

Supreme Auditor



July 2015 - Feb 2016

A Publication of the Office of the Auditor-General, Kenya

Issue 04



Audit Quality and Quality Control

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Editor's Note

In this 4th Edition of *Supreme Auditor*, we focus on a number of issues with a bias towards transparency and accountability in the management of public resources. Opening up of the budget-making process to the public, is one of the tenets of transparency in the management of public resources. This Edition therefore, explores how Kenya fairs in openness and transparency in availing timely information on its budget and the budgeting process.

It was also an important occasion for the Office of the Auditor-General, as it was among the seven nominees recognised by the National Civil Society Congress, for exemplary service to the public.

An analysis of the audit findings for the past three financial years, highlighting areas of concern and instances of marked improvement, is also in the publication. In an effort to build the capacity of medium-sized firms to audit public entities and donor-funded projects, the Institute of Certified Public Accountants of Kenya (ICPAK), with the help of Baker Tilly Merali's, have developed frameworks to aid the firms in this undertaking. More on this is contained in the article inside.

The articles in this Edition on *Prudent use of resources benefits citizens*, *Audit quality & quality control* as well as *Enhancing the capacity of small and medium practitioners in public sector auditing* explain the importance of carrying out audits, proper management of public resources and the procedure for carrying out regularity audit.

The Edition also takes a look at Forensic audit, which is an emerging field of interest for auditors, as far as tackling cybercrime is concerned. These and more articles, make up this edition.

Enjoy your copy!!!

Peter Opiyo



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Independent Offices
take stock of achievements



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Auditors chart way forward
on forensic investigations



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Public officers recognised
for good service

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Transparency,
Public Participation
& Oversight

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Kenyan team at the third
Executive Leadership
Development Workshop

"We continue to transform and **reposition ourselves to satisfy Kenyans' expectations.**"

As we take stock of 2015 on the contribution of the Office of the Auditor-General in the fight against corruption and reposition the Office for 2016, we are aware of challenges to accountability.

I thank the public, civil society and the media for the interest demonstrated towards audit reports in 2015. This culminated in sustained public discourse for proper accountability of public resources. We also appreciate feedback from stakeholders on how we can make these reports more reader friendly and accessible to all stakeholders.

Repositioning the Office

As we reposition the Office to respond timely and effectively on its constitutional mandate, we are aware that the operational environment of our clients is changing fast through the use of ICT. This automated environment calls for more investments in ICT soft-wares, tools and skills, to ensure timeliness and effectiveness in our operations. To this end, we have a dedicated team of IT experts whose responsibility is to identify weaknesses in clients' Information Systems that affect the integrity of generated records, documents and transactions that we audit.

Furthermore, the use of ICT will not only enable us to provide smart and timely audits, but also respond to the second pillar of our Strategic Plan. This second pillar focuses on continuous and forensic audits which are both proactive and reactive (when requested) and do not have to wait for the annual certification audits; making us more efficient in executing audit assignments.

We are also repositioning the Office to respond more to "value for money" issues and performance related audits. The objective is to shift the focus towards effective use of public funds and service delivery, beyond just proper recording, accounting and reporting of transactions. Mainstreaming of "value for money" and performance related audits will ensure that each shilling from tax payers is traced to the ground and assure that the desired outcomes and impact of the

funds on the lives of the tax payers have been attained. We intend to partner with Civil Society Organisations (CSOs) and individuals of repute to assist in auditing delivery of services on the ground.

Kenyan citizens are more enlightened, tech-savvy and more aware of their rights. The people in the community, who are not auditors, always have a lot of information on where public funds are being misused and wasted. We intend to use these social audits as an input to our audit processes, more so in identifying risky areas which should receive more attention during continuous and regular certification audits.

"We are also repositioning the Office to respond more to 'value for money' issues and performance related audits. The objective is to shift the focus towards effective use of public funds and service delivery, beyond just proper recording, accounting and reporting of transactions".



Presence in 47 counties

Given that Counties are responsible for service delivery, we are keen to have a presence in all 47 Counties as soon as possible, budgetary resources allowing. This will increase our effectiveness unlike the current situation where we have nine regional offices, where each region has a cluster of about five Counties. We shall continue to request for more funds from the exchequer towards this end.

Finally, we challenge the public, civil society and the media to participate in the audit process as a way of strengthening accountability and management of public resources. Opportunities for participation include the public hearings sessions where clients respond to audit queries at Parliament and County Assemblies; and taking interest in the reports issued by the committees regarding the Auditor-General's findings in public entities. We believe by so doing, managers of public resources will become more accountable in their management of public resources.

I wish you an enjoyable reading of this edition ■

Edward R.O. Ouko, CBS

AUDITOR-GENERAL OF KENYA

How auditing is conducted

By Samuel Waweru

Auditing entails examination of the financial report of an organisation by an independent person (the auditor).

A financial report includes a statement of financial position (balance sheet), statement of financial performance (an income statement), a statement of changes in equity, a statement of cash flows, and notes comprising a summary of significant accounting policies and other explanatory notes.

The purpose of an audit is to form an opinion on whether the information presented in the financial report, taken as a whole, reflects the financial position of the organisation at a given date. For example:

- Are details of what is owned and what the organisation owes, properly recorded in the statement of financial position (balance sheet)?
- Are profits or losses properly assessed?

When examining the financial report, auditors follow auditing standards which are set by a governing body. In the case public sector auditing, auditors use International Standards of Supreme Audit Institutions (ISSAIs) in their work. Once auditors have completed their work, they write an audit report, explaining what they have done and giving an opinion drawn from their work.

Every country has a Supreme Audit Institution (SAI) whose mandate is to audit how public funds are spent. In Kenya, the Office of the Auditor-General plays this role, as mandated by the Constitution. While there are many types of audits, Article 229 (4) of the Constitution of Kenya requires that the Auditor-General audits and reports on accounts of institutions funded by the public. This type of audit is known as regularity audit, related to the release of the annual audit of National and County Government Accounts; and will be the main focus of this article.

Audit Process

The Audit Process begins by submission of financial statements of public entities to the Auditor-General, for audit. The law requires that the statements should be submitted by September 30, every year, which is 3 months after the end of the financial year in June. However, clients are usually encouraged to submit the accounts as soon as possible.



Auditors at work

Right from the submission of the financial statements there is continuous communication between the auditors and the entities being audited, until the final report is written.

After receipt of the financial statements, the Auditor-General sends a Letter of Understanding to every public entity being audited. This letter explains the nature and scope of the audit. The letter is aimed at arriving at a common understanding about the terms of the assignment, and informs both auditors and the management of the public entities about the expectations of the audit.

Entrance meetings

Auditors from the Office of the Auditor-General then engage in an inaugural meeting with management of the entity being audited to discuss the contents of the letter of understanding and the audit strategy.

After the entrance meeting, the auditors then get to the practical aspect of auditing, known as fieldwork. During this exercise, there is regular contact between the auditors and staff of the entity being audited, known in auditing parlance as the Client.

The Client is constantly kept in the loop of any audit findings/observations in the course of the audit (fieldwork) and the management of the entity being audited is accorded an opportunity to respond to the queries raised.

This back and forth engagement takes place numerous times until the queries are cleared or remain outstanding, if not satisfactorily responded to by the Client.

Exit meetings

At the end of the audit exercise (fieldwork), the management of the entity being audited is invited to attend an exit meeting where the auditors share with them their findings, and indicate any outstanding issues that require further explanation or documentation.

Management letter

The Auditor-General, then issues a Management Letter to the Accounting Officer of the Client. This letter includes all unresolved audit findings and exceptions arising from the audit exercise. The management is then requested to respond to the audit findings within 14 days, as outlined in the Public Audit Act, 2015, after which the Auditor-General is under obligation to issue the report as it is.

When management's response is received, some issues are sometimes retained, dropped or kept in view (to be checked in the next audit); depending on the materiality (significance) of the findings and the acceptability of the explanations from the management.

Draft audit report

A draft audit report is then issued to the Client to give an overview of issues in the management letter which were not satisfactorily addressed by the management. The management of the audited entity is again accorded an opportunity to respond to issues arising from the draft report, after which a final audit report which provides an overall opinion on the financial statements and other aspects, is issued to the Accounting Officer of the audited entity by the Auditor-General.



» Audit review and quality control

Throughout the audit process, the work is subjected to quality control through reviews at different levels. The final audit report is then subjected to quality assurance before the Auditor-General appends his signature. Audit review is both a quality and an internal control system that ensures use of more than one level of judgment and experience on the audit work carried out and conclusions reached. The aim is to ensure that high quality audit work is performed throughout the audit process, supports the audit opinion expressed and meets the requirements of the International Standards of Supreme Audit Institutions.

Quality Control entails the review of work performed by auditors throughout the audit to provide reasonable assurance that:

- (a) The audit complies with professional standards and applicable legal and regulatory requirements; and
- (b) The issued auditor's report is appropriate in the circumstances.

Quality Control is the responsibility of every auditor involved in the audit assignment.

Reporting

Once a final report is issued to the Client, the same is submitted to Parliament or relevant County Assembly, by the Auditor-General, as outlined in the Constitution.

The Committees at National Assembly, Senate and County Assemblies that receive the reports include: Public Accounts Committee (for National Government), Public Investments Committee (for State Corporations), at the National Assembly; Public Accounts and Investments Committee (for County Governments and their County Corporations) at the Senate; and the Public Accounts and Investments Committee (for the County Governments), at the respective County Assembly.

Public Hearings

After submission of the audit reports to Parliament (National Assembly and the Senate) and the relevant County Assembly, which represent the people of Kenya, the reports are discussed by the relevant Standing Committees at Parliament and County Assembly.

At the National Assembly, the Public Accounts Committees (PAC) discusses audit reports for National Government accounts while the Public Investment Committee (PIC) discusses those for the State Corporations.



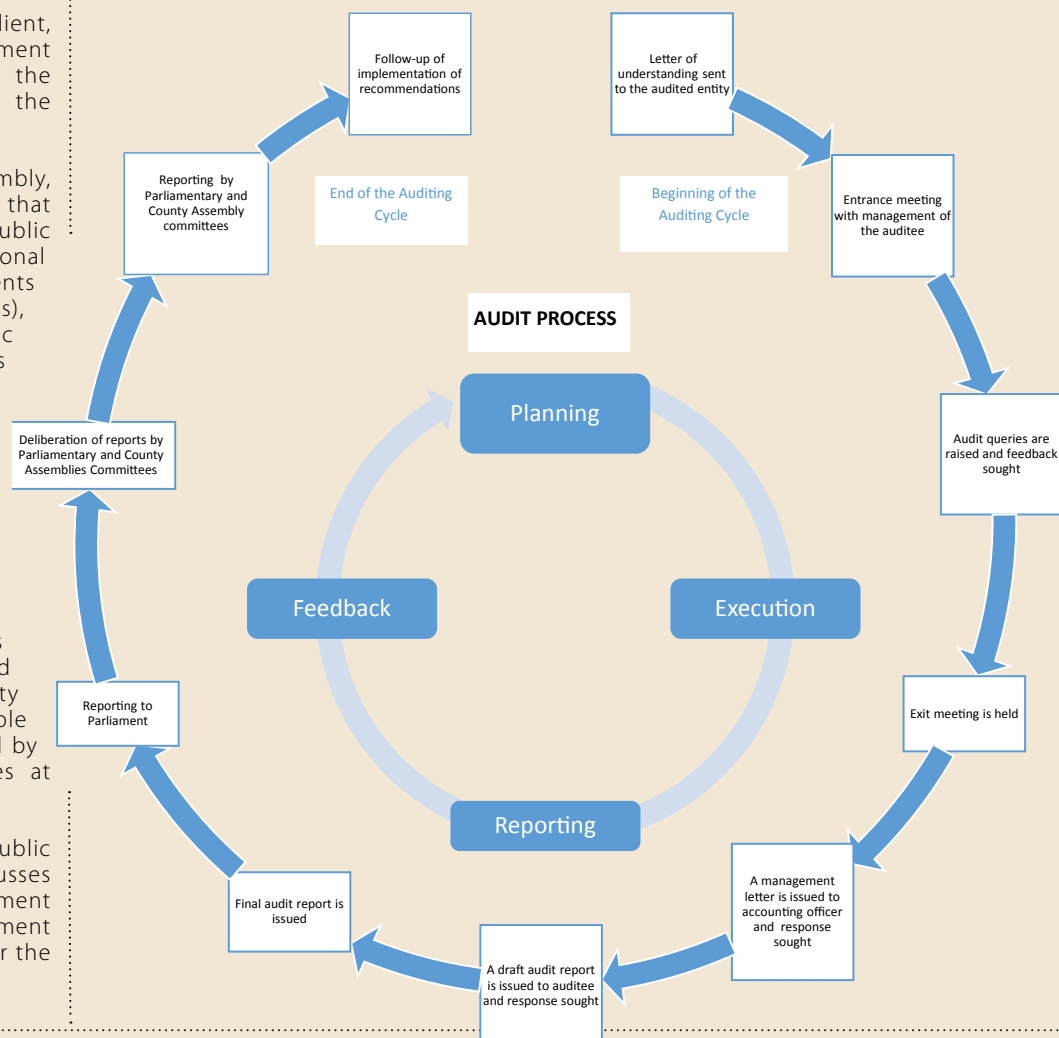
At the Senate, the Public Accounts and Investments Committee discusses audit reports for the County Governments and County Corporations.

The deliberations by the relevant watchdog committees involve inviting key officers from the various audited entities to respond to the audit queries. The public hearing sessions are open to members of the public.

Reporting by Parliamentary/County Assembly Committees

After the discussions are complete, the Parliamentary and County

Assembly committees, with assistance from the Office of the Auditor-General, make recommendations for implementation by the entity concerned. The Auditor-General follows up in the subsequent year to confirm whether the recommendations have been implemented. In cases where no action has been taken, the matter is included in the subsequent year's audit report ■



Constitutional and Independent Offices take stock of achievements

By Anne Rose Kairu

Constitutional Commissions and Independent Offices took stock of their achievements and flagged out a number of challenges in executing their constitutional mandates.

At the 4th Annual Congress of Constitutional Commissions and Independent Offices in September 2015, holders of these offices expressed concern that implementation of their respective mandates has been affected by inadequate resources, as well as resistance to change by public officers.

While taking stock of the gains and challenges of the Offices, the Congress also observed that there exists lack of full respect of the Constitution, making Constitutional Commissions and Independent Offices appear as though they are not effective.

The public is also not well-versed with the roles of these offices, making it hard for the citizens to be vigilant and demand services from various offices. It was recommended that a nation-wide intensive civic education be carried out to sensitise the public on the roles of these offices.

At the Congress, held in Eldoret, it was also noted that the Offices have been reluctant to assert themselves and claim their space in the new constitutional order.

Successes

Nevertheless, the Forum for Constitutional Commissions and Independent Offices has registered some successes like providing a platform for sharing experiences and addressing collective challenges.

The Forum has also supported county governments to carry out devolved

functions, leading to the existence of more responsible County Governments. Additionally, this has also encouraged active participation in decision making and is promoting social diversity, equitable sharing of resources and improved efficiency in the delivery of public services such as health, infrastructure and education.

The 4th Annual Congress Forum with the theme, ***“promoting constitutionalism: walking the talk towards a cohesive Kenya”***, brought together all the Chairpersons of Constitutional Commissions, Independent Offices and related statutory agencies. The annual event is aimed at addressing strategic governance issues as well as matters of public concern relating to the implementation of the Constitution.

“The annual event is aimed at addressing strategic governance issues as well as matters of public concern relating to the implementation of the Constitution”.

Offices represented

The offices represented in the Forum included; the Commission for the Implementation of the Constitution, Controller of Budget, Commission on Revenue Allocation, Office of the Auditor-General, Salaries and Remuneration Commission, Office of Attorney General and Kenya National

Commission on Human Rights.

Others are; National Police Service Commission, Transition Authority, Independent Electoral and Boundaries Commission, and National Lands Commission. It was established in 2012 with the sole aim of supporting one another as they deliver on their individual and collective mandates.

Former Deputy Auditor-General, Mr Humphrey Wanyama, said the Offices need to be given adequate funds to carry out their functions effectively. The Office of the Auditor-General, he noted, is facing financial challenges despite an expanded mandate. He called for financial autonomy of the Office, to enable the office meet the constitutional timelines in submitting the audit reports to Parliament.

“Integrity and good governance is dear to all of us. We were given an expanded mandate but there are no commensurate funds to support our work,” he said. With the coming into effect of the new Constitution in 2010, the Office has been given additional responsibility of auditing 47 county governments, as well as the national government.

Other challenges the Office of the Auditor-General is facing include late submission of financial statements by the audited entities and issuance of non-auditable financial statements by some entities. There is also an element of impunity as some audit clients do not give attention to audit issues.

Mr Wanyama proposed that stiffer sanctions be imposed on entities and individuals responsible for late submission of financial statements, as well as those who submit inaccurate financial statements ■



Former Deputy Auditor-General, Humphrey Wanyama (left) with the Controller of Budget, Agnes Odhiambo during the 4th Annual Congress of Constitutional Commissions and Independent Offices

Audit Quality and Quality Control

By Jesse Mutua



Quality always comes first

Trust may be good, but control is unbeatable.

Financial information should be relevant, timely and reliable to meet the needs of users, and an external audit of the financial information is often required to give users confidence that the information can be trusted.

The objective of an audit of financial statements is for the auditor to form an opinion on the financial statements. This opinion is based on whether the auditor has obtained sufficient audit evidence about whether the financial statements are free from material misstatement and to report in accordance with the auditor's findings.

External audit

For an external audit to fulfill its objective the users of audited financial statements must have confidence that the auditor has worked to a suitable standard and that "a quality audit" has been performed.

Audit quality encompasses the key elements that create an environment which maximises the likelihood that quality audits are performed on a consistent basis.

Audit quality is only achievable if the Supreme Audit Institution (SAI), its people – the auditors – and the audit process, all work together to produce outputs that fulfill the requirements of its stakeholders and the general public. The responsibility for performing quality audits of financial statements rests with auditors.

A quality audit is likely to have been achieved by an engagement/assignment team that:

- Exhibited appropriate values, ethics and attitudes;
- Was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work;
- Applied a rigorous audit process and quality control procedures that complied with laws, regulations and applicable standards;
- Provided useful and timely

reports; and

- Interacted appropriately with relevant stakeholders.

One of the components of audit quality and (management) is quality control. Quality control consists of all measures and procedures carried out within the audit process to guarantee the quality of audit work and the resulting report. It is a process in the course of which a SAI intends to fulfil quality requirements.

It entails operational techniques and activities during audit processes of planning, execution and reporting. Quality control ensures the auditor complies with the requirements of international auditing standards and other requirements in the course of carrying out audits.

To ensure quality control in planning, execution and reporting of audit, SAls develop detailed guidelines and checklists such as auditing manuals and working papers.

Quality control in the audit process provides reasonable assurance that:

- the audit has examined significant matters;
- the audit complies with professional standards and applicable legal and regulatory requirements ; and
- the auditor's report issued is appropriate in the circumstances; the results of the audit, contained in the audit report, are an accurate reflection of the true conditions of the matters under consideration.

Characteristics of audit quality control

- Quality control is a technical/operational rather than a managerial function;
- Quality control requirements are applicable to the day-to-day management of audit assignments;
- Quality control is product-centric (audit report);
- Quality control should be built into the audit process rather than relying on post audits or checklists;
- Responsibilities of each auditor in the control process should be clearly defined;

- Quality control should be result focused;
- Too many controls result in no control.

How do we embed quality control in the audit process?

Quality control can be embedded at both the engagement (assignment) and SAI levels. At the assignment level:

- The engagement team should comply with auditing standards, relevant laws and regulations, and the SAI's quality control procedures;
- The engagement team should make appropriate use of information technology especially in performing audit tests;
- There should be effective interaction with others involved in the audit especially the client;
- There are appropriate arrangements with management so as to achieve an effective and efficient audit process.

At the SAI level:

- The audit methodology in use:
 1. Should be adapted to developments in professional standards and to findings from internal quality control reviews and external inspections;
 2. Should encourage individual team members to apply professional skepticism and exercise appropriate professional judgment;
 3. Should require effective supervision and review of audit work;
 4. Should require appropriate audit documentation.
- Rigorous quality control procedures should be established and audit quality monitored and appropriate consequential action taken;
- Where required, effective Engagement Quality Control Reviews (EQCRs) should be undertaken.

As observed above, quality control entails the review of work performed by auditors throughout the audit assignment. This does not mean that it is the responsibility of the file reviewers but rather that of every auditor involved in the audit assignment ■

Prudent use of resources **benefits citizens**

By Rebecca Joshua

Government accountability means that public officials, both elected and appointed, and public bodies have an obligation to explain their decisions and actions to the citizens.

This ensures that they perform to their full potential, putting measures in place such that there is value for money in the use of public resources. They must oversee efficient and effective use of these resources in accordance with the Constitution and the Public Finance Management Act, 2012.

In doing this, focus on managerial accountability is an important aspect to Kenyans because it responds to the citizens' urge to see that public officers uphold the principles of leadership and integrity as espoused under Chapter Six of the Kenyan Constitution and the Values and Principles of Public Service as outlined in Chapter Thirteen.

Kenyans expect a better society as outlined in Vision 2030 (government's blueprint for transforming Kenya into a middle-income economy by 2030). The blue print is anchored on political, economic and social strategic pillars,

charting the envisaged roadmap to the middle-income status.

Vision 2030

It is expected that the attainment of Vision 2030 will achieve holistic development in all the outlined sectors. To realise this, there is need for accountability and prudent utilisation of every shilling that the Revenue collector raises.

*...Public officials
should therefore
spend public
resources without
wastage and
without self-driven
interests*

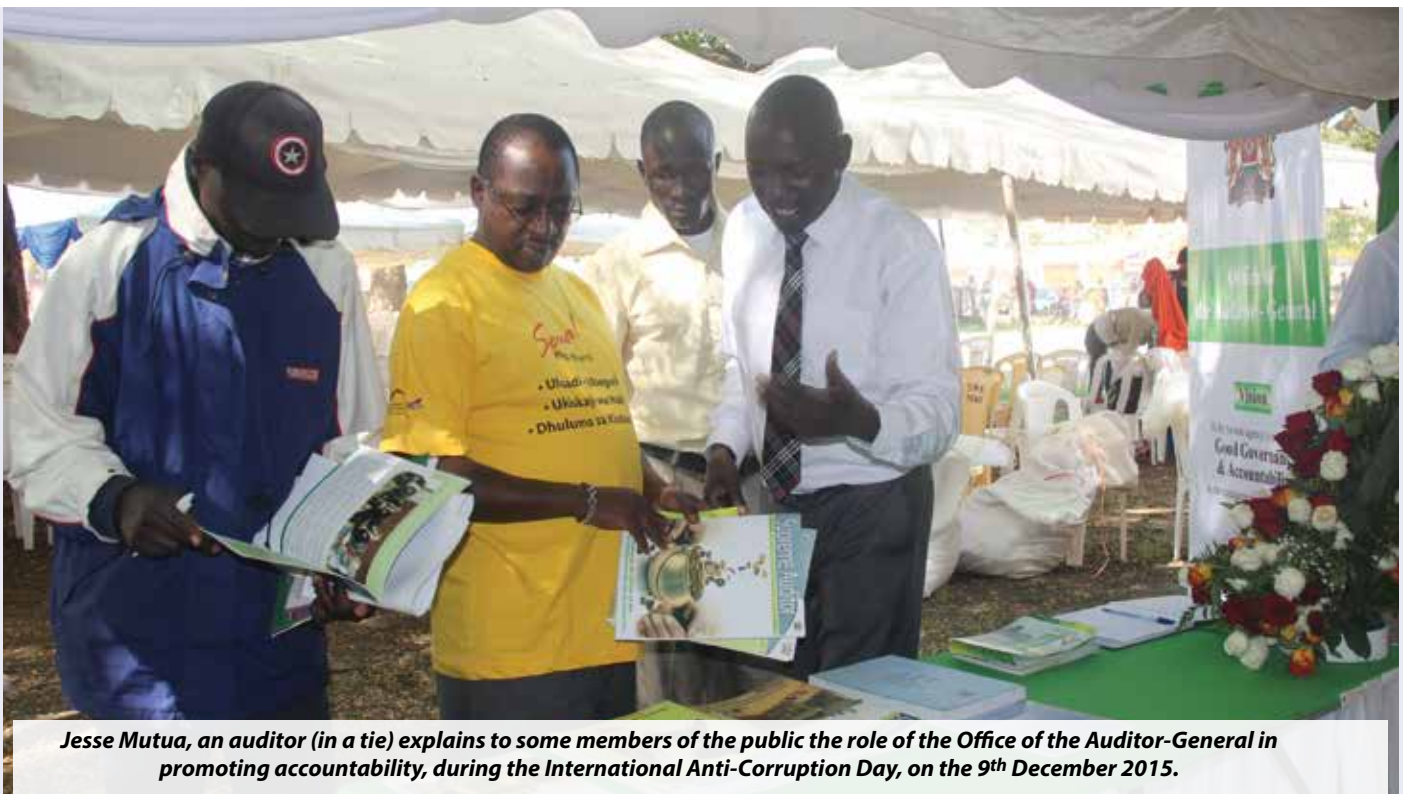
The Ethics and Anti-Corruption Commission, Parliamentary Accounts Committee (PAC), Office of the Controller of Budget, The National Treasury, The Office of the Director of Public Prosecutions and Office of the Auditor-

General are administrative bodies established constitutionally to ensure accountability in the public sector.

They should therefore, play a critical role in promoting accountability in the public sector. To play this role effectively, these offices should be given financial autonomy and granted operational and functional independence as envisaged in the Constitution.

If asset misappropriation, accounting fraud and bribery, and corruption are viewed as "virtues"; then Kenya will be stagnant and remain underdeveloped, yet we have enough resources to steer the country in a healthy development motion. Public officials should therefore, spend public resources without wastage and without self-driven interests.

Prudent use of resources to the benefit of the citizens ensures that the government of the day leaves a hallmark of improved infrastructure, improved hospitals, a healthier environment, improved housing, and creation of employment opportunities and general betterment of the quality of life ■



Jesse Mutua, an auditor (in a tie) explains to some members of the public the role of the Office of the Auditor-General in promoting accountability, during the International Anti-Corruption Day, on the 9th December 2015.

Enhancing the capacity of small and medium practitioners in public sector auditing



Institute of Certified Public Accountants of Kenya (ICPAK) CEO Dr Patrick Ngumi (left) receives copies of frameworks for auditing, from a Partner at Baker Tilly Merali's, Mr Madhav Bhandari.

By Joyce Mbaabu

The Office of the Auditor-General has adopted frameworks that will enhance the capacity of Small and Medium practitioners to audit public sector entities and donor-funded projects.

The frameworks, developed by the audit firm, Baker Tilly Merali's, will be used by the Office as guides in selecting audit firms for insourcing and outsourcing of audit work, to supplement its work.

The Institute of Certified Public Accountants of Kenya (ICPAK), a professional body that regulates the accounting and auditing profession, commissioned Baker Tilly Merali's to develop the frameworks.

Owing to the large number of entities that have to be audited, the Auditor-General is mandated by law to enlist the services of professional audit firms to assist in carrying out the wide mandate. The work of these audit firms must however, be reviewed by the Office.

Auditor-General, Mr Edward Ouko said the frameworks will guide the Office in enlisting the services of top-notch audit firms to assist with auditing public entities and donor-funded projects. He

called on ICPAK to continue helping the Office with developing professional frameworks for the Small and Medium audit firms.

"We are looking up to ICPAK to develop the criteria for categorising Small and Medium Scale Practitioners to make it easy for us to identify the right firms," said Mr Ouko, during the handing over ceremony of the frameworks, at his Office.

"We are looking up to ICPAK to develop the criteria for categorising Small and Medium Scale Practitioners to make it easy for us to identify the right firms".

ICPAK CEO Dr Patrick Ngumi said the frameworks will be ideal instruments in enhancing accountability and ensuring that the citizens get value for money from their taxes. Office of the Auditor-General and ICPAK signed an MoU to show commitment in implementing the frameworks.

A Partner at Baker Tilly Merali's, Mr Madhav Bhandari, said the assignment of developing the frameworks was heavily involving and had a lot of stakeholder involvement. He expressed hope that the government and donors will use these regulatory instruments.

The frameworks and training programme will enhance the quality of audit work as well as improve the capacity of Small and Medium Practitioners to audit public sector entities and donor-funded projects.

Henry Amuguni, Senior Financial Management Specialist at the World Bank called for the roll out of the frameworks and stressed on the Bank's keenness in building the capacity of Small and Medium Practitioners to audit donor-funded projects ■

Auditor-General chairs first **Knowledge Sharing Committee meeting**

By **Leonard Milgo and Anastasia Muasa**

Kenya's Auditor-General, Mr Edward Ouko chaired the first meeting of the African Organisation of Supreme Audit Institution (AFROSAI) Joint Technical Committee on Knowledge Sharing, since his election as the Chairman.

Mr Ouko was elected Chairman of the Committee in October 2014 during the 13th General Assembly of AFROSAI meeting in Sharm El Sheik, Egypt. The first meeting of the Technical Committee on Knowledge Sharing was held in July, 2015 in Yaoundé, Cameroon.

The meeting was graced by Mr. Henri Eyebe Ayissi, Minister Delegate, and Head of Supreme State Audit Office of Cameroon, who is also the Secretary-General of AFROSAI General Assembly.

During the 13th General Assembly of AFROSAI meeting in Sharm El Sheik, in October 2014, members created and adopted two important Technical Committees (Capacity Building Committee and Knowledge Sharing Committee). The main objective of the committees was to enable the smooth implementation of its new 2015- 2020 Strategic Plan.

Mr. Ouko was elected Chairman of the Knowledge Sharing Committee while the Auditor-General of SAI Senegal, Mamadou Hady Sarr was elected Chairman of the Capacity Building Committee.

Activities

In order to launch the activities of these Technical Committees, the General Secretariat of AFROSAI, in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Support Programme for Good Financial

Governance in Africa, organised the First joint meeting of the two Technical Committees.

The main objective of this meeting was to put in place the Technical Committees of AFROSAI and develop a tri-annual work plan of those committees.

The meeting also reflected on the working methods between the Committees and other organs of AFROSAI (the General Secretariat of AFROSAI, the Language Sub- Groups, Technical Working Groups),

Mr. Ouko was elected Chairman of the Knowledge Sharing Committee while the Auditor-General of SAI Senegal, Chairman of the Capacity Building Committee.

as well as with GIZ.

It was also meant to facilitate a better understanding of roles and responsibilities between the different actors, and the expectations of AFROSAI vis-à-vis the Technical Committees.

The joint meeting was a success with the committees coming up with their respective visions, work plans and work methods for the period 2015-2017.

Mandate and Work Methods

The mandate of the Knowledge Sharing and Management Committee is to create an operational framework to ease knowledge management and sharing. It also develops best practices through research on issues of common interest. Additionally, it promotes technical

cooperation and consultation services between members of SAIs and promotes the knowledge of products from International Organisation of Supreme Audit Institutions (INTOSAI).

The strategic objective of the Committee is to strengthen cooperation and the exchange of experience between members of AFROSAI and external partners.

During the Cameroon meeting, Mr. Ouko proposed various work methods and activities during the coming three year period (2015-2017). These include:

- Symposiums & seminars;
- Study visits relating to auditing areas of mutual interest;
- Parallel/Joint Audits on selected topics that are within the mandates of the respective SAIs;
- Research Projects on topical issues;
- Sharing/dissemination of audit Guidelines and manuals on Regularity Audits in the Public Sector, Performance Audits, SAI's Key Performance Indicators (KPIs), Public Debts, Human Resource Development, Procurement, Fraud/ Investigative/ Forensic Audit, Information Technology Audit through AFROSAI Platform and other media of communication;
- Secondment Programme on areas such as Research & Development, Quality Assurance, investigative/ forensic audit and performance audit;
- Participation in peer reviews and other inter-SAI activities such as sports/games and cultural events ■



Mr. Edward Ouko (2nd left, seated) chaired the first meeting of the African Organisation of Supreme Audit Institution (AFROSAI) Joint Technical Committee on Knowledge Sharing with Mr. Henri Eyebe Ayissi (2nd right, seated), the Secretary General of AFROSAI General Assembly, in Yaoundé, Cameroon.

Ireland meeting: Auditors **chart way forward on forensic investigations**



The five nominated Auditors pose with Tom Hennessy (3rd left) , from the Foreign Affairs Office, Ireland, during the training on forensic investigations, in Ireland .

By Rose Nyarangi

Forensic audit is increasingly becoming a field of interest for Supreme Audit Institutions (SAIs) across the world, necessitating a series of capacity-building workshops for auditors to equip them with the necessary skills on forensic investigations.

The Office of the Auditor-General, Kenya, has therefore partnered with the Office of the Controller and Auditor-General, Ireland, to equip auditors with the necessary skills in forensic investigations.

In August 2015, a team of five auditors visited Dublin, Ireland to go through a forensic investigation Certificate Course at the Chartered Accountants Ireland Training Centre. The Course was a condensed version of a Diploma in Forensic Investigation. The five Kenyans joined six colleagues from the Controller and Auditor-General (C&AG), Ireland, for the Course.

Objective

The objective of the Course was to equip participants with the necessary skills to carry out forensic investigations, perform data analysis using forensic tools and present reports on findings that can be used as evidence in the courts of law, tribunals or oversight bodies.

The course was organised in three broad modules namely; the Role of the Forensic

Auditor, Forensic Investigations and Forensic investigation reporting. The delivery of these modules was conducted by some of the industry's leading professionals in Ireland. There were also presentations and practical demonstrations of the various forensic tools in use as well as examples of real life investigations.

In August 2015 a team of five auditors visited Dublin, Ireland, to go through a forensic investigation Certificate Course at the Chartered Accountants Ireland Training Centre

The team also got an opportunity to engage with the Controller and Auditor-General-Ireland staff for two days where the participants were exposed to presentations on key areas of the Office activities as well as a demonstration on the ICT analysis tool being used by the Office.

The team noted that the C&AG-Ireland uses a centralised ICT environment, operating a Client/Server (Citrix) system in which all information is stored and processed in a server and accessed by the users through a secure network. This eliminates the risk of data loss in

the event of hardware malfunctions or should one lose a laptop.

Modules studied

The participants were exposed to key skills of a forensic auditor and the types of financial investigation assignments. These assignments included financial crime; regulation; corporate intelligence; computer crimes; fraud, theft and abuse of risk assessments.

They also learnt about the qualities of a good expert witness and his/her role and responsibilities, and learnt about the importance of team work in a forensic investigation. It was emphasised that no one individual could possess all the skills of an investigator.

Also on the menu were discussions on the evolution of white collar crime and the various measures that can be taken to prevent fraud.

During the workshop, the team also learnt about methods of evidence gathering which included Corporate Intelligence (CI), Search and seizure, document control, digital evidence recovery, note-taking and interviewing of a fraud suspect, amongst others. Notable in the module was the need to maintain evidential integrity during an investigation ■

New form of fraud; **Tackling Computer Crime**

By **Collins Ochieng**

Almost all government departments are now dependent, one way or another, on Information Technology in all their operations. This reliance on IT has now, in some instances, led to a great deal of emergence of computer crimes.

In order to understand computer crime, it is worthwhile to consider three drivers of fraud which include opportunity, motivation and rationale.

Fraud occurs if all these three elements are present. For instance, an employee receiving less than a third of their basic pay would exploit inadequate Input Controls in applications to carry out fraudulent activities so as to enable him or her qualify for a loan to meet his/her needs.

Emergence of computer crimes

The emergence of computer crimes is now a new field of fraud that is of concern to Forensic experts. It therefore behoves Forensic Technology experts to be on top of their game to effectively handle computer crimes.

In handling these crimes, Forensic Technology specialists would use Forensic Technology to collect and analyse data from computer systems, networks, wireless communications, and storage devices in a way that is admissible as evidence in a court of law.

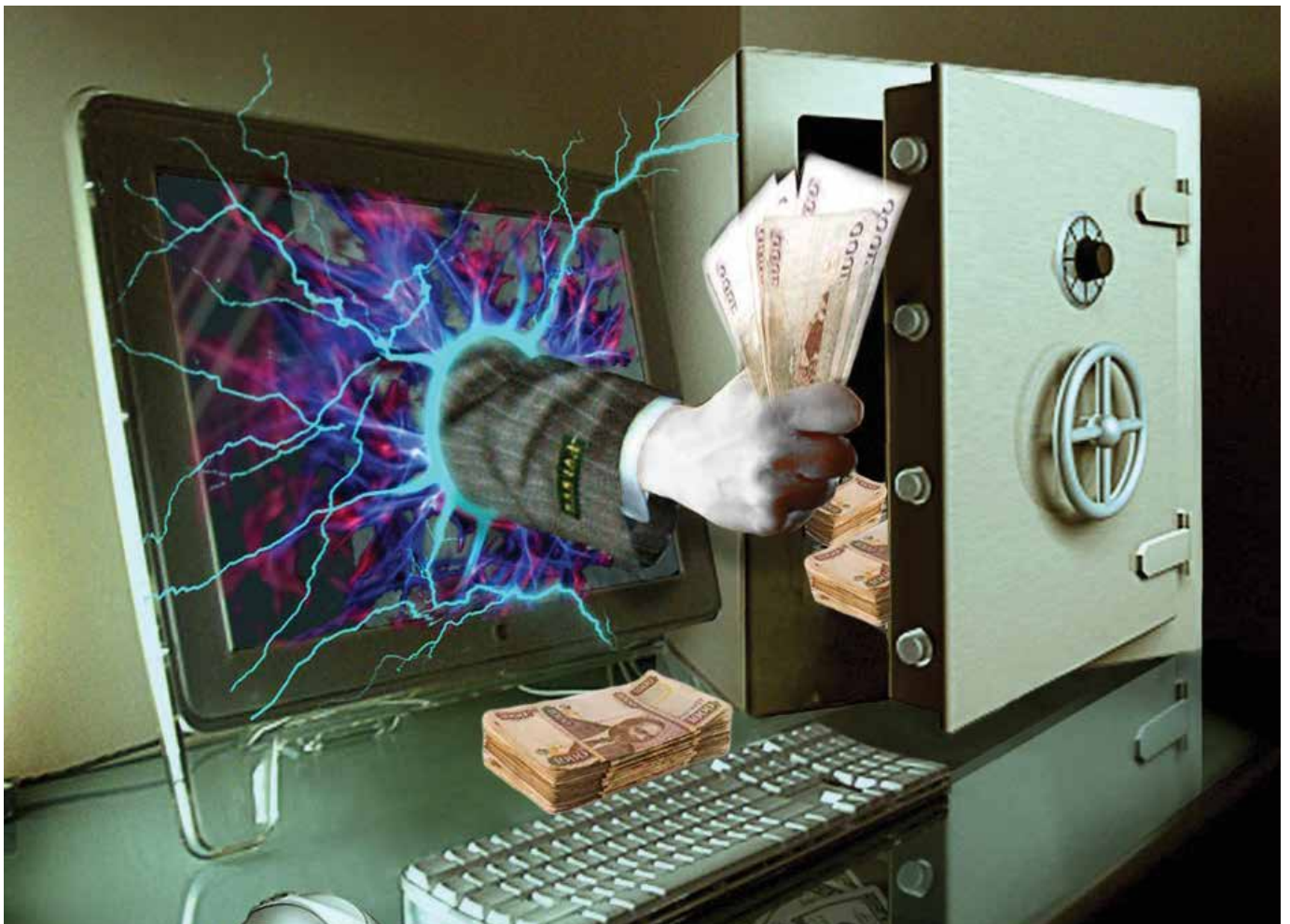
Computer forensic involve four major phases- identification of evidence, preservation of the evidence, analysis of evidence and presentation of the evidence in court.

Evidence

Possible sources of evidence include e-mail, instant messaging chats, Microsoft Office files, accounting databases and Web sites.

Evidence gathered electronically can assist with, among other things, investigation of fraud, harassment, discrimination, employee dismissal cases and misappropriation of intellectual property.

The key to a successful forensic digital evidence investigation is proper planning, which entails allocation of responsibilities and laid-down procedures as well as rules of operation ■



Kenyan team at the third Executive Leadership Development Workshop

By David Njoka and Nancy Gathungu

A team of five senior leaders from the Office of the Auditor-General-Kenya, undertaking the Executive Leadership Development Programme attended the third workshop in November 2015, in South Africa.

The Kenyan team is handling a project on human resource issues with focus on performance enhancement. The project covers the design and the implementation phases with the aim of transforming the performance of the Kenyan Supreme Audit Institution (SAI).

They joined other leaders from six SAIs in Africa, at the Durban meeting, to report on the progress made on their projects which had earlier been identified based on where the respective SAIs felt that there were gaps in achieving their objectives.

Kenya's team comprises two Deputy Auditor-Generals, Sylvester Kiini and David Gichana, and three Directors, David Njoka, Fredrick Odhiambo and Nancy Gathungu.

Ahead of the Durban meeting, the Kenyan team had presented its progress on the identified project to the Auditor-General, Mr. Edward Ouko, and his deputies. The team agreed that the project was one of the key strategies for enhancing the performance culture within the Office.

The performance enhancement project will also assist in evaluating and leveraging

on the existing institutional frameworks to enable employees achieve superior standards of work performance with clear targets and measurement criteria. The project is in line with the Office of the Auditor-General's Strategic Goal 4 which is to transform the organisation for efficient and effective delivery of audit services.

Pioneer Programme in Africa

This is a pioneer programme, in Africa, targeting leaders in positions of influence, to embrace a paradigm shift in the management of their institutions. The 24 participants from the six countries had to go through two more Workshops before finalising their individual SAI projects in March 2016. The implementation of identified projects is expected to go beyond March 2016.

Heads of Supreme Audit Institutions nominated several participants who were independently subjected to an objective online assessment conducted by Deloitte.

The programme is an initiative of the African Organisation of Supreme Audit Institutions- English speaking countries (AFROSAI-E) and the Swedish National Audit Office (SNAO) and has a team of 24 leaders from six African countries.

Heads of Supreme Audit Institutions nominated several participants who were independently subjected to an objective online assessment conducted by Deloitte.

The participants were tested on their proficiency in nine competences including managing relationships, guiding interactions, coaching for success, coaching for improvement, influencing, delegation and empowerment, problem/opportunity analysis, judgment, planning and organising.

Only those who scored high ratings per SAI, via the online tool, were selected for the Programme. The six African countries taking part in the one-year programme are Kenya, South Africa and Botswana with five participants each, and Nigeria, Sierra Leone and Sudan with three participants each.

Each of the six SAIs has a mentor attached to them. Kenya has former Auditor-General of the Swedish National Audit Office, Claes Norgren, as their mentor. The mentors come from selected developed SAIs in Europe and will guide the participants all through the programme ■



The Kenyan team, from left, Fredrick Odhiambo, David Njoka, David Gichana, Sylvester Kiini and Nancy Gathungu, during the Durban Workshop

Pictorial



Members of the public at the 4th Annual Congress for Constitutional Commissions and Independent Offices, in Eldoret, Uasin Gishu County.



The Auditor-General Edward R.O. Ouko, former Auditor-General of Swedish National Audit Office (SNAO), Mr. Claes Norgren and Mr. Fredrick Odhiambo (Director-Performance Audit) during a meeting at the AG's Office. Mr. Norgren was on a mission to mentor senior management staff on performance management of Supreme Audit Institutions, as part of the Executive Leadership Development Programme.

Some of the Auditors from OAG attending a forensic investigation Certificate Course, at the Chartered Accountants - Ireland Training Centre.



Members of staff being taken through ICT soft skills training, at University of Nairobi, Chiromo Campus.



Staff members attending E-Procurement training.



Members of the Civil Society pose for a group photo with the AG (3rd left, seated) during the Parliamentary Initiatives Network (PIN) Workshop in Machakos County.

Auditor-General among public officers recognised for exemplary service



Auditor-General, Edward Ouko (2nd left, front row), was among public officers recognised for providing outstanding service to the public. The prize went to Director of Public Prosecutions, Keriako Tobiko (3rd right, front row)

By Nicholas Mureithi

The Office of the Auditor-General was one of the public institutions recognised by Kenyans for providing commendable service to the public.

In its inaugural Outstanding Public Service Award, the Kenya National Civil Society Congress presented a list of seven final nominees, out of a list of 53, for the Award. Auditor-General Edward Ouko, was one of the seven nominees. The Award went to the Director of Public Prosecutions, Keriako Tobiko.

Other nominees who made it to the final stage were Controller of Budget Agnes Odhiambo, Chair of Salaries and Remuneration Commission Sarah Serem, former Chairman of the defunct Commission for the Implementation of the Constitution, Charles Nyachae, Attorney General, Githu Muigai and Chairman of the Commission on Administrative Justice, Otiende Amollo.

During the Ceremony, in November 2015, at a Nairobi Hotel, National Civil Society Congress Coordinator, Suba Churchill, said the objective of the Award Scheme is to recognise offices and public officers executing their mandates as envisaged

in the Constitution and other relevant laws.

In his speech, Mr Ouko lauded the group for coming up with such a noble idea of recognising the work done by public institutions, saying his Office will continue to serve the public to their expectations.

"We will continue to do our work and give the public the necessary information that will help them play the oversight role," said Mr Ouko.

To come up with the final list of seven, the nominees were gauged around a number

"We will continue to do our work and give the public the necessary information that will help them play the oversight role".

of milestones, among them offices that have devolved their operations right to the grassroots and have demonstrated new ways of doing things. Additionally the offices were gauged on how much the complaint mechanisms in their websites are developed and how they engage their staff to address emerging complaints.

The Award was as a result of a national survey where members of the public, through sampling, were asked to nominate public officers or institutions that they feel have done outstanding work. The nominees were then subjected to constitutional benchmarks that had to be met, bringing the number to seven.

As the survey went on, the activities of the seven nominees were being documented by the National Civil Society. The nominees were later contacted to document achievements they had realised, so far. Citizens were then asked to vote online in a process that, Mr Churchill said, had checks and balances to ensure credibility. The Survey was conducted in nine regions, with a bias to town centres ■

Outlook of National Government **Audit findings for the past three years**

In giving an audit opinion, the auditor has to ascertain whether the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework.



By David Munyaka

The Constitution of Kenya, promulgated in 2010, established the Office of the Auditor-General. This Office plays a key role in enhancing accountability in the public Service.

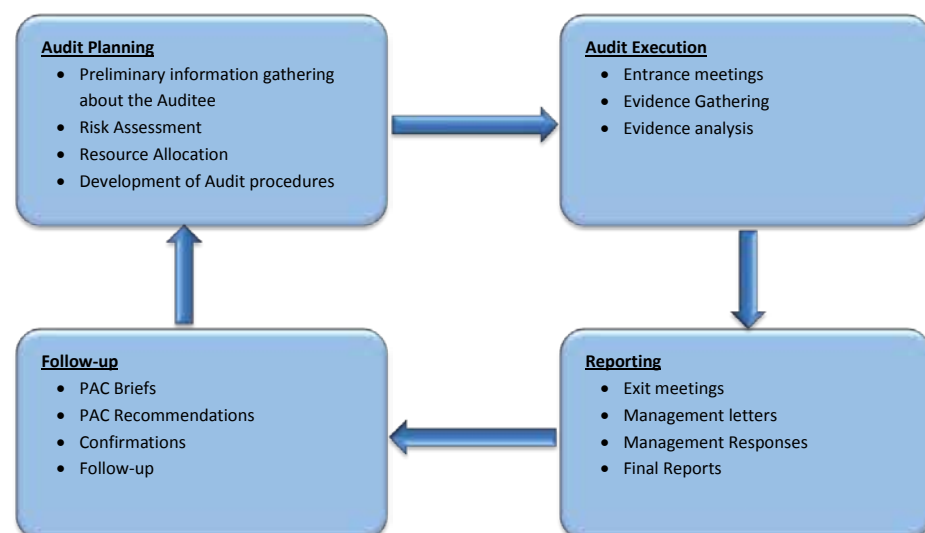
The Office is mandated to audit and report on how National and County Governments spend public money. In addition, the Constitution mandates the Office, while performing audits, to establish if public funds are spent lawfully and in an effective way. The question lingering in the minds of many Kenyans is "Are these Governments (National and Counties) spending the money they collect as taxes effectively?"

Over the last three years, the Office of the Auditor-General, has audited the National and County Governments under the new constitutional dispensation.

In this outlook we focus on National Government Audit Reports for the Financial years 2011/2012, 2012/2013 and 2013/2014.

The Audit Cycle

The Audit Cycle may be summarised as below:



The Auditor gives an independent opinion include "except for", "adverse" or "disclaimer of opinion". During the period we are focusing on, the Auditor-General expressed different audit opinions on financial statements guided by the following criteria:

»

» **Unqualified (Clean) Opinion-** This is expressed where the Financial Statements give a true and fair view or are presented fairly, in all material respects, in accordance with the Government Financial Regulations and Procedures and Public Finance Management Act, 2012 and is an indicator that public funds have been applied lawfully and in an effective manner.

Qualified Opinion- Where misstatement or limitations on audit is not as material and pervasive as to require an adverse or a disclaimer of opinion. In this case an 'except for' opinion based on the effects of the matter(s) to which the qualification relates is expressed.

Adverse Opinion- Audit matters on the financial statements are so material and pervasive that the auditor concludes that the financial statements are misleading or incomplete.

Disclaimer of Opinion- The auditor is unable to express an opinion where the possible effects of limitations on the audit are material and pervasive, that the auditor is unable to obtain sufficient appropriate audit evidence and accordingly unable to express any meaningful audit opinion on the financial statements.

The opinions expressed on statements prepared by National Government for the last three years are as tabulated below:

Audit Opinion	Financial Year					
	2013/2014		2012/2013		2011/2012	
	No. of FS	%	No. of FS	%	No. of FS	%
Unqualified	26	26%	41	12%	15	6%
Qualified	50	50%	172	50%	130	51%
Adverse	16	16%	45	13%	24	10%
Disclaimer	9	9%	85	25%	83	33%
Total	101	100%	343	100%	252	100%

The above tabulation shows a drastic reduction in the number of statements from 343 in 2012/13 to 101 in 2013/2014. This is attributed to adoption of a new reporting framework by Government where International Public Sector Accounting Standards (Cash Basis) were adopted. The adoption of this framework resulted in consolidation of statements.

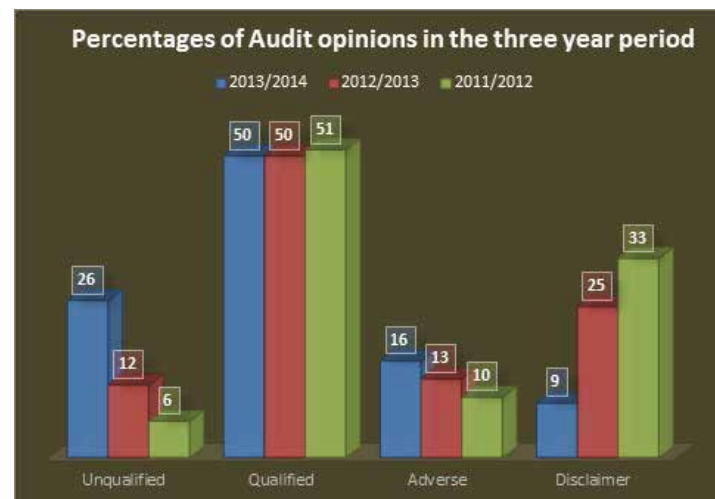
Accounting officers in National Government are required to use the Framework and to prepare complete sets of financial statements, which give better Financial Information as opposed to the earlier way of reporting, which sometimes gave inadequate information.

The tabulation above shows that there has been a slight increase in the number of financial statements with unqualified opinion. In 2011/12 the percentage stood at 6 per cent, in 2012/13 at 12 per cent while in 2013/14 it stood at 26 per cent. The improvement in 2013/2014 can be attributed to the new financial reporting framework.

However, it should be noted here that 26 per cent is still a

low figure as it implies that the remaining 74 per cent of the financial statements or a total of 75 statements in 2013/14 had issues that resulted in qualifications. This calls for more stringent measures by the Accounting Officers to improve accountability in the public sector so as to raise the unqualified figure to over 50 per cent and to even 100 per cent in future.

The audit opinions can be depicted in a graph below:



A look at the above graph shows that there is a marked improvement in Financial Statements which had a disclaimer of opinion. The percentage dropped from 33 per cent in 2011/12 to 25 per cent in 2012/13. This dropped further to 9 per cent in 2013/14. The most prevalent opinion is the qualified "except for" audit opinion which stagnated at about 50 per cent in the three year period.

Main Reasons for Audit Qualifications

During audits, the auditor identifies the main issues which may affect the accuracy or results in misstatements of financial statements. Other matters identified which do not affect the opinion to be expressed on the financial statements are reported under emphasis of matter paragraphs.

During the period under review the following issues resulted in the statements being qualified:

(i) qualified –Except for

- Unsupported expenditures;
- Non surrender of imprests;
- Unauthorised expenditures;
- Unexplained balances;
- Unreconciled/un-cleared items relating to cash and bank statements;
- Excess expenditure;
- Misallocation of expenditure items;
- Lack of adequate disclosures.

»

(ii) Adverse Opinion

- Discrepancies between the Appropriation Accounts and the respective Ledgers and the trial balance;
- Differences between closing audited balances and opening balances for the next accounting period;
- Unsupported balances in the financial statements;
- Failure to prepare financial statements in accordance with prescribed financial reporting framework.

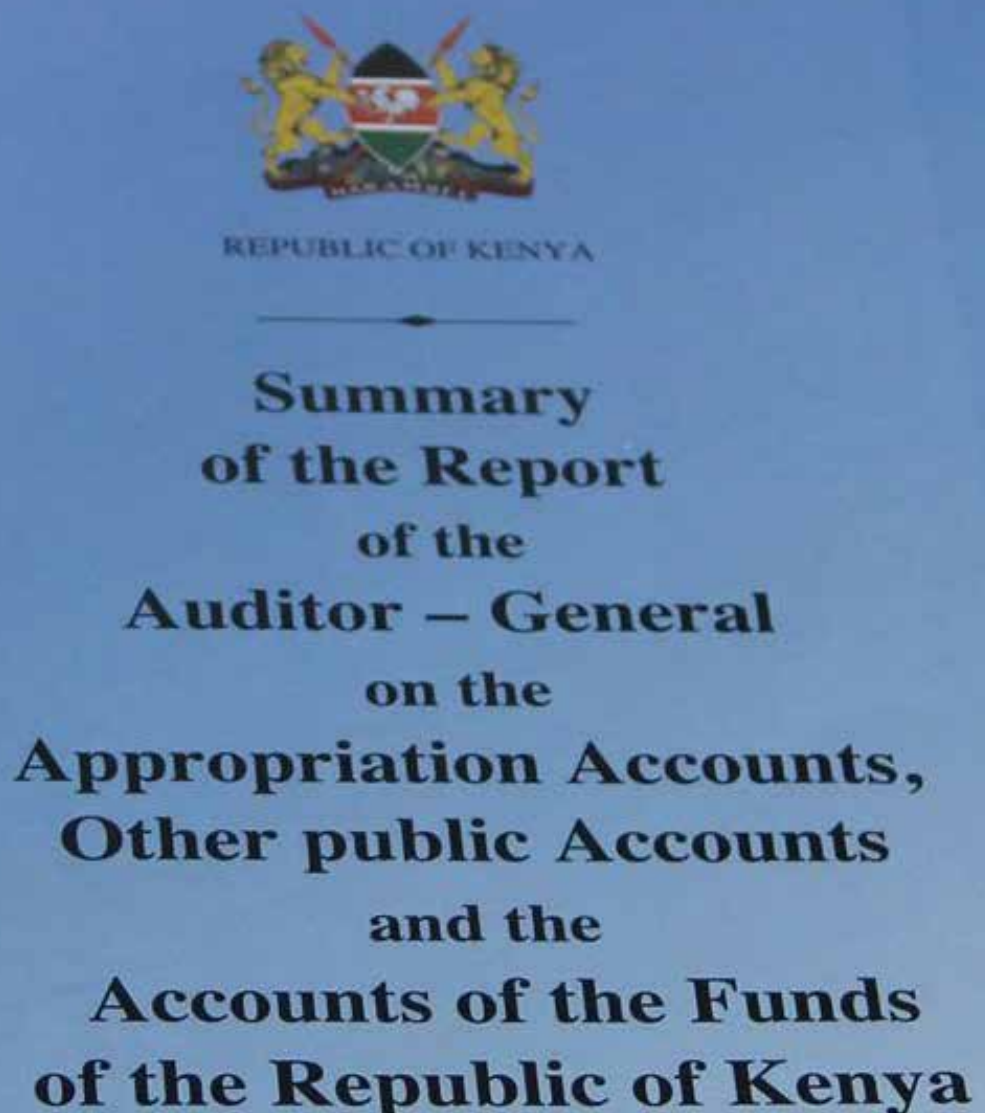
(iii) Disclaimer of Opinion

- Failure to produce trial balances for the respective accounting period;
- Exclusion of expenditures from the Appropriation Accounts;
- Unexplained balances in the financial statements;
- Unreconciled / unsupported balances;

- Book keeping errors among other issues.

Whereas the reasons cited generally influenced the Auditor-General's opinion on the financial statements, the Auditor-General further identified the following issues as prevalent in the financial statements:

- Unsupported Expenditure;
- Unauthorised Excess Expenditure;
- Pending Bills;
- Management of Imprests;
- Poor Maintenance of Bank and Cash Accounts;
- Inaccurate Statements of Assets and Liabilities
- Poor Maintenance of Accounting Records ■



Budget Accountability in Kenya: Transparency, Public Participation and Oversight



By Muguchia Muchiri

Samuel Waweru, an auditor, explains a point during a workshop with the Parliamentary Network Initiative (PIN)

Kenya is ranked sixth in Africa, in openness and transparency in availing timely information on its budget and the budgeting process.

According to the recent Open Budget Survey carried out by International Budget Partnership (IBP), an international nonprofit research and training institute based in the U.S., South Africa, Malawi, Uganda, Sierra Leone and Ghana are placed ahead of Kenya.

At the global front, Kenya performed dismally at number 46 out of the 102 countries surveyed. New Zealand, Sweden, South Africa, Norway and USA emerged tops.

The Survey covered 102 countries in the world and was done in collaboration with various partners based in these countries. Kenya's partner in this survey was the Institute of Economic Affairs (IEA).

IBP collaborates with nonprofit organisations around the world to use budget analysis and advocacy to ensure effective governance and poverty reduction.

A look at the Open Budget Survey - Kenya ranked sixth in Africa in openness and transparency in availing information on its budget

IBP based the Survey, the fifth of its kind, on the three pillars of budget accountability: the current state of budget transparency and how it has changed over time; the degree to which opportunities for public participation in the budget process are present; and the strength of the two formal oversight institutions (the legislature and the Supreme Audit Institution).

The Open Budget Survey is the world's only independent comparable measure of budget transparency, participation and oversight.

The bulk of the questions in the survey examined the amount of budget information that is made available to the public through key budget documents.

Transparency

On transparency, the Government of Kenya was found to provide the public with limited budget information. The

Public Financial Management Act, 2012, stipulates that the National Treasury should prepare two key documents used in the budget process, namely, the Budget Policy Statement (BPS) by 15th February in each year (Section 25(1) & (2)) and the Budget Review and Outlook Paper (BROP) by 30th September in each year (Section 26(1)).

At the Counties, these documents are referred to as the County Fiscal Strategy Paper (CFSP) and the County Budget Review and Outlook Paper (C-BROP), respectively.

Further, the National Treasury guides the process of preparing other budgetary documents including Sector Reports, Programme Performance Review Reports and Programme Based Budgets. The Open Budget Survey found out that even though these documents are prepared, they are not made public and even in the rare cases where they are made available »

» on the National Treasury’s website, the public is not adequately informed about their availability, thereby denying them an opportunity to vet the documents.

Additionally, the survey found that not all documents associated with the budgeting process are prepared by the Kenyan Government.

The budget process is comprised of four main stages each of which has at least one key document as an output: 1) formulation, when the National Treasury drafts the budget proposal; 2) approval, when the National Assembly debates, alters and approves the budget proposal; 3) execution, when the government implements the policies outlined in the budget; and (4) oversight, when the Office of the Auditor-General and the National Assembly assess funds spent for compliance and performance.

International standards and practices identify eight key documents that should be published at these different stages in the budget cycle which should enable the civil society and the public at large to monitor and influence budget decisions.

These are as highlighted in the table below:

of 86 per cent.

Improving Transparency

Kenya should prioritise the following actions to improve budget transparency:

- Publish a Mid-Year Review;
- Increase the comprehensiveness of the Executive’s Budget Proposal by presenting the classification of expenditures for prior years and more details on state corporations’ assets. While macroeconomic forecasts are dealt with fairly comprehensively in the Pre-Budget Statement, published eight weeks prior to the Executive’s Budget Proposal, information should be included in this document as well;
- Increase the comprehensiveness of the Year-End Report by presenting more details on planned versus actual expenditures and performance.

Public Participation

On public participation, the Government of Kenya was found to be weak in providing the public with opportunities to engage in the budget process. This is not from lack of regulatory

Stage in the Budget Cycle	Budget Documents
Formulation	Pre-Budget Statement: discloses the broad parameters of a country’s fiscal policies in advance of the Executive’s Budget Proposal. It outlines the government’s economic forecast, as well as anticipated revenue, expenditures, and debt.
	Executive’s Budget Proposal: the document or documents that the executive submits to the legislature for approval. It details the sources of revenue, the allocations to be made to all ministries, proposed policy changes, as well as other information important for understanding a country’s fiscal situation.
Approval	Enacted Budget: the budget that has been approved by the legislature.
Execution	In-Year Reports: include information on actual revenues collected, actual expenditures made, and debt incurred at different intervals in the fiscal year. These reports may be issued on a quarterly or monthly basis.
	Mid-Year Review: contains a comprehensive update on the implementation of the budget as of the middle of the fiscal year, including a review of economic assumptions underlying the budget, and an updated forecast of the budget outcome for the fiscal year.
	Year-End Report: shows the situation of the government’s accounts at the end of the fiscal year and ideally includes an evaluation of the progress made toward achieving the budget’s policy goals.
Oversight	Audit Report: issued by the country’s supreme audit institution and examines the soundness and completeness of the government’s year-end accounts.
All Stages	Citizens Budget: a simpler and less technical version of the government’s budget, specifically designed to convey key information to the public. Citizens’ versions of other documents are also desirable.
Source: OBS 2015 Report	

During the survey, the OBS assessed whether central governments make these eight key budget documents available to the public, and whether the data contained in these documents were comprehensive, timely and accessible. The Kenyan government was found not to have adequately made these documents readily available thus the reason it scored 48 per cent as compared to South Africa with a score

framework to facilitate the same. The Constitution and the Public Financial Management (PFM) Act emphasise on public participation in decision making including participation in the budget-making process. Section 207 (1) of the PFM Act provides for public participation on several stages in public financial management. Section 10 (2) stipulates that the Parliamentary Budget Office shall observe the principle of public participation »

» in carrying out its functions. Section 201 (a) of the Constitution is also quite clear.

It states: *“The following principles shall guide all aspects of public finance in the Republic—(a) there shall be openness and accountability, including public participation in financial matters”.*

Though there exists a legal framework on public participation, the public lacks adequate information on how and when to interact with the budget process. They do not know which budgetary documents to critique and when to do that.

Public apathy is also a challenge to public participation as is depicted in the public hearings during the budget-making process. Public hearing forums should attract representatives from the civil society and individuals well-versed with the budget-making process. They should be able to critique the budgetary documents and the budgetary process. However, these sessions are usually taken over by politicians who do not stick to the agenda of the day. They will ask irking questions related to the current political affairs and not on the tabled documents.

These factors are what led the survey to award Kenya a score of 33 per cent on public participation in comparison to South Africa’s 65 per cent.

Improving Participation

Kenya should prioritise the following actions to improve budget participation:

- Improve the existing mechanisms of public participation during the budget formulation phase and establish credible and effective mechanisms (i.e., public hearings, surveys, focus groups) for capturing a range of public perspectives on budget matters during execution;
- Hold separate legislative hearings on the budgets of specific ministries, departments, and agencies at which submissions from the public are heard;
- Hold public meetings to review

Audit Reports;

- Establish formal mechanisms for the public to assist the Supreme Audit Institution to formulate its audit programme and participate in audit investigations.

The Role of Oversight Institutions

The Office of the Auditor-General and the National Assembly are the two statutory institutions whose roles include giving assurance to the public that their resources are put into good use. The Auditor-General usually comes in at the tail-end of the budgetary process.

Though there exists a legal framework on public participation, the public lacks adequate information on how and when to interact with the budget process. They do not know which budgetary documents to critique and when to do that.

He audits and reports whether funds were appropriated as approved by the National Assembly. He does this by issuing an audit report on the financial statements. The National Assembly’s role is seen throughout the budgetary process. It approves the budget and also monitors its implementation. Further, it also receives the Auditor-General’s report for deliberation and any necessary action.

The Open Budget Survey included questions to assess the strength of the legislature throughout the budget process. The Survey measured legislative strength based on the legislature’s access to research and analytical capacity; its involvement in the budget process prior to the submission of the Executive’s Budget Proposal; its scope to amend the Executive’s Budget Proposal; and the extent to which the executive can circumvent the legislature in making changes to the enacted Budget during budget implementation.

The Survey measured the strength of Supreme Audit Institutions (SAIs) in carrying out effective oversight role. The survey evaluated the SAI’s independence from the executive based on factors such as who has the power to remove the Head of the Supreme Audit Institution and determine its budget, as well as the level of discretion provided to the SAI under the law to audit whatever it wishes.

The Survey also examined whether SAIs have established independent quality control systems to assess the quality of their Audit Reports. Finally, the Survey considered whether the SAIs have adequate resources to fulfill their mandates.

On legislative oversight, Kenya scored 47 per cent as compared to South Africa which had a score of 85 per cent. On oversight by SAIs, Kenya scored 67 per cent while South Africa scored 100 per cent. The survey therefore concluded that there was limited legislative oversight but adequate SAI oversight over the budgeting process. It is worth noting however, that Auditor-General’s budget is determined majorly by the National Treasury through the restrictive Sector budgeting process. This therefore undermines the Auditor-General’s financial independence.

Improving Oversight

Kenya should prioritise the following actions to strengthen budget oversight:

- Ensure the executive receives prior approval by the legislature before implementing a supplemental budget;
- In law and practice, ensure the National Assembly and County Assemblies are consulted prior to the disbursement of funds in the Appropriation Budget, the spending of any unanticipated revenue, and the spending of contingency funds that were not identified in the Appropriation Budget;
- Ensure the Supreme Audit Institution has adequate funding to perform its duties ■



Office of the Auditor-General

Promoting Accountability in the Public Sector

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 the other independent Office (Controller of Budget).

Under 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, all funds and authorities of the national and county governments, every Commission and Independent

Office established by the Constitution, the Senate, the National Assembly and the county Assemblies, political parties funded from public funds, the public debt and the accounts of any entity that legislation requires, and any entity that is funded from public funds.

In addition, Article 229 (6) of the Constitution of Kenya requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way. Currently, the Office has a client portfolio of 1,446 with 1,316 financial statements detailing their mandates, assets, liabilities, revenues, expenditure, risk levels and under what pillars they are audited.

Vision

To be the lead agency in promoting good governance and accountability in the management of public resources.

Mission

To provide assurance to stakeholders on the use of public resources through quality and timely audit reports.

Our Core Values

The foundation of the OAG's operations is anchored on four key values which also guide the Office in its interaction with stakeholders. The values are:

Independence

As the Supreme Audit Institution in Kenya, the Auditor-General and his staff are independent and not subject to direction, control or influence by any person or authority.

Integrity

We adhere to practices and behaviour that are impeccable and above reproach in the conduct of our affairs. We undertake and report all assignments on the basis of factual, objective, impartial and honest evidence without bias.

Professionalism

We subscribe to the highest professional standards, adopt leading practices and uphold ethical behaviour in the conduct and supervision of audits. We strive to work economically, effectively and efficiently as individuals and teams.

Innovation

We will endeavour to continuously improve our practices and processes in order to fulfill our mandate more effectively. We value the talents of our employees and their diversity. All employees are encouraged to be innovative in their work.



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