,984.65. Further, excluded from the PMG balance of Kshs.2,732,704.25 is payments in cash book not in Bank Statement totalling Kshs.207,758,067.65. In addition, the reconciliation statements reflect payments in Bank Statement not in cash book of Kshs.57,973.30. No explanations have been provided as to why these long outstanding items have not been cleared. Consequently, the accuracy and validity of Paymaster General Account (PMG) balance of Kshs.2,732,704.25 in the Statement as at 30 June 2013 could not be confirmed.

## **SALARIES AND REMUNERATION COMMISSION**

### **Unqualified Opinion**

There were no material issues noted during the audit of the financial statements of the Salaries and Remuneration Commission.

# TEACHERS SERVICE COMMISSION

## **Basis of Qualified Opinion**

### **1340. Trade and Other Receivables**

Included in the Trade and Other Receivables figure of Kshs.394,480,474.00 is Kshs.324,953,754.00 or 82% of total debtors in respect of long outstanding debts. No provision for bad and doubtful debts has been made for these seemingly doubtful debts in the financial statements. In the circumstances, full recoverability of Trade and Other Receivables balance of Kshs.394,480,474.00 as at 30 June 2013 is doubtful.



# **NATIONAL POLICE SERVICE COMMISSION**

## **APPROPRIATION ACCOUNT FOR RECCURENT VOTE 210**

### **Basis for Qualified Opinion**

#### **1341. Partitioning and Refurbishment of Building Works**

The contract for Partitioning and Refurbishment of Building Works of new offices for the National Police Service Commission (NPSC) in Nairobi-contract No.NRB/D01/81/2012-2013 of Kshs.29,975,932.80 was awarded to a local firm. However, the National Police Service Commission used quotations mode of procurement to award the contract for the partitioning instead of open tendering as required under Section 71 of the Public Procurement and Disposal Act, 2005. Payments totalling Kshs.29,978,339.52 have so far been paid based on Interim Certificate Number 1.

Further, the Commission did not avail pre-notification tender notice, tender and contract documents, contractor's programme of work as required in clause 13 of the conditions of contract, evidence of project management meetings. There was no evidence that the Commission carried out a market survey as required by Section 8(3)(z) of the Public Procurement and Disposal Regulations, 2006.

In the circumstance, I am unable to confirm that the tender was awarded to the most competitive bidder and that the Commission will not pay in excess of prevailing market prices.

#### **1342. Rent and Leases**

During the year under review, the landlord was paid Kshs.27,621,540.00 in respect of rent. However, a review of the lease agreement has revealed anomalies as follows:

#### **1343. Advance Payment of Rent**

The National Police Service Commission signed a lease agreement for 6 years on 18 December 2012. However, included in payment for rent for the year under review is Kshs.2,777,250.00, being an advance payment for the month of July 2013. No explanation has been given for payment of advance rent that was not included in the budget for the year under review.

#### **1344. Security Deposit**

The Ministry of Housing through letter Ref. MH/ED/1/VOL.VI/51 dated 4 December 2012 explained to the Commission that the Government does not pay security deposits because it is committed to paying rent on time and honor all other obligations as stipulated in the lease agreement. However, the Commission ignored the advice and

paid three months security deposit amounting to Kshs.11,859,750.00 without proper authority.

#### **1345. Rent Escalation**

The Ministry of Housing also explained to the Commission that the Government does not allow automatic rent escalation but prefers market rent reviews based on mutually agreed intervals. However, the Commission included clause 7 in the lease agreement which authorized escalation of rent at a compound rate of 7.5% per annum for the six (6) year lease period. Audit has revealed that the implication of this decision is that the Commission will pay an additional cost of Kshs.41,459,466.00 for which no explanation has been given.

#### **1346. Parking Fee**

During the year under review, the Commission paid Kshs.1,800,000.00 as parking fee for 60 vehicles at Kshs.10,000.00 per month for May, June and July 2013. However, in the absence of a market survey, it is not possible to evaluate and confirm that payment of Kshs.10,000.00 per month per vehicle is not in excess of prevailing market prices as required by Section 10(2)(e) of the Public Procurement and Disposal Regulations, 2006 and that value for money was obtained in the expenditure amounting to Kshs.1,800,000.00.

#### **1347. Legal Costs**

The Ministry of Housing further explained to the Commission that the Government prepares and registers the lease agreement on behalf of the parties under the contract at no cost. However, in case where the landlord is willing to prepare a lease agreement, the Government shall not object, but cannot meet the cost as this is the standard practice where the Government is party to the lease.

However, the Lease Agreement includes legal costs for both parties at clause 19 payable by the lessee (National Police Service Commission) including other disbursements. No explanation has been given for the omission considering that the landlord has issued an invoice demanding payment for legal costs in accordance with the lease agreement.

#### **1348. Service Charge Paid in Advance**

Included in Payment Voucher Number 162 dated 8 April 2013 is service charge amounting to Kshs.576,000.00 for the month of July 2013 which was paid in advance to the landlord. No reason has been given for the advance payment.

#### **1349. Airtime Allowance**

During the year under review, the Commission paid cash amounting to Kshs.2,023,000.00 in respect of airtime allowance to staff and secretariat. However,

payment of allowances is subject to statutory tax deductions for which evidence of such recoveries has not been made available for audit review. In addition, commissioners were paid Kshs.661,000.00 in excess of authorized airtime payment for which no recovery or explanation has been given.

## **STATEMENT OF ASSETS AND LIABILITIES**

### **Basis for Qualified Opinion**

#### **1350. Suspense Account**

The Statement of Assets and Liabilities as at 30 June 2013 reflects a credit balance of Kshs.1,449,094.00 against Suspense Account whose analysis has not been provided as required under Section 5.4.27 of the Government Financial Regulations and Procedures. It has, therefore, not been possible to confirm the accuracy of Kshs.1,449,094.00 reflected in the Statement.

#### **1351. Paymaster General Account**

The Statement also reflects an amount of Kshs.12,615,710.60 against Paymaster General Account, while the Board of Survey report shows the cash book balance as at 30 June 2013 of Kshs.15,501,303.90 resulting in a difference of Kshs.2,985,593.30. No reconciliation or explanation has been provided for the difference of Kshs.2,985,593.30.

# **CONTROLLER OF BUDGET**

## **Basis of Qualified Opinion**

### **1352. Statement of Assets and Liabilities**

The Statement of Assets and Liabilities for Recurrent Vote reflects Bank balance (Exchequer) of Kshs.42,385,402.85, while IFMIS Trial Balance reflects balance of Kshs.3,003,793.05 resulting in an unreconciled difference of Kshs.39,381,609.80. Further, the statement reflects Temporary Imprest of Kshs.233,758.20, while the IFMIS Trial Balance reflects Kshs.1,500.00 resulting in an unreconciled variance of Kshs.232,258.20. The Statement also reflects Appropriation-in-Aid (over) of Kshs.1,513,976.90 and Retention of Kshs.3,933,358.95, while IFMIS Trial balance reflects nil balance for both balances. The variances arising from the accounting problems have not been reconciled and adjusted accordingly to these financial statements. Consequently, the accuracy of the figures reflected in the Statement of Assets and Liabilities as 30 June 2013 could not be confirmed.

# COMMISSION ON ADMINISTRATIVE JUSTICE

## Basis for Qualified Opinion

### 1353. Procurement of Goods and Services

#### i. Fuel Costs

The Appropriation Account for the year ended 30 June 2013 reflects fuel, oil and lubricants expenditure of Kshs.3,241,459.00 which includes fuel worth Kshs.2,539,820.00 whose records, including fuel register, were not availed for audit verification. Consequently, the propriety of the expenditure of Kshs.2,539,820.00 for the year ended 30 June 2013 could not be confirmed.

#### ii. Consultancy Services

The Appropriation Account also reflects Other Operating Expenses of Kshs.8,041,459.00 which include consulting services amounting to Kshs.595,000.00 being payment to a consultant for provision of recruitment of staff services. However, the service was single sourced contrary to the requirements of the Public Procurement and Disposal Act, 2005. Further, the contract signed by the management with the consultant was not availed for audit review. In the circumstances it has not been possible to confirm the propriety of the consultancy expenditure of Kshs.595,000.00 for the year ended 30 June 2013.

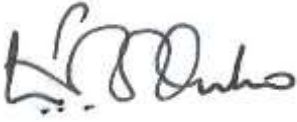
# **NATIONAL GENDER AND EQUALITY COMMISSION**

## **Unqualified Opinion**

There were no material issues noted during the audit of the financial statements of the National Gender and Equality Commission.

## **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', with a stylized flourish at the end.

**Edward R.O. Ouko, CBS**  
**Auditor-General**

**Nairobi**

**16 June 2014**

# **Audit Opinions on the Financial Statements**

## ***1. Unqualified Certificate***

### **REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2013**

---

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2013 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 misstatement, 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



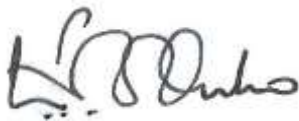
appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that 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 2013, and of its operations for the year then ended in accordance with the 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. The office is in the process of restructuring and seeking financing to be able to undertake continuous audit throughout the financial year that would enable me to fully comply with Article 229(6) of the constitution.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

16 June 2014

## **2. Qualified Certificate**

### **REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2013**

---

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2013 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 misstatement, 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 that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

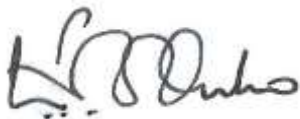
### **Basis for Qualified Opinion**

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 2013, and of its operations for the year then ended in accordance with the 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. The office is in the process of restructuring and seeking financing to be able to undertake continuous audit throughout the financial year that would enable me to fully comply with Article 229(6) of the constitution.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

16 une 2014

### **3. Adverse Certificate**

## **REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2013**

---

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2013 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 misstatement, 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 that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

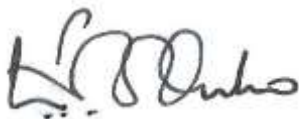
### **Basis for Adverse Opinion**

Details of the basis for adverse opinion are as per the accompanying detailed audit Report. These include 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 2013, and of its operations for the year then ended in accordance with the 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. The office is in the process of restructuring and seeking financing to be able to undertake continuous audit throughout the financial year that would enable me to fully comply with Article 229(6) of the constitution.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

16 June 2014

#### **4. Disclaimer Certificate**

### **REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE GOVERNMENT OF KENYA FOR THE YEAR ENDED 30 JUNE 2013**

---

I have audited the financial statements of the Government of Kenya for the year ended 30 June 2013 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 misstatement, 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 D, I was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

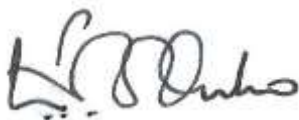
### **Basis for Disclaimer of Opinion**

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 E 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. The office is in the process of restructuring and seeking financing to be able to undertake continuous audit throughout the financial year that would enable me to fully comply with Article 229(6) of the constitution.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

16 June 2014

## **APPENDIX A**

The following is a list of financial statements for which I expressed an unqualified opinion as I was provided with sufficient and accurate information and explanations.

### **The Exchequer**

	<b>Vote</b>	<b>Ministry</b>	<b>Name of Statement</b>
1.	107	Ministry of Finance	Exchequer Account

### **Consolidated Fund Services**

1.	107	Ministry of Finance	CFS - Subscriptions to International Organizations: Expenditure
2.	107	Ministry of Finance	CFS- Pensions and Gratuities Statement of Expenditure

### **Appropriation Accounts – Recurrent**

	<b>Vote</b>	<b>Ministry/Department/Commission</b>
1.	125	State Law Office
2.	127	Witness Protection Agency
3.	130	Ministry of Energy
4.	156	Ministry of Fisheries Development
5.	158	Ministry of Development of Northern Kenya and other Arid Lands
6.	163	Directorate of Public Prosecution
7.	165	Commission for Implementation of the Constitution
8.	168	Registrar of Political Parties
9.	204	Parliamentary Service Commission
10.	212	Controller of Budget

### **Appropriation Accounts – Development**

1.	117	Ministry of Justice, National Cohesion and Constitutional Affairs
2.	125	State Law Office
3.	163	Directorate of Public Prosecution

### **Financial Statements**

1.	206	Commission on Revenue Allocation
2.	208	Salaries and Remuneration Commission
3.	214	National Gender and Equality Commission

### **Statements of Assets and Liabilities – Recurrent**

1.	102	State House
2.	148	Office of the Prime Minister
3.	163	Directorate of Public Prosecution
4.	165	Commission for Implementation of the Constitution



5. 168 Registrar of Political Parties

### **Statements of Assets and Liabilities – Development**

1. 102 State House
2. 163 Directorate of Public Prosecution

### **Statements of Assets and Liabilities – Deposits**

1. 102 State House
2. 108 Defence
3. 125 State Law Office
4. 130 Ministry of Energy
5. 135 Ministry of State for Special Programmes
6. 148 Office of the Prime Minister

### **Statement of Obligations Guaranteed by the Government of Kenya**

1. 130 Ministry of Energy

### **Statement of Participation in Quasi Government and Other Statutory Organizations**

- 1 107 Ministry of Finance

### **Fund Accounts**

	<b>Vote</b>	<b>Ministry/Department/Agency</b>	<b>Name of Statement</b>
1.	107	Ministry of Finance	Civil Contingencies Fund
2.	145	National Security Intelligence Service	Intelligence Service Development Fund
3.	148	Office of the Prime Minister	Towers Conservation Trust Fund
4.	168	Registrar of Political Parties	Political Parties Fund
5.	169	Witness Protection Agency	Financial Statements
6.	204	Parliamentary Service Commission	National Assembly Car Loan Fund

### **Statement of Revenue**

1. 108 Ministry of State for Defence Statement of Revenue for Vote 108

### **Statement of Public Debt**

1. 107 Ministry of Finance Statement of Public Debt

## **APPENDIX B**

The following is a list of financial statements for which I expressed qualified opinion. I was provided with sufficient and appropriate information and explanations and out of the audit I raised issues which were material but not fundamental

### **Consolidated Fund Services**

1. 107 Ministry of Finance CFS - Public Debt : Statement of Expenditure
2. 107 Ministry of Finance CFS - Salaries, Allowances and Misc. Services Statement of Expenditure

### **Appropriation Accounts – Recurrent**

1. 102 State House
2. 103 Ministry of State for Public Service
3. 106 Ministry of Planning and National Development and Vision 2030
4. 110 Ministry of Agriculture
5. 111 Ministry of Medical Services
6. 112 Ministry of Local Government
7. 115 Ministry of Labour
8. 117 Ministry of Justice, National Cohesion and Constitutional Affairs
9. 118 Ministry of Gender, Children and social Development
10. 119 Ministry of Livestock Development
11. 121 Ministry of Environment and Mineral Resources
12. 122 Ministry of Co-operative Development and Marketing
13. 123 Cabinet Office
14. 124 Ministry of East Africa Community
15. 132 Ministry of Information and Communication
16. 134 Ethics and Anti-Corruption Commission
17. 136 Ministry of Lands
18. 140 Ministry of State for Immigration and Registration of Persons
19. 141 Ministry of State for National Heritage and Culture
20. 143 Ministry of Higher Education, Science and Technology
21. 144 Ministry of Housing
22. 145 National Security Intelligence Service
23. 146 Ministry of Tourism
24. 148 Office of the Prime Minister
25. 149 Ministry of Public Health and Sanitation
26. 155 Ministry of Forestry and Wildlife
27. 157 Ministry of Nairobi Metropolitan Development
28. 201 Kenya National Commission of Human Rights
29. 210 National Police Service Commission

### **Appropriation Accounts – Development**

1. 102 State House
2. 105 Ministry of Home Affairs
3. 106 Ministry of Planning and National Development and Vision 2030
4. 109 Ministry of Regional Development Authorities
5. 110 Ministry of Agriculture
6. 111 Ministry of Medical Services
7. 112 Ministry of Local Government
8. 114 Ministry of Transport

9. 115 Ministry of Labour
10. 116 Ministry of Trade
11. 118 Ministry of Gender, Children and social Development
12. 119 Ministry of Livestock Development
13. 121 Ministry of Environment and Mineral Resources
14. 122 Ministry of Co-operative Development and Marketing
15. 123 Cabinet Office
16. 124 Ministry of East Africa Community
17. 130 Ministry of Energy
18. 131 Ministry of Education
19. 132 Ministry of Information and Communication
20. 134 Ethics and Anti-Corruption Commission
21. 136 Ministry of Lands
22. 140 Ministry of State for Immigration and Registration of Persons
23. 141 Ministry of State for National Heritage and Culture
24. 143 Ministry of Higher Education, Science and Technology
25. 144 Ministry of Housing
26. 146 Ministry of Tourism
27. 149 Ministry of Public Health and Sanitation
28. 155 Ministry of Forestry and Wildlife
29. 156 Ministry of Fisheries Development
30. 157 Ministry of Nairobi Metropolitan Development
31. 158 Ministry of Development of Northern Kenya and other Arid Lands
32. 160 Ministry of Industrialization
33. 204 Parliamentary Service Commission

#### **Statements of Assets and Liabilities – Recurrent**

1. 106 Ministry of Planning and National Development and Vision 2030
2. 110 Ministry of Agriculture
3. 111 Ministry of Medical Services
4. 112 Ministry of Local Government
5. 115 Ministry of Labour
6. 117 Ministry of Justice, National Cohesion and Constitutional Affairs
7. 119 Ministry of Livestock Development
8. 122 Ministry of Co-operative Development and Marketing
9. 123 Cabinet Office
10. 124 Ministry of East Africa Community
11. 125 State Law Office
12. 126 The Judiciary
13. 130 Ministry of Energy
14. 132 Ministry of Information and Communication
15. 136 Ministry of Lands
16. 140 Ministry of State for Immigration and Registration of Persons
17. 141 Ministry of State for National Heritage and Culture
18. 145 National Security Intelligence Service
19. 146 Ministry of Tourism
20. 149 Ministry of Public Health and Sanitation
21. 157 Ministry of Nairobi Metropolitan Development
22. 158 Ministry of Development of Northern Kenya and other Arid Lands
23. 204 Parliamentary Service Commission
24. 210 National Police Service Commission
25. 212 Controller of Budget

#### **Statements of Assets and Liabilities – Development**

1. 105 Ministry of Home Affairs

2. 106 Ministry of Planning and National Development and Vision 2030
3. 109 Ministry of Regional Development Authorities
4. 111 Ministry of Medical Services
5. 112 Ministry of Local Government
6. 114 Ministry of Transport
7. 115 Ministry of Labour
8. 116 Ministry of Trade
9. 117 Ministry of Justice, National Cohesion and Constitutional Affairs
10. 119 Ministry of Livestock Development
11. 122 Ministry of Co-operative Development and Marketing
12. 123 Cabinet Office
13. 124 Ministry of East Africa Community
14. 125 State Law Office
15. 126 The Judiciary
16. 130 Ministry of Energy
17. 132 Ministry of Information and Communication
18. 136 Ministry of Lands
19. 140 Ministry of State for Immigration and Registration of Persons
20. 141 Ministry of State for National Heritage and Culture
21. 144 Ministry of Housing
22. 146 Ministry of Tourism
23. 156 Ministry of Fisheries Development
24. 157 Ministry of Nairobi Metropolitan Development
25. 160 Ministry of Industrialization
26. 204 Parliamentary Service Commission

### **Statements of Assets and Liabilities – Deposits**

1. 106 Ministry of Planning and National Development and Vision 2030
2. 110 Ministry of Agriculture
3. 111 Ministry of Medical Services
4. 114 Ministry of Transport
5. 115 Ministry of Labour
6. 116 Ministry of Trade
7. 117 Ministry of Justice, National Cohesion and Constitutional Affairs
8. 118 Ministry of Gender, Children and social Development
9. 119 Ministry of Livestock Development
10. 120 Ministry of Water and Irrigation
11. 121 Ministry of Environment and Mineral Resources
12. 122 Ministry of Co-operative Development and Marketing
13. 123 Cabinet Office
14. 124 Ministry of East Africa Community
15. 126 The Judiciary
16. 132 Ministry of Information and Communication
17. 136 Ministry of Lands
18. 136 Ministry of Lands
19. 140 Ministry of State for Immigration and Registration of Persons
20. 141 Ministry of State for National Heritage and Culture
21. 145 National Security Intelligence Service
22. 146 Ministry of Tourism
23. 156 Ministry of Fisheries Development
24. 157 Ministry of Nairobi Metropolitan Development

### **Fund Accounts**

1. 101 Ministry of State for Provincial Government Press Fund Account  
Admin and internal Security

2.	107	Ministry of Finance	Asiatic Widows and Orphans Pensions Fund
3.	107	Ministry of Finance	Kenya Local Loans Funds
4.	107	Ministry of Finance	European Windows and Orphans Pensions
		scheme	Fund
5.	112	Ministry of Local Government	Local Authorities Transfer Fund
6.	113	Ministry of Roads	Mechanical and Transport Fund Account
7.	115	Ministry of Labour	Occupational Safety and Health Fund
8.	119	Ministry of Livestock Development	Veterinary Services Development Fund
9.	122	Ministry of Co-operative	Management of Supervision and Liquidation
		Fund	
		Development and Marketing	
10.	144	Ministry of Housing	Kenya Slums Upgrading Fund
11.	204	Parliamentary Service Commission	Parliamentary Mortgage Scheme Fund

### **Financial Statements**

1.	201	Kenya National Human Rights and Equality Commission
2.	130	Ministry of Energy - Kenya Energy Sector Environment and Social Responsibility Programme
3.	207	Public Service Commission
4.	209	Teachers Service Commission
5.	213	Commission on Administrative Justice
6.	203	Independent Electoral and Boundaries Commission

### **Statements of Outstanding Loans**

1.	107	Ministry of Finance
2.	146	Ministry of Tourism

### **Statements of Outstanding Obligations Guaranteed by Kenya Government**

1.	107	Ministry of Finance
2.	132	Ministry of Information and Communication
3.	160	Ministry of Industrialization

### **Statement of Participation in Quasi Govt and other organization**

1.	130	Ministry of Energy
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### **Statement of Subscription by Kenya Government to International Organizations**

1	107	Ministry of Finance
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### **Statements of Revenue**

1.	101	Ministry of State for Provincial Admin and internal Security	Statement for Revenue 101
2.	105	Ministry of Home Affairs	Statement of Revenue
3.	121	Ministry of Environment and Mining	Revenue Head 160-210 - Forest and Revenue Mineral Resources
4.	132	Ministry of Information and Communication	Statement of Revenue
5.	136	Ministry of Lands	Land Revenue Head 150-360
6.	140	Ministry of State for Immigration and Registration of Persons	Statement of Revenue
7.	144	Ministry of Housing	Statement of Revenue

8. 146 Ministry of Tourism
9. 156 Ministry of Fisheries Development

Statement of Revenue  
Statement of Revenue Head 000000-056  
Fishing Rights

## **APPENDIX C**

The following is a list of financial statements for which I expressed an adverse opinion due to materials misstatements.

### **Consolidated Fund Services**

1. 107 Ministry of Finance Statement of Assets and Liabilities - CFS Pensions and Gratuities

### **Appropriation Accounts – Recurrent**

- 1 105 Ministry of Home Affairs
- 2 109 Ministry of Regional Development Authorities
- 3 114 Ministry of Transport
- 4 116 Ministry of Trade
- 5 126 The Judiciary
- 6 142 Ministry of Youth Affairs and Sports

### **Appropriation Accounts – Development**

- 1 103 Ministry of state for Public Service
- 2 142 Ministry of Youth Affairs and Sports

### **Statements of Assets and Liabilities – Recurrent**

- 1 103 Ministry of State for Public Service
- 2 105 Ministry of Home Affairs
- 3 109 Ministry of Regional Development Authorities
- 4 114 Ministry of Transport
- 5 131 Ministry of Education
- 6 142 Ministry of Youth Affairs and Sports
- 7 144 Ministry of Housing
- 8 156 Ministry of Fisheries Development

### **Statements of Assets and Liabilities – Development**

- 1 103 Ministry of State for Public Service
- 2 142 Ministry of Youth Affairs and Sports

### **Statements of Assets and Liabilities – Deposits**

- 1 103 Ministry of state for Public Service
- 2 105 Ministry of Home Affairs
- 3 112 Ministry of Local Government
- 4 149 Ministry of Public Health and Sanitation
- 5 160 Ministry of Industrialization
- 6 204 Parliamentary Service Commission

## **Fund Accounts**

1	105	Ministry of Home Affairs	Prison Industries Fund
2	105	Ministry of Home Affairs	Prisons Farm Fund
3	107	Ministry of Finance	Asian Officers Family Pensions Fund
4	107	Ministry of Finance	Treasury's Main Clearance Fund
5	107	Ministry of Finance	Provident Fund
6	111	Ministry of Medical Services	Health Care Services Fund
7	118	Ministry of Gender, Children and social Development	Women Enterprise Fund

## **Revenue Statements**

1	107	Ministry of Finance	DRI - Statement of Development Revenue
2	107	Ministry of Finance	Revenue Head 1110000 - Taxes on Income, Profits and Capital Gains
3	107	Ministry of Finance	Revenue Head 1140000 - Taxes on Goods and Services
4	107	Ministry of Finance	Revenue Head 1150000 - Taxes on International Trade and Transactions
5	107	Ministry of Finance	Revenue Head 1160000 - Other Taxes (Not Elsewhere Classified)
6	107	Ministry of Finance	Revenue Head 1210000 - Social Security Contributions
7	107	Ministry of Finance	Revenue Head 1410000 - Property Income
8	107	Ministry of Finance	Revenue Head 1410000 - Property Income – Subhead 1410401 - Rent of Land
9	107	Ministry of Finance	Revenue Head 1410000 - Sub 1410100 - Loan Interest and Receipts
10	107	Ministry of Finance	Revenue Head 1420000 - Sales of Goods and Services
11	107	Ministry of Finance	Revenue Head 1450000 - Other Receipts (Not Classified Elsewhere)
12	107	Ministry of Finance	Revenue Head 4510000 - Repayments From Domestic Lending and on-Lending



## **APPENDIX D**

The following is a list of financial statements for which I was unable to express an opinion due to lack of sufficient and accurate information and explanations.

### **Consolidated Fund Services**

1. 107 Ministry of Finance Statement of Assets and Liabilities - Consolidated Fund Services

### **Appropriation Accounts – Recurrent**

1. 101 Ministry of State for Provincial Admin and Internal Security
2. 104 Ministry of Foreign Affairs
3. 107 Ministry of Finance
4. 108 Ministry of State for Defence
5. 113 Ministry of Roads
6. 120 Ministry of Water and Irrigation
7. 131 Ministry of Education
8. 135 Ministry of State for Special Programmes
9. 159 Ministry of Public Works
10. 160 Ministry of Industrialization

### **Appropriation Accounts – Development**

1. 101 Ministry of State for Provincial Admin and Internal Security
2. 104 Ministry of Foreign Affairs
3. 107 Ministry of Finance
4. 113 Ministry of Roads
5. 120 Ministry of Water and Irrigation
6. 126 The Judiciary
7. 135 Ministry of State for Special Programmes
8. 148 Office of the Prime Minister
9. 159 Ministry of Public Works

### **Statements of Assets and Liabilities – Recurrent**

- 1 101 Ministry of State for Provincial Admin and Internal Security
- 2 104 Ministry of Foreign Affairs
- 3 107 Ministry of Finance
- 4 108 Ministry of State for Defence
- 5 113 Ministry of Roads
- 6 116 Ministry of Trade
- 7 118 Ministry of Gender, Children and social Development
- 8 120 Ministry of Water and Irrigation
- 9 121 Ministry of Environment and Mineral Resources
- 10 135 Ministry of State for Special Programmes
- 11 143 Ministry of Higher Education, Science and Technology

- 12 155 Ministry of Forestry and Wildlife
- 13 159 Ministry of Public Works
- 14 160 Ministry of Industrialization

### **Statements of Assets and Liabilities – Development**

- 1. 101 Ministry of State for Provincial Admin and Internal Security
- 2. 104 Ministry of Foreign Affairs
- 3. 107 Ministry of Finance
- 4. 110 Ministry of Agriculture
- 5. 113 Ministry of Roads
- 6. 118 Ministry of Gender, Children and social Development
- 7. 120 Ministry of Water and Irrigation
- 8. 121 Ministry of Environment and Mineral Resources
- 9. 131 Ministry of Education
- 10. 135 Ministry of State for Special Programmes
- 11. 143 Ministry of Higher Education, Science and Technology
- 12. 148 Office of the Prime Minister
- 13. 149 Ministry of Public Health and Sanitation
- 14. 155 Ministry of Forestry and Wildlife
- 15. 158 Ministry of Development of Northern Kenya and other Arid Lands
- 16. 159 Ministry of Public Works

### **Statements of Assets and Liabilities – Deposit**

- 1. 101 Ministry of State for Provincial Admin and Internal Security
- 2. 104 Ministry of Foreign Affairs
- 3. 107 Ministry of Finance
- 4. 109 Ministry of Regional Development Authorities
- 5. 113 Ministry of Roads
- 6. 131 Ministry of Education
- 7. 142 Ministry of Youth Affairs and Sports
- 8. 143 Ministry of Higher Education, Science and Technology
- 9. 144 Ministry of Housing
- 10. 155 Ministry of Forestry and Wildlife
- 11. 158 Ministry of Development of Northern Kenya and other Arid Lands
- 12. 159 Ministry of Public Works
- 13. 204 Parliamentary Service Commission

### **Other Statements of Assets and Liabilities**

- 1. 107 Ministry of Finance Statement of Assets and Liabilities -Pensions and Gratuities, Funds and Deposits
- 2. 159 Ministry of Public Works Stores and Services Fund Statements of Assets and Liabilities

### **Fund Accounts**

- 1. 101 Ministry of State for Provincial District Cash Fund

	Admin and Internal Security	
2.	107 Ministry of Finance	Petroleum Development Levy Fund
3.	107 Ministry of Finance	Rural Enterprises Fund
4.	107 Ministry of Finance	Government Clearing Agency Fund
5.	110 Ministry of Agriculture	Agriculture Information Centre Revolving Fund
6.	110 Ministry of Agriculture	Demonstration Farm Fund
7.	111 Ministry of Medical Services	Medical Supplies Fund
8.	130 Ministry of Energy	Petroleum Development Levy Fund
9.	130 Ministry of Energy	Petroleum Training Fund
10.	135 Ministry of State for Special Programmes	Strategic Grain Reserve Trust Fund
11.	135 Ministry of State for Special Programmes	FAZA Fire Disaster Fund
12.	135 Ministry of State for Special Programmes	National Humanitarian Fund
13.	135 Ministry of State for Special Programmes	Nakumatt/Molo Fire Victims Fund
14.	136 Ministry of Lands	Township Roads and Drains Account
15.	142 Ministry of Youth Affairs and Sports	NYS Mechanical and Transport Fund
16.	144 Ministry of Housing	Civil Servant Housing Scheme Fund
17.	159 Ministry of Public Works	Stores and Services Fund

### **Statement of Invests. by Financial Secretary (Treasury) in Local Companies**

1. 107 Ministry of Finance Statement of Invests. by Financial Secretary (Treasury) in Local Companies

### **Statement of Outstanding Loans**

1. 120 Ministry of Water and Irrigation Statement of Outstanding Loans

### **Statement of Revenue**

1. 126 The Judiciary Revenue Head 1430100 - Fines and Forfeitures

# **REPORT OF THE AUDITOR-GENERAL ON THE STATEMENT OF RECEIPTS INTO AND ISSUES FROM THE EXCHEQUER ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013**

## REPORT ON THE FINANCIAL STATEMENTS

I have audited the Statement of Receipts into and Issues from the Exchequer Account for the year ended 30 June 2013 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 Statement of Receipts into and Issues from the Exchequer Account**

The Principal Secretary/National Treasury is responsible for the preparation and fair presentation of the Statement of Receipts into and Issues from the Exchequer Account in accordance with Government Financial Regulations and Procedures and the Public Finance Management Act, 2012 and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

The Principal Secretary/ National Treasury is also responsible for the submission of the Statement of Receipts into and Issues from the Exchequer Account 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 this 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 Statement of Receipts into and Issues from the Exchequer Account is free from material misstatement.

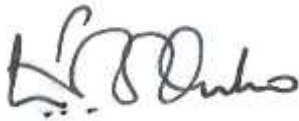
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the Statement of Receipts into and Issues from the Exchequer Account.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the statement presents fairly, in all material respects, the receipts into and issues from the Exchequer Account during the year ended 30 June 2013, in accordance with Government Financial Regulations and Procedures and the Public Finance Management Act, 2012 of the Laws of Kenya.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

Nairobi

4 December 2013

REPUBLIC OF KENYA - THE EXCHEQUER ACCOUNT

RECEIPTS INTO AND ISSUES FROM EXCHEQUER ACCOUNT.

FOR THE YEAR 2012/2013

RECURRENTS	ORIGINAL ESTIMATES	ACTUAL RECEIPTS	UNDER/(OVER ESTIMATES)
TAXATION RECEIPTS-	KShs	KShs	KShs
Opening Balance		1,159,431,087.95	
Income Tax from Individuals (P.A. Y.E)	205,199,465,986.95	199,647,199,544.75	5,352,306,442.20
Income Tax from Corporations	178,256,399,069.50	173,238,681,970.95	5,017,517,198.55
Immovable Property	182,988,000.00	-	182,988,000.00
Second Hand Motor Vehicle Pur. Tax	470,745,741.00	#	470,745,741.00
VAT on Domestic Goods & Services	112,988,839,599.00	90,713,834,393.35	22,275,005,245.65
VAT on Imported Goods & Services	118,865,918,390.00	94,202,479,899.40	24,663,438,490.60
Excise Receipts	91,910,074,985.00	85,660,290,157.25	6,249,784,827.75
Customs Duties	67,384,242,136.00	57,649,683,692.65	9,734,558,443.35
Other Taxes on Int. Trade & Transactions(IDF)	31,399,393,797.00	24,162,911,277.00	7,236,482,520.00
Stamp Duty	10,799,705,784.00	8,537,806,412.85	2,261,899,371.15
Licences under Stage Plays & Cinemas Act	4,481,128.00	-	4,481,128.00
Licences under Traffic Act	3,358,534,101.00	2,431,428,389.25	927,105,711.75
Licences Under Communications Act	47,836,043.00	-	47,836,043.00
Cont. From Govt. Employees To Social	857,191,607.00	-	857,191,607.00
Grants from Foreign Govt. through Exchequer	5,979,878,495.00	5,187,910,642.70	791,968,052.30
Loan from Foreign Govt. through Exchequer	37,424,811,909.00	23,569,327,081.10	13,855,484,827.90
Grants from International Organisations	8,719,277,002.00	5,825,640,982.20	2,893,636,019.80
Interest Received	850,062,732.00	1,356,281,155.30	(506,218,423.30)
Profits & Dividends from C.B.K.	2,000,000,000.00	1,500,000,000.00	500,000,000.00
Other Profits & Dividends	8,998,589,681.00	13,764,235,967.15	(4,765,646,286.15)
Surplus Funds for Regulatory Authority	3,483,493,169.00	-	3,483,493,169.00
Rent of Land	1,550,304,702.00	1,788,668,271.85	(238,363,569.85)
Fines, Penalties & Forfeitures & other charges	1,410,574,316.00	1,465,498,052.70	(54,923,536.70)
Miscellaneous & Sundry Revenue	17,828,096,534.00	9,345,375,633.55	8,582,720,900.45
<i>Administrative Fees and Charges</i>			
Fees Under Traffic Act	1,206,875,512.00	-	1,206,875,512.00
Motor Drivers Licences	939,634,098.00	-	939,634,098.00
Sale of Freehold Interest in Agri. Land	1,287,954.00	-	1,287,954.00
Immigration Visas and Other Consular Fees	3,789,309,868.00	2,668,994,056.70	1,120,215,811.30
Work Permit Fees	2,535,775,947.00	4,277,488,809.00	(1,741,712,862.00)
Passport Fees	684,684,993.00	502,181,114.65	182,503,878.35
Sale of Tender Documents	3,262,043.00	-	3,262,043.00
Course Fees & Hostel Charges	11,319,986.00	-	11,319,986.00
Kenya Oil Facility Storage Charges	226,013.00	-	226,013.00
Fishing Rights	77,121,788.00	171,648,126.20	(94,526,338.20)
Betting Control	161,762,967.00	111,588,721.15	50,174,245.85
Registration Services	101,482,716.00	247,289,590.70	(145,806,874.70)
Others	1,462,671,021.00	2,135,866,181.75	(673,195,120.75)
Loans to Non-Financial Public Enterprises	1,664,287,165.00	2,035,403,380.20	(371,116,215.20)
Loans to Financial Institutions/Re-embursement	31,945,208.00	66,375,000.00	(34,429,792.00)
Fund Management fee	53,019,275.00	-	53,019,275.00
Net Domestic Borrowing (CBK)	106,740,000,000.00	175,210,000,000.00	(68,470,000,000.00)
	<b>1,029,435,571,664.45</b>	<b>987,893,138,124.35</b>	<b>41,542,433,537.10</b>
Treasury Bills/Bonds		156,320,000,000.00	
<b>Total Revenue</b>		<b>1,145,372,569,212.30</b>	
<b>RECURRENT</b>			
<b>MINISTRY/DEPARTMENT</b>	<b>ESTIMATED ISSUES</b>	<b>ACTUAL ISSUES</b>	
	<b>KShs</b>	<b>KShs</b>	
Ministry of State - P, A & I. Security	69,996,476,683.00	67,645,000,000.00	2,351,476,683.00
State House	1,934,466,158.00	1,859,000,000.00	75,466,158.00
Ministry of State- Public Service	5,589,119,978.00	5,585,000,000.00	4,119,978.00
Ministry of Foreign Affairs	10,133,873,400.00	9,505,000,000.00	568,873,400.00
Office of V.P. & Ministry of Home Affairs	15,143,370,717.00	15,141,000,000.00	2,370,717.00
Planning & National Dev.	2,668,535,882.00	2,667,000,000.00	1,535,882.00
Ministry of Finance	22,695,990,958.00	22,690,000,000.00	595,990.00
Ministry of State for Defence	77,526,356,385.00	73,045,000,000.00	4,481,356,385.00
Ministry of Regional Development & Auth.	785,256,275.00	785,250,000.00	6,275.00
Ministry of Agriculture	9,118,634,979.00	9,081,000,000.00	37,634,979.00
Medical Services	39,556,958,575.00	39,010,000,000.00	546,958,575.00
D.P.Ma Office & Ministry of Local Govt.	1,387,644,115.00	1,274,000,000.00	113,644,115.00
Ministry of Roads	2,442,113,577.00	2,145,500,000.00	296,613,577.00
Ministry of Transport	1,489,868,884.00	1,485,000,000.00	4,868,884.00
Ministry of Labour & HRD	1,473,374,499.00	1,405,000,000.00	68,374,499.00
D.P.Ma Office, Ministry of Trade	1,884,836,469.00	1,876,500,000.00	8,336,469.00
Justice Nat. Cohesion & Const. Affairs	2,490,761,786.00	2,487,700,000.00	3,061,786.00
Ministry of Gender and Children Dev.	5,319,642,240.00	5,319,500,000.00	142,240.00
Ministry of Livestock Development	4,517,683,995.00	4,449,000,000.00	68,683,995.00



Ministry of Water & Irrigation	4,340,235,626.00	4,316,000,000.00	24,235,626.00
Ministry of Environment & Mineral Res.	2,513,260,546.00	2,510,000,000.00	3,260,546.00
Ministry of Coop. Dev. & Marketing	1,231,702,976.00	1,229,000,000.00	2,702,976.00
Cabinet Office	2,006,760,705.00	1,800,000,000.00	206,760,705.00
Ministry of East African Community	1,264,524,742.00	1,261,000,000.00	3,524,742.00
State Law Office	1,611,756,018.00	1,546,000,000.00	65,756,018.00
Judicial Department	10,221,428,327.00	10,065,000,000.00	156,428,327.00
Ministry of Energy	2,247,222,349.00	2,245,000,000.00	2,222,349.00
Ministry of Education	42,498,016,426.00	41,940,000,000.00	558,016,426.00
Ministry of Information & Comm.	2,263,659,015.00	2,262,000,000.00	1,659,015.00
Ethics & Anti-Corruption Commission	1,372,673,920.00	1,210,000,000.00	162,673,920.00
Ministry of State for Special Programmes	5,455,203,118.00	5,365,500,000.00	89,703,118.00
Ministry of Lands	2,651,991,976.00	2,465,000,000.00	186,991,976.00
Ministry of State for Immigration & Reg. Pers.	4,619,145,396.00	4,617,000,000.00	2,145,396.00
Ministry of State for National Heritage & Cult.	1,741,208,561.00	1,714,000,000.00	27,208,561.00
Ministry of Youth Affairs & Sports	6,324,334,594.00	6,314,000,000.00	10,334,594.00
Ministry of Higher Education Sc & Tech.	34,475,208,833.00	34,365,000,000.00	110,208,833.00
Ministry of Housing	1,705,997,266.00	1,165,000,000.00	540,997,266.00
National Security Intelligence Service	13,749,000,000.00	13,749,000,000.00	-
Ministry of Tourism	1,413,065,473.00	1,413,000,000.00	65,473.00
Office of the Prime Minister	2,320,243,636.00	2,250,000,000.00	70,243,636.00
Ministry of Public Health & Sanitation	16,550,025,500.00	16,520,000,000.00	30,025,500.00
Ministry of Forestry and Wildlife	3,895,015,033.00	3,890,000,000.00	5,015,033.00
Ministry of Fisheries Development	1,381,501,787.00	1,228,000,000.00	153,501,787.00
Ministry of Nairobi Metropolitan Development	309,661,125.00	310,000,000.00	(338,875.00)
Ministry of DVP of N. Kenya & other A. Areas	629,273,510.00	621,500,000.00	7,773,510.00
Ministry of Public Works	1,962,632,817.00	1,735,000,000.00	227,632,817.00
Ministry of Industrialisation	1,899,088,175.00	1,750,000,000.00	149,088,175.00
Directorate of Public Prosecution	1,010,179,862.00	940,000,000.00	70,179,862.00
Commission For The Implementation of the constitution	451,241,920.00	458,000,000.00	(6,758,080.00)
Registrar of Political Parties	383,999,998.00	351,000,000.00	32,999,998.00
Witness Protection Agency	196,523,378.00	196,500,000.00	23,378.00
Transition Authority	758,000,000.00	758,000,000.00	-
Kenya national Human Rights & Equality Comm.	251,454,350.00	251,000,000.00	454,350.00
Independent Electoral & Boundaries Comm.	25,166,913,951.00	25,166,000,000.00	913,951.00
Parliamentary Service Commission	12,974,510,097.00	11,150,000,000.00	1,824,510,097.00
Commission on Revenue Allocation	344,961,447.00	371,100,000.00	(26,138,553.00)
Public Service Commission	766,507,908.00	747,186,000.00	19,321,908.00
Salaries & Remuneration Commission	492,150,005.00	431,000,000.00	61,150,005.00
Teachers Service Commission	139,951,989,702.00	128,510,000,000.00	11,441,989,702.00
National Police Service Commission	292,000,000.00	290,000,000.00	2,000,000.00
Auditor General	1,896,500,000.00	1,530,000,000.00	366,500,000.00
Controller Of Budget	381,140,895.00	275,000,000.00	106,140,895.00
The Commission on the Administrative justice	215,811,303.00	215,800,000.00	11,303.00
National Gender & Equality Commission	261,535,394.00	261,000,000.00	535,394.00
Independent Police Oversight Authority	246,000,000.00	150,000,000.00	96,000,000.00
<b>Total</b>	<b>634,680,938,352.00</b>	<b>609,424,986,000.00</b>	<b>25,255,952,352.00</b>
<b>DEVELOPMENT</b>			
Ministry of State - P. A & I. Security	5,522,500,000.00	5,073,950,000.00	448,550,000.00
State House	276,250,000.00	265,000,000.00	11,250,000.00
Ministry of State- Public Service	344,812,980.00	299,000,000.00	45,812,980.00
Ministry of Foreign Affairs	444,900,000.00	283,000,000.00	161,900,000.00
Office of V.P. & Ministry of Home Affairs	1,383,740,010.00	1,575,000,000.00	(1,916,990.00)
Ministry of Planning & National Dev.	23,970,201,996.00	23,925,801,588.00	44,400,408.00
Ministry of Finance	20,513,639,311.00	19,832,921,744.00	680,717,567.00
Ministry of Regional Development & Auth.	3,745,840,700.00	3,275,385,963.00	470,454,737.00
Ministry of Agriculture	12,360,480,360.00	8,016,401,140.00	4,344,079,220.00
Medical Services	5,768,171,655.00	3,604,000,000.00	2,164,171,655.00
D.P.M.a Office & Ministry of Local Govt.	4,465,862,389.00	4,556,744,800.00	(90,882,411.00)
Ministry of Roads	40,186,536,000.00	34,193,320,560.00	6,993,215,440.00
Ministry of Transport	6,741,822,596.00	3,558,117,745.00	3,183,704,851.00
Ministry of Labour & HRD	512,900,000.00	490,000,000.00	22,900,000.00
D.P.M.a Office, Ministry of Trade	305,495,000.00	357,000,000.00	(148,495,000.00)
Justice Nat. Cohesion & Const. Affairs	126,056,650.00	90,000,000.00	36,056,650.00
Ministry of Gender & Children Dev.	4,230,724,824.00	2,991,396,195.00	1,239,328,629.00
Ministry of Livestock Dev.	4,152,910,676.00	3,759,309,248.00	393,601,428.00
Ministry of Water & Irrigation	19,065,287,629.00	15,735,708,820.00	3,331,578,809.00
Ministry of Environment & Mineral Resources	4,255,421,332.00	3,270,270,915.00	985,150,417.00
Ministry of Coop. Dev. & Marketing	181,890,000.00	180,000,000.00	1,890,000.00
Cabinet Office	670,000,000.00	430,000,000.00	240,000,000.00
State Law Office	178,100,000.00	103,200,000.00	74,900,000.00
Judicial Department	1,916,075,729.00	1,919,600,000.00	(16,475,729.00)
Ministry of Energy	25,672,203,930.00	18,474,918,190.00	7,197,285,740.00
Ministry of Education	6,051,503,353.00	5,849,204,635.00	202,298,718.00
Ministry of Information & Comm.	4,299,698,042.00	3,741,272,940.00	558,425,102.00
Ethics and Anti-Corruption Commission	12,500,000.00	10,000,000.00	2,500,000.00
Ministry of State for Special Programmes	5,384,895,541.00	3,325,625,502.00	2,059,270,039.00
Ministry of Lands	2,127,624,181.00	1,520,093,740.00	607,530,441.00
Ministry of State for Immigration & Reg. Pers.	2,063,201,565.00	1,885,500,000.00	177,701,565.00
Ministry of State for National Heritage & Cult.	361,310,000.00	551,000,000.00	(189,690,000.00)
Ministry of Youth Affairs & Sports	3,658,530,200.00	3,179,330,010.00	479,200,190.00
Ministry of Higher Education Sc & Tech	6,929,450,000.00	5,303,000,000.00	1,626,450,000.00
Ministry of Housing	2,400,648,914.00	2,114,981,585.00	285,667,329.00
Ministry of Tourism	734,240,000.00	671,800,000.00	62,440,000.00
Office of the Prime Minister	297,900,000.00	283,000,005.00	14,899,995.00
Ministry of Public Health and Sanitation	11,846,187,488.00	7,867,051,921.00	3,979,135,567.00
Ministry of Forestry and Wildlife	3,778,676,360.00	3,595,521,355.00	183,155,005.00
Ministry of Fisheries Development	2,593,789,156.00	2,072,261,150.00	521,528,006.00
Ministry of Nairobi Metropolitan Development	3,259,894,415.00	1,876,736,000.00	1,383,158,415.00



Ministry of DVP of N. Kenya & other A. Areas	1,871,043,093.00	1,495,908,910.00	375,134,093.00
Ministry of Public Works	4,670,124,546.00	3,890,600,000.00	779,524,546.00
Ministry of Industrialisation	2,454,559,997.00	2,267,061,100.00	187,538,897.00
Directorate of Public Prosecution	41,460,000.00	61,200,000.00	405,000.00
Transition Authority	3,216,430,000.00	3,216,430,000.00	-
Parliamentary Service Commission	1,563,100,000.00	1,321,000,000.00	242,100,000.00
Public Service Commission	35,000,000.00	52,000,000.00	(17,000,000.00)
<b>TOTAL</b>	<b>258,445,570,528.00</b>	<b>212,348,425,845.00</b>	<b>46,097,144,683.00</b>

**COUNTIES EXCHEQUER ISSUES**

COUNTY GOVERNMENTS	COUNTY ALLOCATION	EXCHEQUER ISSUES	
BARINGO	167,256,975.00	167,256,975.00	0.00
BOMET	177,291,444.00	177,291,444.00	0.00
BUNGOMA	289,098,464.00	289,098,464.00	0.00
BUSIA	204,893,279.00	204,893,279.00	0.00
ELGEYO/MARAKWET	123,169,798.00	123,169,798.00	0.00
EMBU	144,564,942.00	144,564,942.00	0.00
GARISSA	217,388,329.00	217,388,329.00	0.00
HOMA BAY	212,227,537.00	212,227,537.00	0.00
ISIOLO	115,138,304.00	115,138,304.00	0.00
KAJIADO	166,166,769.00	166,166,769.00	0.00
KAKAMEGA	335,494,219.00	335,494,219.00	0.00
KERICHO	169,668,084.00	169,668,084.00	0.00
KIAMBU	281,065,927.00	281,065,927.00	0.00
KIIFI	280,233,425.00	280,233,425.00	0.00
KIRENYAGA	133,240,926.00	133,240,926.00	0.00
KISII	267,165,122.00	267,165,122.00	0.00
KISUMU	213,967,379.00	213,967,379.00	0.00
KITUI	273,681,740.00	273,681,740.00	0.00
KWALE	193,053,229.00	193,053,229.00	0.00
LAKEURIA	129,910,803.00	129,910,803.00	0.00
LAMU	77,260,390.00	77,260,390.00	0.00
MACHAKOS	254,918,456.00	254,918,456.00	0.00
MAKUENI	224,836,164.00	224,836,164.00	0.00
MANDERA	377,276,386.00	377,276,386.00	0.00
MARSABIT	195,437,951.00	195,437,951.00	0.00
MERU	244,561,818.00	244,561,818.00	0.00
MIGORI	219,826,411.00	219,826,411.00	0.00
MOMBASA	195,756,188.00	195,756,188.00	0.00
MURANG'A	201,712,527.00	201,712,527.00	0.00
NAIROBI	489,488,844.00	489,488,844.00	0.00
NAKURU	305,694,565.00	305,694,565.00	0.00
NANDI	179,079,104.00	179,079,104.00	0.00
NAROK	199,147,810.00	199,147,810.00	0.00
NYAMIRA	156,473,885.00	156,473,885.00	0.00
NYANDARUA	162,223,384.00	162,223,384.00	0.00
NYERI	167,582,330.00	167,582,330.00	0.00
SAMBURU	133,759,268.00	133,759,268.00	0.00
SIAYA	188,109,598.00	188,109,598.00	0.00
TAITA TAVETA	124,634,357.00	124,634,357.00	0.00
TANA RIVER	150,044,045.00	150,044,045.00	0.00
THARAKA NITHI	118,155,722.00	118,155,722.00	0.00
TRANS-NZOIA	192,075,005.00	192,075,005.00	0.00
TURKANA	394,663,541.00	394,663,541.00	0.00
UASIN GISHU	195,518,698.00	195,518,698.00	0.00
VHIGA	145,812,293.00	145,812,293.00	0.00
WAJIR	272,397,682.00	272,397,682.00	0.00
WEST POKOT	162,445,573.00	162,445,573.00	0.00
<b>TOTAL</b>	<b>9,783,568,690.00</b>	<b>9,783,568,690.00</b>	
<b>CPS</b>			
Salaries Allowances & Miscellaneous Services	4,508,154,885.00	4,140,000,000.00	368,154,885.00
Public Debt	303,632,708,318.00	284,109,221,860.00	19,523,486,458.00
Pensions & Gratuities	37,846,892,198.00	25,030,000,000.00	12,816,892,198.00
		313,279,221,860.00	
<b>TOTAL ISSUES</b>		<b>1,144,876,202,395.00</b>	
<b>SURPLUS FOR THE YEAR 2012/2013</b>			<b>496,366,817.30</b>

DATE 25/9/13



DR. KAMAU THUGGE  
PRINCIPAL SECRETARY / NATIONAL TREASURY