



OFFICE OF THE PRESIDENT
PERMANENT SECRETARY, SECRETARY TO THE CABINET
AND HEAD OF THE PUBLIC SERVICE

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When replying please quote

Ref. No.

and date

18TH July, 2007

The Attorney General
All Permanent Secretaries
All Accounting Officers
The Registrar, High Court of Kenya
The Controller and Auditor-General

MANAGEMENT OF STATE CORPORATIONS

Section 18 (1) of the State Corporations Act Cap 446 creates the office of the Inspector-General (Corporations) with a mandate to:

- i). Advise the Government on all matters affecting the effective running of state corporations;
- ii). Report periodically to the Minister on management practices within any State Corporation; and
- iii). Report to the Controller and Auditor-General any cases where moneys appropriated by Parliament are not being applied by State Corporations for the purposes for which they were approved.

Section 18 (2)(c) of the State Corporations Act allows the Inspector-General (Corporations) to attend meetings of State Corporations' Boards **if in his opinion it is necessary to do so for the effective carrying out of his duties.** The practice has however been that the Inspector-General and his staff virtually attend all Board and Board Committee meetings of State Corporations.

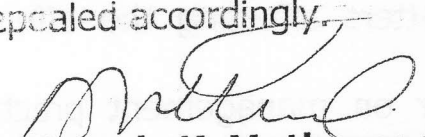
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With the introduction of performance contracting in the Public Service in 2004 the Inspector-General (Corporations) was, among other things, assigned the responsibility to evaluate results of operations and management of state corporations on the basis of agreed performance targets and advice on the administration of performance contracts. This new role can only be effectively performed if the Inspector-General operates at an arms length in respect to State Corporations. The continued presence of the Inspector-General and his staff in Boards therefore negates the purpose of the provision for both oversight and evaluation services to State Corporations.

To avoid the apparent overlap in roles and in order to retain the Inspectorate as an oversight institution it has been decided that the Inspector-General and his staff will no longer attend Board or Board committee meetings, unless under invitation by the respective board for purposes of clarifying issues touching on the Boards' operations. For monitoring purposes State Corporations will submit minutes of their Boards and committee meetings to the Inspector-General (Corporations) as a routine, while the Inspector-General will conduct scheduled, targeted routine inspections. Quarterly performance reporting on agreed targets will continue as required under the State Corporations (Performance Contracting) Regulations, 2004.

In the meantime, Section 18(2)(c) of the State Corporations Act will be repealed accordingly.


Amb. Francis K. Muthaura, E.G.H.
PERMANENT SECRETARY, SECRETARY TO
THE CABINET AND HEAD OF THE PUBLIC SERVICE

c.c. Inspector-General
Inspectorate of State Corporations
NAIROBI

Secretary
State Corporations Advisory Committee
NAIROBI

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