



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

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**ANNUAL  
CORPORATE  
REPORT**

**2019 - 2020**

## VISION

Accountability and effective management of public resources

## MISSION

To audit and report on the management of public resources for improved service delivery to the Kenyan people

## CORE VALUES

- INTEGRITY:** We are committed to honesty, reliability, and trustworthiness in our professional and personal conduct.
- OBJECTIVITY:** Our professional judgment is fair and is not swayed by personal bias, conflict of interest or undue influence by others.
- PROFESSIONAL COMPETENCY:** Our work is based on appropriate professional knowledge, skills, experience, up-to-date techniques and leading practices.
- INNOVATION:** We strive to continually improve on our delivery of services by being open to new ideas that are responsive to a rapidly changing operating environment.
- TEAM SPIRIT:** We have a strong sense of mutual commitment which creates the synergy needed to achieve our goal.

## MOTTO

*Enhancing Accountability*

**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation Difference to Final Budget f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	6,451,147,300	(1,155,768,083)	5,295,379,217	5,295,379,217	0	100%
Proceeds from Sale of Assets	0	0	0	600,000	(600,000)	100%
Other Receipts -AIA	150,000,000	60,000,000	210,000,000	145,566,662	64,433,338	69%
<b>Total Receipts</b>	<b>6,601,147,300</b>	<b>(1,095,768,083)</b>	<b>5,505,379,217</b>	<b>5,441,545,879</b>	<b>63,833,338</b>	<b>98%</b>
<b>Payments</b>						
Compensation of Employees	3,666,900,000	(123,000,000)	3,543,900,000	3,537,031,456	6,868,544	100%
Use of goods and services	2,253,564,800	(707,309,953)	1,546,254,847	1,449,383,377	96,871,470	93%
Social Security Benefits	6,042,100	0	6,042,100	5,718,552	323,548	95%
Acquisition of Assets	686,172,300	(276,990,030)	409,182,270	407,034,731	2,147,539	99%
<b>Grand Total</b>	<b>6,612,679,200</b>	<b>(1,107,299,983)</b>	<b>5,505,379,217</b>	<b>5,399,168,115</b>	<b>106,211,102</b>	<b>98%</b>
<b>Surplus/Deficit</b>			<b>0</b>	<b>42,377,764</b>	<b>42,377,764</b>	

(a) Commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)

i. The changes between original and final budget were as a result of reductions in the final budget amounts by the National Treasury through Supplementary Budgets.

The entity financial statements were approved on 30 September, 2020 and signed by:



DAG Corporate Services  
 Joyce Mbaabu  
 ICPAK Number: 10868



Deputy Director Finance  
 Dr CPA Nebert Mandala  
 ICPAK Number: 4366

**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

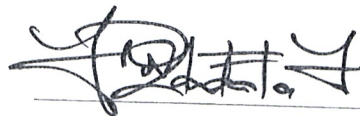
**VII. STATEMENT OF CASH FLOWS**

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from National Treasury	1	5,295,379,217	5,566,294,760
Other Revenues	3	145,566,662	206,109,956
		<b>5,440,945,879</b>	<b>5,772,404,716</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	3,537,031,456	3,342,760,987
Use of goods and services	5	1,449,383,377	1,820,337,276
Social Security Benefits	6	5,718,552	5,394,706
		<b>4,992,133,384</b>	<b>5,168,492,969</b>
<b>Adjusted for:</b>			
Changes in receivables		(27,723,604)	30,300,113
Changes in payables		12,597,823	75,930,815
Adjustments during the year		0	39,065,148
<b>Net cashflow from operating activities</b>		<b>433,686,714</b>	<b>749,207,823</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	600,000	0
Acquisition of Assets	7	(407,034,731)	(624,952,861)
<b>Net cash flows from Investing Activities</b>		<b>(406,434,731)</b>	<b>(624,952,861)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		<b>27,251,983</b>	<b>124,254,962</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>104,722,388</b>	<b>19,532,574</b>
<b>Cash and cash equivalent at END of the year</b>		<b>131,974,371</b>	<b>104,722,388</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 September 2020 and signed by:



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OFFICE OF THE AUDITOR GENERAL  
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For the year ended June 30, 2020

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Code	Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
	<b>RECEIPTS</b>						
	Exchequer releases	4,410,326,294	742,176,453	5,152,502,747.00	5,152,502,747.00	0	100%
	Proceeds from Sale of Assets		0		600,000	(600,000)	100%
	Other Receipts -AIA	150,000,000	60,000,000	210,000,000	145,566,662	64,433,338	69%
	<b>Total Receipts</b>	<b>4,560,326,294</b>	<b>742,176,453</b>	<b>5,362,502,747.00</b>	<b>5,298,669,409.10</b>	<b>63,833,338</b>	<b>99%</b>
	<b>PAYMENTS</b>						
21	Compensation of Employees	3,420,900,000.00	123,000,000	3,543,900,000.00	3,537,031,456	66,369	100%
22	Use of goods and services	858,944,894.00	687,309,953	1,546,254,847.00	1,449,383,377	96,871,470	94%
261/2/4	Other grants and transfers	6,042,100.00	0	6,042,100.00	5,718,552	323,548	95%
27	Social Security Benefits	274,439,300.00	(8,133,500)	266,305,800.00	264,158,261	479,964	99%
31	Acquisition of Assets	4,560,326,294.00	802,176,453	5,362,502,747.00	5,256,291,645	97,741,351	98%
	<b>Grand Total</b>				<b>42,377,764</b>	<b>((33,908,013))</b>	
	<b>Surplus/Deficit</b>				<b>0</b>		

(a) Commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)

- i. The changes between original and final budget were as a result of reductions in the final budget amounts by the National Treasury through Supplementary Budgets.

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**For the year ended June 30, 2020**

**X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Code	Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
	<b>RECEIPTS</b>						
	Exchequer releases	224,000,000	(81,123,530)	142,876,470	142,876,470	0	100%
	Other Receipts						
	<b>Total Receipts</b>	<b>224,000,000</b>	<b>(81,123,530)</b>	<b>142,876,470</b>	<b>142,876,470</b>	<b>0</b>	<b>100%</b>
	<b>Payments</b>						
22	Use of goods and services	10,000,000	(10,000,000)	0	0	0	0
31	Acquisition of Assets	214,000,000	(71,123,530)	142,876,470	142,876,470	0	100%
	Finance Costs, including Loan Interest						
	<b>Grand Total</b>	<b>224,000,000</b>	<b>(81,123,530)</b>	<b>142,876,470</b>	<b>142,876,470</b>	<b>0</b>	<b>100%</b>
	<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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OFFICE OF THE AUDITOR GENERAL  
 Reports and Financial Statements  
 For the year ended June 30, 2020

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents			
Bank Balances			
Cash Balances	8A	131,002,390	103,227,579
<b>Total Cash And Cash Equivalents</b>	8B	971,981	1,494,809
		<b>131,974,371</b>	<b>104,722,388</b>
Accounts Receivables-Outstanding Imprest & Clearence Accounts	9	65,842,164	38,118,560
<b>TOTAL FINANCIAL ASSETS</b>		197,816,535	142,840,948
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	10	(126,556,444)	(113,958,621)
<b>NET FINANCIAL ASSETS</b>		<b>71,260,091</b>	<b>28,882,327</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd			
Prior year adjustments	11	28,882,327	49,923,441
Surplus/Deficit for the year	12		
<b>NET FINANCIAL POSSITION</b>		<b>42,377,764</b>	<b>(21,041,114)</b>
		<b>71,260,091</b>	<b>28,882,327</b>

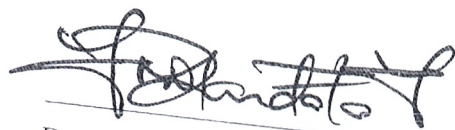
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AG Corporate Services

Joyce Mbaabu

CPAK Number 10868



Deputy Director Finance

Dr CPA Nebert Mandala

ICPAK Number: 4366

# CHAPTER 6: FINANCIAL STATEMENTS

Article 226 (4) of the Constitution of Kenya provides for the accounts of the Office of the Auditor-General to be audited and reported on by a professionally qualified accountant appointed by the National Assembly.

The National Assembly is yet to appoint an auditor, but attached is the unaudited financial statement for the Office for the 2019/2020.

## OFFICE OF THE AUDITOR GENERAL Reports and Financial Statements For the year ended June 30, 2020

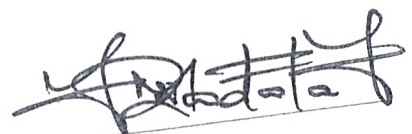
### V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>RECEIPTS</b>			
Transfers from National Treasury	1	5,295,379,217	5,566,294,760
Proceeds from Sale of Assets	2	600,000	-
Other Revenues	3	145,566,662	206,109,956
<b>TOTAL REVENUES</b>		<b>5,441,545,879</b>	<b>5,772,404,716</b>
<b>PAYMENTS</b>			
Compensation of Employees	4	3,537,031,456	3,342,760,987
Use of goods and services	5	1,449,383,377	1,820,337,276
Social Security Benefits	6	5,718,552	5,394,706
Acquisition of Assets	7	407,034,731	624,952,861
<b>TOTAL PAYMENTS</b>		<b>5,385,212,197</b>	<b>5,793,445,829</b>
<b>SURPLUS/DEFICIT</b>		<b>42,377,764</b>	<b>(21,041,114)</b>

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- OAG staff are required to declare their non-involvement in the management of their auditees.
  - Policies and procedures on communication with auditees are clearly documented and relevant working papers are provided for documentation.
4. The Office does not have any proactive interaction with the Judiciary.

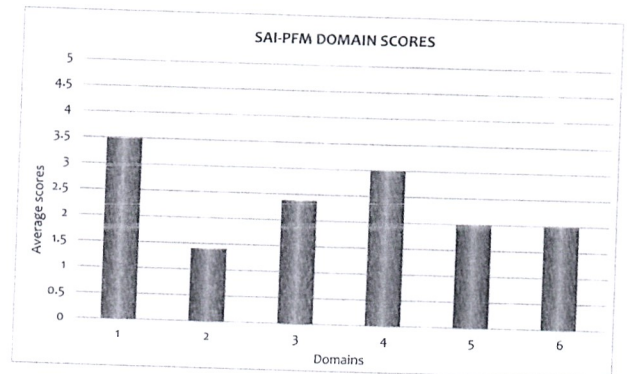
#### External

During the assessment, the following dimensions were considered and scored as indicated;

- Good practice regarding communication with the Media (Score 2)
- Good practice regarding Communication with Citizens and Civil Society Organizations (Score 3)

#### Findings

1. On Good practice regarding communication with the Media;
  - OAG makes its reports available on the OAG website once they are tabled. Dissemination of the reports through press conferences/releases is not viewed as appropriate
  - OAG communicates with citizens and civil society organizations through various publications and citizen engagement forums.
2. A stakeholder survey has been conducted to seek feedback from citizens on visibility and access to audit reports.



Data Source: OAG Performance Measurement Framework Report

**NB: The scores are on a scale of 1-5, with 5 as the best score**

- 1: Independence & Legal Framework
2. Internal Governance & Ethics
3. Audit Quality & Reporting
4. Management and Support Structure
5. Human Resource & Training
6. Communication & Stakeholder Engagement

Following the comprehensive assessments the Office will review the Strategic Plan to ensure sustainability in areas scoring highly and that strategies to improve and strengthen the low scoring areas are designed and implemented.

This will enhance the achievement of our mandate and ensure that we provide timely and quality audit services that meet the needs and requirements of our stakeholders and continuously respond to the changing public sector environment.

- been finalized and is in draft form.
3. The procedures for recruitment are documented and implemented as required. The Auditor-General and the leadership team are involved in the recruitment. OAG has authority to recruit fulltime employees or short term consultants.
  4. OAG has well laid out procedures for remuneration decisions and promotions. A large proportion of recent promotions were procedural but there were a number that did not meet the expected criteria and whose basis was not clear.

**Indicator 2: Professional Development and Training**

Under this indicator, we assessed plans and processes for the professional development of staff.

During the assessment, the following dimensions were considered and scored as indicated;

- Plans and Processes for Professional (Score 1)
- Financial Audit Professional Development and Training (Score 2)
- Performance Audit Professional Development and Training (Score 2)
- Compliance Audit Professional Development and Training

**Findings**

1. OAG has several professional development programs for both audit and non-audit staff but the programs are not systematic
2. For dimensions (b) - (d), the findings were the same as follows: -
  - Directors of Audit have the responsibility for professional development of financial auditors in their directorates.

- Training on audit standards seems unstructured.
- On-the-job training is provided through competent supervision.
- There is no mechanism for mentorship.

**Domain F: Communication and Stakeholder Management**

OAG has a communication strategy which is aligned to the corporate strategic plan.

OAG's key stakeholders are broadly categorized into two; Internal and External.

**Internal**

During the assessment, the following dimensions were considered and scored as indicated;

- Communication Strategy (Score 3)
- Good practice regarding communication with the Legislation (Score 2)
- Good Practice Regarding Communication with the Executive (Score 3)
- Good Practice Regarding Communication with the Judiciary (Score 0)

**Findings**

1. Touching on the Communication strategy;
  - The OAG Communication strategy has been reviewed recently to align it to the corporate strategy.
  - The strategy outlines ways of communicating with internal and external stakeholders.
2. A Parliamentary Liaison Office has been established to manage communication and working relations with the legislature. The policies and procedures of managing the communication are not yet documented.
3. Regarding good practice in relation to communication with the Executive;

- OAG follow-up on the Implementation of Compliance Audit observations and recommendations – Score 2

#### Findings

1. Despite the Office having an internal tracking and follow-up system on Implementation of audit recommendations it is yet to establish a system of reporting publicly on the issues.

#### Domain D: Management and Support Structures

We looked at the Office's financial management, planning and effective use of assets and infrastructure as well as the effectiveness of administrative support services.

During the assessment, the following dimensions were considered and scored as indicated;

1. Financial Management (Score 3)
2. Planning and Effective Use of Assets and Infrastructure Administrative Support Service (Score 3)
3. The administrative support service adequacy in staffing numbers and skills (Score 4)

#### Findings

1. Concerning Financial Management;
  - OAG has a well-established finance directorate with skilled staff.
  - The Office relies on the Integrated Financial Management System (IFMIS) to capture financial transactions.
  - The budgeting system and timetable is clearly spelt out in circulars issued by the National Treasury.
  - The OAG financial statements are subject to audit by an external auditor and they are made public through the OAG annual

corporate report which is on the official website.

- The accounting records and financial statements thereof are prepared in accordance with International Public Sector Accounting Standard (IPSAS) as adopted by the Public Sector Accounting Standards Board (PSASB).
2. OAG has long term plans for its physical and ICT infrastructure. These plans are reviewed regularly to ensure alignment with the needs and strategic directions of the Office.
  3. The administrative support services is adequately staffed in numbers and skills.

#### Domain E: Human Resource and Training

This domain looks at the human resource function, strategy and recruitment as well as plans and processes for professional development of staff. The domain was assessed on two indicators: -

#### Indicator 1: The Human Resource Management

We assessed the Human Resources function, strategy and recruitment as well as staff remuneration, promotion and welfare.

During the assessment, the following dimensions were considered and scored as indicated;

- Human Resources Function (Score 4)
- Human Resources Strategy (Score 0)
- Human Resources Recruitment (Score 3)
- Remuneration, Promotion and Staff Welfare (Score 3)

#### Findings

1. The OAG Human Resource function is well established and staffed with skilled personnel.
2. The Human Resources Strategy has not

the same issues.

2. We have adopted INTOSAI's Performance Audit Guidelines as its authoritative standards.
3. Quality control of our reports is attained through continuous reviews throughout the audit process.

**Indicator 5: Performance Audit Standards and Quality Management - Overall Score: 4**

The domain evaluated the dimensions below: -

- Performance Audit Standards and Policies – Score 4
- Performance Audit Team Management and Skills – Score 4
- Quality Control in Performance Audits – Score 3

**Findings**

1. The Office has adopted INTOSAI's Performance Audit Guidelines (ISSAI 3000-3999) as its authoritative standards. The OAG Performance Audit Manual conforms to all the requirements of these standards.
2. Performance auditors have incorporated effective tools that aid in their work (Performance Audit Manual, working papers, policies, procedures) to form an efficient system which ensures that the audit team has a smooth working process.

**Indicator 6: Performance Audit Results - Overall Score: 2**

The dimensions below were assessed as follows: -

- Submission of Performance Audit Reports – Score 4
- Publication of Performance Audit Reports – Score 1
- Follow-up on Implementation of Performance Audit Observations and Recom-

mendations – Score 0

**Findings**

1. Parliament is yet to discuss performance audit reports and give recommendations.

**Indicator 7: Compliance Audit Standards and Quality Management - Overall Score: 3**

The following dimensions were assessed: -

- Compliance Audit Standards and Policies – Score 2
- Compliance Audit Team Management and Skills – Score 4
- Quality Control in Compliance Audits – Score 2

**Findings**

1. The Financial and Compliance Audit Manual conforms with the Compliance Audit Guidelines (ISSAI 4100 or 4200) and has been tailored to suit the OAG context.

**Indicator 8: Compliance Audit Process - Overall Score: 1**

The following dimensions were assessed: -

- Planning Compliance Audits – Score 1
- Implementing Compliance Audits – Score 0
- Evaluating Audit Evidence, Concluding and Reporting of Compliance Audit – Score 2

**Findings**

1. Compliance Audit procedures and work papers were not consistently completed.

**Indicator 9: Compliance Audit Results Overall score:1**

The following dimensions were assessed: -

- Timely Submission of Compliance Audit Results – Score 0
- Timely Publication of Compliance Audit Results – Score 0

- Financial Audit Process - Score:1
- Financial Audit Results - Score: 1
- Performance Audit Standards and Quality Management – Score:3
- Performance Audit Results - Score: 2
- Compliance Audit Standards and Quality Management - Score: 3
- Compliance Audit Process - Score: 1
- Compliance Audit Results Score:1

**Indicator 1: Audit Coverage - Overall Score 4**

The following are the dimensions that were assessed: -

- Financial Audit Coverage – Score 4
- Coverage, Selection and Objective of Performance Audits- Score 3
- Coverage, Selection and Objective of Compliance Audit- Score 4

**Finding**

1. The Office does not have a structured way of engaging key stakeholders to get their views and /or expectations. This may be resulting from the fact that many key stakeholders are not aware of what Performance Audit entails or the benefits that would accrue from it.

**Indicator 2: Financial Audit Standards and Quality Management - Overall Score: 4**

The following dimensions were examined under this domain: -

- Financial Audit Standards and Policies – Score 4
- Financial Audit Team Management and Skills – Score 4
- Quality Control in Financial Audits – Score 3

**Findings**

1. The Office has adopted the Financial Audit Guidelines (ISSAI 1000-1810) as its

standards. The Financial and Compliance Audit Manual complies with the standards and has been customised to suit the OAG context.

2. OAG has an audit review process which ensures that there is Quality Control at all audit and review levels.

**Indicator 3: Financial Audit Process - Overall Score:1**

The following aspects were assessed: -

- Planning Financial Audits – Score 1
- Implementing Financial Audits – Score 1
- Evaluating Audit Evidence, Concluding and Reporting in Financial Audits – Score 2

**Findings**

1. The Office has not established robust criteria for risk assessment procedures and staff rotation.
2. OAG has established policies and systems aimed at ensuring that auditors comply with ethical requirements at the audit engagement level.

**Indicator 4: Financial Audit Results Overall Score: 1**

The assessment analysed the following dimensions: -

- Timely Submission of Financial Audit Results – Score 0
- Timely Publication of Financial Audit Results – Score 0
- OAG follow-up on Implementation of Financial Audit Observations and Recommendation – Score 2

**Findings**

1. Despite the Office having an internal tracking and follow-up system, it is yet to establish a system of reporting publicly on

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### **Findings**

The Office is currently in the process of reviewing the Public Audit Act, 2015 in order to strengthen its autonomy. On an overall analysis, this indicator registered an average score of 3.

#### **Indicator 2: OAG's Mandate (Overall score 4)**

During the assessment, the following dimensions were considered and scored as indicated;

- i. Sufficiently broad mandate (score 4)
- ii. Access to information (score 4)
- iii. Right and obligation to report (score 4)

### **Findings**

- The law expressly provides that all entities are to provide access to the Auditor-General and his/her representatives to their premises and access to information in their institutions.
- It is noted that during the last three years, there has been no interference by any institution on the Auditor-General's role to publish and publicise audit reports.

On an overall analysis, this indicator registered an average score of 4.

### **Domain B: Internal Governance and Ethics**

This domain looks at the criteria for the assessment of the strategic planning cycle. It was measured under the following indicators:

#### **Indicator 1 – Strategic planning cycle (Overall score 1)**

The Office currently has a three-year Strategic Plan (2018-2021). However, it is noted that OAG does not have an effective monitoring and reporting mechanism.

This results in a weak system with regard to evaluating the overall performance. The low score of 1 demonstrates that there is a

weakness especially in operational planning.

During the assessment, the following dimensions were considered and scored as indicated;

- i. Content of the Strategic Plan (score 2)
- ii. Content of the Annual Operational Plan (score 0)
- iii. Organisational planning process (score 1)
- iv. Monitoring and performance reporting (score 1)

On an overall analysis, this indicator registered an average score of 4.

### **Findings**

- The Office has an approved, documented 3-year Strategic Plan which runs from June, 2018 to July, 2021.
- OAG lacks a system for monitoring and reporting on performance in all areas.
- There is high level ownership of the Strategic Planning process and opportunity for participation in the process by all staff members.
- A stakeholder survey was conducted in August 2019 to obtain external feedback on public visibility, outcomes and impact.
- OAG uses various avenues to inform the public about the standards and process used when conducting audits.

### **Domain C: Audit Quality and Reporting**

This domain covers the criteria to evaluate coverage for financial, compliance and performance audits. It comprises the following indicators which were assessed and scored as below;

- Audit Coverage - Score 4
- Financial Audit Standards and Quality Management - Score: 4

## SAI PERFORMANCE MANAGEMENT FRAMEWORK

The Office conducted the first Supreme Audit Institution-Performance Management Framework Assessment (SAI-PMF) on six domains. This self-assessment was subjected to independent review by INTOSAI Development Initiative, an operational lead on SAI-PMF.

The objective of the assessment was to:

- i. Increase objectivity and credibility of the assessment of the Office. The fact that the assessment is evidence based increased the level of credibility of the results.
- ii. Evaluate and monitor the performance of the Office and identify areas of improvement.
- iii. Provide a baseline for strategic planning.

We opted for a Self-Assessment approach which was facilitated by IDI. The assessment results will be used by the Office and other relevant stakeholders for resource mobilisation and will inform current and future strategic planning processes.

The assessment covered 6 domains, namely; Independence and Legal Framework, Internal Governance and Ethics, Audit Quality and Reporting, Financial Management, Assets and Support Services Human Resources and Training as well as Communication and Stakeholder Management.

The scores range from one (1) to five (5) on the various domains.

### Domain A: Independence and Legal Framework

Domain A covers the legal mandate of OAG and its independence. The assessment was on two indicators:

1. OAG's Independence
2. OAG's Mandate



### Indicator 1: Independence of the Office (Score 3)

This indicator analyses the extent and degree of OAG's independence as enshrined in the Constitution. It evaluates this degree in line with the Lima Declaration (ISSAI 1) and the Mexico Declaration (ISSAI 10).

An assessment of the independence shows that the Auditor-General has the autonomy to recruit staff freely and is only subject to the Constitution and the Laws of Kenya.

The evaluation also points out at financial independence as a key area that needs improvement. This is due to the fact that the Public Audit Act, 2015 does not explicitly address the financial autonomy of the Office.

During the assessment, the following dimensions were considered and scored as indicated;

- i. Appropriate and Effective Constitutional Framework (score 4)
- ii. Financial Independence/Autonomy (score 1)
- iii. Organizational Independence/Autonomy (score 4)
- iv. Independence of the Head of the OAG and its Members (score 3)

### 3. Human Resources

The Human Resources domain covers the management and development of the staff of OAG. It focuses on the Office's progress in terms of the development and implementation of HR strategies, interventions, plans, policies and processes.

The need to monitor, evaluate and report on the effectiveness of HR policies and procedures within the Office is critical. It covers among others, areas related to the recruitment, induction, retention, recognition, performance management, training, career development and staff wellness. The domain is based on the principle that human capital is the most important resource in any organisation.

A strategically positioned HR function enables any Audit Institution to anticipate change and leverage audit capacity for greater efficiency and effectiveness.

### 4. Audit Standards and Methodology

The Office is expected to develop, implement and maintain appropriate up to date ISSAI compliant audit tools like manuals, guidelines, and templates, in accordance with their mandate and national legislative requirements.

The implementation of these tools should be facilitated by robust policies, systems and processes that recognise the importance of delivering quality audit services.

In addition, it includes areas related to internal and external quality assurance and the use of electronic working papers and computer assisted audit techniques.

Because this domain covers the core audit function of the Office from the planning to reporting stages, it is closely linked with elements in the other four domains such as the follow-up of audit recommendations and the user friendliness of the audit reports.

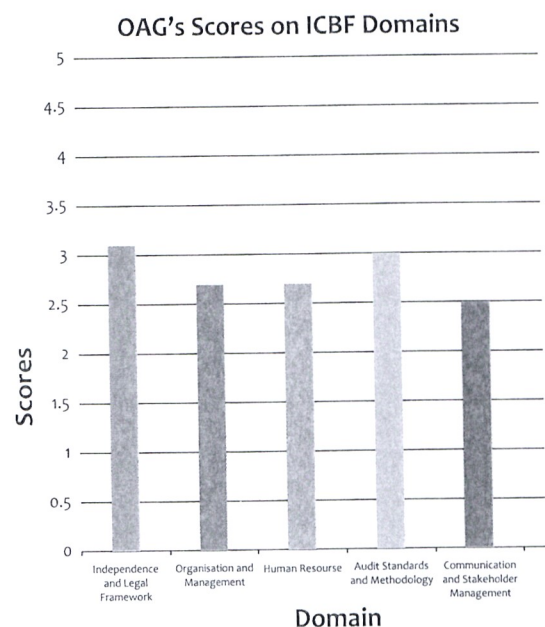
### 5. Communication and Stakeholder Management

This domain covers areas related to engagements with internal and external stakeholders, guided by strategies and plans that are aligned with, and in support of, the strategic goals and mandate of the Office.

The elements of this domain include the channels and processes established by the Office to engage among others, Parliament, the Public Accounts Committee, the Judiciary, the media and citizens, with the purpose of supporting oversight, good governance and public participation in the accountability cycle.

This domain is closely linked to the other four domains as it includes elements related to the Office's performance and the results of audits.

We conducted self-assessment based on these 5 domains and posted the scores as shown in the graph:



Data Source: AFROSAI-E 2019 State of the Region Report

The ICBF scores range from 1 to 5, with 1 being the foundation level of development, 2 is the development level while 3 is the established level. Level 4 and 5 are managed and established levels, respectively.



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# CHAPTER 5: PERFORMANCE MEASUREMENT

The Office conducted two self assessments based on AFROSAI-E guidelines and INTOSAI Development Initiative's Framework using the Institutional Capacity Building Framework (ICBF) and the Supreme Audit Institutions Performance Management Framework (SAI-PMF) Tools.

## AFROSAI-E SELF ASSESSMENT

OAG plays a critical role in enhancing accountability in the public sector. This unique role requires that we provide independent opinions on the quality and sustainability of service delivery by the Executive, Legislature and the Judiciary, in addition to other public institutions. It is therefore, important that we develop our professional and institutional capacity to effectively execute our mandate.

The building blocks of strengthening these capacities are anchored on the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E's) Institutional Capacity Building Framework (ICBF).

The ICBF provides information and insight to members of AFROSAI-E that can be used for general self-assessments, identification of areas of improvement and how they can be achieved from an institutional perspective. The ICBF consists of five development levels (1 to 5) and five institutional domains as listed:

1. Independence and Legal Framework
2. Organisation and Management
3. Human Resources
4. Audit Standards and Methodology
5. Communication and Stakeholder Management

Each domain is composed of elements considered necessary to build a well-performing audit institution. The domains and elements are interrelated. For example, communication is a cross-cutting issue for independence, human resources and implementation of audit standards.

## The Domains

### 1. Independence and Legal Framework

This domain is concerned with whether OAG has operational, financial and administrative independence stipulated in the law(s), as well as whether the independence of the Auditor-General and staff is guaranteed in the same laws.

Among others, these elements include areas related to the appointment and removal of the Auditor-General, the mandate of the Office and the discretion to discharge it fully, as well as the mechanisms required to follow up on audit recommendations.

### 2. Organisation and Management

The key aspects of the domain are based on organisational planning processes and implementation, thus integrating both strategic and operational levels of the organisation.

This domain also covers management tools related to the areas of leadership, management information, governance and internal control systems.

In addition, it is concerned with the functional structures and capacity within the Office to fulfil its audit mandate and to be a model organisation.

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## CHAPTER 4: GLOBAL ARENA

The Office continues to contribute in various capacities on the global arena. Globally, OAG is a member of the INTOSAI Capacity Building Committee where we chair a Workstream (subcommittee) on Guides and Occasional Papers.

The Workstream manages the production and maintenance of CBC guides and occasional papers, updates them when necessary and commissions blogs for the CBC Website. OAG is also a member of the INTOSAI CBC Editorial Board. In the African region OAG Chairs the AFROSAI Knowledge Sharing Committee (KSC) and the AFROSAI-E Capacity Building Committee.

During the year, OAG hosted the Annual Knowledge Sharing Committee (AFROSAI-KSC) meeting in Nairobi which was attended by SAI representatives from seven countries. We developed the KSC website which aims at helping African SAIs share ideas, achievements and knowledge.

### **Collaborations**

The Office continues its collaboration with various institutions and stakeholders. Notably, within Africa, staff have been engaged in building capacity (as resource persons) in Liberia, South Sudan, Sierra Leone, Egypt, Botswana, Mozambique, Sudan and Rwanda.



We received staff, for benchmarking purposes, from SAIs of Botswana and Burundi. We also hosted several delegations from diverse countries like Nepal, France and Liberia.

The Office carried out training on the Financial and Compliance Audit Manual for the National Audit Chamber of South Sudan.

Our staff were engaged by SAI Sierra Leone, through a collaboration with SAI Norway to set up an Information Systems (IS) Audit unit in the SAI as well as to build capacity of staff. The Office was also involved in the audit of SAI Liberia.

We have also contributed resource persons to a number of AFROSAI-E and IDI programmes. Before the onset of the COVID-19 pandemic, the Office had been contacted by SAI Nigeria on possible areas of collaboration in building IS Audit Capacity.

journalists with a view to cultivating cordial relationships and interest regarding our mandate.

As a result of these engagements, we have witnessed increased visibility of the Office in the public domain as well as growing interest in our work.

In spite of these efforts we still face sustainability challenges occasioned by high turnover of the journalists we have trained. Other than natural attrition, most journalists do not stay long at their stations as they leave for private firms, as communications experts. This leads to a new crop of journalists who in

turn require the requisite training to enable them mine stories from the audit reports.

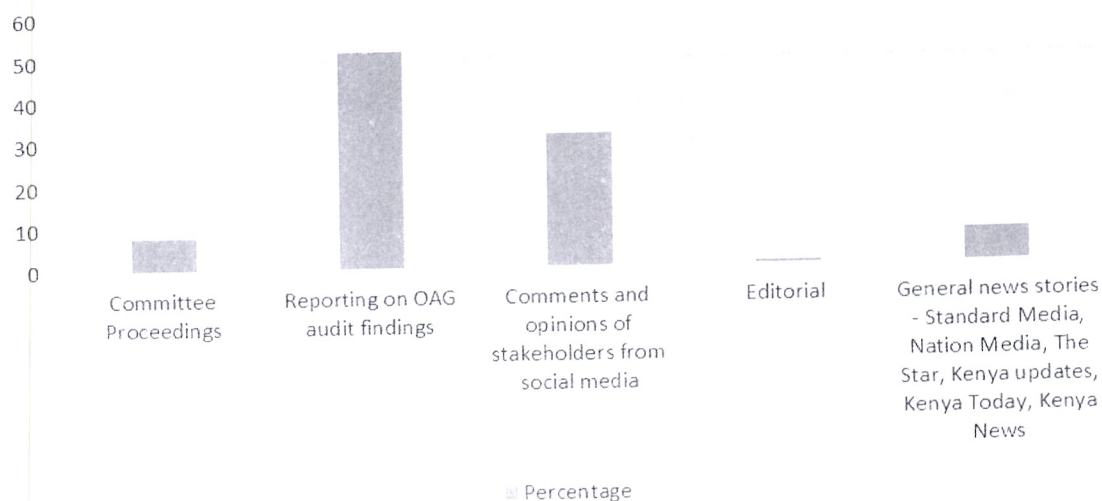
We also partnered with Transparency International and the Association of Women Accountants of Kenya (AWAK) on other audit-related engagements. We hope to use our association with these organisations to enhance the quality and impact of our audit reports.

#### OAG in the public domain

Our work continues to draw attention in the public domain as shown:

Source of conversation	Frequency	Percentage%
Committee proceedings	189	8
Reporting on OAG audit findings	1200	51
Comments and opinions of stakeholders from social media	750	32
Editorial	30	1
General news stories- Standard Media, Nation Media, The Star, Kenya updates, Kenya Today, Kenya News.	200	8
<b>Total</b>	<b>2369</b>	<b>100</b>

Summary of the number of relevant conversations on OAG in mainstream and social media 2019/2020



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## **Risk Management**

During the year, we undertook a comprehensive review of the operations of the Office and prepared internal audit reports which are currently under implementation. The Office also undertook the internal control systems audits of the key operations to identify areas of possible improvements.

The Office continuously reviews the systematic identification of all risk exposures consisting of; financial, operational, compliance and emerging information technology related risks.

OAG has incorporated a robust system to ensure that risks are adequately identified and effectively mitigated to ensure the integrity of financial and operational information.

## **Technology**

The Office has taken various steps towards ISO 27001 Certification. These include staff sensitisation on Information Security and Data Protection as well as internal audit on the Information Security Management System (ISMS), to ascertain preparedness for the certification audit.

Moreover, the certification audit scheduled for 2021 will pave way for ISO certification which will provide assurance to our clients and stakeholders with regard to protection of information and data entrusted to the Office.

Due to the challenging environment posed by the Covid-19 pandemic, we adjusted our operations with focus on virtual engagements. To this end, the Office ensured that online engagement platforms were continuously running, including the Audit Management System (AMS), which is our main remote working platform for audit.

Remote working environment brought with it very unique challenges. Among the challenges experienced by the Office during these trying times included providing ICT support remotely.

The Audit Management System (AMS) has been undergoing regular maintenance and upgrading to help ease audit work.

## **Communication**

During the period under review, the Office embarked on enhancing its engagement with stakeholders through; media workshops, feedback sessions, outreach activities and other interactive forums. These activities are aimed at raising awareness on our mandate.

Notably, we have engaged in capacity building interventions with the media to enhance their understanding of the audit process, to enable appropriate reporting on audit findings.

Collaborations with other agencies and development partners such as the Transparency International (TI), German Development Agency (GIZ) and the Swedish National Audit Office (SNAO) among others, have resulted in the success of our media engagements.

The Office trained 75 journalists in the 2019/2020 financial year (50 from Nairobi and 25 from Mombasa). The aim of these workshops is to equip journalists with skills to effectively mine stories from audit reports and report in an objective and accurate manner. The journalists are also taken through the audit process and definitions of technical terms to improve their understanding of the audit results.

These engagements also informed the development of a Media Handbook by the Office in conjunction with the journalists. The Handbook is a guide on how the media can utilize our audit reports to create impact through accurate and sustainable reporting.

It is supplementary to the capacity building workshops and can be accessed by journalists who may not have had an opportunity to attend our media workshops.

OAG has also organised a number of media receptions. These are basically engagement forums aimed at getting feedback from the

- c) Keep track of the latest changes in the laws and regulations affecting the Office and the entities we audit.
- d) Offer legal support to staff and ensure enforcement of the laws and regulations in the performance of their duties.

**Milestones**

1. Our legal team has enhanced information security within the Office through classification of information.
2. We have been incorporating our legal staff in the audit process which has enhanced their knowledge and understanding of the audit process through practical experience.
3. The staff have been trained in legal audits which will help in ensuring compliance with OAG’s legal framework.

**Challenge**

1. A major challenge the Office is experiencing is the increase in the number of litigations that has led to the need for outsourcing to a panel of external lawyers.

**Transport**

In the quest to provide quality and timely audit reports in line with the Constitutional mandate, the Office of the Auditor-General has continuously focused on modernising its fleet of vehicles. This has been necessitated by the need to reduce high operational costs that are a characteristic of an old fleet establishment as well as improving on efficiency in audit turnaround.

Modernising the fleet enhances transport and

logistics support to our staff for effectiveness and efficiency in their work. A modern and well maintained fleet also improves the corporate image of the Office.

As at the start of the Financial Year 2019/2020, the Office had a total fleet establishment of 99 vehicles spread across 11 regional offices and the Head Office. The Head Office fleet establishment includes the AG and DAG’s designated vehicles and the pool audit vehicles as well as staff transport buses.

During the financial year a total of 12 vehicles were boarded and 8 were disposed off. The Office purchased a total of 14 vehicles while lease agreements for 10 vehicles were terminated.

Our vehicle allocation strategy is to have newer units in the regional offices given the rough terrain and vastness of the areas covered.



OAG Annual Corporate Report 2019/2020

## Customer Care

- Excel Master Class
- Information Security Management
- Extractive Industries
- Performance Audit
- Human Resource
- Procurement and Management Development Programmes
- Financial and Compliance Audit.

Development partners such as the World Bank, Global Fund, Danish International Development Agency (DANIDA), Swedish National Audit Office (SNAO) and French Development Assistance (FDA) have given us support to improve our capacity and strengthen our operations.

## Supply Chain Management

The Office has streamlined the procurement processes and constantly monitors the supply chain to ensure that operations run smoothly.

Despite the negative effects of the Covid-19 pandemic, we realised over 85% completion rate of all the activities planned in the financial year 2019/2020. Key among the achievements is engagement of a contractor for the partitioning of Kisii Regional Office.

Notable challenges encountered in the year included; the delay in appointing the Accounting Officer which initially hindered some operations, but the Office was able to quickly recover through re-strategising and leveraging on government to government procurement.

Lack of adequate funds and the non-alignment of cash flow with procurement timelines was also experienced. However, with close coordination with all the other players in the supply chain, it was possible to reduce the overall impact.

Instances of frequent interruptions of the IFMIS system and sudden withdrawal of key roles in the system without prior information also hampered delivery of services. Nevertheless, with enhanced technical support and better strategies, the Office still managed to accomplish the tasks as required.

## Compliance with laws

The Office plans, coordinates, oversees, monitors and evaluates the implementation of various legislations and policy framework as part of the processes in effectively executing the mandate.

The whole subject of public auditing is a legal process and fidelity to the Constitution and all the enabling provisions of law which must be adhered to at all times.

In order to address the legal needs, we:

- a) Ensure compliance, with documented legal frameworks and maintain an up-to-date legal actions and issues database.
- b) Safeguard the OAG's lawful and legitimate interest by identifying present and potential legal problems; causing an introspection or thorough review of plans and strategies. This is with a view to reducing, if not eliminating, potential legal risks.

Female	655
Male	915
Resignations	2
Retirement	24
Transitions	2

### Work Spaces

We successfully negotiated for leases of offices in Machakos and Homabay. We collaborated with the Public Works Accommodation Office, which is under the State Department of Housing, on matters relating to agreements. We also engaged the Ministry of Public Works on technical projects, documentation and supervision during implementation.

We however, faced a challenge of constricted budget, leading to inability to achieve procurement requirements and comprehensively implement planned activities.

### Working with Parliament

We work closely with Parliament for the overall benefit of the citizens. Our partnership involves the following:

- Assisting and supporting Parliamentary Committees to effectively discharge their respective oversight roles through capacity building,
- Providing guidance on the preparation of audit briefs for Committee hearings,
- Enhancing effective and efficient communication between the Office of the Auditor-General and oversight bodies, and
- Assisting Committees in report writing.

Our Officers are usually present during all Oversight Committee hearings and they assist during the Committees hearings, including in the preparation of Committee briefs.

We also develop key messages within the

reports to make it easier for the Committees to grasp core issues for interrogation. As a result, OAG is able to deliver more user-friendly audit reports to Parliament.

In enhancing the understanding of audit findings at county level, the Office worked with the United Nations Development Programme (UNDP) to give support services to strengthen devolved governance in Kenya.

The Programme started with a pilot project targeting eight counties in the Arid and Semi-Arid Lands (ASAL). The Office has been receiving additional requests to conduct similar trainings in other counties.

The Office plans to roll-out the programme to other County Assemblies, the National Assembly as well as the Senate.

Sensitizing Members of Parliament and County Assemblies is aimed at enhancing their understanding of the audit process.

We also expect Parliament and County Assemblies to develop greater interest in audit findings and appreciate the importance of their oversight role in the audit cycle.

### Capacity Building

Professional development of our staff is critical in the execution of our mandate.

Consequently, we have developed training interventions to equip every member of staff with the necessary skills for performing their duties.

We have trained staff in various areas such as: -

- Audit Management System
- Audit Methodology and Process
- Forensic Investigations
- Procurement Audit
- Professional Communications and

presented through the Cabinet Secretary in charge of Finance, as per Article 221 (1) of the Constitution.

The current arrangement does not support the spirit of operational independence of the Office of the Auditor-General as envisaged in the Constitution, as it relies on the National Treasury, an entity it audits, to determine its budgetary needs. This also goes against Resolution A/66/209 of the UN General Assembly of 2014, which recognizes that Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence. This budgetary control affects the scope and depth of audit and staffing at the Office of the Auditor-General, amongst other operational aspects.

The Office applies allocated funds in line with the stipulated legal framework which includes; - the Public Finance Management Act, 2012, the Public Procurement and Assets Disposal Act, 2015 among other relevant laws and regulations.

During the period under review, we registered an increase in the number of requests from our stakeholders for special audits on various subjects.

This, together with the expanded scope of audit on the aspects of lawfulness and effectiveness on the usage of public funds, has put a strain on our limited resources.

The tight timelines for the submission of audit reports, as outlined in the Constitution, means that we require adequate resources and to carry out internal reorganisations and in-year audits to make this a reality.

Additionally, in our endeavour to decentralize audit services closer to the Kenyan people and enhance the independence of the Office, we have embarked on constructing regional offices (capital projects) which equally require substantial budgetary allocation.

## Human Capital

Our increasingly favourable internal work environment plays an important role in our ability to attract and retain talent. Staff involvement in decision-making and people development programmes have made OAG an attractive employer.

The COVID-19 pandemic affected operations in the Office resulting in re-strategizing on how staff conduct their work. Some staff had to work from home while others worked in shifts, in adherence to the Ministry of Health protocols.

Further, the automation of the audit management process made remote working possible. This is through the Audit Management System (AMS) premised on TeamMate software. Through this system, it has been possible to plan, assign work, supervise, review and generate reports remotely.

The Office considers the safety of staff a priority, especially during the Covid-19 pandemic, and continuously communicates relevant information on safety measures through e-mails and virtual meetings.

Staff adopted new ways of working through online meetings and other virtual engagements. During this period, OAG was able to build and demonstrate resilience in the face of the pandemic.

The staff adapted to the challenges and exhibited a strong spirit of flexibility and commitment in meeting stipulated timelines and ensuring quality audit reports.

## Staff Demographics

Below is a general outline of the staff status as at 2019/2020

Staff in post	1,582
Audit staff	1,179
Non-audit staff	403



# CHAPTER 3: CORPORATE SERVICES

## Resource Allocation

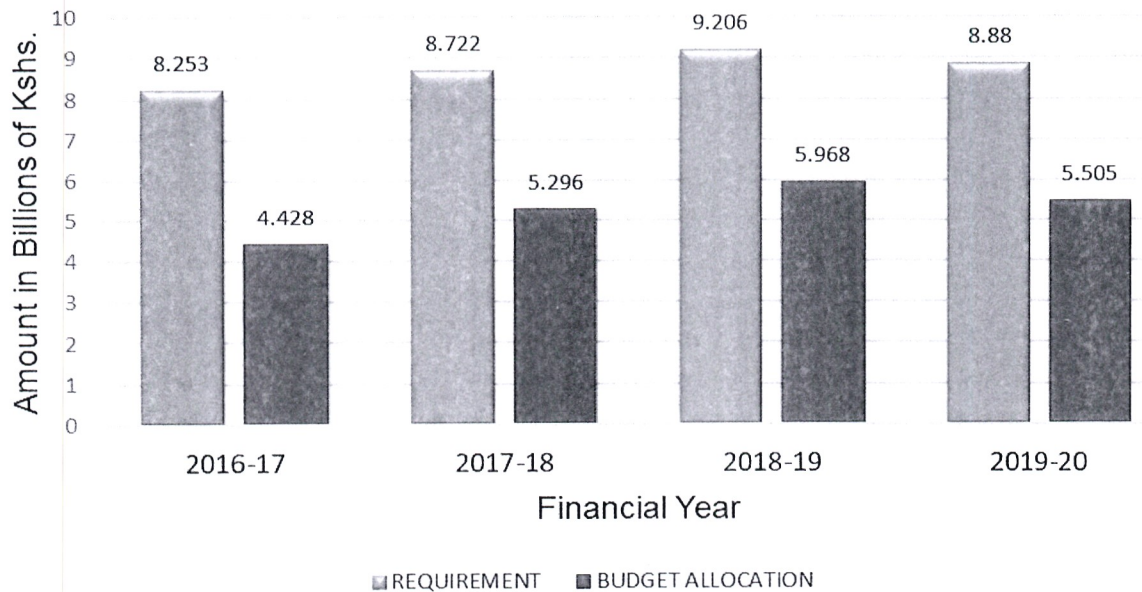
Corporate Services offer professional support to the audit function.

Our rich generational mix, agile leadership and freedom to innovate enables us to provide effective service delivery to all our stakeholders.

In executing our mandate, we require allocation of adequate resources to ensure timely submission of audit reports to Parliament. Though the law (Article 249 (3) of the Constitution requires Parliament to ensure we get adequate funding, we still experience shortfalls in our budgets, as indicated below:

Description	2016-17 Kshs. Billion	2017-18 Kshs. Billion	2018-19 Kshs. Billion	2019-20 Kshs. Billion
Requirement	8.253	8.722	9.206	8.88
Budget Allocation	4.428	5.296	5.968	5.505
Budget Shortfall	3.825	3.426	3.238	3.375
Actual Expenditure	4.311	4.735	5.783	5.425
OAG Budget Absorption	97%	89%	97%	99%

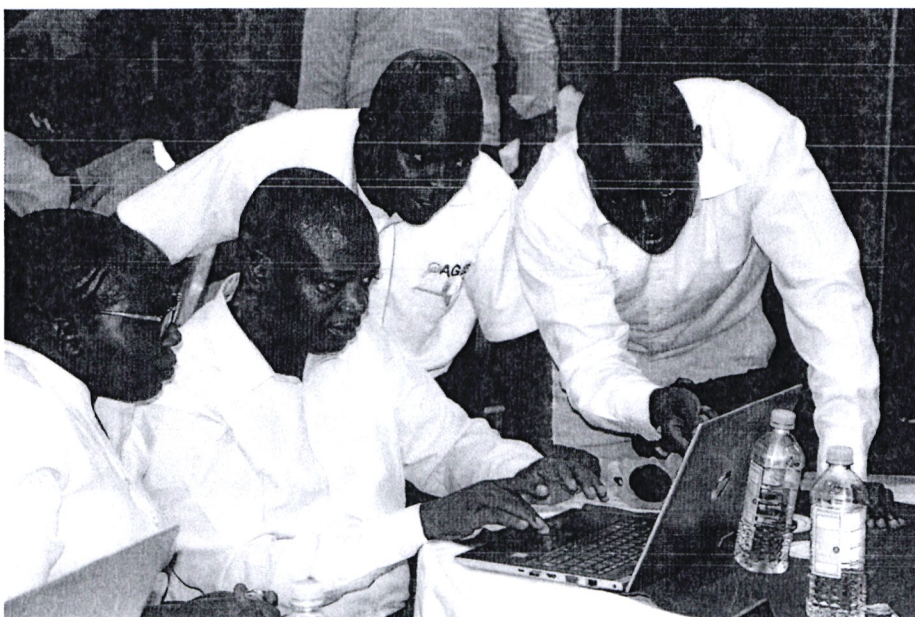
**OAG Budget Requirement Versus Allocation**



The Office continues to experience underfunding and untimely Exchequer releases which affect timely execution of the mandate. Though, these are recurring problems, we ensure prudent use of the available resources

to meet our strategic goals.

Lack of financial autonomy is an issue of concern as it has an effect on the independence of the Office. The budget of the Office is



Office developed an operational manual and launched the Citizen Engagement Framework (CEF) in July, 2019. The framework provides guidance on the basis of partnership, collaboration and engagement with Citizens, Faith Based Organisations (FBOs), Community Based Organisations (CBOs), Civil Society Organisations (CSOs) and other state agencies.

CAA generally, aims at enhancing accountability through mechanisms of social audits, citizen participatory audits especially for the remote community, development projects and social interventions and partnership for advocacy of Public audits. The Office is also planning to leverage ICT to enable real-time information exchange on areas of public audit concerns (interactive mobile internet portal).

CAA is being piloted in the National Agricultural Rural Inclusive Growth Programme (NARIGP) and World Bank financed projects in 21 Counties.

The Office has had engage-

ments with key stakeholders including; government and citizen representative organisations, development partners (GIZ and World Bank) towards support of some of the CAA programmes.

The key challenge in the implementation of CAA is the availability of resources to create adequate awareness and capacity to fully operationalise the new initiative which is a game changer in the public audit.

The dynamic and devolved environment currently experiencing the effects of Covid-19, requires networking, communication, partnership and collaboration for any meaningful and successful engagement for audits of social and economic development initiatives.



As part of capacity development, our staff members were trained on the following courses:

- Forensic Investigations Course
- Procurement Audit Course
- Financial & Compliance Audit Manual (F!CAM)

In line with our audit strategy of continuous presence and managerial accountability, we continued to leverage IT using Data Analytics tools and techniques in planning and executing Forensic Audit assignments. Our plans for next financial year are:

- Incorporate other digital forensic techniques and evidence management kits such as EnCase forensic audit software so as to efficiently and effectively respond to complex forensic audit assignments.
- Increase execution rate of special audit requests from current 63% to at least 70% of approved audit requests.
- Enhance the technical capacity of staff on various specialised forensic audit techniques so as to improve on the quality of reports.
- Strengthen our proactive audit strategy by operationalising a framework where fraud risks reported by financial auditors automatically trigger proactive Forensic Audits.

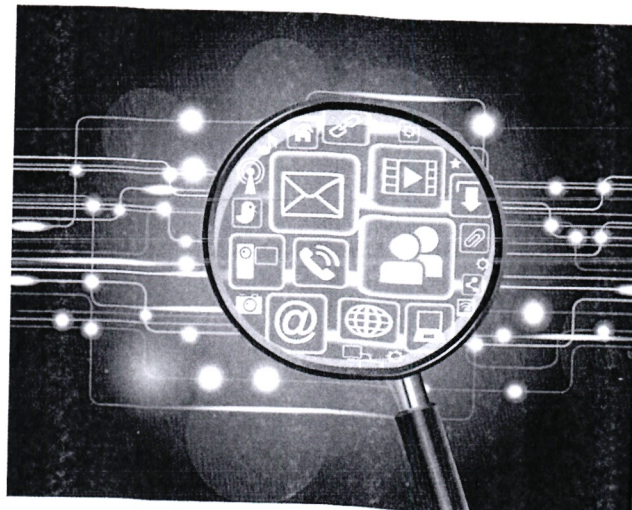
We encountered the following challenges:

- Inadequate capacity of staff to conduct complex fraud investigations.
- Inadequate funding of forensic audit assignments.

### **Systems and Information Technology Audit**

The objective of Systems and Information Technology Audit is to perform audits related to the specific subject matter of Information Systems (IS) used by the entities.

These could be either compliance or performance audits related to Information Systems. Additionally, we carry out Information Systems audits in support of a larger audit engagement which may be Financial, Compliance or Performance Audit.



In carrying out these audits we are majorly guided by the new INTOSAI guidance (GUID) 5100 which provides the overarching framework for conducting audit of Information Systems within the INTOSAI Framework of Professional Pronouncements (IFPP).

During the year under review, OAG was involved in updating the Information Systems Audit Manual to align it with the GUID 5100 which technically replaced ISSAI 5300. The ISSAI 5300 formerly guided how Information Systems Audits, were to be conducted.

### **Citizen Accountability Audit**

In an effort to engage key stakeholders, including Citizens, in the audit process, the Office established the Citizen Accountability Audit (CAA) function.

CAA is aligned to Section 34 of the Public Audit Act, 2015 which allows the Office to conduct proactive, preventive and periodic audits that are deterrent to fraud and corrupt practices, while focusing more on results in the usage of public resources.

The initiative was in the spirit of embracing Chapter 10 of the Constitution, especially in regard to good governance in public finance management that demands; accountability, transparency, effectiveness, participation and inclusivity in the management of public resources.

With the support of the World Bank, the

The Office is required to audit and report on the use and management of public funds by public entities, every year. The year under review witnessed a backlog on audits owing to the delay in appointment of the Auditor-General. The table below captures the number of Financial Statements audited and were waiting review by the new Auditor-General, and the number awaiting audit for 2019/2020 financial year:

STATUS OF FINANCIAL STATEMENTS		
Category	No. of Financial Statements 2018/2019	No. of Financial Statements 2019/2020
National Government	667	737
County Government	381	410
Constituency Development Fund	290	290
<b>Total</b>	<b>1338</b>	<b>1437</b>

### SPECIALISED AUDITS

Apart from financial and compliance audits, the Office also conducts specialised audits, which focus on economy, efficiency and effective use of public resources, and the detection of fraud.

The special audits include Performance Audits, Citizen Accountability Audit, Information Systems and Technology Audits as well as Forensic and Procurement Audits.

#### Performance Audit

During the financial year under review, the department published and submitted 9 Performance Audit reports to Parliament as

required by law.

Staff deployed to Performance Audit are drawn from various disciplines such as engineering, environment, finance, communications, among other professions. They are regularly exposed to various regional and global capacity building interventions, on the latest developments to enhance their skills.

#### Forensic and Procurement Audits

In 2019/2020 Financial Year, a total of 19 requests for Forensic Audit were received from various sources as follows:

	Source	No of request	Percentage (%)
1	National Assembly	4	21
2	County Assemblies	3	16
3	National Government Executive	8	43
4	OAG Financial Audit	2	10
5	Investigative Agencies	2	10
	<b>Total</b>	<b>19</b>	<b>100</b>

Out of the 19 requests, we conducted 12 Forensic Audits, representing 63%. In addition to the requests, the Office also conducted various forensic audits which were submitted to; the Senate Standing Committee on

Agriculture, Livestock & Fisheries, the Public Investments Committee (PIC) of the National Assembly and the Senate Ad-hoc Committee on Managed Equipment Services.

# CHAPTER 2: AUDITS

## FINANCIAL AUDITS

OAG is required to audit and report to Parliament or the relevant County Assemblies within six months after the end of the financial year.

During the year, the International Organisation of Supreme Audit Institution (INTOSAI) renamed the public sector auditing standards and adopted the name INTOSAI Framework of Professional Pronouncements (IFPP). The Framework includes the overarching INTOSAI Principles (INTOSAI-P), the auditing standards (ISSAIs) and the supporting guidance (GUIDs). The IFPP also classifies the ISSAIs into financial audit standards under the 2000 series, Performance audit standards under the 3000 series and Compliance audit standards under the 4000 series. We have incorporated these changes in our Audit Management System.

### Quality Control and Assurance

The Office has put in place mechanisms to ensure that we produce quality reports that resonate with the expectations of our stakeholders.

Quality Control and Assurance offers technical support to the audit function to ensure our processes are up to standard.

The quality control process also ensures that the reports are well summarised and presented in a standardised manner.

It similarly guarantees that the OAG staff adhere to stipulated laws as well as the International Standards of Supreme Audit Institutions (ISSAIs).

### Audit Management Systems (AMS)

We have automated our audit processes using the Audit Management System (AMS) -TeamMate Version 12.4. This has enabled our staff to conduct audits remotely.

The AMS (TeamMate) became a game changer when Covid-19 pandemic was reported in the country. OAG is also leveraging data analytics to mine and analyse information from big data, thus saving on audit time.

This has assisted in clearing the audit backlog and in executing the 2019/2020 financial year audits.



## STAKEHOLDER ENGAGEMENT



One of the Strategies in the OAG Strategic Plan 2018-2021 is to develop an innovative framework for engagement with stakeholders to enhance the impact of the audit services and the reports.

It is in this regard that the Office has designed various engagement plans to address expectations of key stakeholders. The varied expectations are as outlined below: -

### Media

- ✓ Timely and quality audit reports
- ✓ Simplified audit reports

### Citizens

- ✓ Assurance that public resources are accounted for and utilized for their benefit
- ✓ Simplified and user friendly audit reports

### Parliament

- ✓ Timely audit reports
- ✓ Issue based audit reports
- ✓ Collaboration through technical support

### Audited Entities

- ✓ Fair and appropriate audit reports

- ✓ Capacity building on the audit process

### Internal Stakeholders

- ✓ Capacity building
- ✓ Good working environment and adequate resources

### Civil Society Organisations (CSOs)

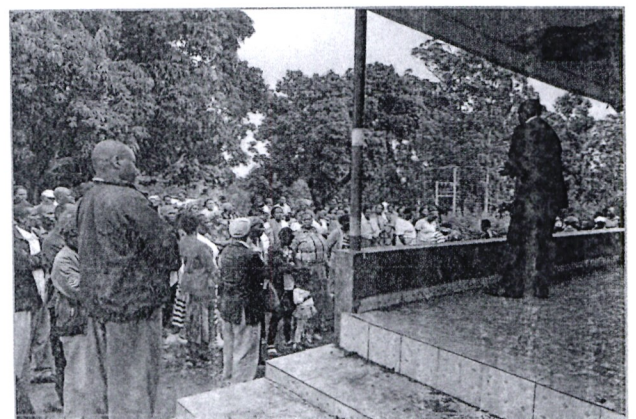
- ✓ Up to date audit reports
- ✓ Appropriate and objective reports
- ✓ User friendly audit reports

### Development Partners

- ✓ Compliance with International Auditing Standards
- ✓ Timely submission of audit reports .

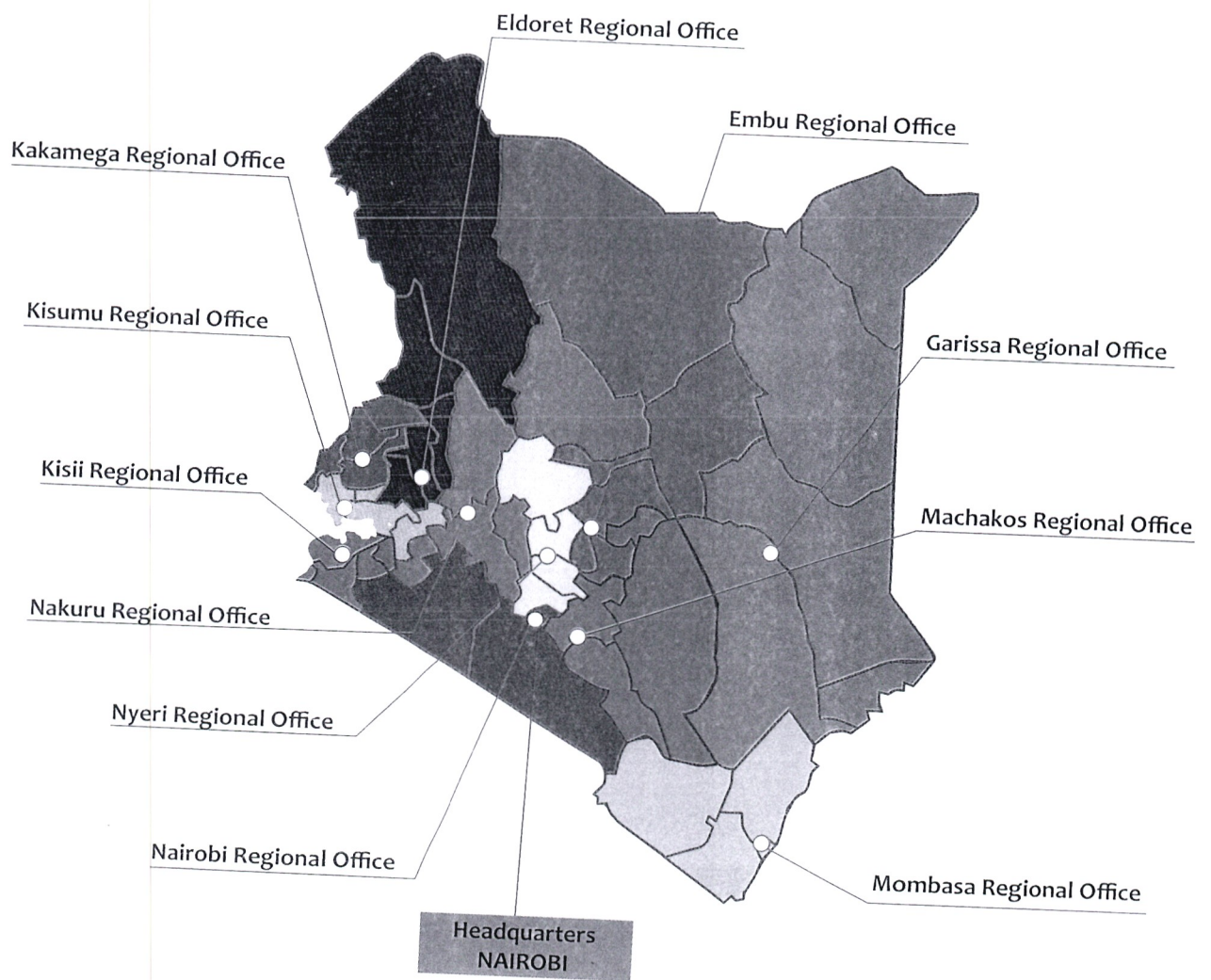
Some of the strategies we have employed to address these needs include:

- ✓ Capacity building workshops for the media, Parliament and County Assemblies
- ✓ Outreach engagement forums
- ✓ Publications of summarised versions of audit reports
- ✓ Dissemination of IEC materials on our mandate

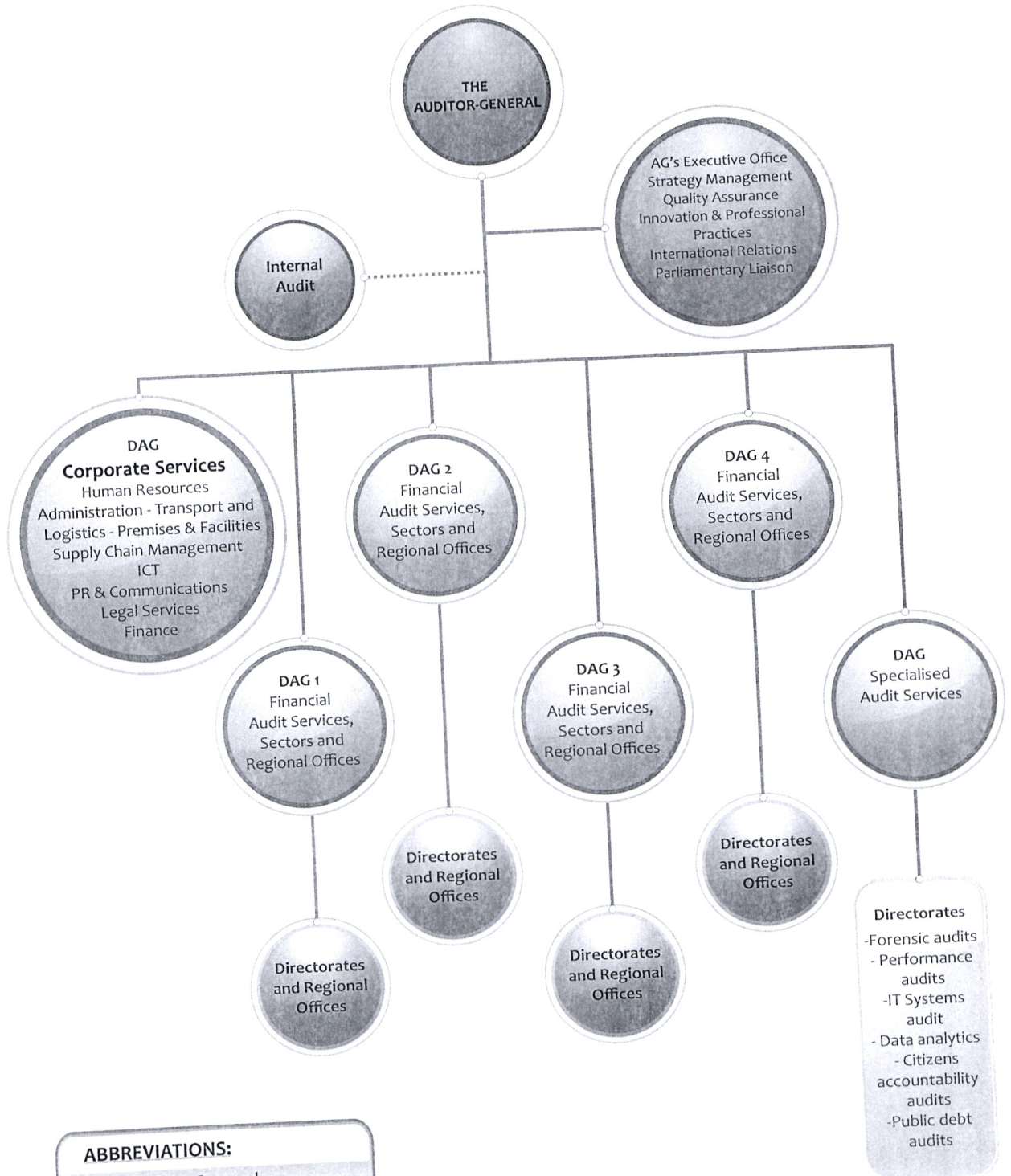


## REGIONAL OFFICES

In addition to the Headquarters, our operations are spread across 11 Regional Offices in the country in an effort to decentralise our services closer to the people for greater impact. The Regional Offices are illustrated below:



## OUR STRUCTURE



### ABBREVIATIONS:

**AG** - Auditor-General  
**DAG** - Deputy Auditor General



# CHAPTER 1: OUR MANDATE

The Office of the Auditor-General (OAG) is an Independent Office established under Article 229 of the Constitution of Kenya. The Auditor-General (AG) is mandated to audit and report on the use and management of public resources by public entities.

In addition, Article 229(6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way.

This is a broad responsibility that requires the Auditor-General to go beyond accounts certification and compliance. The AG is therefore, also required to perform work that addresses the economy, efficiency and effectiveness with which public resources have been applied and utilised, including their impact on the lives of citizens.

## OUR STRATEGY

The Office is guided by these two Strategic priorities to deliver on the mandate.

**Strategic Priority 1:** To enhance professional excellence in the delivery of the Office's mandate.

**Strategic Priority 2:** To continually transform the organisation for efficient and effective delivery of audit services.

In addressing these strategic priorities, we are guided by these four pillars; Independence, Credibility, Relevance and Accountability. These pillars are the underpinning principles that our staff are required to observe in their work to ensure our reports are objective, credible, speak to stakeholders' expectations and that we are accountable to our work.

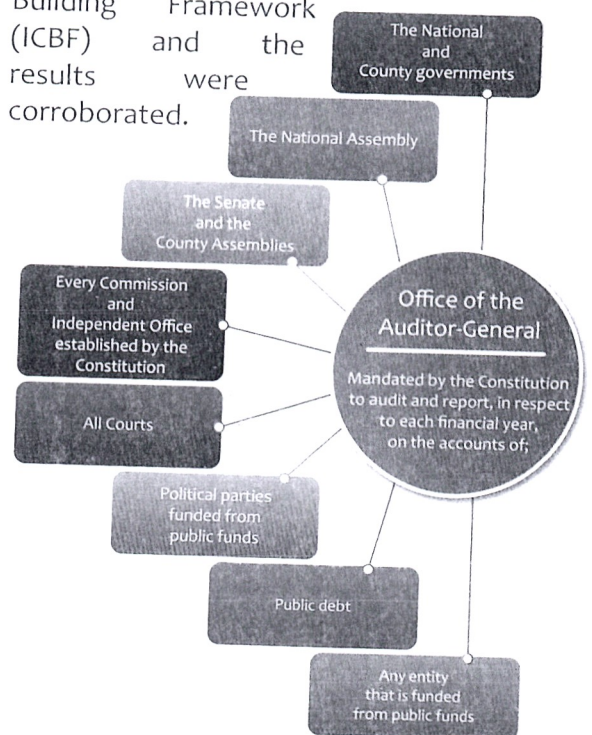
During the year we conducted an assessment of our overall performance using the Supreme Audit Institutions-Performance Measurement

Framework (SAI-PMF) Tool. Our Office requested to be one of the initial six SAIs in the AFROSAI-E region to conduct this kind of assessment under the guidance of the INTOSAI Development Initiative (IDI).

The SAI-PMF provides SAIs with a framework for voluntary assessments of their performance against the requirements of the International Standards of Supreme Audit Institutions (ISSAIs) and other established international best practices for external public sector auditing.

The assessment results (shared in **Chapter 5** in this report) will contribute to an improved SAI, focussed capacity development, strategic planning and identification of opportunities. Additionally, this will strengthen the OAG performance as well as monitor and fortify accountability.

We also conducted a self assessment exercise based on the AFROSAI-E Institutional Capacity Building Framework (ICBF) and the results were corroborated.





Name: **David Njoka**  
Title: **Deputy Auditor-General, Financial Audit Services**  
Qualification: **MBA (Strategic Management)  
BSc (Business Administration)  
Certified Public Accountant of Kenya (CPA-K)**  
Experience: **Vast experience in public and private sectors auditing**



Name: **Edwin Kamar**  
Title: **Deputy Auditor-General, Financial Audit Services**  
Qualification: **B.Com (Accounting)  
Certified Public Accountant of Kenya (CPA-K)**  
Experience: **Senior Audit Manager, Deloitte Audit Finance, Taxation and Consultancy**



Name: **Fredrick Odhiambo**  
Title: **Deputy Auditor-General, Specialised Audit Services**  
Qualification: **MBA, BSc ( Science and Technology)  
Certified Public Accountant of Kenya (CPA-K)  
Certified Fraud Examiner (CFE-US)  
Certified Financial Service Auditor (CFSA-US)**  
Experience: **Senior Audit Manager in other SAIs in the British Overseas Territories  
Deloitte and KPMG East Africa**



**Name:** Joyce Mbaabu  
**Title:** Deputy Auditor-General, Corporate Services  
**Qualification:** B.Com (Business Administration)  
Certified Public Accountant of Kenya (CPA-K)  
**Experience:** Vast experience in public sector auditing  
Member of ICPAK and the Association of Women Accountants of Kenya (AWAK)



**Name:** Sylvester Kiini  
**Title:** Deputy Auditor-General, Financial Audit Services  
**Qualification:** MBA (Strategic Management)  
B.Com (Accounting)  
Certified Public Accountant of Kenya (CPA-K)  
**Experience:** Vast experience in public and private sectors auditing



**Name:** William Agunda  
**Title:** Deputy Auditor-General, Financial Audit Services  
**Qualification:** B.Com (Accounting)  
Certified Public Accountant of Kenya (CPA-K)  
**Experience:** Vast experience in public sector auditing



Name:

**CPA NANCY GATHUNGU, CBS**

Title:

**Auditor-General**

Qualification:

**Masters of Business Administration (Strategic Management)**

**B. Com (Accounting )**

**Certified Public Accountant of Kenya (CPA-K)**

**Certified Information Systems Auditor (CISA)**

**Certified trainer with the Institute of Certified Public Accountants of Kenya (ICPAK)**

**Member of ICPAK and the Association of Women Accountants of Kenya (AWAK)**

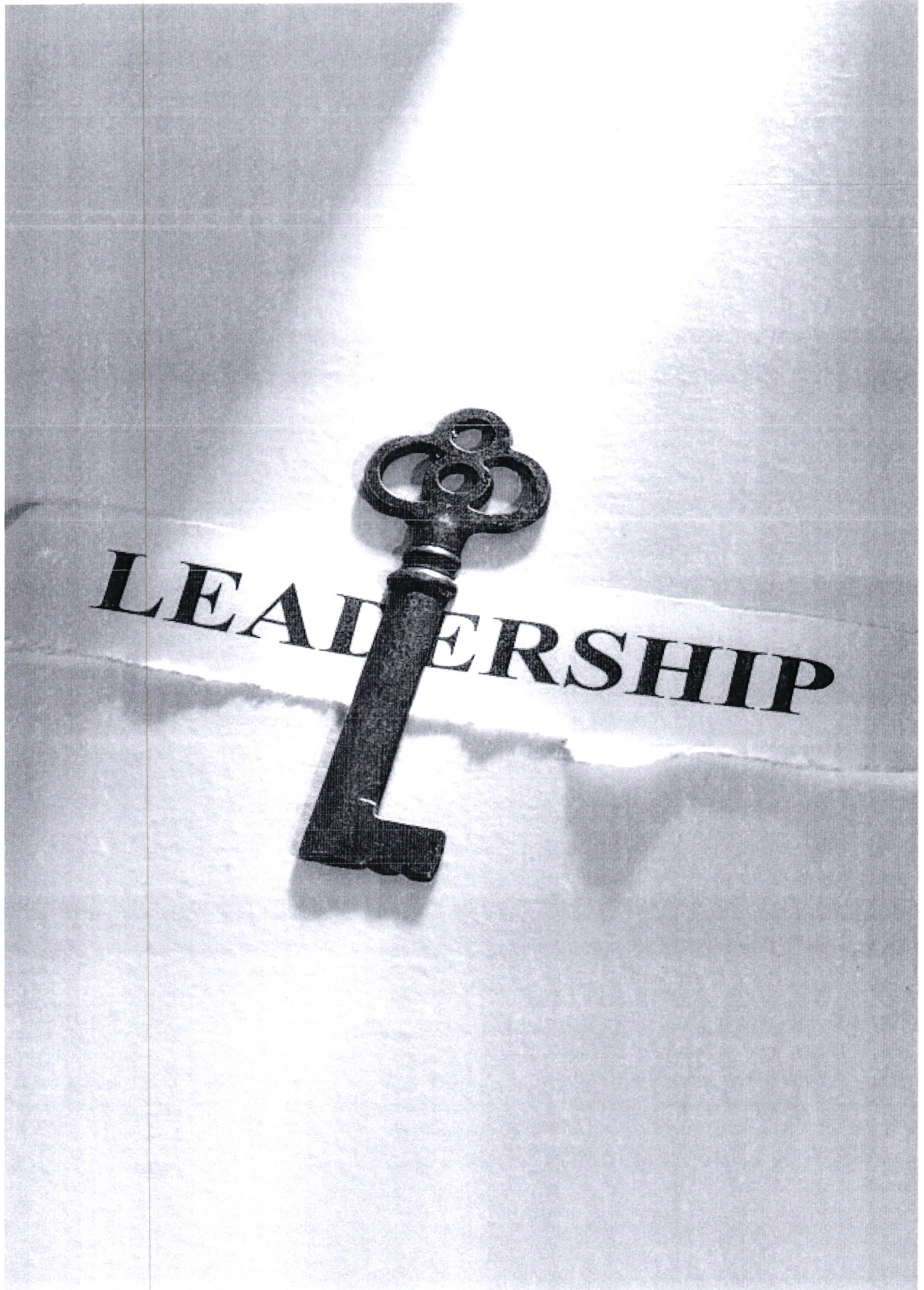
Work Experience:

**Vast experience in Public Sector auditing, Strategic Management and capacity building for Supreme Audit Institutions**



**FCPA EDWARD OUKO, CBS**

**Former Auditor-General (August 2011 to August 2019)**



# REPORT SUMMARY

## ACHIEVEMENTS



**CITIZEN ACCOUNTABILITY**

Launched Citizen  
Engagement Framework  
for Citizen Accountability  
Audits

**NEWS**

Increased interest in  
Performance Audits  
by the media

**Information Security Management System**  
**27001**  
Certified

Completed the  
requirements for ISO  
certification

**Bought Land**  
for the construction  
of Mombasa Regional Office

**TECHNICAL SUPPORT**

Offered technical support  
to Supreme Audit Institutions of  
Sierra Leone, South Sudan, Liberia,  
Botswana and Arabic speaking  
SAI's among others

**GRAND OPENING**

Completed construction  
of Eldoret Regional Office

Contributed resource  
persons to AFROSAI-E  
and IDI

**technology**

Leveraged automated  
Audit Management System  
to manage audits remotely

## CHALLENGES



**Audit Backlogs**

**Covid-19 Pandemic**

**Performance  
audit reports**  
not discussed by Parliament

## FOREWORD

It is with great pleasure that I present to you the Annual Corporate Report for financial year 2019/2020. This report is in fulfillment of Article 254(1) of the Constitution that requires the Office to submit an annual report on its performance, to Parliament and the President.

Article 229 of the Constitution requires the Auditor-General to conduct audits of all public entities and report to Parliament and relevant County Assemblies. In this report, we focus on the achievements and challenges of the Office for the year under review.

In fulfilment of this mandate, the Office is anchoring its operations on four pillars: Independence, Credibility, Relevance and Accountability to ensure that in achieving our mandate, we respond to the needs of the citizens and the requirements of our stakeholders.

The Office recorded an increase in the number of requests for Special Audits on various subjects, and we were able to respond to a large extent on these requests. In addition to the Financial, Performance, Forensic, Public Debt and Information Systems audits that we conduct every year, the Office recorded 19 requests for special audits on various subjects.

Our operations were affected by the leadership gap that was occasioned by delayed appointment of the Auditor-General following the expiry of the term of Office of former Auditor-General, Edward Ouko. This led to an audit backlog of one year, thus slowing timely response to the requirements of our stakeholders. We have however, since put up measures to address the backlog.

I take note of our highly competent and dedicated staff who are very instrumental in execution of our mandate. Despite the leadership gap, they were able to re-strategise and deliver on their responsibilities professionally. This professionalism has seen some of our staff give support to other Supreme Audit Institutions (SAIs) across the world in areas such as Auditing, Com-

munication, Human Resource Management, Strategy, ICT and Ethics and Integrity.

Decentralising the audit function, through the construction of regional offices, is another milestone that we continue to build on. We are currently constructing a regional office in Embu to handle audit needs in counties in the upper Eastern region; expanding our footprint in the counties in addition to other 3 regional offices we have constructed in Kakamega, Eldoret and Garissa.

The construction of our headquarters on land we own at the Upper Hill area of Nairobi and an additional regional Office in Mombasa are among ear marked key capital projects that will go a long way in enhancing service delivery to our stakeholders.

The Office undertook comprehensive self assessments using two key tools for Supreme Audit Institutions where strengths and weaknesses requiring critical attention were identified. In line with openness in providing information, the results are documented in this report.

The financial year has not been without its own challenges. Given that COVID-19 came and put the brakes on all that we consider normal, we have had to be innovative to maneuver through these extraordinary times in order to deliver on our mandate safely while ensuring that we uphold quality, efficiency and timeliness in the submission of our reports.

This has been achieved through leveraging IT by the provision of updating our networks and software which has enabled auditors conduct remote audits to the extent possible as we strive to enhance transparency and accountability in the utilisation of public resources.



CPA Nancy Gathungu, CBS  
Auditor-General

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## ACRONYMS AND ABBREVIATIONS

AFROSAI-E	–	African Organisation of English-speaking Supreme Audit Institutions
AMS	–	Audit Management System
AWAK	–	Association of Women Accountants of Kenya
CAA	–	Citizen Accountability Audit
CBC	–	Capacity Building Committee
CBS	–	Chief of the Order of the Burning Spear
CDF	–	Constituency Development Fund
CS	–	Corporate Services
DAG	–	Deputy Auditor-General
F! CAM	–	Financial and Compliance Audit Manual
FDA	–	French Development Assistance
GIZ	–	German Development Agency
ICPAK	–	Institute of Certified Public Accountants of Kenya
IDI	–	INTOSAI Development Initiative
IFMIS	–	Integrated Financial Management Information System
IFPP	–	INTOSAI Framework of Professional Pronouncements
INTOSAI	–	International Organisation of Supreme Audit Institutions
ISMS	–	Information Security Management System
ISO	–	International Organisation for Standardisation
IS	–	Information Systems
ISSAI	–	International Standards of Supreme Audit Institutions
KSC	–	Knowledge Sharing Committee
OAG	–	Office of the Auditor-General
PFM Act	–	Public Finance Management Act
SA	–	Specialised Audit
SAI	–	Supreme Audit Institution
SNAO	–	Swedish National Audit Office
STA	–	System and Technology Audits (Formerly IT Audit)
TI	–	Transparency International





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