



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

# TRACING THE SHILLING



**ANNUAL CORPORATE REPORT**

**2012 - 2016**

### **Vision**

Effective accountability in the management of public resources and service delivery.

### **Mission**

Audit and report to stakeholders on the fairness, effectiveness and lawfulness in the management of public resources for the benefit of the Kenyan People.

### **Core Values**

Independence, Integrity, Professionalism, Innovation and Team Spirit.

### **Motto**

Enhancing Accountability

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## ACRONYMS AND ABBREVIATIONS

AfDB	-	African Development Bank
AFROSAI-E	-	African Organisation of English-speaking Supreme Audit Institutions
ISSAI	-	International Standards of Supreme Audit Institutions
INTOSAI	-	International Organisation of Supreme Audit Institutions
ICPAK	-	Institute of Certified Public Accountants of Kenya
FAO	-	Food and Agriculture Organisation
AMKIM	-	Associate Member, Kenya Institute of Management
INTOSAI GOV	-	International Organisation of Supreme Audit Institutions Governance
DAG	-	Deputy Auditor-General
CS	-	Corporate Services
SA	-	Specialised Audit
CoB	-	Controller of Budget
FCA	-	Fellow Member of the Institute of Chartered Accountants of England & Wales
PPOA	-	Public Procurement Oversight Authority
PIC	-	Public Investments Committee
PAC	-	Public Accounts Committee
EACC	-	Ethics and Anti-Corruption Commission
RAM	-	Regularity Audit Manual
SAI	-	Supreme Audit institution

# FOREWORD

The promulgation of the Constitution in 2010 saw the establishment of the Office of the Auditor-General as an independent Office with an enhanced responsibility of ensuring that public funds are used effectively and lawfully by the National Government, County Governments, the Judiciary and other entities funded by public money.

In line with this increased and expanded scope in the audit work carried out by the Office of the Auditor-General, I have, with the able assistance of all my deputies, structured the Office in such a way that we are now able to provide services to all the 47 Counties by categorising the devolved units to fall under 9 Hubs to enable easy access and promote efficient management. Each Hub is headed by a Director who is in charge of a host of counties.

My Office has consequently developed an Annual Operational

Plan that also effectively assists the Office in focusing on service delivery and timely execution of our mandate as stipulated in the Constitution. In doing this, we carefully pay attention to the risky audit areas where we embark on the three pillars of certification, managerial accountability and service delivery to Kenyans.

*I have, with the able assistance of all my deputies, structured the Office in such a way that we are now able to provide services to all the 47 Counties by categorising the devolved units to fall under 9 Hubs to enable easy access and promote efficient management*

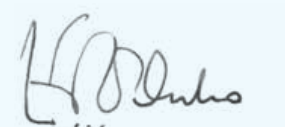
The Office of the Auditor-General's Annual Corporate Report is a key instrument that is a Constitutional requirement expected to outline and elaborate in detail the

document policies, strategies and the overall mission and vision of the Office of the Auditor-General in Kenya.

The Corporate Report is structured and designed to outline the collective activities of OAG in a Constitutional framework to facilitate the achievement of our Constitutional Mandate.

The Office of the Auditor-General therefore, strives to ensure that all public entities operate within the principles of Public Finance Management.

It is my expectation therefore, that through this crucial document, the need to enhance our goal of enhancing accountability for the benefit of the Kenyan people will be emphasised.



**FCPA Edward R. O. Ouko, CBS  
Auditor-General**

# PERFORMANCE HIGHLIGHTS 2011 - 2016

## ACHIEVEMENTS



Audited 4, 298  
financial statements



Conducted 19  
specialised audits



Cleared  
audit backlog



Constructed Office  
building in Garissa



Won AFROSAI-E Performance  
Audit Reporting Award for 2013



Improved  
staff welfare



Spearheaded the enactment of  
Public Audit Act, 2015



Professional development  
of 798 members of staff



Enhanced recognition  
of the Office at the International stage



Recruited 482  
members of staff



Devolved audit  
function to the counties



Developed Annual  
Operational Audit Plan



Gave professional and technical support  
to Supreme Audit Institutions across the world

## CHALLENGES



Funding challenges for  
conducting timely audits







# OUR LEADERSHIP



**FCPA EDWARD R. O. OUKO, CBS**  
AUDITOR-GENERAL

**Mr. Edward Ouko** is the Auditor-General of the Republic of Kenya. He was appointed on 27 August, 2011 following a competitive recruitment process. He is a Fellow Member of the Institute of Chartered Accountants of England and Wales (FCA) and is a co-opted Council Member of the Institute representing Africa.

He is also a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) and holds a B.Com Degree (Hons) in Finance and Accounting from the University of Nairobi. Before his appointment, Mr. Ouko was the Auditor-General at the African

Development Bank where he directed the audit function and was also in charge of the Anti-corruption and Fraud function up to June 2010. Mr. Ouko was with the African Development Bank (AfDB) for over twenty-four years in various capacities.

*Mr. Ouko is the President of AFROSAI's Technical Committee on Knowledge Sharing and Management, and Vice President of AFROSAI General Assembly*

Mr. Ouko has over thirty years' experience in matters of auditing,

accounting and investigations. Mr. Ouko is a former member of Audit Committees in a number of UN agencies. He is the immediate former Chairman of the Audit Committee of Food and Agriculture Organisation (FAO) for five years. He served as an external member of the Audit Committee of United Nations Relief and Works Agency for the Palestinian Refugees

As the Auditor-General of the Republic of Kenya, Mr. Ouko has realigned the Office to focus on its wider mandate of assuring that public funds have been used lawfully and effectively.

He has championed an assurance framework, involving fiscal accountability; managerial accountability through continuous audit presence and accountability for service delivery. As a result the Office has gained higher public recognition.

Mr. Ouko has a wide range of academic and professional achievements as well as various awards and recognitions to his name. Most recent is Mr. Ouko's election as the Vice-President of the African Organisation of Supreme Audit Institutions (AFROSAI) General Assembly and President of the Technical Committee on Knowledge Sharing and Management during the 13th General Assembly of AFROSAI held in Sharm El Sheik in Egypt in 2015.



**Ms. AGNES MITA**

DEPUTY AUDITOR-GENERAL-CS

**Ms. Agnes Mita** is currently the Deputy Auditor General in charge of Corporate Services Department. She has a Master's of Science in Auditing Management and Consultancy from the University of Central England. She holds a B.Com (Accounting Option) from the University of Nairobi.

Ms. Mita has a wide experience in Public Sector Auditing with a span of more than twenty-nine years in the Public Sector.

Among her responsibilities in Corporate Services is overseeing the general operations in Finance, Human Resource, Information Technology, Administration, Public Relations & Communication, Legal Affairs and Procurement.



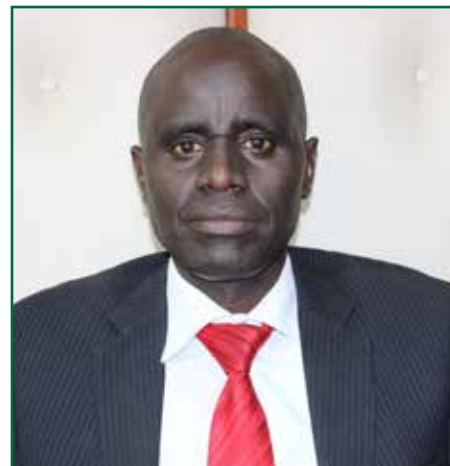
**MR. ALEX RUGERA**

DEPUTY AUDITOR-GENERAL

**Mr. Alex Nthiga Rugera** holds a Bachelor's Degree in Commerce (Accounting Option) from University of Nairobi and is a Certified Public Accountant of Kenya (CPA-K) holder.

Mr. Rugera has a vast experience in audit, finance, taxation and consultancy. He has worked as a Senior Audit Manager in Deloitte & Touche, Githongo and Company; and Waithaka Kiarie Mbaya and Company respectively.

He is in charge of auditing The National Treasury, Ministry of Transport and Infrastructure, South Rift Hub and Central Kenya Hub. He also oversees consolidation of annual reports for both National and County Governments.



**MR. DAVID GICHANA**

DEPUTY AUDITOR-GENERAL

**Mr. David Gichana** has an MBA in Finance and a Bachelor of Science (International Business Administration- Accounting Option) degree.

Mr. David Gichana has vast experience of more than twenty-five years in public sector having worked as Chief Internal Auditor and Accountant before joining the Office of the Auditor-General in 2006.

Mr. Gichana oversees the audit of Social Protection, Culture and Recreation, General Economic and Commercial Affairs, Governance, Justice, Law and Order and Environmental Protection, Water and Natural Resources Sectors.

He is also in charge of all the National Government, County Governments and public entities in the Garissa, Embu and Kakamega regional hubs.





**MR. HUMPHREY WANYAMA**  
DEPUTY AUDITOR-GENERAL  
( NOW RETIRED)

**Mr. Humphrey Wanyama** has more than thirty years working experience in the public sector having served diligently as an accountant and Internal auditor in various Government Ministries and Departments, and as an auditor with the Office of the Auditor-General since 1996.

He holds a B.Com (Hons) Accounting Degree from Makerere University and is a CPA (K) holder. Mr Wanyama was the Secretary – Kenya National Audit Commission and a Member of the Public Sector Accounting Standards Board.



**MR. JOHN KAGONDU**  
DEPUTY AUDITOR-GENERAL

**Mr. John Kagundu** has Masters of Business Administration (Finance) from the United States International University (Africa) –USIU. He also has a Bachelor of Science (Accounting), from the Alliant International University in San Diego, CA, USA.

Mr. Kagundu has a vast insight in accountancy with extensive experience in both external and internal audit, taxation, accounting, receivership, financial management and consultancy.

He has worked as a Senior Manager and Associate Consultant with CPA firms Githongo & Company and Deloitte & Touche respectively.

His docket includes Specialised Audits and Energy Sector.

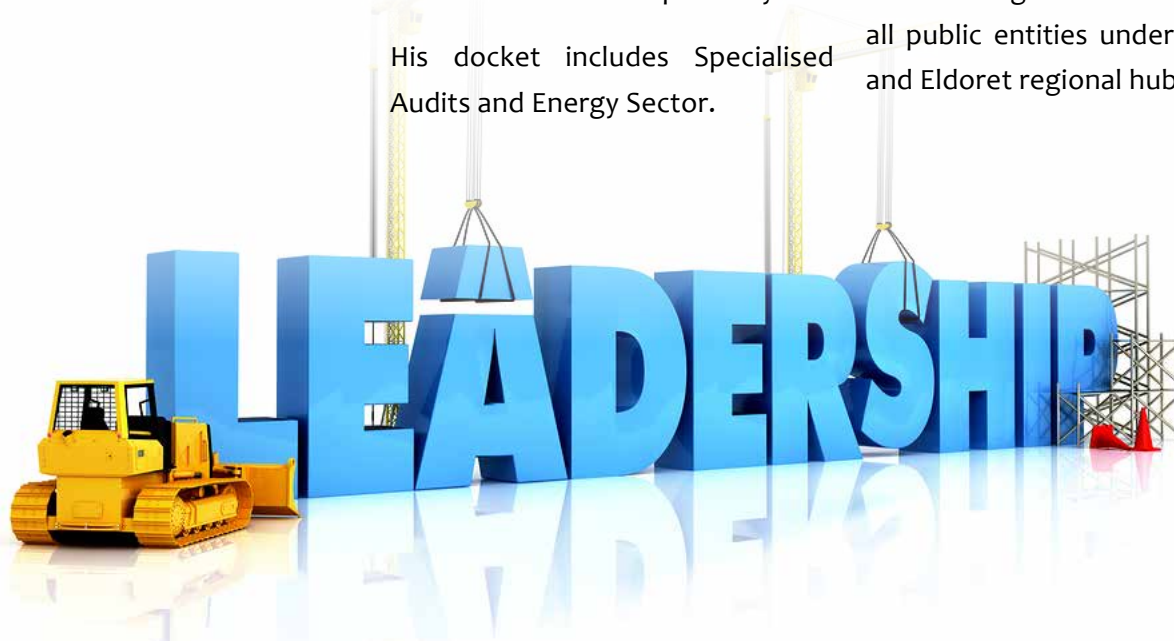


**MR. SYLVESTER KIINI**  
DEPUTY AUDITOR-GENERAL

**Mr. Sylvester Kiini** holds MBA in Strategic Management and a Bachelor's Degree in Commerce (Accounting Option).

He has a vast experience in auditing and has served as Director of Audit in the Office of the Auditor- General since 2008 before being appointed as Deputy Auditor-General in 2014 as the Office strives to enhance its capacity in service delivery.

He oversees the audit function of Ministries of Education, Science and Technology, Health, Communication and Information Technology, Lands, Housing and Urban Development. Mr. Kiini is also in charge of audit functions of all public entities under Mombasa and Eldoret regional hubs.





# Kenya National Audit Commission

The Kenya National Audit Commission ceased to exist from January 2016, following the enactment of the Public Audit Act, 2015. The Commission was replaced by the Audit Advisory Board. However, the Board has not been constituted since its establishment is one of the contentious issues before the court.

The Commission comprises commissioners, with the Auditor-General as the Chair and a Deputy Auditor-General as Secretary to the Commission. Its role is to consider and approve the budgetary estimates of the office and determine the remuneration and other terms of appointment of the staff. The composition of the Commission is described below:



**Hon. Eng. Nicolas Gumbo** is the Chairman of Public Accounts Committee of the Kenya National Assembly and was appointed on 28 April 2015 to the Kenya National Audit Commission in accordance with Section 49 (b) of the Public Audit Act, 2003.



**Hon. Adan Keynan** is the Chairman of the Public Investments Committee of the Kenya National Assembly and was appointed on 21 May 2013 to the Kenya National Audit Commission in accordance with Section 49 (f) of the Public Audit Act, 2003.



**Hon. Ababu Namwamba** was the Chairman of the Public Accounts Committee and was appointed on 21 May 2013 to the Kenya National Audit Commission in accordance with Section 49 (b) of the Public Audit Act 2003, until he was replaced by Hon. Nicolas Gumbo on 28 April 2015.



**Prof. Margaret Kobia** is the Chairperson of Public Service Commission and an Associate Professor of Management. She was

appointed on 21 January 2013 to the Kenya National Audit Commission in accordance with Section 49 (d) of the Public Audit Act, 2003.



**CPA Sella Ogalo Ouma** was appointed on 20<sup>th</sup> May 2013 to the Kenya National Audit Commission in accordance with Section 49 (c) of the Public Audit Act, 2003 as the representative of the Institute of Certified Public Accountants of Kenya (ICPAK), a professional body where she is registered as a practising member.



**Njee Muturi** is the Solicitor-General at the Office of the Attorney General. Mr. Muturi was appointed on 7 August 2013 to the Kenya National Audit Commission as a nominee of the Attorney General in accordance with Section 49 (e) of the Public Audit Act 2003.

# CHAPTER 1: WHO WE ARE

## MANDATE

The Office of the Auditor-General (OAG) is an Independent Office established under Article 229 of the Constitution of Kenya.

The Auditor-General is mandated to audit and report in respect to each financial year on the accounts of:

The National and County governments;
The National Assembly;
The Senate and the County assemblies;
All Courts;
Every Commission and Independent Office established by the Constitution;
Political parties funded from public funds;
The public debt and;
Any entity that is funded from public funds.

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 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.



**Vision** - effective accountability in the management of public resources and service delivery



**Mission** - Audit and report to stakeholders on the fairness, effectiveness and

lawfulness in the management of public resources for the benefit of the Kenyan people



### Values

Independence

Integrity

Professionalism

Innovation

Team Spirit

**Motto** - Enhancing Accountability

## OUR STRATEGIC OBJECTIVES

The Office of the Auditor-General has identified five strategic goals to guide its leadership and operations as it seeks to effectively discharge its mandate. These five goals include the following;

	OUR STRATEGIC GOALS
Goal 1	Enhance quality and timeliness of audit reports
Goal 2	Promote and support good governance and accountability in the public sector
Goal 3	Promote delivery of quality services to the public and effective and sustainable Management of resources
Goal 4	Transform the organisation for efficient and effective delivery of audit services
Goal 5	To enhance Information and Communication Technology capacity and systems for efficient operations.

## OUR AUDIT STRATEGY

OAG uses three strategic pillars to achieve its mandate in promoting accountability in the public sector; assuring the public on effective and lawful usage of public resources.

### a) Certification of Accounts to assure fiscal responsibility

Certification audit responds to the core mandate of certifying accounts at national and county levels and expressing an opinion as to whether they are prepared in accordance with the applicable financial reporting framework and/or statutory requirements.

The end product of this exercise is an annual audit report on each entity that is presented to Parliament and the relevant County Assembly.

### b) Continuous audit presence to assure on managerial accountability

Continuous audit ensures that the Office of the Auditor-General is proactive, preventive and deterrent to fraud, corruption, wastage and abuse of public resources. This

requires the auditor to constantly be on the ground to continuously assess the risks brought about by the evolving environment so as to perform “real time” transactions, testing and data analysis that enables timely recommendations and respond instantly to issues of national, county governments and any public concerns that require immediate audit or investigation.

This will also help optimise use of audit resources, while increasing audit activity and improving financial systems; and business processes for effective risk management, control and governance.

### c) Performance audit to assure on service delivery to Kenyans

This is audit work responding directly to the bill of rights and social rights of Kenyans that will be met through development and implementation of programmes such as health, clean and safe water, education, housing and social security.

We respond to the economy, efficiency and effectiveness with which the resources are utilised to deliver services to the public.

This Office assesses whether the programmes implemented lead to results, outputs and outcomes that positively transform the lives of citizens.

The products of this audit are performance audit reports which are issued at the end of the audit exercise.



## OUR STRUCTURE

### The Auditor-General

The Auditor-General is the Chief



Executive of the Office of the Auditor-General.

In the management structure of the organisation, the Auditor-General has six Deputy Auditors- General who are in charge of specific dockets in the organisation and categorised as DAG 1, DAG 2, DAG 3, DAG 4, DAG 5 and DAG 6.

The numbering does not indicate superiority of one over the other.

The Auditor-General and the six Deputy Auditors-General form the Executive Committee that undertakes key decisions on behalf of the organisation.

## DEPARTMENTS

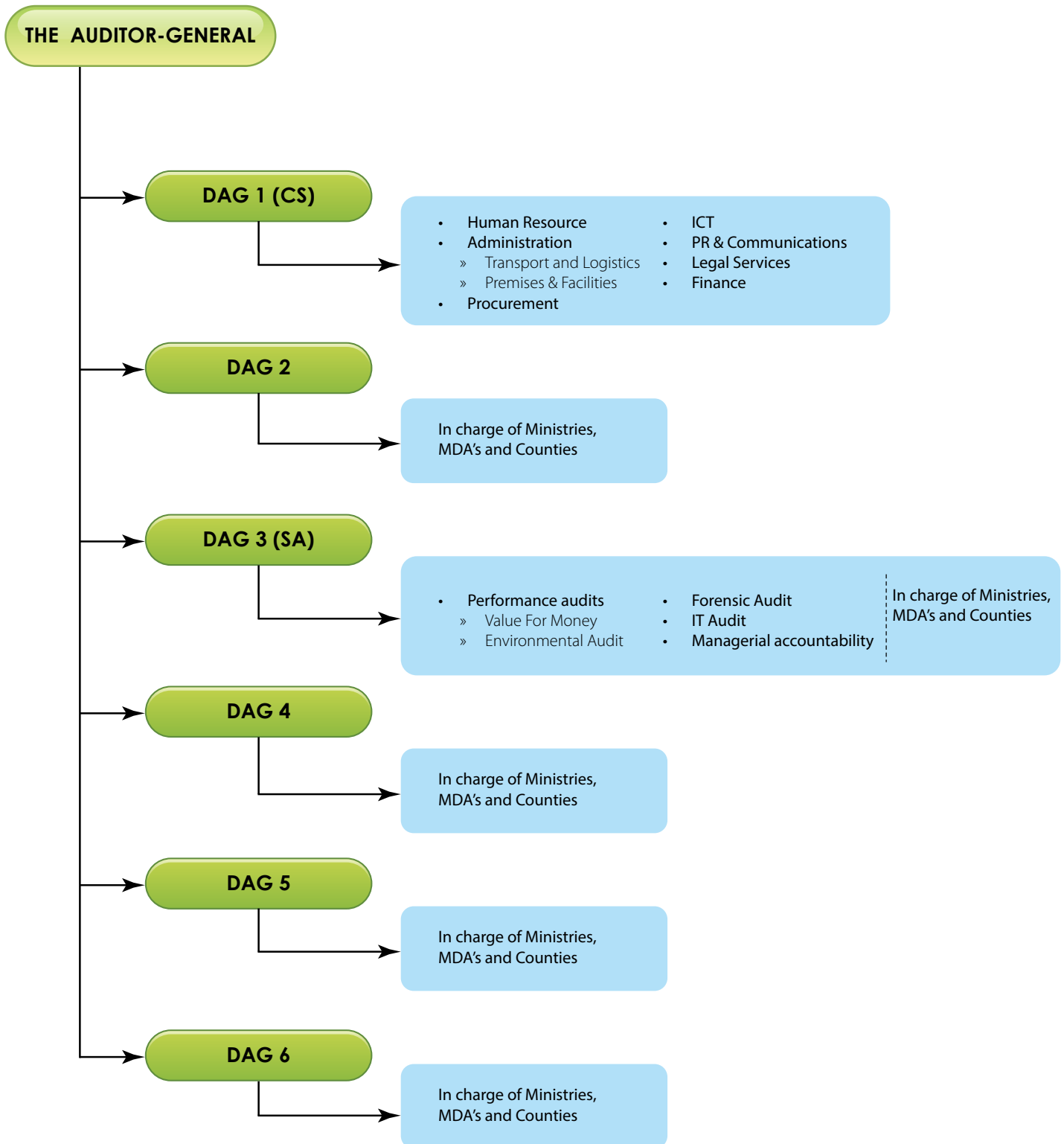
### Executive Office of the Auditor-General

In the Executive Office of the Auditor-General there are three Divisions:

- Quality Assurance and Standards
- Parliamentary and County Assemblies Liaison
- Internal Audit

The other departments headed by the Deputy Auditors-General are illustrated on the next page:

## ORGANOGRAM

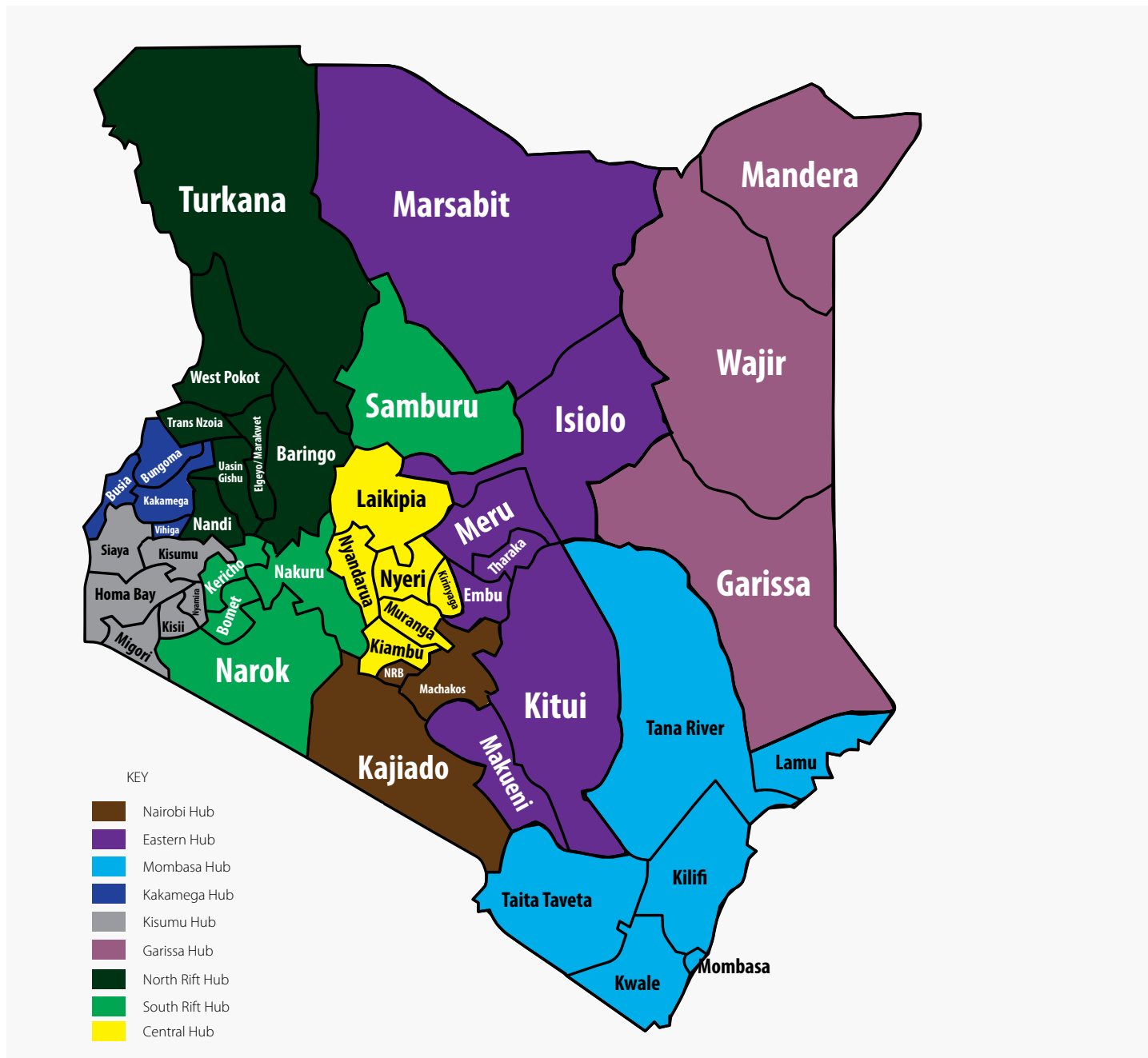


### Abbreviations used above:

DAG - Deputy Auditor General  
 CS - Corporate Services  
 SA - Specialised Audit  
 MDA - Ministries, Departments, Agencies

## Our presence in the counties

We have nine Regional Offices which operate as Hubs in our audit operations at the Counties. These are as follow:



## TYPES OF AUDIT

The Office has gone beyond the numbers to carry out work that is value adding in line with changing stakeholder requirements. To respond to this, we carry out the following types of audit:



### Certification Audits

Certification Audits are carried out to provide assurance on fiscal accountability.

This audit also confirms compliance to laws and standards governing the accounting profession.





### Continuous Audits

This refers to auditing on a consistent and continuous basis to provide assurance on managerial accountability. It involves the evaluation of management controls and the operationalisation of board policies.



### Performance Audits

They are conducted to examine the economy, efficiency, effectiveness and equity with which National and County entities provide services to the citizens. Performance audit involves an in-depth analysis of specific issues relating to the audited entity's processes or functions. It includes assessment of how resources are utilised in relation to: economy, efficiency, effectiveness and equity.



### Environmental Audits

Refer to audit dedicated to programmes, activities, systems and laws which have an impact on the environment. It involves an assessment of compliance with environmental laws, regulations, conventions and issues to do with sustainability (managing the environment well for the present and future generations).

The aim is to determine whether the audited entities take environmental issues into consideration when performing their duties.



### IT Audits

These are audits carried out to give assurance on the integrity of the IT systems and the information produced therein. IT audit involves the process of collecting and evaluating evidence to determine

whether a computer system safeguards assets, maintains data integrity, allows organisational goals to be achieved effectively and uses resources efficiently.



### Forensic Audits

Forensic Audits are conducted with the objective of detecting fraud, corruption or other financial improprieties. Such audits entail a detailed scientific examination of records with a view of establishing facts of the matter, with the court process in mind. The evidence gathered must be sufficient to pass the rigorous court process. They assist the courts to arrive at a fair judgment. It is important to note that not all forensic findings end up in court.

*We have gone beyond the numbers to carry out work that is value adding in line with changing stakeholder requirements*

## OUR STAKEHOLDERS

### Stakeholder

#### Legislature

- Parliament
- County Assemblies

#### Media

### Stakeholders' expectations of OAG

- Timely, reliable and objective audit reports
- PIC and PAC briefs
- Special audits carried out on request
- Capacity building

- Information sharing.
- Timely and user-friendly audit reports.
- Publish and publicise reports
- Ethical and professional conduct.
- Visibility and Social responsibility

### OAG expectations from Stakeholders.

- Deliberate on audit reports presented
- Participate in consultative forums
- Make timely recommendations for action on reports
- Provide adequate funding for OAG audit processes

- Accurate and fair reporting
- Sharing of information on issues that are of public interest and concern.
- Carry out advocacy

Stakeholder	Stakeholders' expectations of OAG	OAG expectations from Stakeholders.
<b>The General Public/ Kenyans (including Civil society and special interest groups)</b>	<ul style="list-style-type: none"> <li>Assurance that public resources are accounted for and utilised for their benefit.</li> <li>Timely and user-friendly audit reports.</li> <li>Publish and publicise reports</li> <li>Ethical and professional conduct.</li> <li>Visibility and Socially responsible citizens.</li> </ul>	<ul style="list-style-type: none"> <li>Sharing of information on issues that are of public interest and concern.</li> <li>Carry out advocacy</li> </ul>
<b>Presidency</b>	<ul style="list-style-type: none"> <li>Annual Performance report</li> <li>Special reports</li> </ul>	<ul style="list-style-type: none"> <li>Support in executing our Constitutional mandate.</li> </ul>
<b>Clients</b> <ul style="list-style-type: none"> <li>National and County Governments</li> <li>Funds and Authorities in National and County Governments</li> <li>Commissions and Independent Offices</li> <li>National Assembly, the Senate and County Assemblies</li> <li>Political parties funded from Public Funds</li> </ul>	<ul style="list-style-type: none"> <li>Continuous feedback on performance and SMART recommendations on improvements.</li> <li>Timely audit of the government financial statements and objective reporting</li> <li>Professional conduct and confidentiality</li> <li>Participation in consultative forums.</li> </ul>	<ul style="list-style-type: none"> <li>Effective follow-up on recommendations of Parliamentary and County Assembly Oversight Committees.</li> <li>Accurate and timely information.</li> <li>Implementation of an accounting framework by the Treasury</li> <li>Timely response to issues raised during the Audit.</li> <li>Sharing of information with other oversight bodies</li> </ul>
<b>Attorney General's Office and Department of Justice</b>	<ul style="list-style-type: none"> <li>Compliance with existing laws and regulations.</li> <li>Reporting on non-compliance</li> <li>Recommendations which can improve governance</li> </ul>	<ul style="list-style-type: none"> <li>Provide advice and support on legal matters.</li> </ul>
<b>Academic/Professional Institutions</b>	<ul style="list-style-type: none"> <li>Ethical and professional conduct</li> <li>Active membership of professional bodies.</li> </ul>	<ul style="list-style-type: none"> <li>Participation in knowledge sharing</li> <li>Training</li> </ul>
<b>International Stakeholders</b> <ul style="list-style-type: none"> <li>Donor Agencies/Development Partners</li> <li>INTOSAI, AFROSAI, AFROSAI-E</li> <li>UN bodies</li> <li>Other SAIs</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with standards for uniform reporting</li> <li>Participation in peer reviews</li> <li>Participation in workshops and other events</li> <li>Meeting membership obligations through regular payments</li> <li>Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>Participation in International Forums/Workshops</li> <li>Carry out collaborative Audits with other SAIs.</li> <li>Provision of training for staff.</li> <li>Participation in Twinning/Collaborative and Exchange Programmes with other bodies.</li> </ul>
<b>Audit firms</b>	Information sharing and cooperation	High professional standards
<b>Watch dog and investigative agencies</b>	Collaboration and sharing information	Collaboration and sharing information

# CHAPTER 2: AUDIT ACTIVITIES

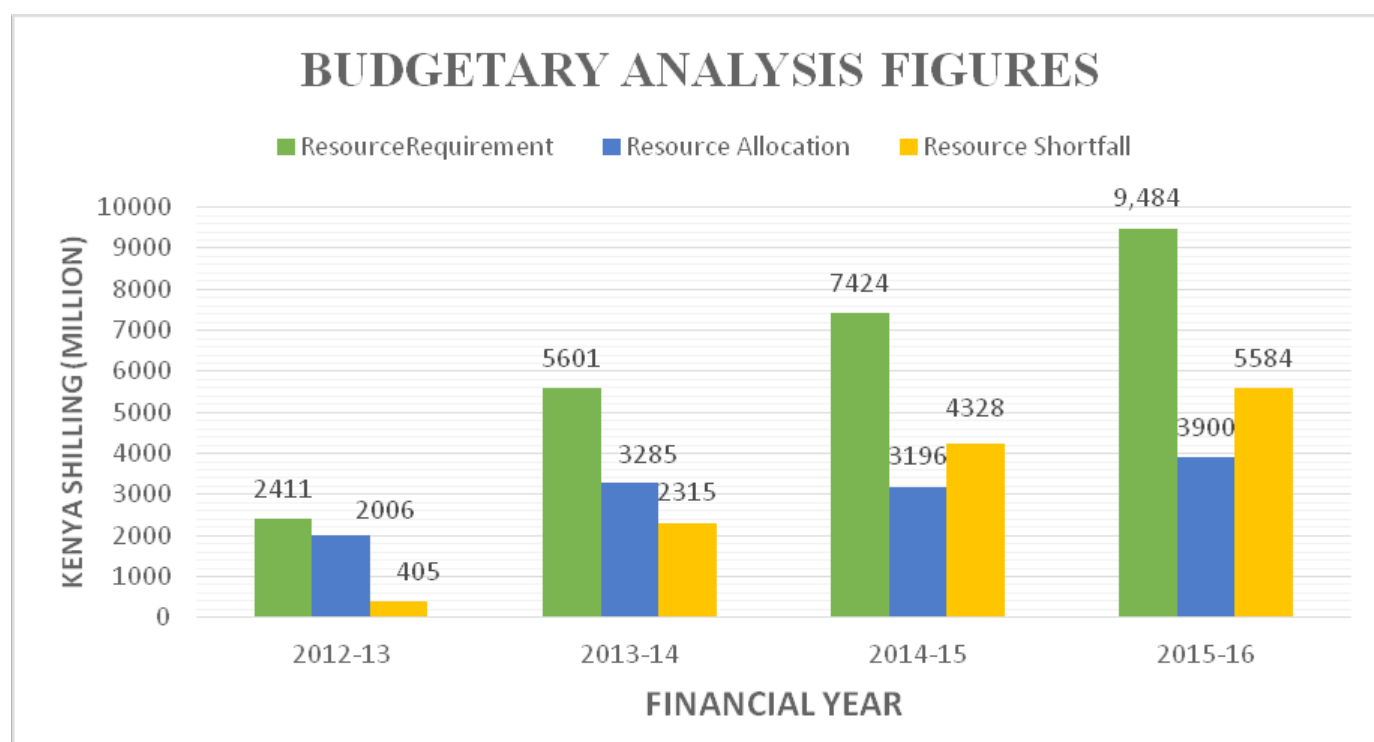
The products of the Auditor-General's work are audit reports which are submitted to Parliament or the relevant County Assemblies within three months after the

end of the financial year. In the execution of its mandate, the Office has however, experienced financial challenges, thus affecting timely compilation of audit reports.

The table below summarises the Office's budgetary requirement against the allocated resources:

OFFICE OF THE AUDITOR GENERAL												
Resource Requirement vs Allocation												
	2012-13			2013-14			2014-15			2015-16		
	Require ment Kshs.m	Allocation Kshs.m	Shortfall Kshs.m	Require ment Kshs.m	Allocation Kshs.m	Shortfall Kshs.m	Require ment Kshs.m	Allocation Kshs.m	Shortfall Kshs.m	Require ment Kshs.m	Allocation Kshs.m	Shortfall Kshs.m
Total Recurrent	2,411	2,007	404	4,201	2,761	1,440	5,424	2,891	2,533	5,984	3,745	2,239
Total Development	0	0	0	1,400	525	875	2,000	405	1,595	3,500	155	3,345
<b>Total Vote</b>	<b>2,411</b>	<b>2,007</b>	<b>404</b>	<b>5,601</b>	<b>3,286</b>	<b>2,315</b>	<b>7,424</b>	<b>3,296</b>	<b>4,128</b>	<b>9,484</b>	<b>3,900</b>	<b>5,584</b>

## BUDGETARY TREND ANALYSIS



The financial challenges, notwithstanding the Office continues to effectively use the available resources to fulfill its mandate. The Office has, consequently, developed an AOP to drive the audit function.

### ANNUAL OPERATIONAL PLAN

This is a planning tool for audit purposes. It profiles the clients, identifies the resources required for timely and successful execution of an audit, using a risk-based audit approach.

The audit plan uses a “drill- down” approach which focuses on “tracing the shilling” to the ground by ensuring that final project where the funds will be spent are audited.

The AOP reflects the OAG’s adherence to International Standards of Supreme Audit Institutions (ISSAIs) and International Organisation of Supreme Audit Institutions Governance (INTOSAI GOV) framework regarding audit planning, quality control, auditor’s response to risk assessment and entity risk management.

### AUDIT ACTIVITIES FROM 2011-2016

Article 229(4) of the Constitution of Kenya outlines the various accounts which the Auditor-General is expected to audit and report on. Furthermore, Article 229(6) stipulates that the Auditor-General should confirm whether public

money has been applied lawfully and in effective manner. This means that apart from certification audits, the Auditor-General should also focus on performance audits.

### CERTIFICATION AUDITS

The main constitutional mandate of the Auditor General is to certify accounts of public entities. These funds include public debt, recurrent expenditure, development expenditure and consolidated funds.

Over the last four financial years, after the dispensation of the new Constitution, we were able to execute audits and report on the entities as summarised in the tables:

Certification audits for 2011/2012 FY

Entity	Financial Year	No. of Statements
CDF	2011/2012	210
Central government	2011/2012	252
Defunct Local authorities	2011/2012	175
State corporations	2011/2012	340
Donor funded projects	2011/2012	137

Certification audits for 2012/2013 FY

Entity	Financial year	No. of statements
CDF	2012/2013	210
Central government	2012/2013	343
Defunct Local authorities	2012/2013	175
State corporations	2012/2013	340
Donor funded projects	2012/2013	160
County governments (special audit)	1 Jan-30 June 2013	47

## Certification audits for 2013/2014 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2013/2014	290
Central Government	2013/2014	99
County Government	2013/2014	48
County Government Special Reports	2013/2014	94
State Corporations	2013/2014	244
Donor Funded Projects	2013/2014	158

## Certification audits for 2014/2015 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2014/2015	290
Central Government	2014/2015	108
County Government	2014/2015	47
County Government Special Reports	2014/2015	52
State Corporations	2014/2015	319
Donor Funded Projects	2014/2015	160

The Financial Statements reduced drastically in 2013/14 and 2014/15 compared to the previous years because of the following:

- 1) The Government adopted the use IPSAS as the reporting framework. This framework caused the consolidation of statements into Financial Statements. Note that before the adoption of this format, a financial statement could be split into several statements which were published separately. This practice came to a stop after the adoption of IPSAS.
- 2) Following enactment of the new Constitution, some ministries were merged necessitating a reduction in the number of entities.

As observed from the summary above, the number of statements from the forty seven County Governments and County Corporations are not included. Reporting on the County entities started in 2014/2015 annual audit reports. Other funds that the National Government is administering will also be captured.

*A good number of special audits have been carried out over the last four years. These have been due to requests from Parliament, parent ministries or at the initiative of the Office of the Auditor-General*

## Specialised Audits

These are audit activities that respond to lawful and effective use of public resources, and the detection of fraud.

They include performance audits that address value for money concerns, environmental audits, IT audits, special audit and forensic audit.

A good number of special audits have been carried out over the last four years. These have been due to requests from Parliament, parent ministries or at the initiative of the Office of the Auditor-General. These reports have been issued to PAC, PIC, Ministries, Departments and State Agencies.



Number of Special Audits carried out between 2011 and 2016

Type of audit	Number of projects
Performance audit	8 projects
Environmental	2 projects
Special audits	9 projects

#### Performance Audit Award

The Office received the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) Performance Audit Reporting Award for 2013 for an audit it conducted on the provision of health care services to cancer, heart and kidney patients, at Kenyatta National Hospital.

The Office was selected from a total of 23 Offices of the Auditors-General among English-speaking African countries. It was Kenya's first entry into the competition

since its launch in 2008.

#### Quality assurance

The Quality Assurance Division offers technical support to the audit function. This support is in terms of training staff on new audit methodologies, developing auditing manuals and ensuring that audit reports are of the required quality and meet the appropriate audit standards such as the ISSAIs.

#### Parliamentary and County Assemblies Liaison

In order to ensure accountability within the public sector, our audit reports are presented to the peoples' representatives, that is, Parliament and County Assemblies. It is important that members of these legislative bodies are provided with the necessary support through capacity building

and liaison, to effectively discharge their mandate. This division exists to undertake this function.

*The Office received the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) Performance Audit Reporting Award for 2013 for an audit it conducted on the provision of health care services to cancer, heart and kidney patients, at Kenyatta National Hospital.*



**Auditors inspecting a road construction project in Nairobi**

# CHAPTER 3: CORPORATE SERVICES

The Corporate Services Department provide non-audit professional support towards the achievement of OAG's core mandate. These services are domiciled in various divisions and subdivisions such as Human Resources, Administration (Transport & Logistics, Premises & Facilities), Procurement, Information Communication Technology (ICT), Legal Affairs and Public Relations & Communications.

## HUMAN RESOURCES DIVISION

This Division covers Learning and Development and, Human Resources and Governance.

### Learning and Development

This subdivision manages training and staff development programmes that ensure employees are equipped with the necessary competencies and skills in their various capacities and deployments.

During this period 798 employees underwent various professional development programmes. Such programmes included Management Development, IT Audit, Cooperative Audits, Procurement, Engagement with Parliament, amongst others.

### HR Governance and Administration

The Human Resource division partners with other departments in initiating thought processes leading to the formulation of organisational systems and processes to enable the Office

meet its strategic objectives, by maximising the human capital productivity.

### A. Staff Establishment

People represent the most flexible resource available to an organisation. Currently the Office has a total of 1,264 employees, as at June 2016, who are deployed equitably in all the sectors.

Deploying people in the right numbers, with the right skills and attitude in the right place is fundamental to organisational success. In this regard, the Office has undertaken a bold step to collapse the silos in the organisation and replaced them with an organisation structure that will expose all staff in equal measure to all auditable entities prescribed in the Constitution. Further, the Office has undertaken a staff rationalisation exercise to ensure equity in staff distribution and to facilitate the pursuit of the organisation's objectives.

*The Office has undertaken a bold step to collapse the silos in the organisation and replaced them with an organisation structure that will expose all staff in equal measure to all auditable entities prescribed in the Constitution*

Status of staff at OAG: 2012-2016

Staff	Total
Number of staff recruited	482
Number of staff that have resigned	35
Number of staff that have retired	30
Number of staff that have passed away	23

### B. Performance Management

The Office has institutionalised the practice of performance management as a key management process with a clear objective of improving organisational and staff performance.

Individual performance is continuously managed and facilitated on daily, monthly and yearly basis. Facilitation from the immediate supervisor includes provision of basic required resources, coaching, consoling and mentoring.

In order to ensure its success, the Office has introduced a task evaluation process where all staff are formally evaluated at the completion of any assignment after which there is a formal feedback communication regarding individual employee's level of performance.

## C. Talent Management

During this period and in view of the expanded mandate the Office has put in place strategic interventions to manage the talent in the organisation. This process has involved the following steps:

- Identifying competencies required to meet the expanded mandate.
- Audit of the current competencies available in the Office.
- Close the gap through developing required skills, recruit people with the right skills and proper placement of existing employees.

## D. Staff Welfare and Benefits

### Staff Medical Scheme

The Office realises the need to keep a healthy and fit workforce and of sound mental state who are capable of tackling their duties effectively. In this regard, the Office has put in place a comprehensive medical scheme covering both out and in-patient services for staff and their legal dependents subject to the prevailing annual entitlements per family.

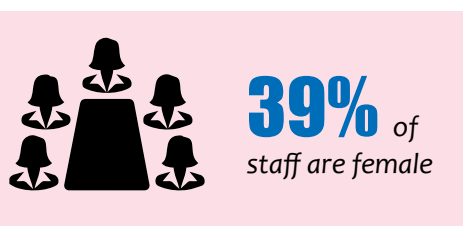
### Salaries and Allowances

To enhance employee engagement, the Office has introduced non-practising allowance for accountants who are registered with ICPAK and are in possession of valid practicing licenses. In addition to this the office has enhanced hardship allowance and extra duty allowance for staff and increased

salaries by 30% to cushion staff against inflation.

### Job Evaluation

The Office procured the services of a consultant to undertake a comprehensive Job Evaluation exercise so as to streamline the job grading and pay structure. This was done towards the end of 2015, and acted as an input to the job evaluation by the Salaries and Remunerations Commission. The approval for a new grading system and pay structure was subsequently approved by the SRC.



## FINANCE DIVISION

The Finance division has worked to ensure that the scarce financial resources are efficiently utilised by ensuring strict adherence to internal controls, processes and procedures as well as the Public Finance Management Act (PFM Act), Public Procurement Act and other relevant regulations are duly followed.

The new constitutional dispensation

with two levels of government and the expanded mandate of the Office of the Auditor-General has meant that the Auditor-General has to audit the National Government and 47 County Governments. The financial resources required to enable us undertake effective audits and meet the constitutional deadline are huge. The greatest budgetary requirements are in area of Personnel emoluments, domestic travel, ICT and capacity building.

The Office also desires to establish Offices at the Counties in-order to execute efficient audits and enhance independence. A huge development budget is required to execute these capital projects. The office, however, has received about 50% of its requirement over the years thus hindering its ability for timely execution of its mandate.

## PROCUREMENT DIVISION

To enhance OAG's human resource capacity to fulfill its mandate as well as resource mobilisation through recruitment of staff with appropriate skills; procurement professionals were recruited to run the Procurement section.

In promoting good governance and accountability within the internal systems, OAG has complied with the laws, rules and regulations governing public procurement in Kenya through appointment of members to various committees involved in the procurement process.

Under resource mobilisation, the Procurement section has enhanced



efficiency and accountability by undertaking periodic market surveys to ensure that there's up-to-date market intelligence to guide the Tender and Procurement Committees in making their decisions. This is to ensure that there is value for money and that goods are acquired at comparable market rates.

## ADMINISTRATION DIVISION

### Transport and Logistics

The Transport Section strives to provide efficient and timely delivery of service to members of staff within Nairobi County and the Hubs while ensuring that they comply with the government regulations.

The drivers undergo refresher course training, on an annual basis, to keep in line with the ever changing dynamics of the transport industry.

The Transport Section is charged with the key responsibility of value creation as a contribution to the attainment of our mandate through continuous improvement activities leveraged on best industry practices.



**76** operational vehicles



**56** highly-experienced drivers

### Premises and facilities



*An artist's impression of Garissa Hub Office. The building is now ready for occupation*

The Premises and Facilities Section aims to provide sustainable office accommodation and facilities for purposes of supporting the activities of the OAG.

Notably OAG has built an office block in Garissa and acquired a piece of land in Nairobi, to construct its Head Office. Closely related to this is the acquisition of rent-free accommodation for a number of Hub offices, resulting in a reduction of our rental budget.

Regularisation of the leased accommodation is ongoing and so far there has been a marked improvement in matters of leases administration including review of actual space needs, negotiation of terms and conditions, timely flagging of lease renewals and terminations as well as management of rent accounts.

Internal space audit and reorganisation exercise has so far resulted in ease of the location of officers through the documentation and use of OAG directory and eased pressure on demand for offices by new and transferred officers.

## INTERNAL AUDIT DIVISION

The Internal Audit division of OAG is an independent function, working for and with management and the Auditor-General, to provide an objective appraisal of all financial and operational systems and processes.

To preserve its independence, the Office restructured the staffing, working and the reporting relationship of the Internal Audit function in line with the provisions of the Public Finance Management Act 2012 and international best practices. The Director of Internal Audit reports functionally to the Auditor-General and administratively, to the Deputy Auditor-General in-charge of corporate services.

In furtherance of the mandate of the Office, the Internal Audit division has been providing a reasonable and independent assurance to the Auditor-General and management by bringing in a systematic and disciplined approach. The division assisted management to achieve its objectives by evaluating and improving the effectiveness of risk management, control and governance process.

During the years, in carrying out the mandate of the Internal Audit division, the following main areas of operations were reviewed;

1. Support to the work of external auditors- To enhance the principles of corporate governance, the Internal Audit division reviewed the

coordination and support offered to the external auditors while performing their statutory duties. The external audit reviews were carried out during the years by the external auditors appointed by the National Assembly as per the requirements of current laws. These reviews were organised in a way that ensures a balanced coverage of the Office activities by avoiding duplication of the work between the internal and external auditors. The Internal Audit is satisfied that the support was adequate leading to unqualified audit opinion received from the external auditors during the years.

2. Departmental activities- All the departmental operations and activities were subjected to continuous audit reviews by the internal team to ascertain the degree of compliance with the laws, regulations, policies, procedures and guidelines governing the operations of the public service. Where gaps were noted, corrective actions

were promptly taken by the management.

3. Internal Control Systems- The internal control system was also reviewed to determine their existence. The current system of internal control in place has defined operational procedures and financial controls to ensure that assets are safeguarded, transactions are appropriately authorised and recorded properly and that material errors and irregularities are either prevented or detected within a reasonable period of time. The Internal Audit Division reviewed the operations of the OAG's system of internal control and is satisfied that the system is effective.
4. Risk Management- The Office has put in place procedures for identifying risks and implementing risk-mitigating activities to ensure the risk of failure to achieve strategic objectives is reduced, if not eliminated.

As a key risk management

initiative, the Office has put in place a comprehensive system of setting and implementing objectives, measuring performance against objectives and implementing corrective activities to ensure that objectives are achieved as spelled out in the OAG strategic plan.

In reviewing the effectiveness of the systems of risk management, the internal auditors took into account the results of the work carried out by the external auditors and issues emerging out of the internal audit activities. The Internal Audit Division considers the procedures adequate to support the achievements of the strategic objectives.

5. Corruption Prevention Strategies- The internal auditors reviewed the corruption prevention strategies initiated by the Office to mitigate against any instances of corruption. Management acknowledges the possibility of occurrence of corruption and corrupt practices within the organisation. It is against this backdrop that the Auditor-General approved the implementation of corruption prevention strategies by the management to prevent or detect and punish instances of corrupt practices.



OAG staff engage members of the public during a public forum

## ICT DIVISION

The Office of the Auditor-General (OAG) launched major ICT projects during this period, with an aim of enhancing efficiency in OAG operations and services by leveraging operations on ICT. The highlights of ICT projects completed during this period are listed in the following table:

Project	Purpose
1. SharePoint Intranet implementation	Built to enhance good communication and collaboration infrastructure within the Office of the Auditor-General
2. Implementation of Microsoft SQL server 2013	Supports the SharePoint Implementation
3. Lync Server for unified communications	To make internal and external communications more effective and efficient.
4. Upgrade of our Mail Server	To enhance our corporate mail systems
5. Implementation of Microsoft Project Server	Project Server is built on Microsoft SharePoint Server, bringing together powerful business collaboration platform services
6. Active Directory (AD) implementation	To enhance our security by implementing Access Control features in the Office of the Auditor-General
6. SLA and maintenance Agreement for ICT Equipment Maintenance	Provide an outsourced service for the office and relieve some pressure from ICT division.
7. Data Centre Systems Upgrade	Increase our storage capacity and to modernize some of our Equipment
8. Supply of Cyberoam Firewall	To enhance our security of our systems
9. Supply of Seventeen 2KVA UPS	Ensure reliable power supply to our systems
10. Supply of Laptops (250)	To try and achieve our laptop to Auditor ratio of 1:1 from the current 1: 1.25
11. Supply of Help Desk Software	To provide a issues recording and resolutions platform for problems or provide guidance troubleshoot issues that may arise

12. Internet Bandwidth Upgrade 2Mbps to 10 Mbps	Increase our communication capacity due to increased connected devices.
13. Supply, installation and commissioning of Oracle Audit Vault and Oracle Business Intelligence Enterprise system	Provide consolidation of audit data from databases, operating systems, and directories and to provide analytical tools to analyse these data.

All these projects enabled ICT upgrade its capacities in both our computer power and storage in our Data Centre; and also improved our communication capabilities with the upgrade of our internet bandwidth.

On ICT infrastructure, we are making sure that we are running 24/7 while at the same time managing increasing complexities. It should also be noted that ICT needs are quickly surpassing the capacity of IT to support them and the infrastructure complexity has been rising over the past year.

## LEGAL AFFAIRS DIVISION

### Public Audit Act 2015, enacted

The Office undertook the review of the Public Audit Act, 2003 to ensure that the Office is aligned to the Constitution promulgated in 2010.

The Legal Affairs section participated in the drafting of the Public Audit Bill 2014 and championed amendments to the Bill with a view to enhance the independence of the Office.

The Act outlines how the Office will operate and gives meaning to the constitutional provisions that give reference to the Auditor-General

and Independent Offices.

### Conducted Socio-Economic Audit of the Constitution of Kenya



The Legal Affairs division also played a key role in coordinating the Socio-Economic Audit of the Constitution of Kenya. The exercise entailed examining the suitability and cost-effectiveness of the Supreme law that was promulgated on August 27, 2010.

A Working Group headed by the Auditor-General, Edward Ouko, was established under the Office of the Auditor-General, to work and report to Parliament on the findings of the process.

The Working Group was made up

of professionals with a wide range of expertise in Public Finance, Auditing, Economics, Youth and Gender Affairs, Law, Institutional development, Public Administration, Management, Governance and Public sector management.

The formation of the team was approved by the National Assembly in February 2014. The Working Group has submitted the final report to National Assembly's Budget and Appropriations Committee.

## PUBLIC RELATIONS & COMMUNICATIONS DIVISION

This is a newly-created Division in the Office of the Auditor-General. It has been in existence since July 2013. Though new, the division has made an impact in terms of engagement with external stakeholders and staff members.

To define how Communications will effectively fit into the strategic plan of the Office, the PR and Communications team developed a Communications Strategy and Policy that will regulate



communications with internal stakeholders as well as external stakeholders.

Additionally, to ensure effective, beneficial communication and sustainable strategic communication the division developed a communication strategy running from 2015 to 2018.

W i t h i n

the short period that the Office has been in existence, the Communications team, in conjunction with other OAG staff

members, has been able to publish four editions of both the internal and external Newsletters titled '**OAG Perspectives**' and '**Supreme Auditor**' respectively, as a way of improving engagement and enhancing the visibility of OAG.

The Office has also revamped the social media platforms to enhance the visibility of OAG and its products.



# CHAPTER 4: INTERNATIONAL VISIBILITY

We are an active contributor, through various committee leaderships and workshops to Supreme Audit Institutions, as an affiliate of International Organisation of Supreme Audit Institutions (INTOSAI)<sup>1</sup> and African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E)<sup>2</sup>.

## AG'S LEADERSHIP AT AFROSAI

The Auditor-General has been appreciated in his role as the President of AFROSAI's Technical Committee of Knowledge Sharing and Management, and as Vice-

President of Office of AFROSAI General Assembly.

## AUDITING SAI LIBERIA

The competence of our staff has been a gem at the global arena, attracting interests from our peers. This resulted to our audit staff being identified by the Parliament of Liberia to conduct an audit of General Auditing Commission of Liberia.

## SUBJECT MATTER EXPERTS

We continued to contribute subject matter experts to help in capacity building of other SAIs. The notable

areas that we have provided technical support to other SAIs include Auditing, Leadership, Communications and Stakeholder Engagement and Human Resource.

In our contributions to INTOSAI, AFROSAI and in our daily operations we also work closely with various development partners with interest in Public Finance Management and use of public resources. These include The World Bank, GIZ, Swedish International Development Agency, and Danish International Development Agency among others.



Auditors-General during 14th AFROSAI-E Governing Board Meeting in Nairobi

1) This is the International Organisation of Supreme Audit Institutions, which is a body comprising all Auditors-General in the World. Membership to this body ensures that OAG Kenya gains from this institution in terms of capacity building, and the sharing of best practices among the peers.

2) This is the African Organisation of Supreme Audit Institutions for English-speaking countries comprising twenty three members. OAG Kenya participates in workshops and conferences organised by this organisation. These include training on audit standards, management development programmes, human resource matters, management and communications.

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# CHAPTER 5

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

The audited financial statements of the Office of the Auditor-General, already submitted to parliament are as shown on the next pages.

# OAG FINANCIAL REPORTS







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Parliamentary Service Commission (PSC)  
P. O. Box 41842 - 00100  
Nairobi – Kenya

Report on the statements of assets and liabilities and the Appropriations In Aid Accounts

We have audited the accompanying Statement of Assets and liabilities and the Appropriation in Aid accounts of the OAG in accordance with the terms of reference and the requirements of Article 226 (4) of the Constitution of Kenya 2010 for the period from 1 July 2011 to 30 June 2012. The Statement of Assets and Liabilities and the Appropriation in Aid are prepared by the OAG on cash basis and does not provide any further details on receipts and expenditure activities either earned but not yet received or incurred but not yet paid. Expenses are recognized when paid rather than when incurred.

### Respective responsibility of the OAG and the auditors

The statement of assets and Liabilities and the Appropriations In Aid are the responsibility of the OAG. The Office of The OAG is responsible for the preparation and fair presentation of these Statement of Assets and Liabilities and The Appropriations Account in accordance with International Financial Reporting Standards and the requirements of the Constitution of Kenya 2010. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Statements of Assets and Liabilities that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an independent opinion on the Statement of Assets and Liabilities and the Appropriation In Aid based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA's). These standards require that we plan and perform the audit to obtain reasonable assurance that the Statements of Assets and Liabilities and the Appropriation In Aid are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements of Assets and Liabilities and the Appropriation In Aid. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements of Assets and Liabilities and the Appropriation In Aid, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the OAG preparation and fair presentation of the Statements of Assets and Liabilities and the Appropriation In Aid in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the OAG as well as evaluating the overall presentation of the Statements of Assets and Liabilities.

We believe that our audit provides a reasonable basis for our opinion. We have highlighted our audit Findings and Recommendations in the management letter issued separately.

### Emphasis of matter

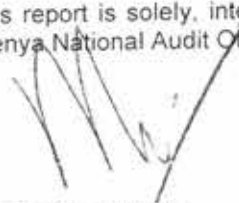

Our audit involved a review of transactions for the OAG for the period from 1 July 2011 to 30 June 2012 with the findings detailed in the management letter.

We noted a suspense account balance of Kshs. 21,456,538 as detailed in the management letter. The opening balance of the suspense was Kshs 38,579,759 and Kshs 17,123,222 of this has since been explained. The existence of a suspense account presents significant doubt on the correctness of the assets and liabilities for the years 2011 / 2012 and prior years. The opening balances and comparative figures were obtained from the statements of assets and liabilities which were not audited by us.

### Opinion

In our opinion, except for the possible effect of the matter described in the emphasis of matter paragraph, the Statements of Assets and Liabilities presents fairly, in all material respects, the funds received from the Government (Treasury) through the Exchequer issues, Appropriations In Aid and miscellaneous receipts and the expenses incurred by the OAG during the period under audit from 1 July 2011 to 30 June 2012 in accordance with Public Audit Act 2003, Public Financial Management Act (PFMA) and The Constitution of Kenya 2010.

This report is solely intended for the information and use by The Office of The Auditor General (Kenya National Audit Office) and Parliamentary Service Commission.

  
Baker Tilly Merali's  
Certified Public Accountants  




## BAKER TILLY MERALI'S

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### 3 Independent Auditor's Report

The Parliamentary Service Commission  
P. O. Box 41842 - 00100  
Nairobi, Kenya

#### Report on the statements of assets and liabilities and the Appropriations In Aid Accounts

We have audited the accompanying financial statements which comprised a Statement of Financial position, statement of comprehensive income, and notes to the financial statements of the OAG in accordance with the terms of reference and the requirements of Article 226 (4) of the Constitution of Kenya 2010 for the period from 1 July 2012 to 30 June 2013. The Statement of Financial position comprised transactions analysed using Ms Excel spread sheet whereas the statement of comprehensive income was derived from transactions captured into the OAG IFMIS accounting software on cash basis in which expenses are recognized when paid rather than when incurred. Income was accounted for when received rather than when earned.

#### Respective responsibility of the OAG and the auditors

The statement of financial position and the statement of comprehensive income are the responsibility of the OAG. The Office of The OAG is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the Constitution of Kenya 2010. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an independent opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA's). These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the OAG preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the OAG as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion. We have highlighted our audit Findings and Recommendations in the management letter issued separately.

Baker Tilly Merali's CPA

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\* Uganda Office: National Insurance Corporation (NIC) Building - 6th floor P.O. Box 1239, Plot 3, Pilkington Road, Kampala, Uganda. M: +256 752 555 202. E: [datwa@jubilee.co.ug](mailto:datwa@jubilee.co.ug)

Affiliate Offices

\* Mogadishu Office: E: [reception2@meraliscpa.com](mailto:reception2@meraliscpa.com), M: +252 615 572257



### Emphasis of matter

The opening balances of Recurrent Exchequer Kshs. 229,897,425, Suspense account Kshs. 21,456,538, and Bank balances Kshs. 197,099,229, General Account of Vote (GAV) Kshs. 333,622,035 and Remittance to Exchequer Kshs. 132,373,296 as at 1 July 2012 were omitted from the IFMIS cash book and general ledger as at 1 July 2012. The bank reconciliation statements for July 2012 had a difference of Kshs. 751,497 and a persistent difference of Kshs. 531,784 for the rest of the eleven months to 31 June 2013 as detailed in the management letter.

Receivables in the Statement of financial position include Kshs. 135,869,565 relating to amounts due from the old town councils which are over one year past due against which no provision for impairment has been made. The IPSAS financial statements prepared by the OAG had unsupportable general fund balance of Kshs. 414,294,049 and a capital reserve balance of Kshs. 156,290,917 as at 30 June 2013. The unsupportable fund and reserve balances and the omission of the opening balances in the IFMIS cash book and general ledger and the persistent differences in the bank reconciliation statements from July 2012 to June 2013 presents significant doubt on the correctness of the IFMIS cash book for the years 2012 / 2013.

### Opinion

In our opinion, except for the possible effect of the matter described in the emphasis of matter paragraph, the financial statements give a true and fair view of the state of the financial affairs of the OAG as at 30 June 2013 and of its deficit and cash flows for the period then ended in accordance with and comply with the requirements of the Kenyan Public Audit Act 2003, Public Financial Management Act and The Constitution of Kenya 2010. This report is solely intended for the information and use by The Office of The Auditor General (Kenya National Audit Office) and Parliamentary Service Commission.

Madhav Bhandari  
Partner  
Baker Tilly Merali's  
Practicing Certificate No. 1213

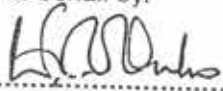
Date: 16/6/13


First Floor, New Rehema House  
Rhapta Road, Westlands  
P. O. Box 67486 – 00200  
Nairobi, Kenya

**ANNEX I – Statement of financial position**

	Annexes	2013
		Kshs
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	III	24,298,601
Receivables	IV	453,433,259
Inventories		2,727,841
<b>Total current assets</b>		<b>480,459,701</b>
<b>Non-current assets</b>		
Property, plant and equipment	V	229,072,551
Intangible assets	VI	4,613,357
<b>Total non-current assets</b>		<b>233,685,908</b>
<b>Total assets</b>		<b>714,145,609</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Payables	VI	150,406,184
Retention money		50,516
<b>Total current liabilities</b>		<b>150,456,700</b>
<b>Net assets / equity</b>		
General fund	VIII	414,294,049
Revenue reserve	VIII	(5,721,886)
Capital reserve	VIII	155,116,747
<b>Total net assets / equity</b>	VIII	<b>563,688,910</b>
<b>Total liabilities and equity</b>		<b>714,145,609</b>

The OAG financial statements were authorized for issue on 14 April 2015 and were signed on its behalf by:

  
 Auditor General of Kenya

  
 Deputy Auditor General (Corporate Services)



**ANNEX II – Statement of comprehensive income**

		2013	2012
	Annexes	Kshs	Kshs
Revenue			
Receipts from the Exchequer	IX	1,580,000,000	1,198,000,000
Audit fees	IX	195,109,406	242,460,811
Other operating income	IX	1,190,600	3,041,842
<b>Total operating revenue</b>		<b>1,776,300,006</b>	<b>1,443,502,653</b>
Expenses			
General and administrative expenses	IX	1,600,338,131	1,209,937,880
Establishment expenses	IX	279,089,775	157,720,683
<b>Total operating expenses</b>	IX	<b>1,879,427,906</b>	<b>1,367,658,563</b>
(Deficit) / surplus for the period		(103,127,900)	75,844,090
Transfer from Capital Grants received from the Government		26,987,500	-
<b>Net surplus / (deficit) for the period</b>		<b>(76,140,400)</b>	<b>75,844,090</b>

## OFFICE OF THE AUDITOR GENERAL

### Reports and Financial Statements For the year ended June 30, 2014

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#### IV. INDEPENDENT AUDITOR'S REPORT

Parliamentary Service Commission (PSC)  
P. O. Box 41842 - 00100  
Nairobi – Kenya

#### Report on the statements of assets and liabilities and the appropriations in aid accounts

We have audited the accompanying financial statements which comprised a statement of assets and liabilities, statement of receipts and payments, statement of cash flows and notes to the financial statements of the OAG in accordance with the terms of reference and the requirements of Article 226 (4) of the Constitution of Kenya 2010 for the period from 1 July 2013 to 30 June 2014. The statement of financial position and the statement of receipts and payments comprised transactions captured into the OAG IFMIS accounting software on cash basis in which expenses are recognized when paid rather than when incurred. Income was accounted for when received rather than when earned.

#### Respective responsibility of the OAG and the auditors

The statement of assets and liabilities and the statement of receipts and payments are the responsibility of the OAG. The OAG is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the Constitution of Kenya 2010. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an independent opinion on the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA's). These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the OAG preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the OAG as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion. We have highlighted our audit findings and recommendations in the management letter issued separately.

#### Emphasis of matter

Our audit involved a review of transactions for the OAG for the period from 1 July 2013 to 30 June 2014 with the findings detailed in the management letter.

Receivables in the statement of financial position include Kshs. 176,557,917 relating to amounts due from the defunct Local Authorities which are over one year past due against which no provision for impairment has been made. We circularised 40 number accounts receivables out of which 5 number State Corporations replied. The total ledger account balances in the OAG records for the 5 number State Corporations was Kshs. 43,439,804 while the total of the confirmation balances was Kshs. 30,737,650 i.e. a difference of Kshs. 12,702,154. The omissions / misstatement of the receivables account balances present doubt on the correctness of the OAG financial statements as at 30 June 2014.

## OFFICE OF THE AUDITOR GENERAL

### Reports and Financial Statements For the year ended June 30, 2014

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#### Opinion

In our opinion, except for the possible effect of the matters described in the emphasis of matter paragraph, the financial statements give a true and fair view of the state of the financial affairs of the OAG as at 30 June 2014 and of its surplus and cash flows for the period then ended in accordance with the International Public Sector Accounting Standards and comply with the requirements of the Kenyan Public Audit Act 2003, Public Financial Management Act and The Constitution of Kenya 2010. This report is solely intended for the information and use by The Office of The Auditor General (Kenya National Audit Office) and Parliamentary Service Commission.

**Madhav Bhandari**  
**Partner**  
**Baker Tilly Merali's**  
**Practicing Certificate No. 1213**

**First Floor, New Rehema House**  
**Rhapta Road, Westlands**  
**P. O. Box 67486 – 00200**  
**Nairobi, Kenya**

Date: ..... 12/21/2014 .....

OFFICE OF THE AUDITOR GENERAL


Reports and Financial Statements  
For the year ended June 30, 2014

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013 / 2014	2012 / 2013
		Kshs	Kshs
<b>RECEIPTS</b>			
Exchequer releases	1	2,791,214,550	1,580,000,000
Other Receipts	2	153,019,619	173,064,009
<b>TOTAL RECEIPTS</b>		<b>2,944,234,168</b>	<b>1,753,064,009</b>
<b>PAYMENTS</b>			
Compensation of Employees	3	1,336,072,536	1,223,227,802
Use of goods and services	4	685,925,251	528,640,591
Acquisition of Assets	5	778,317,835	59,281,631
<b>TOTAL PAYMENTS</b>	6	<b>2,800,315,622</b>	<b>1,811,150,024</b>
<b>SURPLUS / (DEFICIT)</b>	11	<b>143,918,546</b>	<b>(58,086,015)</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 11 July 2016 and signed by:

  
Deputy Auditor General (Corporate Services)

  
Auditor General of Kenya


OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements  
For the year ended June 30, 2014

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2013 / 2014	2012 / 2013
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and bank balances</b>			
Bank balances	9A	68,494,927	21,917,031
Cash balances	9B	3,410,716	2,381,570
<b>Total Cash and bank balances</b>		<b>71,905,643</b>	<b>24,298,601</b>
Outstanding Imprests, advances & deposits	7	22,355,839	16,301,321
<b>TOTAL FINANCIAL ASSETS</b>		<b>94,261,482</b>	<b>40,599,922</b>
<b>REPRESENTED BY</b>			
<b>GENERAL ACCOUNT OF VOTE (GAV)</b>	8	94,261,482	40,599,922
<b>NET FINANCIAL POSITION</b>		<b>94,261,482</b>	<b>40,599,922</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 11 July 2016 and signed by:



Deputy Auditor General (Corporate Services)



Auditor General of Kenya



# OFFICE OF THE AUDITOR GENERAL

## Reports and Financial Statements For the year ended June 30, 2014

### VII. STATEMENT OF CASHFLOW

Receipts for operating income	Note	2013 / 2014 (Kshs)	2012 / 2013 (Kshs)
Exchequer Releases	1	2,791,214,550	1,580,000,000
Other Revenues	2	153,019,619	173,064,009
		<b>2,944,234,168</b>	<b>1,753,064,009</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	3	1,336,072,536	1,223,227,802
Use of goods and services	4	685,925,251	528,640,591
Total payments for operating expenses		<b>2,021,997,787</b>	<b>1,751,868,393</b>
<b>Net cash flow from operating activities</b>		<b>922,236,381</b>	<b>1,195,616</b>
<b>Adjusted for:</b>			
Adjustments during the year	10	(96,311,504)	74,213,983
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	5	(778,317,835)	(59,281,631)
<b>Net cash flows from Investing Activities</b>		<b>(778,317,835)</b>	<b>(59,281,631)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>47,607,042</b>	<b>16,127,968</b>
Cash and cash equivalent at beginning of the year		24,298,601	8,170,633
<b>Cash and cash equivalent at end of the year</b>		<b>71,905,643</b>	<b>24,298,601</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 11 July 2016 and signed by:



Deputy Auditor General (Corporate Services)



Auditor General of Kenya

# Unaudited Financial Statements



**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015 Figures in (Kshs'000)**

**II. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2014-2015	2013-2014
<b>RECEIPTS</b>			
Tax Receipts	1	0.00	0.00
Social Security Contributions	2	0.00	0.00
Proceeds from Domestic and Foreign Grants	3	0.00	0.00
Exchequer releases	4	2,672,400	2,791,215
Transfers from Other Government Entities	5	0.00	0.00
Proceeds from Domestic Borrowings	6	0.00	0.00
Proceeds from Foreign Borrowings	7	0.00	0.00
Proceeds from Sale of Assets	8	0.00	0.00
Reimbursements and Refunds	9	0.00	0.00
Returns of Equity Holdings	10	0.00	0.00
Other Receipts	11	143,677	153,020
<b>TOTAL RECEIPTS</b>		<b>2,816,077</b>	<b>2,944,235</b>
<b>PAYMENTS</b>			
Compensation of Employees	12	1,510,547	1,336,073
Use of goods and services	13	1,235,990	686,045
Subsidies	14	0.00	0.00
Transfers to Other Government Units	15	18,245	0.00
Other grants and transfers	16	0.00	0.00
Social Security Benefits	17	0.00	0.00
Acquisition of Assets	18	96,197	779,037
Finance Costs, including Loan Interest	19	0.00	0.00
Repayment of principal on Domestic and Foreign borrowing	20	0.00	0.00
Other Payments	21	0.00	0.00
<b>TOTAL PAYMENTS</b>		<b>2,860,979</b>	<b>2,801,155</b>
<b>SURPLUS/DEFICIT</b>		<b>(44,902)</b>	<b>143,080</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 30th sept 2015 and signed by:

  
 Deputy Auditor General- Corporate Services

  
 Director -Finance

**III. STATEMENT OF ASSETS**

**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015 Figures in (Kshs'000)**

	Note	2014-2015	2013-2014
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances (Cashbook balance)	22A	20,904	67,776
Cash Balances	22B	3,215	3,411
<b>Total Cash and cash equivalent</b>		<b><u>24,119</u></b>	<b><u>71,187</u></b>
Accounts receivables – Outstanding Imprests	23	23,836	21,671
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>47,955</u></b>	<b><u>92,858</u></b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	24	0.00	0.00
<b>NET FINANCIAL ASSETS</b>		<b>47,955</b>	<b>92,858</b>
<b>REPRESENTED BY</b>			
<b>Fund balance b/fwd</b>	25	92,857	43,584
<b>Surplus/(Deficit) for the year</b>		(44,902)	49,273
<b>NET FINANCIAL POSSITION</b>		<b><u>47,955</u></b>	<b><u>92,857</u></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 30th sept 2015 and signed by:

  
Deputy Auditor General- Corporate Services

  
Director -Finance

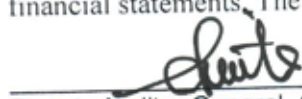


**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015 Figures in (Kshs'000)**

**IV. STATEMENT OF CASHFLOW**

		2014 - 2015	2013 - 2014
<b>Receipts for operating income</b>			
Tax Revenues	1	0.00	0.00
Social Security Contributions	2	0.00	0.00
Proceeds from Domestic and Foreign Grants	3	0.00	0.00
Exchequer Releases	4	2,654,155	2,791,215
Transfers from Other Government Entities	5	0.00	0.00
Reimbursements and Refunds	9	0.00	0.00
Returns of Equity Holdings	10	0.00	0.00
Other Revenues	11	143,677	153,020
		<b>2,797,832</b>	<b>2,944,235</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	12	1,510,547	1,336,073
Use of goods and services	13	1,235,990	686,045
Interest payments	14	0.00	0.00
Subsidies	15	0.00	0.00
Transfers to Other Government Units	16	0.00	0.00
Other grants and transfers	17	0.00	0.00
Social Security Benefits	18	0.00	0.00
Finance Costs, including Loan Interest	20	0.00	0.00
Other Expenses	22	0.00	0.00
		<b>(2,746,537)</b>	<b>2,022,118</b>
<b>Adjusted for:</b>			
Adjustments during the year		(2,165)	(96,192)
<b>Net cash flow from operating activities</b>		<b>49,130</b>	<b>825,925</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	8	0.00	0.00
Acquisition of Assets	19	(96,197)	779,037
<b>Net cash flows from Investing Activities</b>		<b>(96,197)</b>	<b>779,037</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings	6	0.00	0.00
Proceeds from Foreign Borrowings	7	0.00	0.00
Repayment of principal on Domestic and Foreign borrowing	21	0.00	0.00
<b>Net cash flow from financing activities</b>		<b>0.00</b>	<b>0.00</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(47,067)</b>	<b>46,888</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	24	<b>71,187</b>	<b>24,299</b>
<b>Cash and cash equivalent at END of the year</b>	25	<b>24,120</b>	<b>71,187</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 30th Sept 2015 and signed by:

  
 Deputy Auditor General- Corporate Services

  
 Director -Finance



V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	A Comp
	a	b	c=a+b	
<b>RECEIPTS</b>	0.00	0.00	0.00	
Tax Receipts	0.00	0.00	0.00	
Social Security Contributions	0.00	0.00	0.00	
Proceeds from Domestic and Foreign Grants	0.00	0.00	0.00	
Exchequer releases	3,016,020	300,000	3,316,020	
Transfers from Other Government Entities	0.00	0.00	0.00	
Proceeds from Domestic Borrowings	0.00	0.00	0.00	
Proceeds from Foreign Borrowings	0.00	0.00	0.00	
Proceeds from Sale of Assets	0.00	0.00	0.00	
Reimbursements and Refunds	0.00	0.00	0.00	
Returns of Equity Holdings	0.00	0.00	0.00	
Other Receipts-AIA	110,000	0.00	110,000	
	<b>3,126,020.00</b>	<b>300,000.00</b>	<b>3,426,020.00</b>	
<b>PAYMENTS</b>				
Compensation of Employees	1,511,000	0.00	1,511,000	
Use of goods and services	994,737	300,000	1,294,737	
Interest payments	0.00	0.00	0.00	
Subsidies	0.00	0.00	0.00	
Transfers to Other Government Units	0.00	0.00	0.00	
Other grants and transfers	0.00	0.00	0.00	
Social Security Benefits	0.00	0.00	0.00	
Acquisition of Assets	510,283	0.00	510,283	
Finance Costs, including Loan Interest	0.00	0.00	0.00	
Repayment of principal on Domestic and Foreign borrowing	0.00	0.00	0.00	
<b>TOTAL</b>	<b>3,016,020</b>	<b>300,000</b>	<b>3,316,020</b>	

Acquisition of Assets include the Development budget of **0.405 Billion** which was however not spent due to unforeseen delay in the purchase of the Eldoret land and time required to identify consultants for the planned OAG Headquarters at Bishop's Road.

The entity financial statements were approved on 30<sup>th</sup> Sept 2015 and signed by:

**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015 Figures in (Kshs'000)**

**VI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	A Comp
	a	b	c=a+b	
<b>RECEIPTS</b>				
Exchequer releases	2,501,020	300,000	2,801,020	
Other Receipts - AIA	110,000	0.00	110,000	
<b>TOTALS</b>	<b>2,611,020</b>	<b>300,000</b>	<b>2,911,020</b>	
<b>PAYMENTS</b>				
Compensation of Employees	1,511,000	0.00	1,511,000	
Use of goods and services	994,737	300,000	1,294,737	
Acquisition of Assets	105,283	0.00	105,283	
<b>TOTALS</b>	<b>2,611,020</b>	<b>300,000</b>	<b>2,911,020</b>	

The entity financial statements were approved on 30th sept 2015 and signed by:

  
 Deputy Auditor General- Corporate Services

  
 Director -Finance

**OFFICE OF THE AUDITOR GENERAL**  
**Reports and Financial Statements**  
**For the year ended June 30, 2015 Figures in (Kshs'000)**

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	A Comp
	a	b	c=a+b	
<b>RECEIPTS</b>				
Exchequer releases	405,000	0.00	405,000	
Proceeds from Sale of Assets				
Other Receipts-AIA				
<b>Total</b>	<b>405,000</b>	<b>0.00</b>	<b>405,000</b>	
<b>PAYMENTS</b>				
Compensation of Employees				
Use of goods and services				
Acquisition of Assets				
Other Payments				
<b>TOTALS</b>				

The Development budget of 0.405 Billion was however not spent due to unforeseen delay in the purchase of the Eldoret land and time required to prepare proposals by project consultants for the planned Bishop's road Headquarters land.

The entity financial statements were approved on 30<sup>th</sup> sept 2015 and signed by:

  
Deputy Auditor General- Corporate Services

  
Director Finance

**VIII. SUMMARY STATEMENT OF PROVISIONINGS**

*[The provisioning summary statement is required for entities that have a vote in the National Budget.]*

- Details of General Accounts On Vote

	2014 - 2015	2013 - 2014
GAV Provisioning account balance	0.00	0.00

## OFFICE OF THE AUDITOR GENERAL

### Reports and Financial Statements For the year ended June 30, 2016

#### V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>RECEIPTS</b>			
Transfers from National Treasury	1	3,627,900,000	2,672,400,000
Other Revenues	2	193,389,492	143,794,729
<b>TOTAL REVENUES</b>		<b>3,821,289,492</b>	<b>2,816,194,729</b>
<b>PAYMENTS</b>			
Compensation of Employees	3	2,119,573,393	1,510,518,558
Use of goods and services	4	1,204,719,078	1,221,529,880
Transfers to Other Government Units	5	-	18,245,000
Other grants and transfers	6	1,080,675	4,181,150
Social Security Benefits	7	4,091,699	4,820,317
Acquisition of Assets	8	427,306,448	85,660,964
<b>TOTAL PAYMENTS</b>		<b>3,756,771,293</b>	<b>2,844,955,869</b>
<b>SURPLUS/DEFICIT</b>		<b>64,518,199</b>	<b>(28,761,140)</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 30th Sept 2016 and signed by:

  
Deputy Auditor General- Corporate Services

  
Director -Finance



# OFFICE OF THE AUDITOR GENERAL


## Reports and Financial Statements For the year ended June 30, 2016

### VI. STATEMENT OF ASSETS

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents	9A	231,822,099	58,941,286
Bank Balances	9B	1,075,244	3,641,650
Cash Balances		232,897,343	62,582,936
<b>Total Cash And Cash Equivalents</b>			
Accounts Receivables - Outstanding Imprest and Clearence Accounts	10	8,902,089	1,513,197
<b>TOTAL FINANCIAL ASSETS</b>		<b>241,799,432</b>	<b>64,096,133</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	11	113,185,100	-
<b>NET FINANCIAL ASSETS</b>		<b>128,614,332</b>	<b>64,096,133</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	12	64,096,133	92,857,273
Surplus/Deficit for the year		64,518,199	(28,761,140)
<b>NET FINANCIAL POSITION</b>		<b>128,614,332</b>	<b>64,096,133</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 30th Sep 2016 and signed by:

  
Deputy Auditor General- Corporate Services

  
Director -Finance

### VII. STATEMENT OF CASHFLOW

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts for operating income	1	3,627,900,000	2,672,400,000
Transfers from National Treasury	2	193,389,492	143,794,729
Other Revenues		3,821,289,492	2,816,194,729
Payments for operating expenses	3	2,119,573,393	1,510,518,558
Compensation of Employees			




## OFFICE OF THE AUDITOR GENERAL

### Reports and Financial Statements For the year ended June 30, 2016

Use of goods and services	4	1,204,719,078	1,221,529,880
Transfers to Other Government Units	5	-	18,245,000
Other grants and transfers	6	1,080,675	4,181,150
Social Security Benefits	7	4,091,699	4,820,317
		<b>3,329,464,845</b>	<b>2,759,294,905</b>
Adjusted for:			
Changes in receivables		(7,388,892)	20,157,642
Changes in payables		113,185,100	-
<b>Net cash flow from operating activities</b>		<b>597,620,855</b>	<b>77,057,466</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8	(427,306,448)	(85,660,964)
<b>Net cash flows from Investing Activities</b>		<b>(427,306,448)</b>	<b>(85,660,964)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>170,314,407</b>	<b>(8,603,498)</b>
Cash and cash equivalent at BEGINNING of the year		62,582,936	71,186,434
<b>Cash and cash equivalent at END of the year</b>		<b>232,897,343</b>	<b>62,582,936</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 30th Sept 2016 and signed by:

  
Deputy Auditor General- Corporate Services

  
Director -Finance

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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Bas
	a	b	c=a+b	d
<b>RECEIPTS</b>				
Exchequer releases	3,736,490,000	28,535,225	3,765,025,225	3,627,900,00
Other Receipts - "ALA"	110,400,000	60,000,000	170,400,000	193,389,40
<b>TOTALS</b>	<b>3,846,890,000</b>	<b>88,535,225</b>	<b>3,935,425,225</b>	<b>3,821,289,40</b>
<b>PAYMENTS</b>				
Compensation of Employees	2,119,830,000	0	2,119,830,000	2,119,573,30
Use of goods and services	1,403,987,700	(129,564,775)	1,274,422,925	1,209,891,40
Acquisition of Assets	212,672,300	158,100,000	370,772,300	319,471,60
Other Payments - Development	402,183,176	(267,000,000)	135,183,176	107,834,70
<b>TOTALS</b>	<b>4,138,673,176</b>	<b>(238,464,775)</b>	<b>3,900,208,401</b>	<b>3,756,771,20</b>

# OFFICE OF THE AUDITOR GENERAL

Reports and Financial Statements For the year ended June 30, 2016

## X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Ba
	a	b	c=a+b	d
<b>RECEIPTS</b>				
Exchequer releases	402,183,176	-267,000,000	135,183,176	108,000.
<b>TOTALS</b>	<b>402,183,176</b>	<b>-267,000,000</b>	<b>135,183,176</b>	<b>108,000.</b>
<b>PAYMENTS</b>				
Acquisition of Assets	402,183,176	-267,000,000	135,183,176	107,834.
<b>TOTALS</b>	<b>402,183,176</b>	<b>-267,000,000</b>	<b>135,183,176</b>	<b>107,834.</b>



## **CONTACTS**

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