



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

ANNUAL CORPORATE REPORT

2018 - 2019



MANDATE

The Office of the Auditor-General (OAG) is an independent Office established under Article 229 of the Constitution of Kenya. The Office is charged with the primary oversight role of ensuring accountability within the three arms of Government (the Legislature, the Judiciary and the Executive) as well as the Constitutional Commissions and Independent Office and any entity that is funded from public funds.



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

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ACRONYMS AND ABBREVIATIONS

AfDB	-	African Development Bank
AWAK	-	Association of Women Accountants of Kenya
AFROSAI-E	-	African Organisation of English-speaking Supreme Audit Institutions
AOP	-	Annual Operational Plan
CDF	-	Constituency Development Fund
CSOs	-	Civil Society Organisations
CS	-	Corporate Services
DAG	-	Deputy Auditor General
FCA	-	Fellow Member of the Institute of Chartered Accountants of England & Wales
FCPA	-	Fellow Member of the Institute of Certified Public Accountants of Kenya
ICPAK	-	Institute of Certified Public Accountants of Kenya
IFFs	-	Illicit Financial Flows
INTOSAI	-	International Organisation of Supreme Audit Institutions
INTOSAI-GOV	-	International Organisation of Supreme Audit Institutions Governance
ISSAI	-	International Standards of Supreme Audit Institutions
NAC	-	National Audit Chamber of Republic of South Sudan
OAG	-	Office of the Auditor-General
PAC	-	Public Accounts Committee
PAIC	-	Public Accounts and Investments Committee
PIC	-	Public Investments Committee
PFM Act	-	Public Finance Management Act
SA	-	Specialised Audit
SAI	-	Supreme Audit Institution

FOREWORD

This Annual Corporate Report 2018/2019 gives an overview of the activities of the Office.

During the period under review, the Office of the Auditor-General made great strides in enhancing service delivery to the people of Kenya.

The Office has increased its partnerships with other Supreme Audit Institutions (SAIs) and various organisations as we strive to increase the impact of audits through learning, knowledge sharing and innovation.

We continue to devolve our services closer to the people, constructing regional offices to cater for the audit needs at the county level.

We constructed an office in Kakamega and construction works are ongoing in Eldoret and Embu, as the office strives to enhance its presence in the counties.

Plans for the construction of our headquarters on a one and half acre plot we own in Upper Hill area of Nairobi, are still on track.

And to buttress the role of citizens in our work, we have developed a framework, with the support of World Bank, that outlines citizens' role in our audits. The citizens, will play a key role in our citizen accountability audits, that we have already rolled out.

This is the last Annual Corporate Report that I am submitting as

Auditor-General in line with the Constitution of Kenya.

The eight years of my tenure have been a learning curve with achievements and challenges embraced in equal measure.

I believe, that with the steadfast cooperation and hard work from my staff, we have achieved much in the provision of quality and timely audits as well as improving staff welfare.



FCPA, EDWARD R.O OUKO

AUDITOR-GENERAL

OVERVIEW

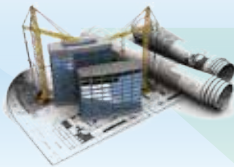
ACHIEVEMENTS



Recognition of OAG both
locally and internationally



Cleared backlog
of audit reports



- ✓ Completed and commissioned construction of Kakamega regional office
- ✓ Commenced construction of Eldoret and Embu regional offices



Enhanced
Staff Welfare



Established Data Analytics methodology
to filter vital information



Produced credible,
objective, quality and timely reports



Embarked on journey towards
attaining ISO 27001:2013 certification



Recruited 110
members of staff



Realised increased uptake/interest in
audit findings especially Performance Audit Reports



Provided peer-to-peer support to counterparts
in South Sudan, Liberia and Sierra Leone

CHALLENGES

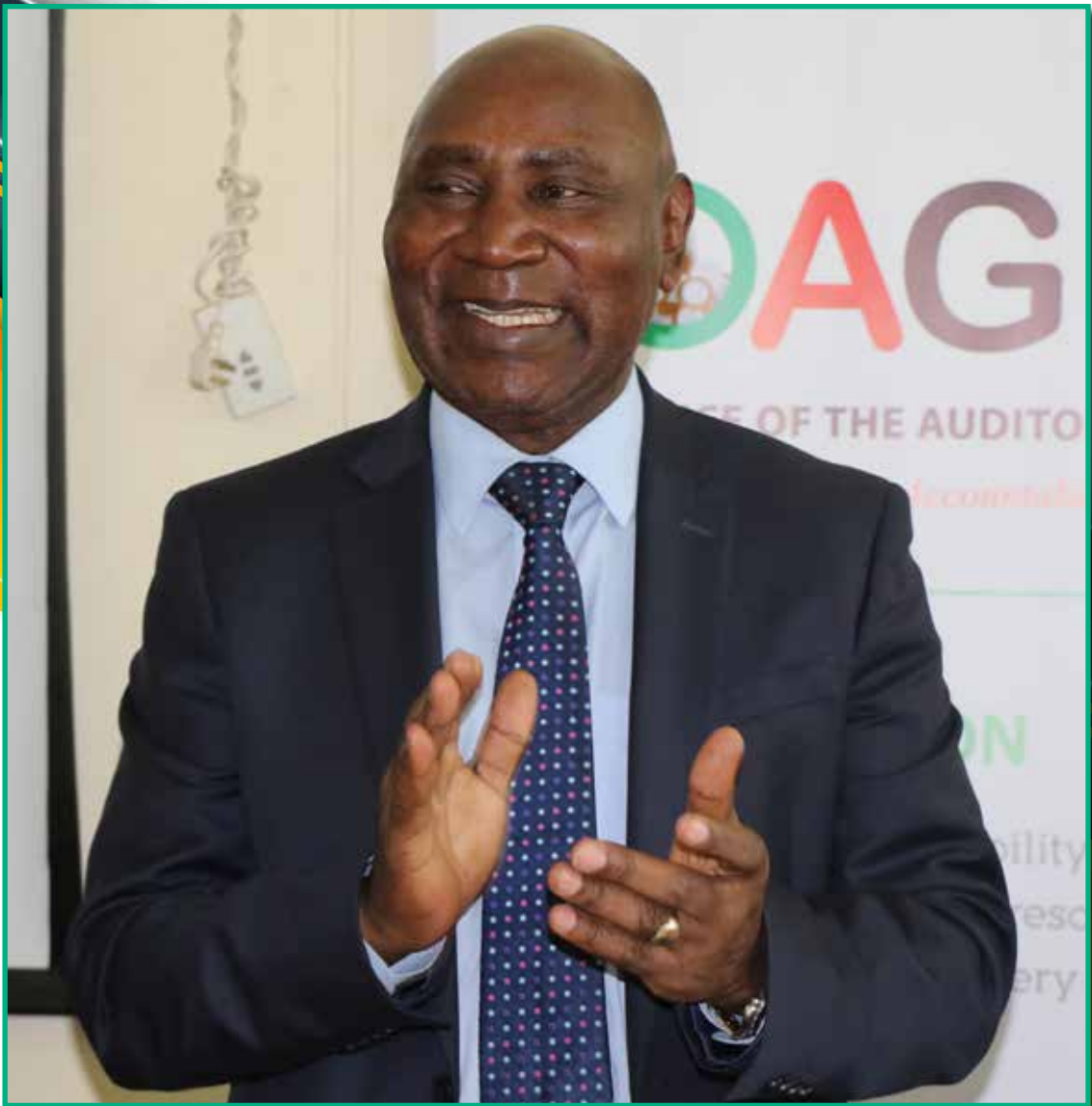


Failure by Parliament to discuss
Performance audit reports



Budgetary shortfall
of Kshs. 2.9 million





Name:

EDWARD OUKO

Title:

Auditor-General

Work Experience:

**Auditor-General African Development Bank
Audit Committee Member- A number of UN Agencies
Deloitte & Touch**

Qualification:

**B.Com (Finance & Accounting)
Fellow Member of Certified Public Accountants of Kenya (FCPA)
Certified Public Accountant of Kenya (CPA-K)
Fellow Member of the Institute of Chartered Accountants of
England and Wales (FCA)**

Achievements:

**President Technical Committee on Knowledge Sharing &
Management/ AFROSAI-E
Vice President AFROSAI General Assembly**



Name: Agnes Mita
Title: Deputy Auditor-General,
Corporate Services (until June
2019)
Qualification: MSc. Auditing Management
B.Com (Accounting)
Experience: More than 30 years in public
sector auditing

Name: William Agunda
Title: Deputy Auditor-
General, Financial
Audits
Qualification: B.Com (Accounting)
CPA-K
Experience: More than 30 years in
public sector auditing





Name: Fredrick Odhiambo
Title: Deputy Auditor-General, Specialised Audits
Qualification: MBA, BSc, 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 & Touch
 LLP, KPMG East Africa

Name: Alex Rugera
Title: Deputy Auditor-General, Financial Audits (until June 2019)
Qualification: B.Com (Accounting)
 CPA-K
Experience: Senior Audit Manager, Deloitte & Touch
 Audit Finance, Taxation and Consultancy





Name: Sylvester Kiini
Title: Deputy Auditor-General,
Financial Audits
Qualification: MBA (Strategic Management)
B.Com (Accounting)
CPA-K
Experience: Vast experience in Public
sector auditing

Name: David Gichana
Title: Deputy Auditor-General,
Financial Audits
Qualification: MBA (Finance)
BSc (Accounting)
CPA-K
Experience: More than 25 years in
public sector auditing





Name: David Njoka
Title: Deputy Auditor-General,
Financial Audits
Qualification: MBA (Strategic
Management)
BSc (Business
Administration)
CPA-K
Experience: More than 28 years in public
sector auditing



CHAPTER 1: WHAT WE DO

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.

OUR STRATEGY

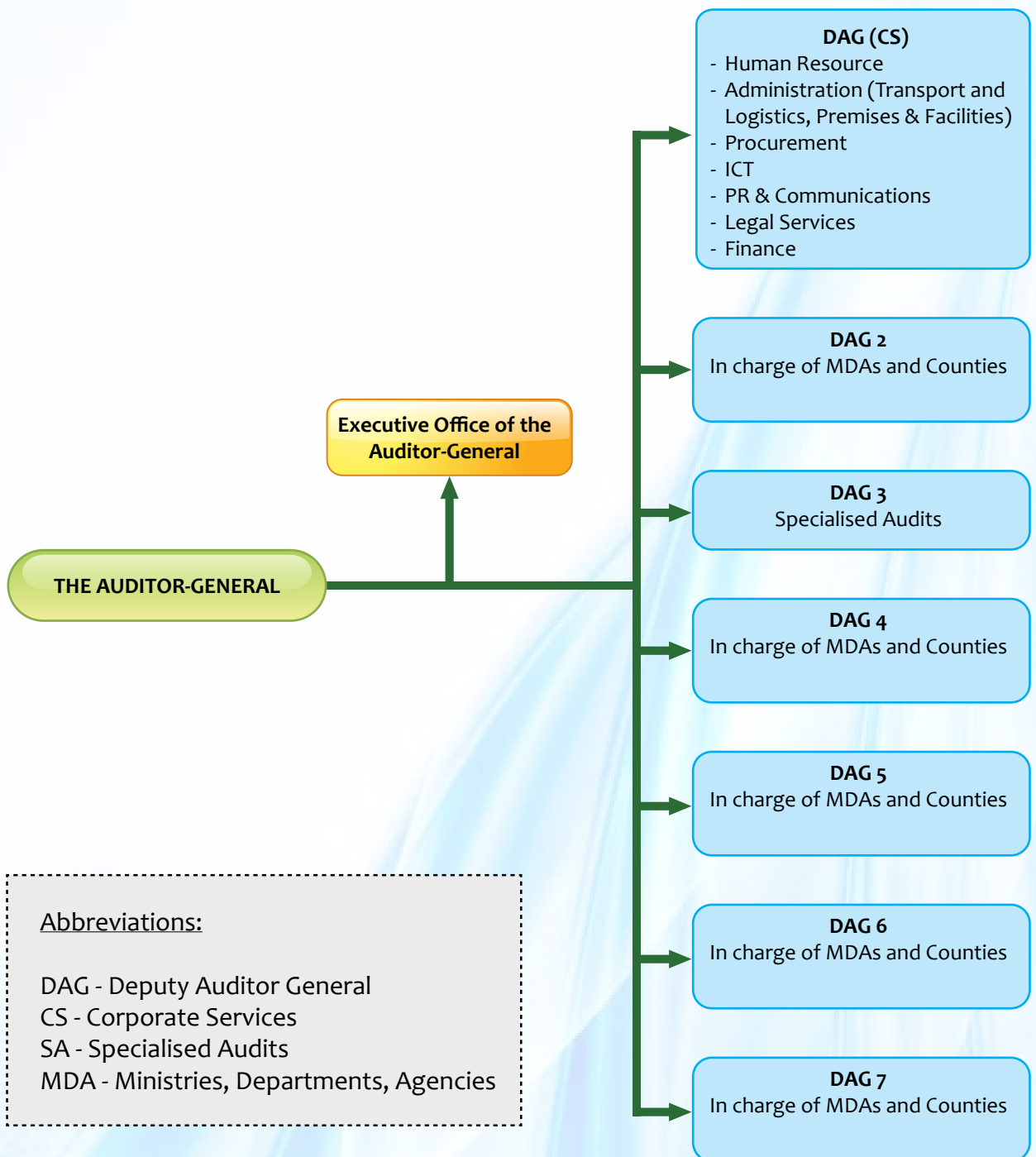
The Office is focusing on two Strategic priorities to deliver on its mandate.

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.

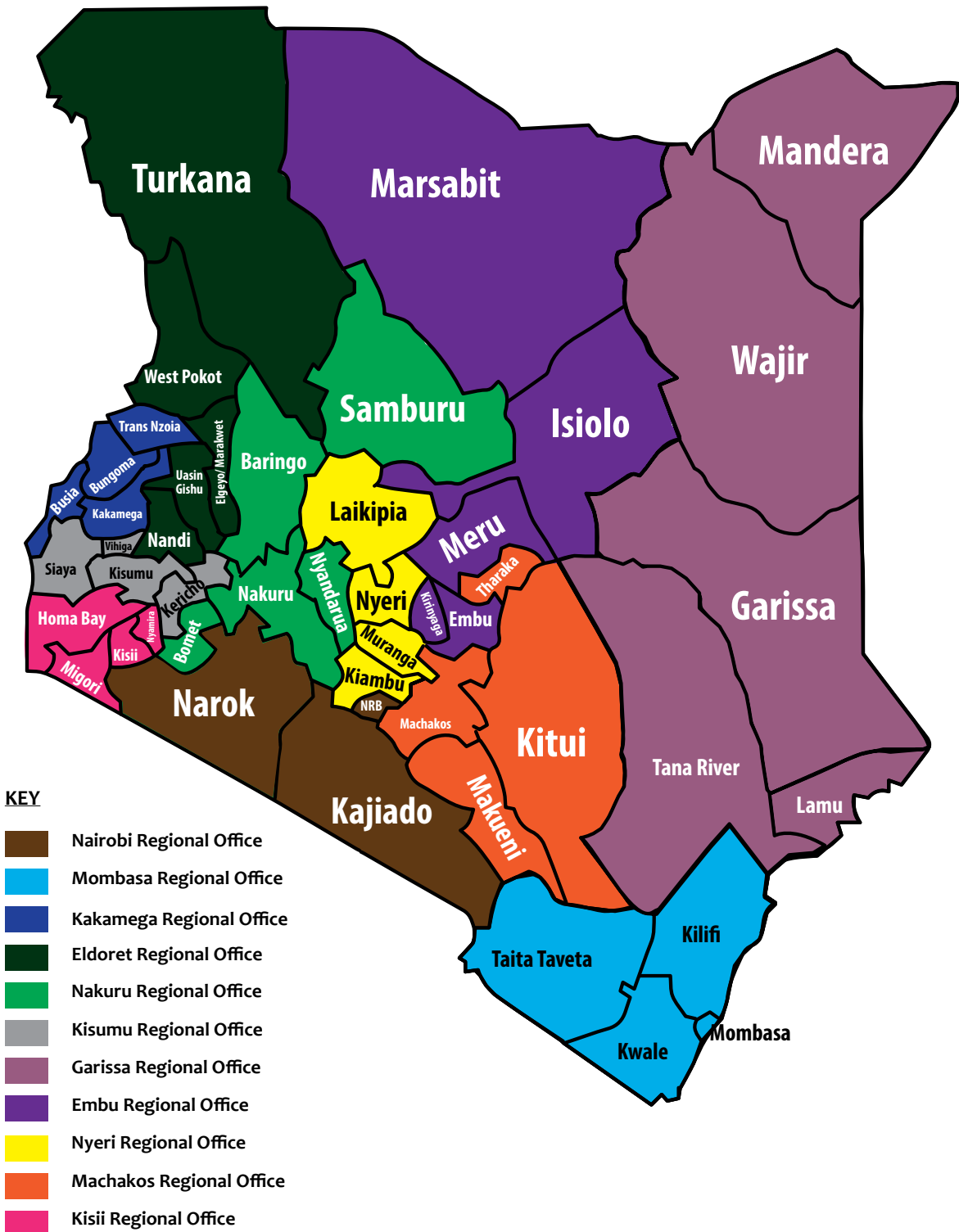


OUR ORGANOGRAM



REGIONAL SPREAD

OAG has 11 regional offices spread across the country. The establishment of the regional offices is aimed at attaining a continuous audit presence down to the county level. It also enables audit staff to understand the audit dynamics of the clients. The regional offices are as listed below:



OUR STAKEHOLDERS

The increased publication of our audit reports on the use of public funds that has dominated public debate; highlights amplified interest and demand for transparency and prudence in the management of public resources.

Consequently, the Office has designed various stakeholder engagement strategies to address expectations of its key stakeholders.

Our key Stakeholders include;

Media



OAG continuously engages with the media through various media workshops, for improved understanding and simplification of reports for public consumption.

The Office has also developed a media handbook to guide journalists on reporting audit findings. We also conduct media monitoring to identify specific

needs of the media, for targeted engagement.

The Public



The Office is focusing on two strategic priorities to deliver on its mandate. These are:

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

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

It is based on these that OAG strives to improve the lives of Kenyans through ensuring that there is prudent management of public funds.

There is a need for the taxpayers to ensure that they get value for money by having the citizens involved in public participation activities. OAG has consequently established a citizen engagement framework to enhance interaction with the public.

Parliament



Our audit reports are tabled in Parliament where they are deliberated upon by the various committees such as the Public Accounts Committee (PAC), the Public Accounts and Investments Committee (PAIC) the Public Investments Committee (PIC) and Special Funds Committee.

We also intend to engage with other departmental committees to deliberate on performance audit reports.

The Office strives to provide timely reports and expects parliament to deliberate on them to ensure the recommendations are implemented by the audited entities.

The Presidency



We continue to meet the Presidency's needs by updating it on our performance, through the Annual Corporate Report. The need for effective engagement with the Presidency is therefore very important.

Audited Entities



As outlined in the audit process, the auditors have a back and forth communication with the audited entities from the entry meeting right to the final audit report. The Office has approximately 1,200 audited entities.

Internal Stakeholders



The Office has invested in extensive training on various aspects in the audit process. OAG has also developed mechanisms to engage and interact with staff through effective internal communication.

Civil Society Organisations (CSOs)

The Civil Society Organisations (CSOs) play a central role in lobbying and advocacy. This can be achieved through their demand for transparency and

accountability in the management of public resources. The Office has initiated strategies of working with like-minded Civil Society Organisations for the benefit of the citizens.

Donors/Development partners

Engagement with development partners is essential in various aspects. They assist in capacity building initiatives, funding of various projects, sponsorships, among other activities.



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

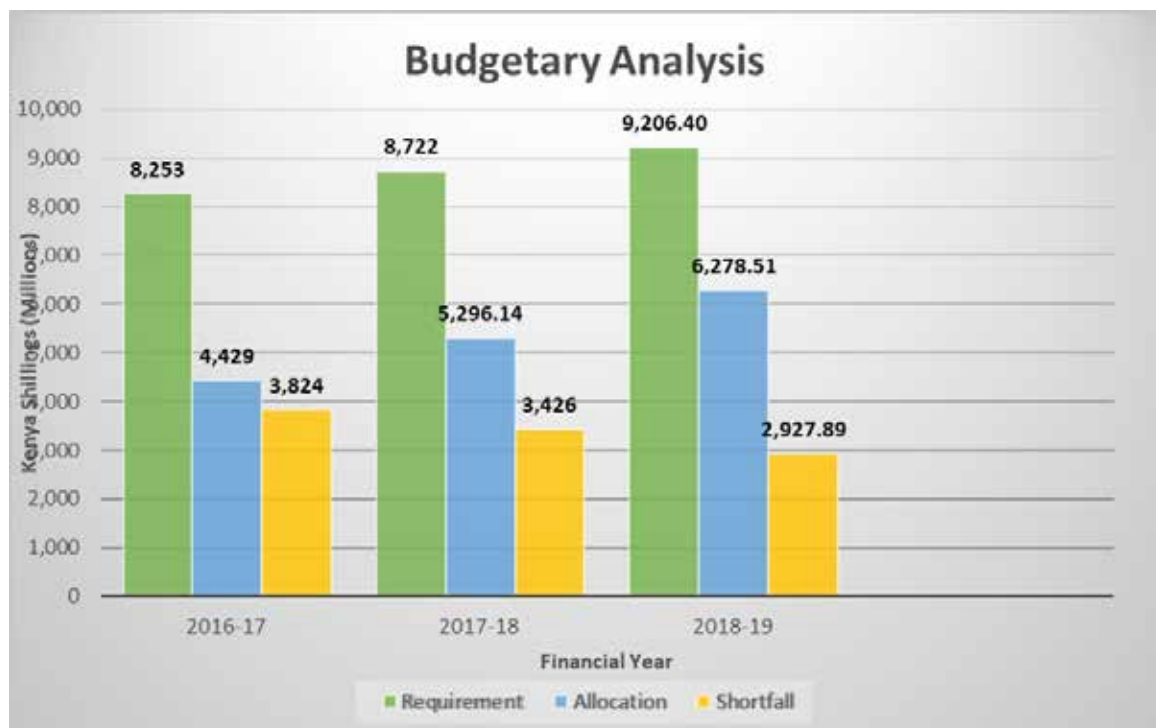
months after the end of the financial year. In the execution of its mandate, the Office has however, experienced financial challenges, thus affecting timely

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									
	2016-17			2017-18			2018-19		
	Requirement Kshs.m	Allocation Kshs.m	Shortfall Kshs.m	Requirement Kshs.m	Allocation Kshs.m	Shortfall Kshs.m	Requirement Kshs.m	Allocation Kshs.m	Shortfall Kshs.m
Total Recurrent	6,143	4,253	1,890	7,222.47	5,193.30	2,029.17	7,706.40	5,596.28	2,110.12
Total Development	2,110	176	1,934	1,500.00	102.84	1,297.16	1,500	682.23	817.77
Total Vote	8,253	4,429	3,824	8,722.47	5,296.14	3,426.33	9,206.40	6,278.51	2,927.89

Budget Analysis



The financial challenges notwithstanding, the Office continues to effectively use the available resources to fulfil its mandate. The Office has, consequently, developed an Annual Overall Audit Plan (AOAP) to drive the audit function.

ANNUAL OVERALL AUDIT 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

projects where the funds will be spent are audited.

The AOAP reflects 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.

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

Certification Audits

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

The tables below show certification audits for 2015/16, 2016/17 and 2017/18:

Table 1: Certification audits for 2015/2016 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2015/2016	290
Central Government	2015/2016	110
County Government	2015/2016	47
County Assembly Financial Statements	2015/2016	47
County Funds (Car loans, Mortgages, etc.)	2015/2016	35
State Corporations	2015/2016	251
Donor Funded Projects	2015/2016	160
Water Companies and Boards	2015/2016	80
Political Parties	2015/2016	3

Table 2: Certification audits for 2016/2017 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2016/2017	290
Central Government	2016/2017	109
County Government	2016/2017	47
County Assemblies	2016/2017	47
County Funds (Car loans, Mortgages, etc.)	2016/2017	55
State Corporations	2016/2017	246
Donor Funded Projects	2016/2017	164
Water Companies and Boards	2016/2017	83
Political Parties	2016/2017	5

Table 3: Certification audits for 2017/2018 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2017/2018	290
Central Government	2017/2018	144
County Government	2017/2018	47
County Assembly Financial Statements	2017/2018	47
County Funds (Car loans, Mortgages, etc.)	2017/2018	121
State Corporations	2017/2018	257
Donor Funded Projects	2017/2018	183
Water Companies and Boards	2017/2018	85
Political Parties	2017/2018	6

Specialised Audits



In addition to financial audits, the Office also conducts specialised audits, which focus on lawful and effective use of public resources, and the detection of fraud. They include Performance Audits that address Value for Money concerns, IT Audits and Forensic Audit.

Performance Audits



During the financial year under review, the department published and submitted 26 Performance Audit reports to Parliament, as required by law.

The Office has staff from various disciplines which include; engineering, environment, finance, communications, amongst other professions, who conduct this audits.

IT Audits



We are charged with the responsibility of auditing government systems. During the year in review, we had an inaugural use of TeamMate audit systems in audit. This has made work easier and consistent in terms of documentation.

The Office has completed the following IT Audits; -

- 📍 Revenue Audit of the Judiciary
- 📍 Special Audit of the Kenya Forest Services
- 📍 Special Audit of National Social Security Fund (NSSF)
- 📍 Special Audit of National Hospital Insurance Fund (NHIF)

IT Audit staff were also part of a team of auditors who conducted a technical audit in Sierra Leone. They were joined by auditors from Ghana, Tanzania and Sierra Leone.

Forensic and Procurement Audits

OAG is currently working on



13 Forensic and Procurement Audit projects. This consists of one proactive audit project, initiated by the office's Fraud Risk Assessment criteria, and 12 reactive audit projects triggered by requests from various stakeholders.

There was also automation of Forensic and Procurement Audit process through the adoption of TeamMate Audit Management Software. This involved development of the TeamStore content in form of audit procedures and working papers and development of a Fraud Risk Assessment criteria for operationalisation in TeamMate.

We continue to collaborate with other investigative government entities in conducting Joint Forensic Audits. Additionally, the Office has made proposals to development partners on procurement fraud risk mitigation mechanisms in Kenya and also presented Forensic Audit reports before the Parliamentary

Watchdog Committees.

We intend to leverage on Data Analytics tools and techniques in planning and executing Forensic Audit Assignments in the short term.

In the long term, we intend to 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.

Citizen Accountability Audits

This is a new audit approach that transfers accountability to the people and gives them a voice in the auditing process.

It purposes to involve the Citizens in some of its audit processes that may include sharing information for planning, field verification of projects and follow-up of audit recommendations.

Citizen Accountability Audit is founded on the premise that

enhancing accountability in the utilisation of public resources can prosper only with a vigilant and involved citizenry.

The overall objective is to proactively make a difference in the lives of citizens through promoting efficiency and effectiveness in the utilisation of public resources.



CHAPTER 3: CORPORATE SERVICES

At the Corporate Services Department, we offer professional services to support the audit function. Our focus in this area is as outlined below:

Human Capital



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 collapsed 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.

Below is a general outline of the staff status.

Status	2018/2019
Recruitment	110
Resignations	2
Retired – normal	16
Early retirement - 50 yr rule	2
Deaths	4

Capacity-Building



The Office has conducted numerous training forums for OAG staff. All auditors have been trained on the Audit Management Tool anchored on TeamMate. So far, the Office has trained 800 members of staff in TeamMate data analytics, with an increased number set to be trained in the next financial year.

The training programmes are geared towards improving the audit process, equipping all staff with prerequisite skills to enable them improve their productivity, as well as enhance the quality of audit reports.

Financial Resources



OAG has ensured that the 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 2012), Public Procurement and Assets Disposal Act, 2015 and ensuring that other relevant regulations are duly followed. This was despite having challenges in the allocation of funds.

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.

OAG 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.

Supply Chain Management

OAG has achieved a major milestone in the implementation



of the E-Procurement system which has progressively heightened transparency and efficiency in each step of the procurement process. The system has led to quick and timely requisition of goods and services.

Though the system has experienced some malfunctions leading to major delays, there is hope that it will scale the organisation to higher levels in terms of speed and down time in the purchase of items.

Through sound procurement processes, OAG has been able to deliver three regional Offices; Garissa, Kakamega and Eldoret (almost complete).

Office Space



The Office has made great strides in providing accommodation to officers at county level. OAG's

Kakamega regional office was officially opened on 15th March 2019. This is the second regional office to be opened after the Garissa regional office which was opened on 17th December 2017. Not only will it give the staff a better working environment but it will also ensure that there is continuity in service delivery to the people as well as providing quality and timely audit reports.

The construction of the Eldoret and Embu regional offices is still ongoing. Plans are underway to construct OAG Headquarters in Upper hill area in Nairobi. Future projects include the construction of regional offices in Kisumu and Mombasa.

Logistics



The Office, in its quest to provide quality and timely audit reports in line with its constitutional mandate, has embarked on modernising its fleet of vehicles. The upgrade of vehicles has been necessitated by the high costs involved in the repair work.

Modernising the office fleet will enhance service delivery and better facilitation of staff to and from various clients across the country.

Out of the 104 vehicles which make up the office fleet, 13 boarded vehicles were disposed of leaving a total fleet of 91 vehicles. The availability of vehicles at the regional offices currently stands at 83% up from 72% in the financial year 2017/18.

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 continuously reviews the systematic identification of all risk exposures consisting of financial, operational, compliance and emerging

information technology related risks, and the strategies which are in place to mitigate the impact of the crystallisation of these risks on the achievements of the set strategic objectives.

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, safeguarding of assets and compliance with laws and other internal and external requirements.

During the year, the Office also undertook the internal control systems audits of the key operations to identify areas of possible improvements.

The Office conducted various trainings to staff on ethics and integrity issues related to their duties and risk management.

Technological Support



The Office initiated the ISO 27001 Information Security Project in September 2018 with the aim of

implementing leading practices on information security. Its overall goal is to improve on the security posture of the Office. ISO certification demonstrates that the organisation has identified the risks, assessed the implications and put in place systemised controls to limit any damage to the organisation. Information Security Management System (ISMS) is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes.

The implementation of the ISO 27001: 2013 Standard will enable the Office to:

Apply leading practices in complying with information security legal, regulatory and contractual requirements.

Focus on reducing the risks for information that is valuable for the organisation.

Provide a common ground on matters related to information security.

Build a culture of security awareness in all business processes and operations.

Improve organisational image through senior management

commitment to the security of the office data and that of clients.

The Office has devised techniques to manage data in an effective manner. These measures are focused on ensuring the credibility and integrity of data within the office.

Legal Advisory Services



We have ensured that our internal strategies and frameworks adhere to legal standards and requirements.

We continually ensure proper interpretation of OAG's Constitutional & legislative mandate for effective delivery to the People of Kenya.

To streamline the provision of legal advisory services, we are formulating a legal policy that will act as a guide in the effective and efficient legal services to the Office.

The Office has in the recent past experienced a surge in court cases. Despite Legal Services' thin workforce, we have endeavoured to attend to all

matters and invested in studious research and collaboration with the enlisted panel of lawyers to ensure that all legal matters are attended to meticulously and with the best attention.

Communications and Stakeholder Relations

Interaction and engagements with key stakeholders is important for OAG to achieve its core mandate.

We have organised media workshops and other capacity



building programmes for journalists to enable them report accurately on audit findings.

This has been done in collaboration with other agencies and development partners such

as Transparency International (TI) and German Development Agency (GIZ) among others.

As a result, Audit reports continue to generate a lot of interest from stakeholders. The increased interest makes it necessary for OAG to produce user friendly audit reports.

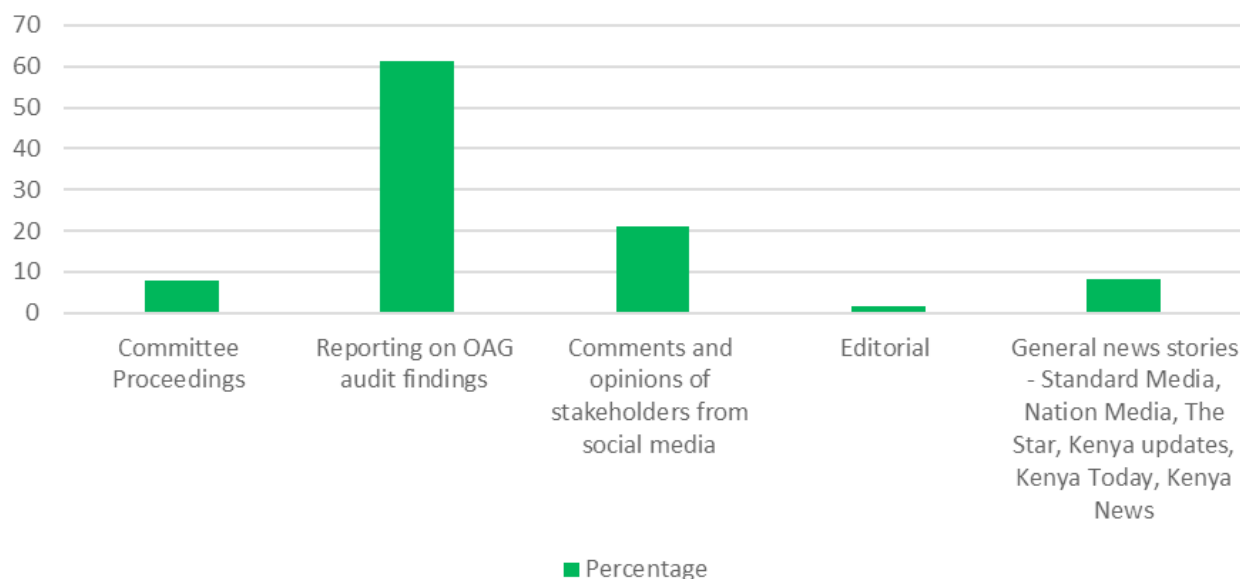
OAG in the Public Domain

Below, is a broad illustration of the reviews evaluated on various media outlets.

Table: Summary of number of relevant conversations on OAG in mainstream and social media for 2018/2019

Source of conversation	Frequency	Percentage
Committee proceedings	247	8
Reporting on OAG audit findings	1926	61
Comments and opinions of stakeholders from social media	657	21
Editorial	47	2
General news stories- Standard media, Nation Media, The Star, Kenya updates, Kenya Today, Kenya News.	261	8
Total	3138	100

Summary of the number of relevant conversations on OAG in mainstream and social media 2018/2019



We continue to give support to Parliament by addressing Parliamentary Committees' needs in interrogation of audit reports. This includes report writing and follow up of audit recommendations.

Partnerships

Partnerships and collaboration with development partners and CSOs is important in OAG's exercise of its mandate.

We have MOU's with Transparency International (TI), Association of Women Accountants of Kenya (AWAK), the Swedish National Audit

Office (SNAO), World Bank, German Development Agency (GIZ), Netherlands Court of Audit (NCA), the Swedish International Development Agency (SIDA), and Danish International Development Agency (DANIDA).

In addition, we have a collaboration of bilateral agreements with the Somaliland Audit Office, the General Accounting Commission of Liberia, Juba-land Audit Office as well as the National Audit Chamber of the Republic of South Sudan (NAC), to whom we provide technical support.



CHAPTER 4: GLOBAL CONTRIBUTIONS

Internationally, the Office is honoured to serve in various capacities on the global arena. The Auditor-General serves as the Chair of the Knowledge Management Sharing Committee (KSC). The work of KSC is to coordinate and manage all its activities as per AFROSAI's strategic plan and KSC work plan.

One of our most notable contributions this year was conducting technical audit in Sierra Leone. A team from Kenya was joined by counterparts from Tanzania, Ghana and Sierra Leone during the audit.

SAI Kenya was also selected as the Chair of the AFROSAI-E IT Working Group and will drive the process of attaining the working group's success, in the African region.

Resource Persons

The Office continues to provide support to other SAIs, as part of the contribution to the membership of INTOSAI and AFROSAI-E.

The capacity-building support are mainly in the subject areas of Leadership and Management, Auditing, 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, Swedish National Audit Office and Danish International Development Agency, amongst others.



CHAPTER 5: FINANCIAL STATEMENTS

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 National Assembly is yet to appoint an auditor, but attached is the unaudited financial statement for the Office for 2018/19



OFFICE OF THE AUDITOR GENERAL
Reports and Financial Statements
For the year ended June 30, 2019

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019	2017-2018
		Kshs	Kshs
RECEIPTS			
Tax Revenues	1	-	100,000
Transfers from National Treasury	4	5,566,294,760	4,574,449,495
Transfers from Other Government Entities	5	-	-
Proceeds from Sale of Assets	8	-	-
Other Revenues	11	206,109,956	186,360,165
TOTAL REVENUES		5,772,404,716	4,760,909,660
PAYMENTS			
Compensation of Employees	12	3,343,913,631	3,003,680,583
Use of goods and services	13	1,821,112,530	1,184,535,588
Subsidies	14	-	-
Transfers to Other Government Units	15	-	-
Other grants and transfers	16	-	1,028,919
Social Security Benefits	17	5,394,706	1,222,400
Acquisition of Assets	18	625,128,379	533,541,875
Finance Costs, including Loan Interest	19	-	-
Other Expenses	21	-	-
TOTAL PAYMENTS		5,795,549,246	4,724,009,365
SURPLUS/DEFICIT		(23,144,530)	36,900,294

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 _____ 2019 and signed by:

 Director Finance
 CPA Charles Mwitari
 ICPAK Number: 4582

 Deputy Director Finance
 Dr. CPA Nebert Mandala
 ICPAK Number: 4366

OFFICE OF THE AUDITOR GENERAL
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VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	116,011,639	29,742,106
Cash Balances	22B	1,494,809	3,988,896
Total Cash And Cash Equivalents		117,506,448	33,731,002
Accounts Receivables - Outstanding Imprest and Clearance Accounts	23	33,642,365	69,732,890
TOTAL FINANCIAL ASSETS		143,907,907	103,463,892
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	24	113,958,621	107,767,813
NET FINANCIAL ASSETS		37,190,191	4,303,921
REPRESENTED BY			
Fund balance b/fwd	25	65,439,826	7,217,573
Prior year adjustments	26	5,105,105	33,986,642
Surplus/Deficit for the year		23,144,530	36,900,294
NET FINANCIAL POSITION		37,190,191	4,303,921

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OFFICE OF THE AUDITOR GENERAL
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VII. STATEMENT OF CASH FLOWS

	Note	2018-2019	2017-2018
CASH FLOW FROM OPERATING ACTIVITIES		Kshs	Kshs
Receipts for operating income			
Tax Revenues	1	-	100,000
Transfers from National Treasury	4	5,566,294,760	4,574,449,495
Other Revenues	11	206,109,956	186,360,165
		5,772,404,716	4,760,909,660
Payments for operating expenses			
Compensation of Employees	12	3,343,913,631	3,003,680,583
Use of goods and services	13	1,821,112,530	1,184,535,588
Other grants and transfers	16	-	1,028,919
Social Security Benefits	17	5,394,706	1,222,400
Finance Costs, including Loan Interest	19	-	-
		5,170,420,867	4,190,467,491
Adjusted for:			
Changes in receivables		36,090,525	-
Changes in payables		6,190,808	-
Adjustments during the year	26	11,620,300	42,272,300
Net cashflow from operating activities		632,644,882	612,714,469
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	18	(625,128,379)	(533,541,875)
Net cash flows from Investing Activities		(625,128,379)	(533,541,875)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	-	-
Repayment of principal on Domestic and Foreign borrowing	20	-	-
Net cash flow from financing activities		-	-

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NET INCREASE IN CASH AND CASH EQUIVALENT		7,516,503	79,172,594
Cash and cash equivalent at BEGINNING of the year		109,989,944	30,817,350
Cash and cash equivalent at END of the year		117,506,448	109,989,944

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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 %
RECEIPTS						
Exchequer releases	6,451,147,300	(759,238,375)	5,691,908,925	5,566,294,760	125,614,165	98%
Other Receipts –AIA	150,000,000	40,000,000	190,000,000	206,109,956	(16,109,956)	108%
Total Receipts	6,601,147,300	(719,238,375)	5,881,908,925	5,772,404,716	109,504,209	98%
Payments						
Compensation of Employees	3,363,980,000	(20,000,000)	3,343,980,000	3,343,913,631	66,369	100%
Use of goods and services	2,176,958,600	(332,935,185)	1,844,023,415	1,821,112,530	22,910,885	99%
Other grants and transfers	0	0	0	0	0	00
Social Security Benefits	7,384,900	(1,990,000)	5,394,900	5,394,706	194	100%
Acquisition of Assets	1,052,823,800	(364,313,190)	688,510,610	625,128,379	63,382,231	91%
Grand Total	6,601,147,300	(719,238,375)	5,881,908,925	5,795,549,246	86,359,679	99%
Surplus/Deficit	0	0	0	(23,144,531)	23,144,531	

(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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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 %
	RECEIPTS						
	Exchequer releases	5,768,917,300	(539,238,375)	5,229,678,925	5,188,294,760	41,384,165	99%
	Other Receipts-AIA	150,000,000	40,000,000	190,000,000	206,109,956	(16,109,956)	108%
	Total Receipts	5,918,917,300	(499,238,375)	5,419,678,925	5,394,404,716	25,274,209	100%
	PAYMENTS						
21	Compensation of Employees	3,363,980,000	(20,000,000)	3,343,980,000	3,343,913,631	66,369	100%
22	Use of goods and services	1,896,958,600	(72,935,185)	1,824,023,415	1,821,112,530	2,910,885	100%
261/2/4	Other grants and transfers						
27	Social Security Benefits	7,384,900	(1,990,000)	5,394,900	5,394,706	194	100%
31	Acquisition of Assets	650,593,800	(404,313,190)	246,280,610	245,800,647	479,964	100%
	Grand Total	5,918,917,300	(499,238,375)	5,419,678,925	5,416,221,514	3,457,412	100%
	Surplus/Deficit	0	0	0	(21,816,798)	21,816,798	

(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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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 %
	RECEIPTS						
	Exchequer releases	682,230,000	(220,000,000)	462,230,000	378,000,000	84,230,000	82%
	Other Receipts						
	Total Receipts	682,230,000	(220,000,000)	462,230,000	378,000,000	84,230,000	82%
	Payments						
22	Use of goods and services	280,000,000	(260,000,000)	20,000,000	0	20,000,000	0%
31	Acquisition of Assets	402,230,000	40,000,000	442,230,000	379,327,733	62,902,267	100%
	Finance Costs, including Loan Interest						
55	Repayment of principal on Domestic and Foreign borrowing						
	Grand Total	682,230,000	(220,000,000)	462,230,000	379,327,733	82,902,267	82%
	Surplus/Deficit	0	0	0	(1,327,733)	1,327,733	

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XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2019		2019	2,019	
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme					
Sub-programme 1-Audit Services	6,601,147,300	(719,238,375)	5,881,908,925	5,795,549,246	86,359,679
TOTAL	6,601,147,300	(719,238,375)	5,881,908,925	5,795,549,246	86,359,679

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)





CONTACTS

**Office of the Auditor-General
Anniversary Towers, University Way
P.O. Box 30084-00100, NAIROBI.**

**Telephone: +254 20 3214000
E-mail: info@oagkenya.go.ke**

Website: www.oagkenya.go.ke

 **@OAG_Kenya**

 **Office of the Auditor-General Kenya**

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