



**A STATEMENT BY H.E HON. DR MUSALIA MUDAVADI, EGH.,
THE PRIME CABINET SECRETARY OF THE REPUBLIC OF
KENYA ON REVAMPING AND REJUVENATION OF THE
INSPECTORATE OF STATE CORPORATIONS (ISC) TO
TACKLE CORRUPTION AND MISAPPROPRIATION OF
PUBLIC FUNDS IN STATE CORPORATIONS**

SUNDAY, JULY 16, 2023



1. I am pleased to announce that, under its new domicile in the Office of the Prime Cabinet Secretary, the Inspectorate of State Corporations (ISC) will undergo a comprehensive revamp and rejuvenation to strengthen its capacity to take a more active role in combating corruption and misappropriation of funds in State Corporations.
2. Out of the total pending bills amounting to Kshs.481 Billion, a significant portion of Kshs.401 Billion is owed by State Corporations and Semi-Autonomous Government Agencies. This glaring disproportion raises concerns about the blatant breaches and disregard of applicable laws by some State Corporations. This state of affairs is untenable and cannot be allowed to persist.
3. Accordingly, my instructions to the newly appointed Acting Inspector-General of ISC, Mr. James Mungai Warui, are that commitment to ensuring the effective running of State Corporations and safeguarding public funds is not an option under his watch. In particular, the Government expects ISC not to second guess itself in fighting corruption, wastage, and misuse of public resources in State Corporations.
4. To this end, Mr. Warui has my undivided support, and indeed that of the Government, in shaping and rebuilding the capacity of ISC to safeguard the interests of the public and holding accountable those in the State Corporations who



dare engage in malpractices. Specifically, the focus must be on preventive and deterrent measures.

5. Under the provisions of the State Corporations Act (Chapter 446 of the Laws of Kenya), the Inspector-General (Corporations) is vested with extensive powers that include the authority to call for and inspect all relevant records, documents, and premises of State Corporations, as well as attend their meetings if necessary.
6. Furthermore, the Inspector-General possesses the authority to disallow unlawful expenditures, surcharge individuals responsible for unauthorized or negligent actions, and certify the amount due from those held accountable. In carrying out this mandate, I do not expect exceptions or exemptions by ISC.
7. Recent reports of cases involving the misappropriation of public funds in the health sector, at the Kenya Medical Supplies Authority (KEMSA) and the National Hospital Insurance Fund (NHIF), have highlighted the urgent need for stronger measures to prevent corruption and enforce accountability in State Corporations.
8. Under powers vested in the Office of the Inspector General (Corporations) Section 18(2) of the State Corporations Act, inspectors have been deployed to these institutions to safeguard public funds and conduct thorough investigations into the reported improprieties with a view to surcharging all



those involved. The Inspectorate will be working with other integrity enforcement institutions, such as the Office of the Auditor General, the Director of Criminal Investigations (DCI), and the Ethics & Anti-Corruption Commission (EACC) to bring the culprits to justice.

9. The above actions should serve as a warning to all personnel within State Corporations who may be tempted to engage in corruption or misuse public funds. Let all and sundry beware of intense activity to identify and expose any instances of impropriety, ensuring that those responsible face the full force of the law.
10. It is worth reminding Public Officers that they owe it to Kenyans to adhere to responsible and accountable discharge of their duties, and be the vanguard in isolating and reporting those wrongdoers in State Corporations tempted to engage in fraudulent practices. This is the strong internal deterrent we expect and intend against corrupt practices.
11. To the public at large, we would like to assure you that we are steadfast in our commitment to restoring trust and accountability in State Corporations. The misappropriation of public funds undermines the well-being of our nation and erodes the public's confidence in government institutions. It must not be left to fester or be condoned. Kenyans of goodwill receiving State Corporations' services should join this decisive war against sleaze in State Corporations.



12. Kenyans joining this endeavor will send a clear message that, as a society, we abhor impropriety at any level. By reporting incidents of impropriety in the use of public funds, we will be saving on our taxes. On its part, the Government has placed investigative and prosecution agencies on high alert in assisting whistle-blowers to unearth financial irregularities - including procurement malpractices - and ensure that those responsible face the full force of the law.

Meanwhile, **the Inspectorate will resume surcharging**, in accordance with Section 19(1)(d) of the State Corporations Act, which provides that:

"19. Powers of Inspector-General (Corporations) after investigations

(1) In any investigation conducted under this Act, the Inspector-General (Corporations) shall have power—

- (a) to disallow any item of account which is contrary to the law or to any direction lawfully given to a state corporation;*
- (b) to surcharge the amount of any expenditure so disallowed upon the person responsible for incurring or authorizing the expenditure;*
- (c) to surcharge any sum which has not been duly brought to account upon the person by whom that sum ought to have been brought into account;*
- (d) to surcharge the amount of any loss or deficiency upon any person by whose***



***negligence or misconduct the loss or
deficiency has been incurred;***

(e) to certify the amount due from any person upon whom he has made a surcharge."

"All those who will be found responsible for financial losses or deficiencies will be surcharged in accordance with this law. However, this will not be a substitute for being held accountable before the law for any other breach.

"All citizens should support the efforts of ISC by reporting any suspicious activities or malpractices they come across in State Corporations. Your cooperation and active participation are crucial in our collective fight against corruption and misappropriation of public funds.

To report any concerns related to corruption, and financial or procurement impropriety, please contact the Inspectorate of State Corporations through any of the following channels:

**Executive Office of the President
Office of the Prime Cabinet Secretary
Inspectorate of State Corporations
Railways Building, 2nd Floor
P.O. Box 54457 – 00200
NAIROBI
Tel: +254 (0) 20 3247000
Email: igc@isc.go.ke**

I commit that the Inspectorate of State Corporations' rejuvenation is not merely a symbolic gesture; it is part of our firm declaration of commitment to upholding integrity, transparency, and accountability in State Corporations. The



mission is to foster Open-Government and restore public trust in the culture of transparency and accountability.

Let this announcement serve as a notice to those who seek to exploit their positions for personal gain: **The ISC, Government and public are watching.”**

