

1937

38204

CO 533/483
KENYA

38204

COLONIAL AUDIT DEPT. ANNUAL REPORTS

Previous	R. 309	7/12
1936	McLaskin	15
	297	
Subsequent		
1938		
	R. 297	24/5/37
	Mr. Ingham	
	Mr. Wailes	2/6
	Mr. Hood	4.6
	Sir J. Harding	17/60
	R. 297	14/6
	Mr. Hood	14.6
	Mr. Walker	22/6
	Mr. Ireland	23/6
	R. 297	27/11
	309	27/11
	McLaskin	30
	Mr. Walker	3/11
297	D.C.A.	8/12
	Mr. Pashin	9
	297	11/12

FINANCIAL.

Ct.

"Land
Bank"

Mr. Flood,

The exclusion of the capital of the
Land Bank from the Colony's Assets
& Liabilities statement is in no way
peculiar: all loans made by a
Colony from votes, from Imperial loans
& from C. Development ^{monies} funds, & from its
own public loans are included (unless
exceptional arrangements are approved).

The peculiarity which has been
seized upon is that there are no
repayments from the Land Bank to set
off against the sinking fund contribution
provided annually. This is a matter of
degree since repayments by the borrower
will rarely exactly balance the contribution
paid.

The Mauritius precedent is a
dreadful one, in my opinion, & I think
D.C.A. has since connected adversely
with it. The main objection is at 4(ii) of
Auditor's letter, & the annual credit to
revenue of sums not received would be a

possession of the accounting system.

I dealt with the omission from the prescribed financial reports & returns of information as to outstanding loans made by the Colony in my mins. last year on Gen 463/1/35 - copy annexed - paras 2 & 14 (iv). This you saw & I think approved generally. A ^{similar} subject based on this has been approved subject to my concurrence as regards colonies under their control.

I suggest therefore that despatch be sent deprecating the suggestion in the ^{minutes} forwarded by D.C.A. & stating that proposals are under consideration for the inclusion in the Colony's annual financial returns of a statement of its ^{and} outstanding loans corresponding to that already ^{provided} of its public debt & sinking funds, & that the ^{outstanding} Capital of the Land Bank provided from loan funds will then be placed on record.

G. Walker
7/6/37

There is much too much "accounting" about all this, and much too little sense. Hence there will queries from Kenya which do not really amount to a row of beans one way or another.

Kenya borrowed £200,000 and agreed to pay interest & S.F. on it. The sum was advanced to the Land Bank which pays back the interest. (There is £240,000 as Land Bank interest in this year's Estimates). Very good. Kenya doesn't win or lose. There is an asset (Debt due from Land Bank) balanced by a liability (Loan) and you can't get at the asset but the liability is ~~very~~ distant also, and you "break even" over the interest payment.

But there is the Sinking Fund. Govt. is piling up a S.F. which will in due time extinguish the loan. Then there will be no liability. S.F. payments will stop and there will still be a large asset (Debt due from Land Bank) on which interest will go on being paid. But you still can't get at the asset and won't unless the Land Bank (a) closes down or (b) decides to reduce its capital & repay to Govt. Either is likely enough if Kenya gets really prosperous.

It is just like a railway. You raise a loan & build a railway. You pay off the loan by sinking fund and you are left with the Railway. Who owns it? and why? and how should it appear in the books? It is unquestionably an asset but there is no longer any liability against it.

But what does it matter? No one is likely to be deceived by the existence of the Railway. The Legislature won't vote the expenditure of the engine, a bridge, and a second class carriage, because they figure as assets. So no one ought to be deceived if the loan to the Land Bank appears as an asset, provided that it is made quite clear that it cannot be realized, and therefore isn't a cash asset.

So I think it would be best if the D.C.A. were to reply - as Mr Walker says to - I don't think a despatch is necessary.

v. s. s. 100

Mr. J. Harding

Will you please reply ^{5/0} as Mr. Walker suggests?

I should like to see it afterwards as a matter of curiosity. There seems to be room for argument since Kenya can say that, as it has to repay the loan in due course that is a liability, all the more so since it has parted with the loan money.

Not that it matters for any practical purpose.

J.S.O. Flood
2.6.

No. 3585/1.

Mr. Flood,

I have written semi-officially to the Acting Auditor as Mr. Walker suggests and I enclose a copy of my letter.

A. J. Harding

Director of Colonial Audit.

17th June, 1937.

Mr. Walker to see

Then put by

J.S.O. Flood
18.6
done

Seen G. Walker
22/6

3. Gov. Kenya 690 19.11.37

Spent to
Library

The 2 copies of Report for 1936 & states that he does not desire to offer any observations thereon.

The Gov appears to be satisfied with the Report.

? DCA to see a letter by

Colley & Cole
29.11

Seen G. Walker
3/12/37

J.J. Pann
30/11

No. 3585/3.

Mr. Paskin.

Seen. This Report will be dealt with departmentally in connection with the Annual Account for 1936, upon which I shall be reporting to the Secretary of State.

A. J. Harding

Director of Colonial Audit.

8-12-37

Then put by

J.J. Pann
9/12

Copies sent to Library

A/Col Sec

300

24.11.37

DESTROYED UNDER STATUTE

No. 12 copies of Kenya desp. No. 690 (3 in file) +
Report for 1936.

These have already been considered above.

? Put by

Clough, Mute. 14/12

J. J. Gammie
r/jr
as

AIR MAIL

KENYA

No. 690



GOVERNMENT HOUSE
NAIROBI
KENYA

5
3

25 NOV 1937
C. O. REGY

19 November, 1937.

Sir,

6151/6/35
GEN

With reference to Mr. Thomas's Circular despatch of the 23rd April, 1936, regarding Annual Reports rendered by Auditors, I have the honour to transmit, for your information, the accompanying copies of the Annual Report submitted by the Acting Auditor of this Colony on Kenya Government Accounts for the year 1936.

2. I do not desire to offer any observations on the Report.

I have the honour to be,

Sir,

Your most obedient, humble servant,

J. Brooke-Popham

AIR CHIEF MARSHAL

G O V E R N O R .

THE RT. HON.

W. OMSBY GORE, P.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, LONDON, S.W.1.



COLONY AND PROTECTORATE OF KENYA

**COLONIAL AUDIT DEPARTMENT
ANNUAL REPORT
1936**

1937

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NAIROBI, KENYA COLONY

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COLONIAL AUDIT DEPARTMENT

ANNUAL REPORT, 1936

A—MANNER IN WHICH THE ACCOUNTS HAVE BEEN KEPT AND RENDERED

Subject to the comments made in this report, the accounts have been kept in a satisfactory manner and punctually rendered for audit. The accounts for the year were finally closed on 23rd March, 1937, and the Annual Abstract Account and the Statement of Assets and Liabilities were signed by the Treasurer on the 8th April. The printed copies of these statements (Appendices I and II to Financial Report for 1936) were received on the 4th June. The audit was completed on the 15th July when the accounts were signed.

2. One thousand three hundred and twenty-nine queries were issued on the accounts for the year, and the following table shows the number issued by each office:—

Head Office	...	771
Mombasa Branch Office	...	109
P.W.D. Branch Office	...	241
G.P.O. Branch Office	...	108
Police Branch Office	...	77
Forestry Branch Office	...	10
K.A.R. Branch Office	...	13
Total		1,329

42 queries are still outstanding of which 15 have been received and merely await verification.

3. Generally speaking queries have been dealt with expeditiously, and it is gratifying to note that the number of queries issued shows a decrease over last year.

4. A list of outstanding queries is enclosed.

5. Recoveries as a result of queries and representations by this department amounted to £1,221. In addition to this amount a double payment of £1,000 was disclosed by this department and the overpayment recovered. This sum was paid to the Eldoret Municipality by the District Treasury,

Appendix

Nairobi, and also, in error, by the Sub-Accountant, Eldoret. The surprising factor was that the Municipality apparently was unaware of the overpayment.

6. The improvement in supplying the Auditor with information necessary to carry out his duties and responsibilities, mentioned in paragraph 6 of the report for 1935, has been maintained, but cases still occur where letters have to be written asking for information that should have been supplied in the first instance.

Self-Accounting Departments

7. The number of self-accounting departments remains the same as last year and their accounts have been kept and rendered satisfactorily subject to the following comments.

Customs Department.

8. One hundred and nine queries were raised during the year resulting in direct recoveries of £156. In addition overcredits to Uganda and Tanganyika of £567 and £98 respectively, and undercredits of £1,246 to Uganda and £108 to Tanganyika were adjusted.

9. These figures show a net increase over those of last year but it is anticipated that there will be a marked reduction in future, due to increased internal check rendered possible by additional staff. It is hoped that the position in regard to the "jerquing" of manifests will also be improved in future.

10. As a result of representations by this department regarding the possible fraudulent alterations of customs documents between the time of passing entries and paying duty or collecting goods, the Commissioner of Customs has made certain alterations in the system whereby this type of fraud is rendered even more remote.

Public Works Department.

11. The accounts of this department call for no comment other than that the position regarding the internal check remains unaltered. The activities in connexion with the Colonial Development programme, the opening of the Kisii Water Supply and work done in connexion with the Royal Air Force have increased the work of the Department considerably.

12. Two hundred and forty-one queries were issued and recoveries amounted to £127. The number of queries shows a considerable decrease and is due, in part to the closing of the Eldoret division and the separate stores division at Kisumu.

General Post Office.

13. The accounts of this department have, as usual, been well kept. There has been considerable increase in telephone accounts and the introduction of Radio telephony is the outstanding feature of the year. One hundred and eight queries were issued and recoveries amounted to £160.

14. As from the 1st December, 1936, the work in connexion with the Kenya and Uganda Savings Banks was concentrated in Nairobi, and consequently the annual accounts of the Uganda Savings Bank were audited by this department. If the business of the Savings Banks increases as anticipated some increase in the Audit staff will be required.

15. As from 1st January, 1937, under Ordinance No. 29 of 1936, dated 19th November, 1936, the Savings Bank of Kenya becomes a separate entity. Its revenue no longer forms part of the revenue of the Colony and its expenditure is met from its own resources. Government guarantees repayment of all money deposited in the Bank together with interest thereon.

16. The Annual Accounts of revenue and expenditure and of deposits received and repaid, and interest credited to depositors during the year, together with a Statement of Assets and Liabilities is to be audited and certified by this department.

17. Similar statements will require to be audited by this department on behalf of the Savings Bank of Uganda.

Forestry, Police and King's African Rifles.

18. The accounts of these self-accounting departments were satisfactorily kept and call for no special comment except to note the increased work devolving on the Police and King's African Rifles in connexion with the Italo-Ethiopian situation.

B—AUTHORITIES FOR EXPENDITURE

19. A schedule of the authorities for expenditure is Appendix B. attached.

20. Authorities for loan expenditure have been duly verified.

C—CONTROL OF EXPENDITURE

21. Control of expenditure has been satisfactorily maintained during the year.

D—CONTROL AND COLLECTION OF REVENUE

22. The check on revenue which is carried out at Headquarters continued to be satisfactory.

Central Revenue Office.

23. The Central Revenue Office continues to increase its activities and collected £123,703 as compared with £105,901 in 1935. The introduction of Income Tax will considerably increase the work of the Central Revenue Office.

E—CHECKS AGAINST IRREGULARITY AND FRAUD

24. Subject to the following comments the existing checks against irregularities and fraud are adequate and have been suitably maintained.

25. The position regarding native registration certificates is now satisfactory. The system introduced in 1934 as a measure of economy (vide paragraph 26 of the Annual Report for 1934) has been abandoned and as from the 15th October, 1936, the old system re-introduced. It is hoped that there will now be no further cause for complaint. The question of control of these registration certificates is under discussion with the Treasurer.

26. A mail bag containing a cash remittance of Sh. 22 was stolen from a guards van of a train. Since the Railway admit no liability in respect of mails carried by them the amount was written off.

27. Clothing belonging to patients in Kakamega Native Hospital was stolen and payment of compensation amounting to £8-3-35 was approved and charged to Miscellaneous Services—Contingencies.

28. A further burglary at the same hospital resulted in Sh. 20/75 being stolen. This amount was written off.

29. An amount of Sh. 314/50 was stolen from the safe in the Kenya Royal Naval Volunteer Reserve Headquarters. There was no loss of Government money as the sum was made good by the officer responsible.

30. A sum of Sh. 45, being fines collected by the Native Tribunal, Kisii, was lost when the village of the location tribunal clerk was destroyed by fire. This amount was written off under the provisions of Colonial Regulation No. 278.

31. The sum of Sh. 264 in respect of Native Hut and Poll Tax, collected by a chief in the South Kavirondo District

was deposited by the chief's clerk in the thatched roof of his hut. The hut was burnt to the ground and only Sh. 60 of charred coins recovered. The chief was called upon to pay Sh. 40, his clerk Sh. 10, and the balance of Sh. 154 was written off with the sanction of the Secretary of State.

F—ARREARS OF REVENUE

32. A statement is enclosed of the arrears of revenue as at the 31st December, 1936. This has been compiled from returns rendered by collectors of revenue and is submitted in compliance with Colonial Audit Departmental Instructions. The statement is as complete as possible and reflects arrears amounting to £60,974-19-58. The amount of £11,954-19-07, under Central Agricultural Advances Board, includes the arrears of previous years together with interest thereon.

Appendix C

33. During the year arrears of revenue have been written off under proper authority totalling £4,361-1-57, included in the above figure is a sum of £2,683-2-60 in respect of irrecoverable medical fees and also £1,932-7-19 for Land Rents and Stand Premium.

G—STORE ACCOUNTS

34. No special comment is called for in connexion with store accounting which has been satisfactory throughout the year.

H—ANNUAL PROGRAMME OF WORK

35. With the exception of inspections of some of the more remote stations in the Northern Frontier District and Turkana and a few isolated schools, veterinary and forest stations, the annual programme of work, as approved by the Director of Colonial Audit, has been completed.

36. It has not been found possible to re-introduce bi-annual inspections of all the larger stations and there seems little likelihood, in view of the increase of work at Headquarters, of any change in the position in the immediate future.

J—ANNUAL ABSTRACT ACCOUNT AND SUPPORTING STATEMENTS

37. The existence of the assets has been verified in the usual manner. As has been pointed out in previous reports, boards of survey were not held on some of the smaller offices, post offices, etc.

38. The statement of Assets and Liabilities at the close of the year includes the unspent balances of each loan, with the exception of £18,883-11-25 in respect of the 1928 £3,500,000 loan, which is in the hands of the Railway and is included in the balance sheet under Capital Account, Balance at Credit.

39. As suggested in paragraph 52 of last year's report, the balance of the Parliamentary Grant in respect of the Kenya Land Commission, amounting to £25,105-11-76 is now shown separately.

40. With the sanction of the Secretary of State, the balance of the special reserve fund, £558-7-66, was credited to revenue and used to defray part of the cost of the Colony's participation in the Empire Exhibition in Johannesburg.

41. The loan to A. M. Jivanjee and Co., disappears from the Statement of Assets, the capital having been repaid and the interest waived.

42. The figure of £7,881-6-19 appearing under Appropriated Funds, Deposits, should be £7,355-2-33 and the figure of £119,113-10-75 Deposits, Registrar General, etc., should read £119,116-1-25.

These differences appear under Deposits, Miscellaneous, the figure for which should be £196,207-8-55 and not £193,683-15-19. The necessary adjustments have been made in 1937.

43. The assets held on behalf of the Registrar General, etc., consist of:—

Investments	£83,734	17	98
Cash on fixed deposits	£26,319	0	00
Cash on current account	£ 9,062	3	27
Total	£119,116	1	25

44. The position in regard to the Central Agricultural Advances Board is the same as was reported in paragraph 55 of last year's report.

The asset stands at £90,463-9-61 which is £10,593-15-25 less than last year and represents the amount written off as bad debts during the year. General revenue has received £18,782 since the inception of the scheme, and £22,737 is the total amount written off as irrecoverable.

45. The Turkana Tax Suspense Account shows a debit balance of £6-9-0 representing value of stock of goats on hand. This balance should be £62 the difference of £55-11-0 being due to the fact that entries of £88-13-37 in respect of profit and appreciation, and a further write off of £33-2-37, were not made before the annual accounts were closed. The adjustments have now been effected.

Unallocated Stores

46. The figures under Unallocated Stores, namely—

K.A.R. rations	£712	11	93
Post Office	£19,153	16	43
P.W.D.	£24,313	11	11

have been reconciled with the actual stock of stores and copies of the annual stock balance sheets and the reconciliation statements have been forwarded to the Director of Colonial Audit. The value of stocks on hand is in each case under the authorized maximum.

47. The other items in the Statement of Assets and Liabilities do not call for any observations.

48. The excess of assets over liabilities amounts to £404,888-19-52 as against £258,881-0-10 an increase during the year of £146,007-19-42. This figure was £136,258-0-0 more than the estimated surplus.

It must be remembered however that £206,553-0-0 represents frozen assets, which are unlikely to be liquidized in the near future.

49. The approval of the Secretary of State was received in despatch No. Kenya 728 of 17th September, 1936, to the payment of £2,650 to the Kenya and Uganda Railways and Harbours being their share of the interest on the Stamp Duty Reserve Fund.

K—ERRORS OF CLASSIFICATION APPEARING IN THE ACCOUNTS AS RENDERED

50. The usual statement of misallocations admitted by the accounting officer too late for adjustment is enclosed. Appendix D

L—POINTS BROUGHT TO NOTICE IN PREVIOUS REPORTS
Paragraph 34 of 1935 Report.

51. The sanction of the Secretary of State has been obtained to write off £29-8-40 representing the unrecovered portion of the value of 50 Hut and Poll Tax tickets.

Paragraph 52 of 1935 Report.

52. During the year the arrears due by Government to the European and Asian Provident Funds were paid in full so that the Provident Fund Suspense Accounts disappear.

It will be observed that the figures in Schedule XXI under contributions to Provident Funds and in Schedule XII under Interest due to contributors to Provident Funds do not agree with the corresponding figures appearing in the statements of income and expenditure of the two Funds. (Appendices XVIII and XIX.)

A reconciliation statement is attached and the necessary adjustments have now been made.

The balance brought forward in Appendix XVIII should have been Sh. 1/33 more, this sum, however, is included in the year 1936 in the contribution due from contributors, thus the balance transferred to the Provident Fund account is correct.

Paragraph 71 of 1935 Report.

53. This matter has not yet been settled but it is anticipated that it will finally be disposed of this year.

Paragraph 3 of Appendix B of 1935 Report.

54. Schedules of Additional Provision 1935, No. 4 for £44,223 was approved by the Secretary of State for the Colonies in Despatch No. 78 of 26th January, 1937, and No. 5 for £34,813 was passed by Legislative Council on 13th November, 1936, and approved by the Secretary of State for the Colonies in despatch No. 78 of 26th January, 1937.

Paragraph 4 of Appendix B of 1935 Report.

55. 1935, Supplementary Appropriation Ordinance, 1936, for £81,794-1-62 was passed by Legislative Council on 19th November, 1936, and notice of non-disallowance notified in the Supplement to the Official Gazette dated 16th February, 1937.

M—GENERAL

56. In August 1936, a 3 per cent loan of £375,000 was floated at par. Of this amount £200,000 was subscribed locally, £48,000 worth of which was taken by the Kenya and Uganda Railways and Harbours. £250,000 of the loan was allocated to the Land and Agricultural Bank.

57. The capital of the Land Bank was £750,000 on 31st December, 1936, of which £100,000 was allocated to the Farmers' Conciliation Board. The sum of £180,000 remained undrawn at the close of the year.

Local Native Councils.

58. The audit of Local Native Council accounts was carried out throughout the year, and with one exception, the manner in which the accounts were kept was satisfactory.

59. In paragraph 77 of the 1935 report a list was given of accounts outside the usual routine which were audited by this department.

To that list should be added the following accounts:—

- Governors' Conference Accounts
- Native Tribunals
- Agricultural Journal
- Johannesburg Exhibition.
- Farmers' Conciliation Board.
- Italo-Ethiopian Special Expenditure

Staff

60. The position with regard to the staff of this department remains unaltered. The increase of work in connexion with the Postal Accounts and Savings Bank makes it difficult to keep the examination in this branch up to date and it has not been possible to catch up any of the arrears into which the examination of accounts, generally, fell. The introduction of Income Tax will again increase the volume of work but Government has agreed to an increase of one Assistant Auditor and one clerk to meet this situation.

A. C. HANDS,

Acting Auditor,

Colony and Protectorate of Kenya.

COLONIAL AUDIT DEPARTMENT, NAIROBI.

23rd September, 1937.

APPENDIX A

STATEMENT OF OUTSTANDING QUERIES—1936

Query No.	Date	SUBJECT
TREASURY ACCOUNTS		
476	26-2-37	Penalty not collected on liquor licences.
478	26-2-37	Purchase of maize and beans.—R
482	26-2-37	Overpayment of motor mileage allowance to Mr. H. C. Oldfield.
515	1-3-37	Short collection of business licence fees.
541	16-3-37	Expenses incurred in transporting specie.—R
547	17-3-37	Ration allowance paid to African clerks.—R
648	6-5-37	Consolidation allowance, Mr. D. U. Patel.
650	6-5-37	Overpayment of motor allowance to Mr. Weller.—R
655	14-6-37	Overpayment of hotel expenses to Mr. A. B. Tibert.—R
664	15-6-37	Payment to Mr. L. E. Whitehouse.
680	15-5-37	Overpayment of motor allowance, Mr. R. Scott-Little.—R
687	18-3-37	Amount set off against Traders licence.
694	20-5-37	Penalty not collected on liquor licence.—R
697	22-5-37	Overpayment of salary to Meteorological Observer.—R
709	1-6-37	Difference in balance of kodi stamps.
712	1-6-37	Short collection of motor licence fees.
719	1-6-37	Overpayment of salary to S. D. Pasha.
751	22-5-37	Statement of Deposits—balance outstanding.—R
752	22-5-37	Statement of Deposits—credit balance not cleared.
736	29-6-37	Travelling allowance, Mr. Armitage.
737	29-6-37	Purchase of oxen.
738	29-6-37	Drafts outstanding over six months.
742	30-6-37	Withdrawal of deposits—details required.
747	2-7-37	Purchase of motor spares.
750	7-7-37	Purchase of cotton goods.—R
758	16-7-37	Payments to attendants of mental patient.—R
761	6-7-37	Purchase of shoes.—R
762	8-7-37	Purchase of handi drill.—R
771	4-9-37	Street lighting charges, Bhat township.—R
G.P.O. ACCOUNTS		
17	25-11-36	Freight on materials.—R
20	31-12-36	Freight on materials.—R
39	1-3-37	Luggage consigned as personal effects.
72	23-7-37	Refund of disbursement charges, Mr. Somji.
73	23-7-37	Lamp supplied to damaged car.
75	23-7-37	Motor mileage allowance, Mr. Dennis.
POLICE ACCOUNTS		
37	31-3-37	Purchase of camel.
43	26-5-37	Purchase of camel.
P.W.D. ACCOUNTS		
143	23-4-37	Rail fares of labourers, Khamu.
167	4-6-37	Allocation of expenditure on extension of P.W.D. Offices.
MOBASA ACCOUNTS		
102	12-6-37	Motor car Transfer Returns, 1936.
105	12-6-37	Motor car Transfer Register, 1936.
109	22-6-37	Customs Annual Account, 1936.

R—Received in office and awaiting verification.

APPENDIX B

AUTHORITIES FOR EXPENDITURE, 1936

1. Original Estimates.

(a) Passed (Provisional) by the Legislative Council on 30th December, 1935.

(b) Approved by the Secretary of State in telegram No. 132 of 29th May, 1936, Provisional only. Approved finally in despatch No. 488 of 7th July, 1936.

2. 1936 Appropriation Ordinance (No. 47 of 1935).

Passed by Legislative Council on 31st December, 1935, and notice of non-disallowance notified in the Supplement to the Official Gazette dated 4th August, 1936.

3. Schedules of Additional Provision, 1936.

No. 1 of 1936 for £68,986.—Passed by Legislative Council on 18th November, 1936. Approved by the Secretary of State in despatch No. 78 of 26th January, 1937.

No. 2 of 1936 for £37,412.—Passed by Legislative Council on 18th November, 1936. Approved by the Secretary of State in despatch No. 78 of 26th January, 1937.

No. 3 of 1936 for £30,820.—Passed by Legislative Council on 10th March, 1937. Approved by the Secretary of State in despatch No. 428 of 26th May, 1937.

No. 4 of 1936 for £28,729.—Passed by Legislative Council on 20th April, 1937. Approved by the Secretary of State in despatch No. 428 of 26th May, 1937.

No. 5 of 1936 for £40,719.—Passed by Legislative Council on 29th July, 1937. Not yet approved by the Secretary of State.

4. 1936 Supplementary Appropriation Ordinance, 1937, for £107,438-15-08.

Bill published in the Official Gazette of 6th July, 1937. Passed by Legislative Council on 28th August, 1937. Notice of non-disallowance not yet notified.

APPENDIX D
STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936

Query No.	Allocated	Amount	Correct Allocation
498/36	ADMINISTRATION—Native Registrars in and Ranger Print Section—Local Transport and Travelling	529 46	ADMINISTRATION—Births, Deaths, Marriages and Immigration Section—Local Transport and Travelling
497/36	ADMINISTRATION—Native Affairs Dept.—Depositions	122 94	ADMINISTRATION—Examinations—Dispense of Revenue at Luibopa
592/36	TREASURY—Contingencies	269 75	TREASURY—LOCAL TRANSPORT AND TRAVELLING
573/36	Cr. FEES AND PAYMENTS FOR SPECIFIC SERVICES—Hospital Fees	39 35	Cr. FEES AND PAYMENTS FOR SPECIFIC SERVICES—Veterinary Vaccination Fees, etc.
586/36	ADMINISTRATIONS—Labour Section—Local Transport	242 50	ADMINISTRATIONS—General Staff—Local Transport and Travelling
590/36	MEDICAL DEPARTMENT—Native Services—Travelling Allowance	6 00	INTER-DEPARTMENTAL CLEARANCE—Public Works Department
596/36	ADMINISTRATION—Nyanga Province—Local Transport and Travelling	168 85	ADMINISTRATIONS—General Staff—Local Transport and Travelling
595/36	ADMINISTRATIONS—General Staff—Local Transport and Travelling	57 31	ADMINISTRATIONS—Provincial Administration—Rift Valley Province—Local Transport and Travelling
599/36	District—Local Transport and Travelling	209 11	ADMINISTRATIONS—General Staff—Local Transport and Travelling
600/36	ADMINISTRATIONS—Northern Frontier District—Local Transport and Travelling	24 35	ADMINISTRATIONS—Northern Frontier District—Civil Transport performed by the Military
601/36	AGRICULTURAL DEPARTMENT—Native Services—Division of Animal Industry—Carriage of Goods	45 46	AGRICULTURAL DEPARTMENT—Native Services—Division of Animal Industry—Local Transport and Travelling
	Division of Plant Industry—Carriage of Goods	29 65	Division of Plant Industry—Local Transport and Travelling

STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

Query No.	Allocated	Amount	Correct Allocation
577/36	ADMINISTRATION—Masi District—Local Transport and Travelling	8 50	ADMINISTRATION—Masi District—Carts, Harness and Livestock
582/36	EDUCATION DEPARTMENT—Indian and Roman Education	6 60	INTER-DEPARTMENTAL CLEARANCE—Public Works Department
589/36	ADMINISTRATIONS—Rift Valley Province—Local Transport and Travelling	17 28	ADMINISTRATIONS—General Staff—Local Transport and Travelling
588/36	GOVERNMENT ANALYST'S LABORATORY—Unskop of Laboratory	684 25	GOVERNMENT ANALYST'S LABORATORY—Local Transport and Travelling
611/36	PENSIONS AND GRATUITIES—Widows and Orphans	49 83	PENSIONS AND GRATUITIES—Pensions and Gratuities
614/36	Insurance Scheme and Loan Repayments	480 42	Insurance Scheme and Loan Repayments
554/36	ADMINISTRATIONS—Provincial Administration—Rift Valley Province—Contingencies	1 10	WORKS RECURRING—Non-Native Services—M. and M. of R. and B.
613/36	Cr. EDUCATION DEPARTMENT—African Education	811 50	Cr. MISCELLANEOUS RECEIPTS—Recoveries of Over-estimates relating to previous years.
615/36	JUDICIAL DEPARTMENT—Contingencies	39 00	JUDICIAL DEPARTMENT—Passages
623/36	LOCAL DEPARTMENT—Taxation—Contingencies—Fees and Payments for Specific Services—Registration of Domestic Servants	21 60	LOCAL DEPARTMENT—Taxation—Contingencies—Fees and Payments for Specific Services—Miscellaneous Duties, Taxes—Native Registration
634/36	ADMINISTRATIONS—General Staff—Contingencies	31 00	ADMINISTRATIONS—General Staff—Medical Examination Fees
636/36	ADMINISTRATIONS—General Staff—Passages	30 00	ADMINISTRATIONS—Fisheries Protection, Lake Victoria Nyanga—Passages

STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

Query No.	Allocated	Amount	Correct Allocation
543/36	LICENCES, DUTIES, TAXES, ETC.—Miscellaneous Licences Administration—Provincial Administration—Nyuasa Province—Personal Emoluments—Central Province—Hot and Poll Tax—Licences, Duties, Taxes, etc.—Low in Official Salaries	Sh. 64 59 00 839 58	FEES AND PAYMENTS AND SPECIFIC SERVICES—Miscellaneous Fees Administration—General Staff—Personal Emoluments. <i>Dr.</i> LICENCES, DUTIES, TAXES—Sale of Stamps.
637/36	<i>Dr.</i> LICENCES, DUTIES, TAXES, ETC.—Miscellaneous Licences	72 00	
619/36	LICENCES, DUTIES, TAXES, ETC.—Miscellaneous Licences	705 22	MISCELLANEOUS SERVICES—Refunds of Revenue. FEES AND PAYMENTS FOR SPECIFIC SERVICES—Miscellaneous Fees.
617/36	ADMINISTRATIONS—Native Registration and Finger Prints—Local Transport and Travelling	50 00	ADMINISTRATIONS—Registration and Finger Print Sections—Provincial Administration—Central Province—Travelling Allowance.
630/36	ADMINISTRATIONS—Provincial Administration—Central Province—Local Transport and Travelling	6 18	
654/36	LICENCES, DUTIES, TAXES, ETC.—Non-Native Poll Tax—Coast Province	42 20	LICENCES, DUTIES, TAXES, ETC.—Native Hot and Poll Tax—Coast Province.
685/36	FEES AND PAYMENTS FOR SPECIFIC SERVICES—Veterinary Inspectors—Provincial Administration—Nyuasa Province—Local Transport and Travelling	32 16	EXAMINERS OF GOVERNMENT DEPARTMENTS—Serf, Veterinary Inspectors—Provincial Administration—Nyuasa Province—Travelling Allowance.
652/36	ADMINISTRATIONS—General Staff—Personal Emoluments—Licences, Duties, Taxes, etc.—Native Hot and Poll Tax—Sale of Stamps	46 46 35 00 48 00	ADMINISTRATIONS—Provincial Administration—Nyuasa Province—Personal Emoluments. LICENCES, DUTIES, TAXES, ETC.—Native Hot and Poll Tax—Nyuasa Province.

STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

Query No.	Allocated	Amount	Correct Allocation
717/36	ADMINISTRATIONS—Tukuma District—Local Transport and Travelling	Sh. 64 30 88	INTER-DEPARTMENTAL CLEARANCE—Police. <i>Cr.</i> LICENCES, DUTIES, TAXES, ETC.—Miscellaneous Licences
693/36	<i>Cr.</i> FEES AND PAYMENTS FOR SPECIFIC SERVICES—Miscellaneous Fees	50	
721/36	MILITARY EXTRAORDINARY—Quarters for African Post Coast Defence Buildings	7,231 84	MILITARY EXTRAORDINARY—Coast Defence Buildings. Headquarters.
207/36	<i>Dr.</i> LICENCES, DUTIES, TAXES, ETC.—Fines and Forfeitures (double adjustment)	192 30 20 00	<i>Cr.</i> FEES AND PAYMENTS FOR SPECIFIC SERVICES—Infectious Diseases Hospital Fees—Mombasa Municipality (double adjustment).
709/36	MISCELLANEOUS RECEIPTS—Partial repayment of capital advanced to Kisumu District Shop	300 82	RECEIPTS—Surplus and Loan Balances.
745/36	ADMINISTRATIONS—General Staff—Local Transport and Travelling	19 04	INTER-DEPARTMENTAL CLEARANCE—Public Works Department.
	JUDICIAL DEPARTMENT—Juries, Assessors, Witnesses	297 20	INTER-DEPARTMENTAL CLEARANCE—Public Works Department.
	ADMINISTRATIONS—Labour Section—Personal Emoluments—Mossi District—Tobaccoes	184 00	ADMINISTRATIONS—Provincial Administration—Rift Valley Province—Local Transport and Travelling—Personal Emoluments—Northern Frontier District—Personal Emoluments.
	LICENCES, DUTIES, TAXES, ETC.—Native Hot and Poll Tax—Sale of Stamps	14 00	ADMINISTRATIONS—Mossi District—Contingencies. LICENCES, DUTIES, TAXES, ETC.—Hot and Poll Tax—Mossi District—Central Province.
	FEES AND PAYMENTS FOR SPECIFIC SERVICES—Abbees and Cattle Pound Fees	2,400 00	FEES AND PAYMENTS FOR SPECIFIC SERVICES—Miscellaneous Fees.
		19 60	

STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

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Query No.	Allocated	Amount	Correct Allocation
	His EXCELLENCY THE GOVERNOR'S—Personal Emoluments	57, 00	GAME DEPARTMENT—Personal Emoluments.
	ADMINISTRATION—Central Province—Local Transport and Travelling	36 00	ADMINISTRATORS—Central Province—Personal Emoluments.
	Fees—Payments for Specific Services—Including Fees—Indian Schools	466 90	Fees—Payments for Specific Services—Veterinary, Vaccination Fees, etc.
	LICENCES, DUTIES, TAXES, ETC.—Fines and Forfeitures	724 00	LICENCES, DUTIES, TAXES, ETC.—Professional Licences.
	JUDICIAL DEPARTMENT—JUROR, Assessor, Witnesses, etc.	15 00	JUDICIAL DEPARTMENT—Fees to Counsel, etc.
	LICENCES, DUTIES, TAXES, ETC.—Native Hut and Poll Tax	180 00	LICENCES, DUTIES, TAXES, ETC.—Native Hut and Poll Tax—Tax card returned.
	LICENCES, DUTIES, TAXES, ETC.—Miscellaneous Licences	3,800 00	LICENCES, DUTIES, TAXES, ETC.—Native Registration.
	FEES AND PAYMENTS FOR SPECIFIC SERVICES—Registration of Domestic Servants	10 00	LICENCES, DUTIES, TAXES, ETC.—Game Licences.
	LICENCES, DUTIES, TAXES, ETC.—Office Licences	28 00	LICENCES, DUTIES, TAXES, ETC.—Game Licences.
	LICENCES, DUTIES, TAXES, ETC.—Mortgage and Education Tax	30 00	LICENCES, DUTIES, TAXES, ETC.—European Education Tax.
	AGRICULTURAL DEPARTMENT—Division of Animal Industry—Contingencies	15 00	AGRICULTURAL DEPARTMENT—Division of Animal Industry—Maintenance of Dips.
	LICENCES, DUTIES, TAXES, ETC.—European Education Tax	100 00	LICENCES, DUTIES, TAXES, ETC.—Asiatic Education Tax.
	LICENCES, DUTIES, TAXES, ETC.—Licences under Traffic Ordinance	26 00	LICENCES, DUTIES, TAXES, ETC.—European Education Tax.
		36 00	

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STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

Query No.	Allocated	Amount	Correct Allocation
	ADMINISTRATION—General Staff—Local Transport and Travelling	54 00	ADMINISTRATION—Rig Valley Province—Local Transport and Travelling.
	Miscellaneous Receipts—Subsidy	276 62	Imports—Surplus Loan Balances.
	ADMINISTRATION—General Staff—Personal Emoluments	193 00	ADMINISTRATION—Northern Frontier Province—Personal Emoluments.
	ADMINISTRATION—General Staff—Personal Emoluments	60 00	ADMINISTRATION—Northern Frontier Province—Personal Emoluments.
	ADMINISTRATION—General Staff—Personal Emoluments	62 00	ADMINISTRATION—Northern Frontier District—Personal Emoluments.
	ADMINISTRATION—General Staff—Local Transport and Travelling	44 85	ADMINISTRATION—Central Province—Travelling Allowance.
	Cr. FEES AND PAYMENTS FOR SPECIFIC SERVICES—Widows and Orphans Pension Contributions	400 72	Cr. PENSIONS AND GRATUITIES—Pensions and Gratuities.
	Dr. PENSIONS AND GRATUITIES—Pensions and Gratuities	257 24	Dr. PENSIONS AND GRATUITIES—Widows and Orphans Pension Schemes.
	do. do. do. do. do.	14 16	do. do. do. do. do.
	do. do. do. do. do.	43 08	do. do. do. do. do.
	Cr. REIMBURSEMENTS—Tanganyika Government on account of Coast Agency	28 15	Cr. REIMBURSEMENTS—Tanganyika Government on account of Pensions.
	ADMINISTRATION—Central Province—Local Transport and Travelling	224 00	EXPENSES OF GOVERNMENT DEPARTMENTS—Hire of Government Transport.
	Fees and Payments for Specific Services—Miscellaneous Fees	12 00	Licences, Duties, Taxes, ETC.—Miscellaneous Licences.

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STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

Query No.	Allocated	Amount	Correct Allocation
Local Qy. P.W.D. 22/36	LICENCES, DUTIES, TAXES, ETC.—Sale of Stamps PEBONS DEPARTMENT—Passages	Sh. 66 1,428 00	LICENCES, DUTIES, TAXES, ETC.—Hut and Poll Tax (Native)—Central Province. TREASURY—Passages.
26/36	PUBLIC WORKS DEPARTMENT—Administration of Law Courts—Construction PUBLIC WORKS DEPARTMENT—Kakamega Water Supply Operation Expenses	148 30	PUBLIC WORKS DEPARTMENT—Administration of Law Courts—Construction PUBLIC WORKS EXTRAORDINARY—Buildings at Lodwar.
27/36	PUBLIC WORKS EXTRAORDINARY—Roads and Bridges	12 12	PUBLIC WORKS RECURRENT—Tools and Plant.
118/36	COLONIAL DEVELOPMENT FUND—Machakos-Lodogien Road	19 28	PUBLIC WORKS RECURRENT—Native Services—Maintenance and Improvement of Roads and Bridges.
130/36	AGRICULTURAL DEPARTMENT—Division of Animal Industry—Veterinary Research	105 28	PUBLIC WORKS RECURRENT—Non-Native Services—Buildings and Minor Improvement of Public Buildings.
132/36	PARLIAMENTARY GRANT—SURVEYS	441 67	PARLIAMENTARY GRANT—Tana River Bridge.
134/36	SALE OF GOVERNMENT PROPERTY—Stores	590 27	MISCELLANEOUS RECEIPTS—Recoveries of Overpayments relating to Previous Years.
135/36	EARNINGS OF GOVERNMENT DEPARTMENTS—Glid Water Supply	10 00	Water Supply AGRICULTURAL DEPARTMENT—Non-Native Services—Upkeep of Kabete Laboratory.
136/36	PUBLIC WORKS RECURRENT—Non-Native Services—Buildings and Minor Improvements of Public Buildings	100 00	PUBLIC WORKS RECURRENT—Non-Native Services—Maintenance and Minor Improvements of Public Buildings.
148/36	PUBLIC WORKS DEPARTMENT—Kakamega Water Supply—Operation Expenses	55 02	

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STATEMENT OF MISALLOCATIONS TOO LATE FOR ADJUSTMENT IN 1936.—(Contd.)

Query No.	Allocated	Amount	Correct Allocation
161/36	PUBLIC WORKS RECURRENT—Tools and Plant (Native Services) PUBLIC WORKS RECURRENT—Native Services—Tools and Plant	Sh. 66 375	PUBLIC WORKS RECURRENT—Native Services—"Works" PUBLIC WORKS DEPARTMENT—Local Transport and Travelling.
168/36	HIS EXCELLENCY THE GOVERNOR—Personal Emoluments of Government Employees—Stores	13 57	HIS EXCELLENCY THE GOVERNOR—Local Transport and Travelling.
180/36	SALE OF GOVERNMENT PROPERTY—Stores	15 00	"Travelling."
180/36	PUBLIC WORKS EXTRAORDINARY—Minor Works	28 00	"Travelling."
151/36	PUBLIC WORKS EXTRAORDINARY—Buildings at Lodwar	75 00	LICENCES, DUTIES AND TAXES—Fines and Forfeitures.
115/36	"WORKS"	24 97	PUBLIC WORKS RECURRENT—Native Services—Maintenance and Improvement of Roads and Bridges.
Police Local Queries	PUBLIC WORKS DEPARTMENT—Rations, Northern Frontier District and Turkana POLICE DEPARTMENT—Local Travelling POLICE DEPARTMENT—Local Travelling POLICE DEPARTMENT—Railway Passages POLICE DEPARTMENTS—Local Travelling	101 00 175 04 15 00 10 00 37 08 8 00	PUBLIC WORKS DEPARTMENT—Unallocated Stores. POLICE DEPARTMENT—Animal Transport. POLICE DEPARTMENT—Transport, N.F.D. and Turkana, performed by K.A.R. POLICE DEPARTMENT—Transport, N.F.D. and Turkana performed by K.A.R. POLICE DEPARTMENT—Passages. POLICE DEPARTMENT—Transport, N.F.D. and Turkana, performed by K.A.R.

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AUD

APPENDIX E
RECONCILIATION—EUROPEAN AND ASIAN CIVIL SERVICE PROVIDENT FUNDS ACCOUNTS, 1936
INCOME AND EXPENDITURE ACCOUNTS

Amounts debited to Expenditure Heads, viz—	£ s. cts.	Amounts shown in	£ s. cts.	£ s. cts.
Schedule XXI	7,871 3 28	Provident Funds		
Schedule XII	1,309 5 43	Accounts—		
		Appendix XVII	5,388 12 43	
		Appendix XIX	2,229 15 44	7,618 7 87
		Appendix XVII	952 7 94	
		Appendix XIX	345 12 17	1,298 0 11
			Total	8,916 7 98
		<p>add the following amounts in respect of over-credits to Contributors' Accounts during the year 1935 and adjusted during the year 1936 to the debit of Deposits—Provident Funds" and credit of Interest—Miscellaneous Receipts—Recoveries of over-payments relating to previous years":—</p>		
		Government	Interest	
		Government	on Gov-	
		Government	ernment	
		Government	social con-	
		Government	tributions	
		Government	contribution	
		Government	total	
		Government	£44,8/0/6	£8/1/54
		Government	£0/0/05	£52/9/65
		Government	£0/1/26	£11/1/48
		Government	£8/7/33	£3/2/87
		Government	Total	64 1 13
			Total	£8,980 9 11

COLONIAL AUDIT DEPARTMENT.

17 JUN 1937

No. 3585/1.

Dear Hands,

With reference to Mr. Smith's letter No. 364 of the 17th of April last, about the proposed introduction into the Colony's Statement of Assets and Liabilities of an "asset" in respect of the Capital of the Land Bank provided from loan funds, and to my official letter No. 3585/1 of the 26th of May last in which I said that the matter had been referred to the Colonial Office and that a further reply would be sent to Mr. Smith's letter in due course, I am now able to tell you that the matter has been considered in the Colonial Office.

The suggestion put forward in the Memo enclosed with Mr. Smith's letter is deprecated in the Colonial Office, where proposals are under consideration for the inclusion in the annual financial returns of Colonies of a statement of outstanding loans made

by

A. C. HANDS, Esq.,

K E N Y A.

by the Colonial Government corresponding to the statement already provided for its public debt and sinking funds, and the outstanding capital of the Land Bank provided from Loan Funds will, with the adoption of those proposals, be placed on record.

I shall be glad if you will regard this as the further reply promised in my letter No. 3585/1 of the 26th of May last.

(SIGNED) A. J. HARDING

Mr Walker

any objection to this?

J

Mr Hood,

I agree with your
conclusion.

Once loan money has
been spent with the
& having to bondholders the
being spent are any assets
acquired out of the loan
money appear as Assets or
Liabilities in a Colony's
Assets & Liabilities Statement
at present

L. Ward
4/4/37

see

~~Washed~~

~~Washed~~

"Washed"

Washed

Washed

Washed

Washed

Mr. Walker.

Mr. Flood.

I enclose a copy of a letter (with enclosure) which I have received from the Auditor of Kenya on the subject of the introduction into the Colony Statement of Assets and Liabilities of an "asset" in respect of the Capital of the Land Bank provided from loan funds (Ordinances 43 of 1930 and 25 of 1933). (I quoted paragraph 80 of the Auditor's Annual Report for 1934 - mentioned in paragraph 1 of the enclosure to the Auditor's letter - in paragraph 13 of my report to the Secretary of State on the Kenya 1934 account).

The questions are :-

- (a) Is it desired (or desirable) that the "asset" should be introduced into the Balance Sheet?
- (b) If so, how should it be introduced?

I consider that, if any action is to be taken by the Treasury in the matter of introducing the "asset", it should not be taken without the Secretary of State's approval, and without learning his views as to the method of introduction.

I think that the Mauritius expedient referred to in paragraph 10 of the enclosure to the Auditor's letter must be the case of the Sugar Industry Loans dealt with on Mauritius 34534/34, at No.8 on which the Secretary of State approved a procedure much on the lines of that proposed in the enclosure to the Auditor's letter. But the Mauritius case was peculiar in that the Colony had made arrangements for the repayment of loans

and

and advances to the Sugar Industry out of a revenue tax, and the "expedient" was to enable effect to be given to that arrangement.

Will you let me know what you would like me to say to the Auditor in reply to his letter. - or would you prefer to dispose of the matter in a despatch ?

A. J. Harding

Director of Colonial Audit.

18 - 5 - '37

Copy



BY AIR MAIL.

364

17th April, 1967

Sir,

I have the honour to refer to paragraph 80 of my report for 1964 which dealt with the Land Bank Capital and the Colony's Balance Sheet.

2. This paragraph was written to draw attention to the curious position that will arise in years to come, but the Treasurer has expressed a wish to bring this asset into the balance sheet as early as possible.

3. I therefore submit the attached memorandum on the subject.

4. It seems to me that there are two objections to the proposal suggested:-

(i) It would bring Loan Expenditure into the Balance Sheet

(ii) It would gradually increase the surplus balances by amounts not free and therefore unavailable for expenditure, until finally the surplus balances would include over half a million pounds not realisable at all and thus tending to give a false idea of the surplus balance available for legitimate purposes.

5. On the other hand you might consider

/lt

THE DIRECTOR OF COLONIAL AUDIT,
QUEEN ANNE'S CHAMBERS,
DEAN FARRAR STREET,
LONDON, S.W.1.

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- 2 -

it proper that in this instance some indication should be made in the Balance Sheet of this eventual asset.

6. I should be grateful if you would inform me of your views and if the suggested method does not meet with your approval, I should be glad to learn of any method which you favour.

I have the honour to be,

Sir,

Your obedient servant,



AUDITOR.

DS.

MEMORANDUM.

LAND BANK CAPITAL.

Paragraph 80 of the Auditor's Report for 1934 reads as follows:-

"The capital on which the Land Bank operates at present stands at £500,000 and was advanced from Loan Funds, £240,000 from the 1930 Loan and £260,000 from the 1935 Loan. The Land Bank pays interest to Government on these sums at the rate of 4.7% and 3.7% respectively. An amount of £45,000 being part of the latter amount had not been drawn as at the 31st December 1934.

Interest and sinking fund payments in respect of the loans from which these advances have been made are provided in full by Government, and the curious position will therefore arise, when the time for repayment of these loans arrives, of Government being in possession of a substantial cash asset loaned out at interest but not appearing in the Colony's Balance Sheet."

2. Since then provision has been made in the Specific Loan Ordinance, 1936, for additional Land Bank capital amounting to £250,000 of which £100,000 is at present earmarked for use in connection with the operation of the Farmers' Assistance Ordinance, 1934. The total capital issued from Loan Funds to the Land Bank now stands at a figure of £811,000.

3. It appears to us that the difficulty arises primarily from the fact that while the Colony's accounts and balance sheet are on a cash basis, the expenditure of loan funds normally results in the creation of assets of a nature which precludes them from being shown as cash assets, e.g. large public buildings, roads, water works, etc. Consequently, a method of accounting has been introduced whereby the receipts and expenditure of loan funds are shown separately with the result that the Colony's Balance Sheet continues to show only cash assets and cash liabilities.

4. This system is admirably suited to the normal processes of loan funds, but we are now faced with what we believe to be an unique situation where the expenditure of loan funds has resulted in the creation of a more or less permanent cash asset in the shape of a well secured debt due by the Land Bank to the Government of the Colony.

5. At the outset, the asset in question is offset by a corresponding liability by Government in respect of the loan. As the sinking fund grows, this liability diminishes. If the Land Bank were contributing to the Sinking Fund no difficulty would arise in so far as the Balance Sheet is concerned as the debt due by the Land Bank would decrease pari passu with the Government's liability, and so long as the assets were offset by the liability there would be no point in attempting to bring them into the Colony's balance sheet. Even then the result would be that this capital sum would not appear as an asset in the balance sheet, but would nevertheless belong to Government. But it is not intended that the Land Bank should repay its capital, at any rate for the present, and consequently there will be a progressive net increase in the excess of the asset over the liability, and when the loans are finally redeemed the whole of this large cash asset will be entirely free.

6. In attempting to solve the problem, it is necessary to consider the precise relationship of revenue, expenditure, assets and liabilities. Any receipt of revenue increases the excess of assets over liabilities, and any expenditure decreases this excess. What is at present happening in respect of the Land Bank capital is that Government is making, under Head XVI of the Expenditure Estimates, annual payments to the sinking funds of the loans concerned. The result is that the excess of assets over liabilities in the Balance

Sheet is correspondingly reduced. This is exactly the reverse of what is happening in fact for, as has been shown in the preceding paragraph, so far as the Land Bank advances are concerned, every payment to the Sinking Fund increases the excess of assets over liabilities.

7. The first step must obviously be to bring both the asset and the liability into the Balance Sheet, and it is therefore suggested that a deposit account "Loan Funds, Land Bank Capital" should be opened and credited with the total amount advanced at that date to the Land Bank. At the same time an advance account "Land Bank Capital" would be opened and debited with the same amount.

8. The next step is to find a means of reducing the deposit account annually by the proportionate amount of the contributions to the sinking funds. Any such debit to the deposit account must involve a contra credit. It would not be possible to credit cash, as no cash would have been paid, nor would it be possible to credit the advance account, as the asset would not have been reduced. So far as we can see, the only two courses which remain are to credit either revenue or expenditure.

9. It does not appear to us that the expenditure Head XXVI can properly be credited since, if that were done, the final expenditure accounted for under this Head would be less than the amount actually paid, which is absurd. There remains, therefore, the question of crediting Revenue Head XI "Reimbursements". We are aware that this is open to the objection that the Treasurer cannot properly credit revenue until it is paid into the Treasury, and in this case no actual revenue will have been received.

10. We venture to suggest, however, that abnormal circumstances must sometimes require abnormal treatment, and it appears to us that to credit the Revenue Head "Reimbursements" offers the least objectionable alternative, and that the objections are outweighed by the advantage of bringing a large cash asset into its proper place in the Balance Sheet. It is within the experience of the Deputy Treasurer that an expedient of this nature was adopted recently in Mauritius in the similarly unusual circumstances which attended the Sugar Industry Advances. We feel that the complexity of this problem in Kenya might reasonably be held to justify, as a special case, a departure from the strict principles of Colonial accounting which were not originally designed to regulate abnormal transactions such as that which is now under review.

A. C. HANDS

DEPUTY TREASURER.

DEPUTY TREASURER.