

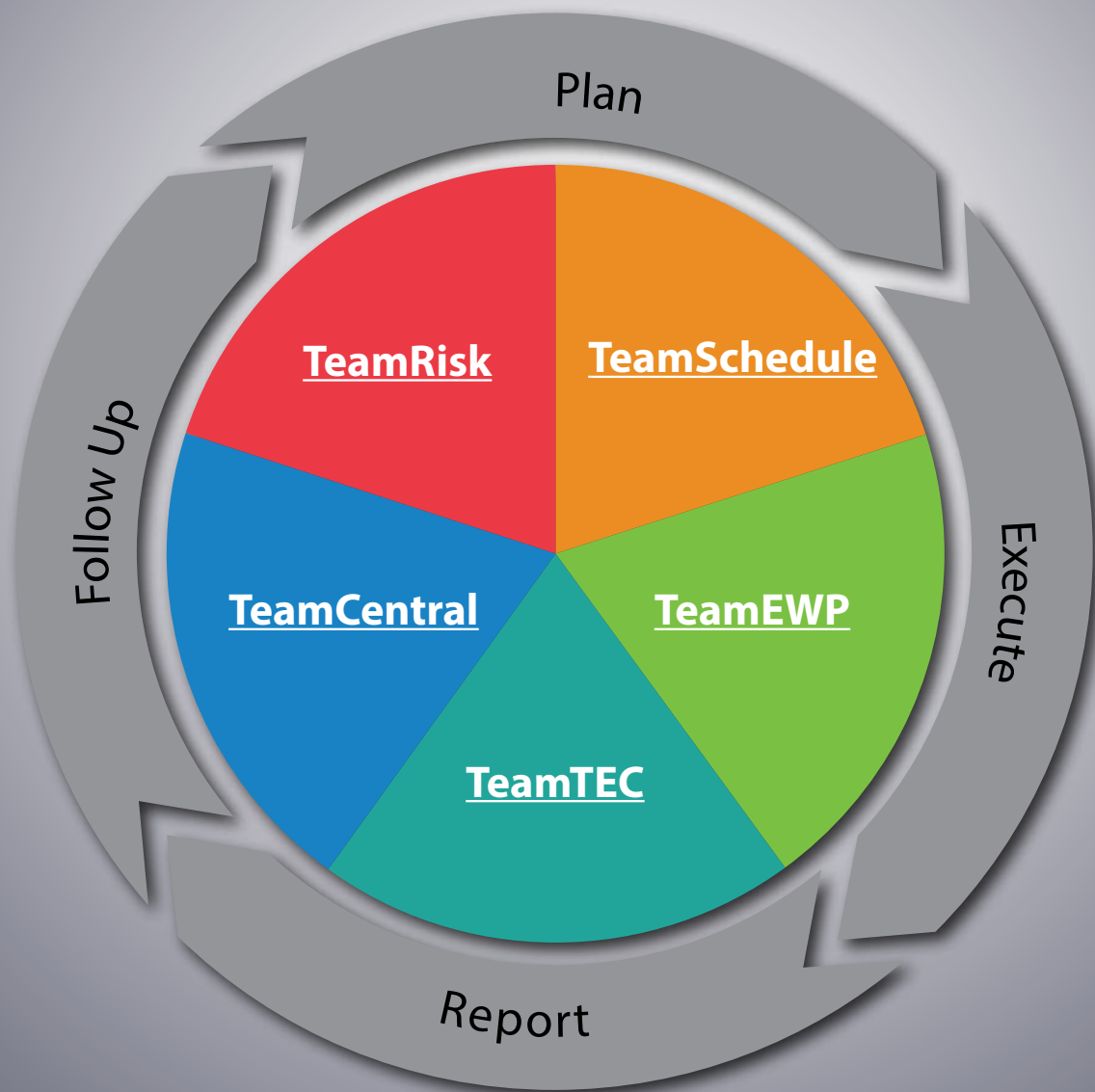
# Supreme Auditor



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Issue 07



## Automating the audit process

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## Editor's Note

The Office of the Auditor-General is automating the audit process for timely reporting and enhanced quality of work. The automation will run on TeamMate Version 12 software. The details of this project, including its launch, are captured in this edition.

Also covered in this publication is the emerging field of UN Sustainable Development Goals (SDGs) and how Supreme Audit Institutions can play a role in the implementation of the SDGs. The Office is also giving technical support to its peers, and in this regard it is actively involved in strengthening the National Audit Chamber of South Sudan, with the support of development partners. Find out the aspects of this arrangement in this edition.

We also highlight procurement audits and the enhanced role the Office has been accorded through the necessary legislation, to conduct procurement audits. Additionally, we also focus on the new field of auditing extractive industries and the programmes put in place for capacity-building in this sector. These and more make up this 7th edition of Supreme Auditor.

I wish you an enjoyable reading.

**Peter Opiyo**



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### Publisher:

Office of the Auditor-General,  
Kenya

### Editorial Advisor:

Dr. Wilfred Marube

### Editor:

Peter Opiyo

### Assistant Editor:

Faith Pino



### Contributors

Dr. Kamenyi Domenic  
Halima Dida  
Francis Gichure  
Dr. Sammy Kimunguyi  
Justus Ongera  
Edith Lubanga  
Pauline Nyaga  
Leonard Lari  
Samuel Njenga Waweru  
Eunice Achenda  
Anne Rose Kairu  
Rebecca Joshua  
Annastasia Kamau  
Nicholas Mureithi

### Graphics Designer

Nelson Oneal Otemba

### Photography:

Office of the Auditor-General



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P.O. Box 30084-00100.

Tel: +254-796 528 560

Email: [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)

[www.oagkenya.go.ke](http://www.oagkenya.go.ke)

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# Foreword

**A**s an Office charged with enhancing accountability of public resources, under the provisions of Article 229 of the Constitution, we continue to be innovative and meticulous in discharging our mandate.

In an environment where public expectations on accountability is growing, the Office has to think ahead of Wanjiku's (the citizens') needs. One of the needs of Wanjiku and key stakeholders is the timeliness of audit reports, which the Office is adequately addressing through automation of the audit process.

On 7th November, 2017, together with my deputies, we launched a software (TeamMate Version 12) that will be the platform of the automation process. The TeamMate Version 12 is a software that is able to manage an audit process right from planning, execution to reporting.

TeamMate was preferred after regional and international Supreme Audit Institutions' (SAIs) benchmarking visits, on automation of the audit process. The countries used as points of reference were Uganda, Tanzania and Rwanda as well as Ireland, Australia and Canada. Unlike other SAIs on TeamMate, we will use all the modules that include Team Store, Team Schedule, Team Electronic Working Paper (EWP), Team Tech and Team Central.

## Reduced paper work

TeamMate employment will hugely reduce paper work, render audit processes efficient and ensure that

**“ On 7th November, 2017, together with my deputies, we launched a software (TeamMate Version 12) that will be the platform of the automation process. The TeamMate Version 12 is a software that is able to manage an audit process right from planning, execution to reporting.**

audit reports are released on time. The tedious manual aspect of processing and movements of physical files will be things of the past. There will be real time reviews and reporting.

Additionally, the Office is focusing on a strategic audit approach premised on Budget as a Control tool given public resources must be budgeted for in a



participatory process. The officers are now giving more attention to analytical reviews and risk assessments at planning stages, anchored on understanding the budgets of audit clients.

The approach will enable us harmonise audit planning, fieldwork and reporting, and allow us respond to our assurance strategy anchored on the three pillars of fiscal, managerial and delivery accountability.

The Office is also focusing on audit work that responds directly to the bill of rights and social rights of citizens that will be impacted by the development and implementation of programmes addressing issues of health, clean and safe water, education, housing and social security. This feeds into the social accountability component. The government's preparedness for the implementation of the UN Sustainable Development Goals (SDGs) shall be assessed.

It is our hope that these interventions will meet the expanding expectations of the public in accountability.

**FCPA Edward R.O. Ouko, CBS**

**Auditor-General, Kenya**



# Automating the audit process

By Dr. Kamenyi Domenic

The Office of the Auditor-General (OAG) is fully automating how it will conduct audits, following the launch of TeamMate software as an Audit Management System (AMS).

The automation will ensure uniform, quality and timely audit reporting, by replacing the manual aspect of processing and submitting physical files.

TeamMate is a software that is able to manage an audit process right from planning, execution to reporting.

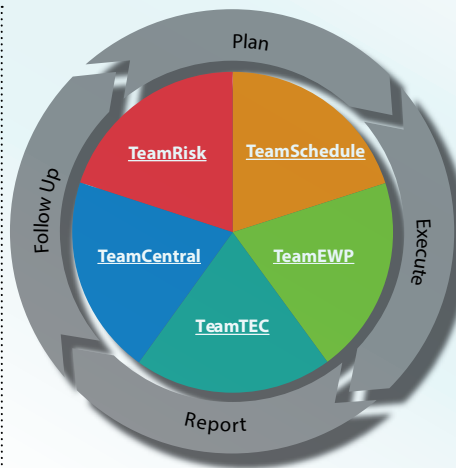
Its adoption by the Office comes after regional and international benchmarking activities, on automation of the audit process. The countries used as points of reference were Uganda, Tanzania and Rwanda as well as Ireland, Australia and Canada.

During the launch, in November, Mr Ouko said the automation of the audit process will hugely reduce paper work and ensure that audit reports are released on time.

## Next level

Mr Ouko said the use of the TeamMate Version 12 software will take auditing to the next level, producing efficient, timely and quality reports to meet high expectations of the public.

“As a result, we will be able to produce more with less resources to deliver on the Office’s mandate as enshrined in article 229 of the



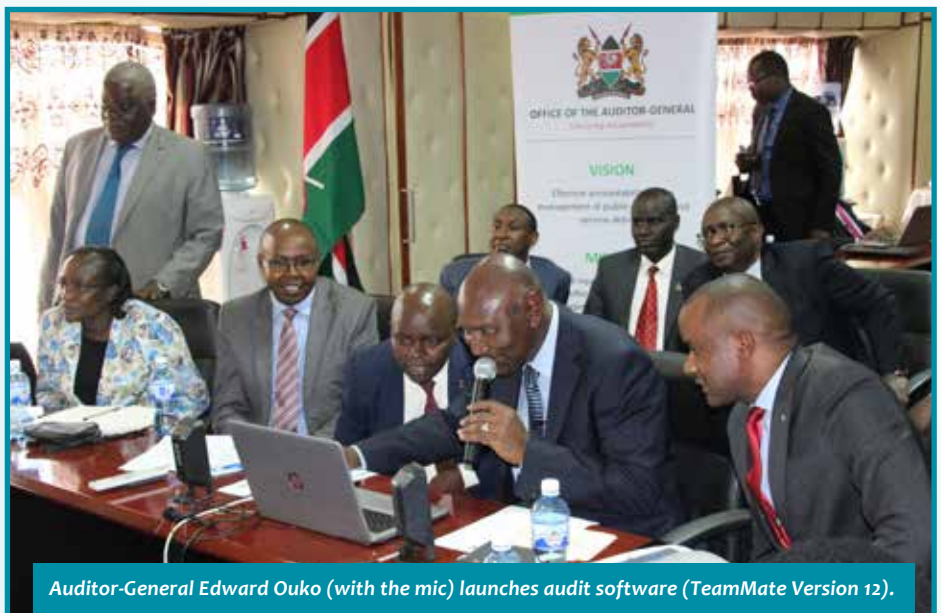
Constitution of Kenya 2010,” the Auditor-General said.

The Office has trained 16 members of staff and exposed them to dry runs and demos of the process. They will support the users of TeamMate software in all the regional offices, for full automation of the audit process. A total of 700 auditors have been trained on the usage of the software.

The software eliminates the physical nature of doing audit and scraps off the physical movements of files from one office to the other. It enables one to simply log in, check the file status, make requests to transfer files and also agree on fast tracking files to enable timely completions.

At any given time, one is able to check and see where it is, advice the auditors when they are in the field by giving them directions as they carry out their work as opposed to waiting to correct them when they are back in the Office. This is all thanks to the real time reviews.

Mr Ouko said the automation of the process will place the Office at par with its peers like Uganda, Tanzania and South Africa, amongst others, who use TeamMate in their audits.



Auditor-General Edward Ouko (with the mic) launches audit software (TeamMate Version 12).



# SAIs' role in implementing SDGs

By Halima Dida



Environmental auditors at Haller Park Mombasa. Environment is one of the components of SDGs.

The role of Supreme Audit Institutions (SAIs) is increasingly expanding as public interests in social accountability become more pronounced.

Consequently, as the world focuses on attainment of SDGs, the role of SAIs will be relied on, given they are the oversight institutions mandated to safeguard government accountability to the public.

SDGs, also known as global goals, are a set of 17 goals adopted by the world leaders in September 2015 as a measure to end poverty, protect the planet and ensure prosperity for all. The UN defines Sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Effective oversight, transparency

and accountability in public sector spending is key in promoting a country's development agenda, and SAIs must be counted to effectively carry out this mandate to transform the lives of citizens.

International Standards of Supreme Audit Institutions (ISSAI) number 12, on values and benefits of SAIs, states that the extent to which SAIs can make a difference in citizen's life depends on their ability to;

- Strengthen accountability, transparency and integrity of government and public sector entities;
- Demonstrate ongoing relevance to citizens, Parliament and other stakeholders; and
- Be a model organisation through leading by example.

## SAIs role in achieving SDGs

The importance of SAIs in achievement of SDGs has been underscored by the UN. Speaking in July 2016, during a round table discussion on ‘The contribution of SAIs to ensuring that no one is left behind in implementation of SDGs’, the UN Undersecretary-General for Economic and Social Affairs, Mr. Wu Hongbo, highlighted the importance of SAI's in supporting follow-up and review processes and strengthening transparency and accountability in implementation of SDGs.

The International Organisation of Supreme Audit Institutions (INTOSAI) has identified four approaches through which SAIs can support SDGs:-

- Auditing preparedness for SDG implementation- Individual SAIs can carry out

performance audits to assess readiness of their government in implementing programmes linked to achievement of SDGs.

- Auditing the implementation of SDGs and tracking the progress of achievement- Performance audit on effectiveness of key government programmes that contribute to specific targets of SDGs. Naturally, most performance audits cover matters related to the SDGs-health, education and social security, amongst others . The result of these audits however, need to be analysed in a systematic way for it to be useful to SDG implementation process.
- Assessing and Supporting SDG 16- Part of SDG 16 relates to effective, transparent and accountable institutions. Financial and compliance audit results can be used to assess the governance and financial management practices by entities.
- Being models of transparency and accountability in their own operations including auditing and reporting.

The 17 SDGs and 169 targets to achieve them cut across the three dimension of sustainable development (Social, economic and environmental development). According to the UN, the 2030 agenda for Sustainable goals is a plan of action for people, planet, prosperity, peace and partnerships:-

- **People-** end poverty and hunger and ensure that all human beings can fulfil their potential in dignity and equality
- **Planet-** protect the planet from degradation through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on

climate change

- **Prosperity-** ensure that all human beings can enjoy prosperous lives and that economic, social and technological progress occurs in harmony with nature.
- **Peace-** Peaceful, just and inclusive societies free from fear and violence.
- **Partnerships-** Global partnerships is vital for implementation of the goals.

SDGs are to be achieved over 15 year period between 2016 and 2030.

### Agreement of world leaders

The SDGs succeeded the Millennium Development Goals (MDGs) that had an achievement timeline of 2015. The MDGs emanated from an agreement of world leaders in 2000 to fight poverty in its many dimensions.

The eight MDGs were meant to address key human development challenges of poverty and hunger, achievement of universal primary education and gender equality, reduction of child mortality and improvement of maternal health, reversing the spread of HIV, malaria and other diseases, care for the environment and forging a global partnership for development.

According to a 2015 UN report on MDGs, a lot was achieved during

the MDG period. For instance, the report indicates that the number of people living in extreme poverty reduced by an estimated 1 billion from 1.9 billion in 1990 to 836 million in 2015, while the number of out of school primary school children reduced by almost half from an estimated 100 million in the year 2000 to 57 million in 2015 (UN, 2015).

Despite these progress the gap between the rich and the poor, gender inequality, conflict, climate change and environmental degradation still persist. This necessitated the development of the UN 2030 agenda for sustainable goals.

Unlike the MDGs which were largely seen as UN driven, SDGs were developed through wide consultations among expert groups and intergovernmental committees. They have been designed to be universally applicable and take into account different country realities (UN, 2015). Governments are meant to set national targets by taking into account their national agenda and policies.

While MDGs envisaged funding from donor aid- which become a challenge, SDGs advocate for funding largely through domestic resources by improving revenue generation and efficiency in public expenditure.

## SUSTAINABLE DEVELOPMENT GOALS





# Detecting fraud and money laundering

By Francis Gichure

Significant amounts of money can be lost through fraud, in an organisation or in the public sector. It is therefore, important that auditors train their lenses on possible avenues of fraud.

Fraud can be defined as “taking a dishonest advantage of someone” be it a person or body corporate. It is important to note that not all frauds are criminal offences. Embezzlement and Inventory theft are clearly criminal acts, but some frauds arising, for example, from breaches of director’s fiduciary duty, may only have civil remedy.

Frauds can be many and varied and not all of them are readily identified by examining the victim’s financial records. The so-called “off hook” frauds, for example involves no manipulation of the victim’s records, which is generally the case in procurement frauds.

The victim receives and pays for goods and services which are accurately described and invoiced – but which are over-priced. In such cases the buyer involved has been the grateful recipient of a kickback and it is the supplier’s records which can provide the evidence.

Many frauds are investigated by noticing signs and signals of frauds, then following the trail of missing, mutilated or false documents that are part of the accounting records cover-up.

Employees’ fraud involves high level executives and people below

top executive level. Observations of person’s habits and life styles and changes in habits and lifestyles may reveal some red flags. Fraudsters of the past have exhibited characteristics of losing sleep, drinking too much, becoming easily irritable and avoiding eye contact with others, amongst other characteristics.

Personality red flags however, are difficult to observe because honest people sometimes show them and in most cases, they are hidden from view.



## Hints of cover-up

It is easier to notice changes especially when a person changes his or her lifestyle or spend more money than the salary justify. For instance, very expensive homes, furniture, jewelry, clothes, cars, vacation and so on.

Often an auditor can notice hints of the cover-up. This generally appears in the accounting record. The key is to notice exemption and oddities such as transactions that are made at odd times of the

day, missing documents, common names for refunds, alterations on documents amongst others.

Management fraud (Creative accounting) affects financial statement and causes them to be materially misleading. Falsified financial statements are used to “benefit the company”.

Equally important is the need for the auditor to be wary of potential cases of money laundering, as a possible avenue of losing money.

Money laundering is a process by which cash derived from a criminal enterprise may be easily exchanged without a trace of its origin. Proceeds of criminal activity are taken and made to appear legal.

Certain selection criteria are used in determining whether a particular nation has a “money laundering problem”. These criteria are a shopping list of red flags that an auditor would look for in identifying existence of money laundering schemes in any country.

- A criminal system that has failed to criminalise money laundering or failed to enforce any money – laundering offences;
- Rigid bank secrecy laws;
- Few identification requirements to conduct financial transactions;
- Ability to use anonymous nominee or numbered accounts;





- No mandatory disclosure of the beneficial owner of an account;
- No recording requirements for large cash or near – cash transactions;
- Well – established non-bank financial systems;
- Domestic banking system that allows foreign banks to control, own, or freely use domestic banks;
- Government and civil service that is prone to or ripe for, official corruption;
- A significant trade in gems, particularly diamonds.

#### Target for money launderers

This list is not exhaustive but represents a sampling of factors or red flags that if present, suggest that a particular country could be a target for money launderers.

That is not enough, if you observe any of the following activities in a particular transaction, money laundering might be afoot:

- The client is in an undue hurry to complete the purchase;
- The purchase is made without anyone viewing the property; the buyer shows no interest in the features of the property;
- The sale price is abnormally high or low;
- The client has an unusual

“Often an auditor can notice hints of the cover-up. This generally appears in the accounting record. The key is to notice exemption and oddities such as transactions that are made at odd times of the day, missing documents, common names for refunds, alterations on documents among others.

lack of concern regarding commissions or other transaction costs;

- A 100 percent cash deal. The buyer brings a paper bag full of cash;
- The client is not able to account

for the source of payment from his or her income or assets;

- The client tells you that funds are coming from one source and at the last minute the source changes;
- Payments arrive from a number of individuals or sources;
- The client makes payments using various monetary instruments. If those instruments are sequentially numbered or if their value falls just beneath the reporting threshold, something is fishy;
- A residential property is titled in the name of a third party;
- The purchased property is immediately resold, and the resale entails a significant increase or decrease in the purchase price;
- The transaction involves a recently created legal entity, and in your estimation, the sale amount is large compared to new entity's assets.

Fraudsters do not operate in a vacuum and always leave traces. Sometimes evidence to uncover a fraudster can be found by piecing together and interpreting information from a variety of sources which need not be limited to financial records: telephone logs, travel expense reports, file notes, personal computer files, personal correspondence etc, can all help an investigator nail the culprit.

Finally, in fraud investigation it is often useful to be generous in assessing people. Colleagues frequently comment that they cannot decide if someone is dishonest or simply foolish. It pays to “give someone benefit of the doubt and say he is dishonest”. This is so because investigation is not only a matter of looking for deliberate misstatements but also looking for misstatements deliberately.

# Engaging Stakeholders in the Audit process

By Anne Rose Kairu and Nicholas Mureithi

Every year citizens pay taxes that go into Consolidated Fund, for utilisation by the governments in the management of their affairs.

As a result the citizens, as key stakeholders, together with other interested parties, expect a report from Supreme Audit Institutions (SAIs) on how their money was utilised in the provision of services to the public.

This calls on SAIs to engage the citizens on a continuous basis on the utilisation of public funds. Additionally, along the way, as SAIs carry out their mandates, other stakeholders also come into play with needs that they want the SAIs to address. This scenario therefore requires SAIs to develop effective stakeholder engagement programmes.

The relationship between the SAI and its stakeholders is therefore like a cog wheel. Building a good relationship with one another is the ultimate key to success as it greatly influences and enhances the SAIs performance.

Stakeholder engagement strategies are beneficial to both the SAI and the stakeholders. External stakeholders can provide valuable information for the audit process and even take part in it, which can enrich the audit results, especially for areas in which those stakeholders have specific knowledge and expertise.

They can also draw and build up on the information SAIs produce to promote advocacy strategies aligned with their own agenda in order to improve accountability; as well as creating alliances with the SAIs to help improve service delivery.

## Active contribution

Others like members of the public, the media and Civil Society can actively contribute by urging the Legislature, Judiciary and Executive to monitor and take action on the recommendations and follow-up of various audit reports made by Parliamentary committees.

The International Standards of Supreme Audit Institutions (ISSAIs) and other legal frameworks recognise the involvement of stakeholders, if SAIs are to improve accountability and transparency in the management of public resources.

For instance, ISSAI 12 *on the Value*

*and Benefits of SAIs* Principle states that:

- SAIs should interact appropriately with the media in order to facilitate communication with the citizens; and
- SAIs should engage with stakeholders, recognising their different roles, and consider their views, without compromising the SAI's independence.

Buoyed by this and other frameworks, the International Development Initiative (IDI), a body of the International Organisation of Supreme Audit Institutions (INTOSAI) has rolled up a Stakeholder Engagement Strategy Programme to bolster and re-energise SAIs' resolve in engaging with stakeholders.

The IDI's programme involves training selected SAI staff on stakeholder engagement with development of a strategy for each SAI. The strategies will then be subjected to a review by a team of resource persons before implementation in the respective SAIs.

So far IDI has conducted Workshops in the Caribbean, Africa, Asia and the Pacific regions, training a total of 71 participants, who will lead their SAI teams in implementing the strategies.



The Auditor-General Rwanda, Mr. Obadiah Biraro, with the IDI resource persons during the Stakeholder Engagement workshop held in Kigali

# AG gives technical support to the NAC of South Sudan

By Annastasia Kamaa

The Office of the Auditor-General-Kenya (OAG-K) has entered into an agreement to provide technical support to the National Audit Chamber of the Republic of South Sudan (NAC).

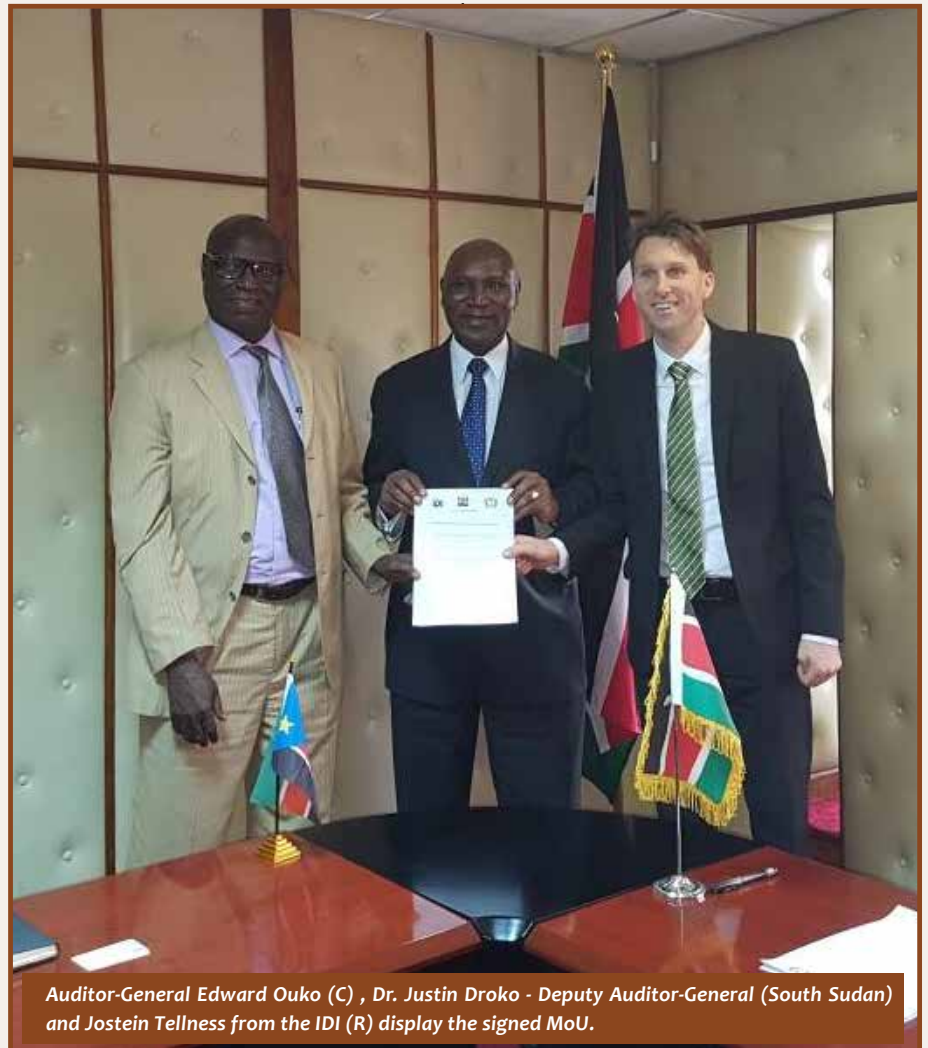
The arrangement involves five staff from OAG Kenya who will constantly provide support to NAC of South Sudan. They are drawn from Regularity Audits and Specialised Audits (Performance Audits and IT Audits).

The arrangement emanated from a request from the Supreme Audit Institution (SAI) of South Sudan to enable it meet its targets as set out in its strategic plan for 2017-2022.

The objective of this project is to maintain and reinforce key audit related capacities for the NAC of South Sudan and improve their Public Financial Management Administration and Accounting Systems.

The NAC of South Sudan is the Supreme Audit Institution of the Republic of South Sudan. It is responsible for independent public sector audits of Government Ministries, States and Entities in which the government has an interest or responsibility.

As a member of both the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) and the International Organisation of Supreme Audit Institutions (INTOSAI), the NAC is obligated to promote, develop and



Auditor-General Edward Ouko (C) , Dr. Justin Droko - Deputy Auditor-General (South Sudan) and Jostein Tellness from the IDI (R) display the signed MoU.

transfer knowledge, as well as meet professional auditing standards.

This informs the need for using other established SAIs like OAG-Kenya and international bodies to meet higher criteria for executing, reporting and dissemination of audits.

## Memorandum of Understanding

The Auditor-General of Kenya, Edward Ouko, after signing the Memorandum of Understanding,

to seal the agreement, lauded NAC of South Sudan for choosing SAI Kenya as a partner and underscored the importance of SAIs' role in safeguarding public resources.

"Our Offices have huge constitutional roles and mandate where the general public has a high prospect of us. Therefore, there is need for us to ensure that our audits resonate with the public by ensuring accountability, effectiveness and efficient use of public resources," Mr Ouko said.





Speaking in his capacity as the Chair of the AFROSAI Knowledge Sharing Committee and Chair of the AFROSAI-E Capacity

Building Committee, he further emphasised on the importance of SAIs supporting each other through knowledge sharing and peer support projects which will improve audits and help SAIs to meet international standards.

The MoU was signed in Nairobi, in June 2017, by OAG Kenya, NAC of the Republic of South Sudan and INTOSAI Development Initiative (IDI). Mr. Ouko, Dr. Justin Droko - Deputy Auditor-General (South Sudan), Mr Jostein Tellness from the IDI and Mr. Fredrick Odhiambo, Acting Deputy-Auditor General of

*The arrangement involves five staff from OAG Kenya who will constantly provide support to NAC of South Sudan. They are drawn from Regularity Audits and Specialised Audits (Performance Audits and IT Audits).*

Kenya, took part in the ceremony.

Mr Odhiambo and Dr. Droko from NAC of South Sudan will steer the project to its completion.

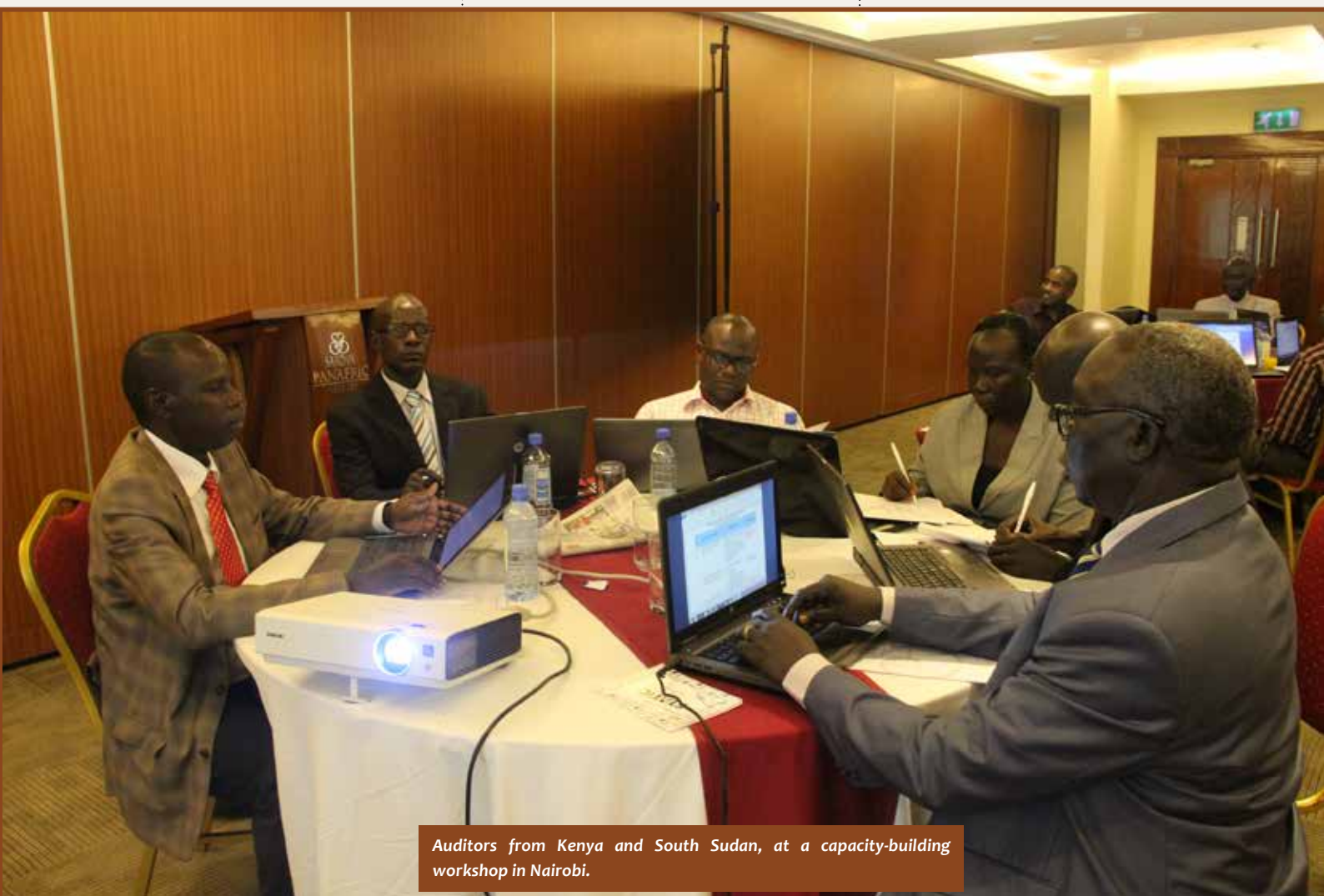
Some of the key activities that will be undertaken by the technical support team include:

- Planning and participating in three organised workshops throughout the audit process (Data collection and development of data templates);

- Effective communication and regular contact between the two SAIs;
- Advice on the contents of the final reports with inclusion of the summary of findings;
- Contribute in the preparations and execution of the report if tabled to stakeholders

IDI will provide financial support, through the Norwegian Ministry of Foreign Affairs, for the cooperation arrangement. IDI is a body that gives support in the enrichment of audit capacities of INTOSAI members through the establishment of trainings and workshops in key areas of government auditing.

IDI will also ensure there is a contact person for the teams to assist with technical inputs and relevant updates on the ongoing process.



Auditors from Kenya and South Sudan, at a capacity-building workshop in Nairobi.

# Conducting procurement audits

By Dr. Sammy Kimunguyi

**P**rocurement processes have been considered as one of the potential risk areas for wastage of resources in the public sector.

Consequently, the Office of the Auditor-General (OAG) has now dedicated a team to conduct procurement audits in the public institutions, to ascertain effectiveness of the processes.

This follows the enactment of the Public Audit Act, 2015, that gives the Office explicit authority to conduct procurement audit. Previously, there was no clear legal framework on procurement audits, though the Office has been doing bits of this through Forensic and Regulatory Audits.

## Procurement Audit

A procurement audit is a project management process that reviews different contracts and contracting processes to determine the completeness, efficacy as well as the accuracy of the procurement process.

The objective of procurement audit is to determine the success and failures that require acknowledgement during the preparation or the administration of the procurement contracts on the project. It is also used to create a record that can be used to shape and streamline the procurement practices of the organisation.

## Procurement Audit Division

In order to carry out this type of audit, the Procurement Audit Division at OAG, draws its mandate from Section 38 of the Public Audit Act, 2015 that requires OAG to conduct Procurement Audit in Public Institutions to establish whether or not the process was done in a lawful manner.

The overall objective of the Division is to establish whether or not procurement processes in public entities is done in a lawful manner. Specifically, the Division is guided by the following objectives:

- Provide the Government and the tax payers with independent information/data, assurances, empirical evidence, and other related





data, that appropriated funds for public procurements are genuinely, legitimately and appropriately utilised in a manner that guarantee integrity, competitiveness, transparency, fairness and value for money.

- Identify weaknesses/ risks in public procurement practices and processes with a view to correcting the observed anomalies and mitigating the anticipated procurement related risks.

### Strategies of Procurement Audit Division

In executing this mandate, as outlined in section 38 of the Public Audit Act, 2015, the Division applies both proactive and reactive audit strategy.

Proactive approach involves continuous review of procurement systems of both National and County Government entities on a Risk Based Approach.

Risk drivers are identified based on development budget burn out rates, frequency of annual procurements and economic significance of the sector/ project (Vision 2030 flagship projects are considered to be of material economic significance and therefore ranked high risk). Proactive Procurement Audits will then be planned and executed on high risk areas/projects.

Reactive audit strategy involves



Auditors pose for a photo during a training on procurement

responding to requests/ complaints received from the Senate, National Assembly, County Assemblies, the general public and other stakeholders. Reactive Procurement Audits are then planned, executed and reported based on agreed Terms of References (TORs). The TORs are usually developed from the allegations/complaints raised by respective stakeholders.

*Risk drivers are identified based on development budget burn out rates, frequency of annual procurements and economic significance of the sector/ project (Vision 2030 flagship projects are considered to be of material economic significance and therefore ranked high risk).*

### Training and capacity building of procurement audit staff

As part of capacity development, the OAG has trained the procurement audit staff on the Public Procurement and Asset Disposal Act, 2015. Procurement audit staff have also been encouraged to enroll for professional certification courses in procurement such as the Chartered Institute of

Purchasing & Supplies (CIPS) in addition to the Certified Public Accountant (CPA), Certified Fraud Examiner (CFE) and Certified Information System Auditor (CISA) professional qualifications.

### Procurement Laws and Regulations in Kenya

The introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2006 introduced new standards for public procurement in Kenya.

In January 2016, the PPDA, 2005 was repealed by the new Public Procurement and Asset Disposal Act, 2015 (PPAD, 2015) that was enacted to give effect to Article 227 of the Constitution of Kenya 2010; to provide procedures for efficient public procurement and assets disposal by public entities.

The PPAD, 2015 defines procurement as a means of acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise, or by any other contractual means of any type of works, assets, services or goods including livestock or any combination and includes advisory, planning and processing in the supply chain system.







# Pictorial



The Auditor-General Edward Ouko (4th left) with his deputies during the launch of TeamMate version 12 software.



Deputy Auditor- General ( Corporate Services) Agnes Mita, receives keys to the new offices constructed by Office of the Auditor-General, in Garissa.

From left; Mr. Stephen Irungu from Ufadhili Trust, Sally Mukabana of Cooper Motor Corporation (CMC), CPA Nerbart Avutswa, Auditor-General Edward Ouko and Dr. James Boyd McFie chat during the financial reporting awards conference.







Senior auditors from various countries pose for a photo during the senior leadership development programme workshop in South Africa.



Auditors having a group discussion during a workshop



The new office block constructed by Office of the Auditor-General. It will host staff working in Garissa region. The office was officially opened by the Auditor-General in December 2017.



Participants from Supreme Audit Institutions in Africa, during a stakeholder engagement workshop in Rwanda.



# OAG embraces cloud technology

By Justus Ongera

Every so often there is a major technology that comes and revolutionises the way we work and conduct our Business.

In the early years of ICT technologies, we had the mainframe computer which allowed users to automate some of the workload that we had. We then moved to the Personal Computer/Client server era, which was a major improvement of the mainframe computing environment.

This was followed by the web and internet era and now we are in the Cloud era and soon the Internet of things, analytics and Automation will take over the technology revolution.

The world is currently entering into the cloud era and the Office of the

Auditor-General has not been left behind. We are currently investing heavily in technology, changing our base systems and positioning ourselves to embrace the cloud.

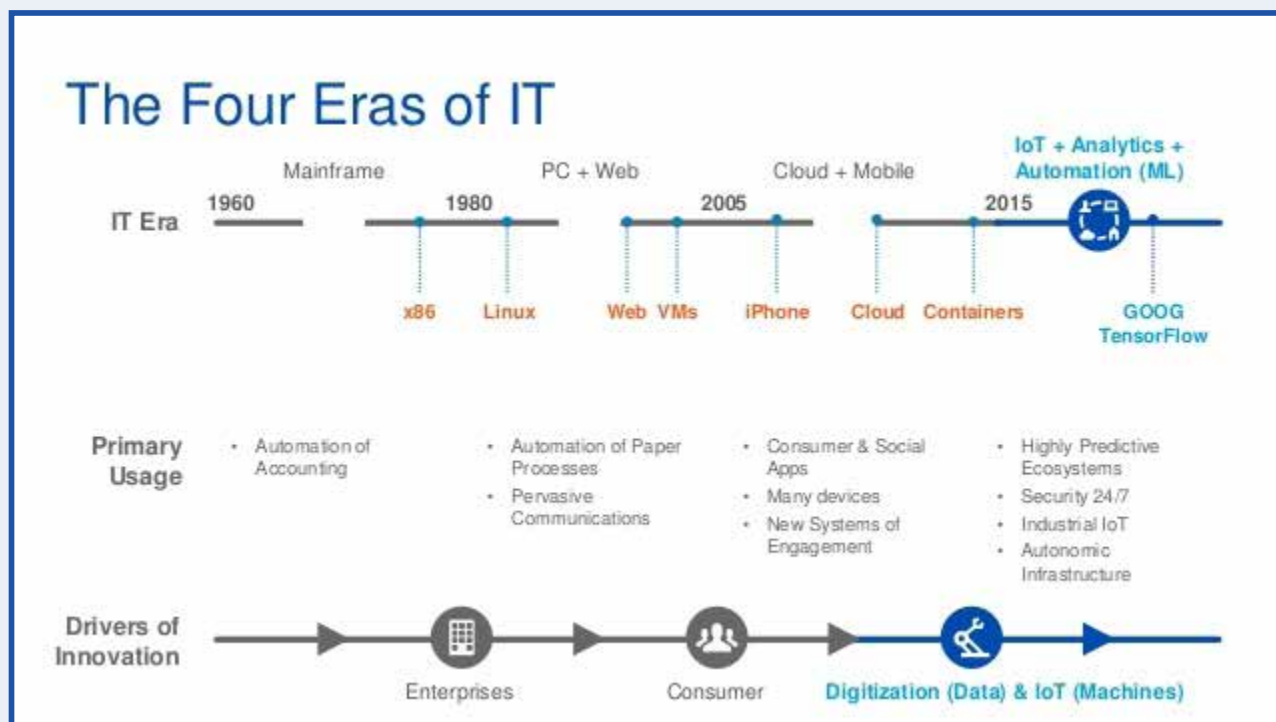
In ICT cloud is the practice of using a network of remote servers hosted on the internet to store, manage and process data rather than a local server or personal computer.

When I look back at where we started, I could remember the first time I heard about the cloud I was skeptical on the whole idea of the using the cloud for official work. The Questions I kept on asking is that when I put my data in the cloud is it safe? Do we have rogue administrators who will take our data and Share it with the masses? And many more questions clouded my Judgment. Over the years, I

have been able to understand the technology, how it works and also been able to read many security reports that answered my many questions.

One such report is a report by **The Whitebook of cloud Security. The definitive guide to managing risk in the new ICT landscape** published by **Cameron McNaught Senior Vice President, Cloud, Global Business Group Fujitsu** which highlighted the security features that make the cloud secure.

What also convinced me to trust the cloud was that most of the applications that are in the technology space like **twitter, Yammer, Facebook, Yahoo, Google** are all but cloud services that we as users are using but we have never experienced issues of data loss.





The only breaches that we hear are that the personal information related to the uses being leaked to other providers.

Early this year Microsoft and our Office signed an agreement that led us to start experiencing the benefits of cloud. This was a big milestone in the actualisation of our ICT strategy. In the strategy one of the enabling pillars is the access of OAG data on any platform.

The investment in Office 365 provides us with a number of solutions which are beneficial to the success of the office. Key among the solutions being implemented are the following Productivity tools:

- **Exchange online (Email):** this is the primary or anchor application that made the Office migrate to the cloud. The key advantage of this is that instead of us providing users with 2GB of storage space each user will be provided with 50GB per user for Email and 1 TB (1000 GB) for other applications. This is very key for the rollout of teammate which will take advantage of the increased space in our environment. This means that even with the current data growth projections we will be able to provide storage to our users for the next 5 years.
- **Office 365 ProPlus and office online:** With this officers will be able to use Microsoft Office products on any mobile platforms including your Mobile phone, Tablet computers, etc. In essence meaning that you are not restricted to using Word, Excel, PowerPoint on any online platform.
- **OneNote:** This application allows users to take notes

on any device and then retrieve those notes from any other device. It's your basic productivity cloud app.

- **OneDrive:** this is the cloud-based application for storage which provides users with up to 1TB of cloud storage in the form of an application called OneDrive for Business.
- **SharePoint:** SharePoint, will be used to host our intranet websites for the office and allow us host smaller sites designed for smaller teams or divisions.
- **Microsoft Teams:** Younger members of OAG workforce are very familiar and comfortable with chat applications. To satisfy their needs of Office 365 includes Microsoft Teams,



a chat-based workspace that integrates people, content, and tools into a single platform.

- **Skype for Business:** As the office of the Auditor-General we have invested in this Video conferencing application as an essential tool for the Officer who is always mobile. Skype for Business, enterprises can host unlimited online and video conferencing meetings with up to 250 people.
- **Collaboration tools:** Along with the typical productivity applications, Office 365 includes many collaboration

tools—like Delve, Yammer, and Sway. These tools allow users to communicate, brainstorm ideas, share documents, and have video meetings while on the go.

- **Power BI:** One of the most powerful tools any enterprise can have, regardless of size, is reliable business intelligence gathering applications. Office 365 for Business, through its Power BI application, provides enterprises with a set of tools for collecting, sorting, and presenting business intelligence data.

The above applications are but a few applications which are available to staff to allow us communicate and work better. As ICT the migration to the cloud has been a blessing since it has allowed us have a more stable and reliable platform especially on our anchor email application Microsoft Exchange.

We have been using 365 for slightly over 6 months and we have been able to:

1. Stay up and running, no matter what happens, even when our primary site is down
2. Secure our data by leveraging on world class Microsoft infrastructure.
3. Get Organised by being able to provide an environment that enables online meetings from wherever you are in the world.
4. Take advantage of a larger mailbox storage capacity.
5. Provide easy accessibility to our productivity environment.

Finally, we have reinvented a highly secure, collaborative, and intelligent workplace for our officers by using Microsoft 365 Enterprise. Now we can stay focused on our users and drive our strategic agenda in OAG.



# The place of audit in Parliament's oversight role

By Edith Lubanga

Kenya's parliament is established under Article 93 of the Constitution of Kenya. The Parliament of Kenya is bicameral as it consists of two houses, the National Assembly and the Senate.

The constitution of Kenya has given all sovereign power to the people of Kenya who can exercise their power through their elected representatives. The members of parliament are the representatives

of the people who are expected to protect the interests of the people of Kenya.

The audit of public entities in Kenya is conducted by the Auditor-General who is a state officer appointed by the President, after competitive recruitment and parliamentary approval. The Mandate of the Office of the Auditor-General, as established under Article 229 of the Constitution and Section 4(1) of the

Public Audit Act, 2015 is to audit and report every financial year on the accounts of all entities funded by public money. In conducting these audits the audit report shall confirm whether or not public money has been applied lawfully and in an effective way.

The parliamentary oversight role is provided under article 95(4) (c) of the Constitution. The role of the Auditor-General is to provide







information which can be used by parliament in exercising its oversight role over national revenue and expenditure.

Parliamentarians use Office of the Auditor-General reports to oversee government activities and hold the government to account for its handling of public funds.

### Public sector accountability

To attain and secure Public Sector accountability parliament relies on the Auditor-General to provide independent assurance that governmental activities are carried out, and accounted for, to provide assurance on the lawfulness and effectiveness in the use of Public resources.

The Office of the Auditor-General is an important part of the mechanism that ensures the adherence to the principles of Public Finance articulated in Article 201 of the Constitution. These principles include:-

- (a) There shall be openness and accountability, including public participation in financial matters;
- (b) The public finance system shall promote an equitable society, and in particular—
  - (i) The burden of taxation shall be shared fairly;
  - (ii) Revenue raised nationally shall be shared equitably among national and county governments; and

(iii) Expenditure shall promote the equitable development of the country, including by making special provision for marginalised groups and areas;

(c) The burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;

(d) Public money shall be used in a prudent and responsible way; and

(e) Financial management shall be responsible, and fiscal reporting shall be clear.

### Independence

The role of the Auditor-General can only be effective if the Office is independent and competent. To be seen to be independent the Auditor-General must be both free from control or direction of the executive and all political bias.

Consequently, an important feature of the statutory framework that supports the office of Auditor-General should be that it provides an appropriate level of freedom for the Auditor-General to act without direction or interference. Factors that may significantly affect both the perception and the fact of the Auditor-General's independence and competence are:

- The process for appointment, suspension or removal from office;
- The term of office;

- The determination of the Auditor-General's salary and conditions of employment;
- The ability to employ staff or other suppliers of services; and
- The process for determining the budget and work plans of the office.

Public projects are initiated by the government to provide services which are not easily accessible to the people. These projects include construction of boreholes, dams, bridges, road networks amongst others.

*The role of the Auditor-General can only be effective if the Office is independent and competent. To be seen to be independent the Auditor-General must be both free from control or direction of the executive and all political bias.*

### Providing assurance

The Auditor-General is an ally of parliament, besides providing assurance that public funds have been used lawfully and in an effective way, he helps parliament by providing information on the various projects being executed by the executive on whether they provide value for money and are of any value to their constituents.

Auditors usually visit these projects with experts seconded from various ministry to assess the quality of these projects and their relevance to the public who are to benefit from them.

The Auditor-General is able to go far and wide in the execution of his mandate to provide objective, non-partisan, fact-based information and expert advice on government programmes and activities gathered through audits; information which is used by parliament to make their decisions for the benefit of their constituents.



# Gearing for effective audits of oil, gas and minerals

By Pauline Nyaga

Supreme Audit Institutions (SAIs) are sharpening the skills of their staff to conduct effective audits of the emerging but complex field of extractive industries (oil, gas and minerals).

Under the aegis of International Organisation of Supreme Audit Institutions – Working Group on Extractive Industries (INTOSAI-WGEI), the Office of the Auditor-General, Kenya is working with other SAIs to plug the skills gap in auditing extractive industries. WGEI is an open and voluntary membership by SAIs with expertise, experience and (or) interest in extractive industries.

In enhancing technical skills, WGEI has created a value chain to assist the auditors identify risks which may stand in the way of countries maximising benefits from the extractive industries sector.

The Working Group also encourages knowledge and experience sharing among SAIs at different levels of extraction. The latest of such event was in September 2017, in Uganda.

Office of the Auditor-General, Uganda in collaboration with WGEI Community of Practice and African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) organised the Workshop. The theme of the workshop was, “Enhancing the Audit of Extractive Industries: Risks and Mitigation”.

## Objective of the Workshop

The main objective of the workshop was to enhance capacity of auditors and deliver valuable tools to help SAIs effectively audit Extractive Industries.

Specifically, the workshop provided an insight for SAIs to undertake strategic planning for the extractive industries sector audits, identify risks in the value chain and how SAIs respond to those risks, examination and benchmarking of different fiscal regimes.

Extractive Industries comprise non-renewable resources typically extracted from the earth for commercial value. The resources get depleted with time. It is worth noting that extraction of the minerals does not create new wealth but transforms wealth from one form to another.

*Under the aegis of International Organisation of Supreme Audit Institutions – Working Group on Extractive Industries (INTOSAI-WGEI), the Office of the Auditor-General, Kenya is working with other SAIs to plug the skills gap in auditing extractive industries.*

Therefore, prudent management of wealth transformation is crucial in enhancing growth of the economy. The Kenyan government should thus aim at maximising wealth from the natural resources and at the same time attract foreign



investment.

Typically, investors aim to ensure that their return on capital is consistent with the risk associated with the project. Extractives pose a high risk as the quantities and qualities can only be verified on extraction, yet the contract is signed prior to this.

Further, extractive industries require huge capital investments in form of heavy machinery and transport to refining areas. The government should therefore ensure that it has an efficient fiscal regime that balances the need of the public to share in the wealth and the appropriate return to the investor.

## Extractive industries revenues

Government revenues from the industry are in the form of royalties, rents, taxes, penalties, share of profit oil and bonuses.

However, large revenues from extractive industries sometimes appear to have retarded economic and social development through a phenomenon often referred to as the “resource curse” where the benefits do not reach the majority of the nationals. This is the more reason the resources should be



properly managed to ensure that Kenya does not get into a resource curse.

Proper stewardship of revenue from the oil, gas, and mining industries has tremendous potential to lift people out of poverty and contribute to sustainable development. These industries create jobs directly and indirectly, transfer technologies and knowledge and generate significant income. These benefits provide governments with a financial base for infrastructure development and social service delivery.

The auditors should therefore be the cogwheel in transformation of people's lives, owing to potential benefits from this sector. They should carry out audits that contribute towards ensuring that the country is benefiting from the natural resources found within its

borders.

This role can be achieved by finding out and reporting on whether the country is receiving the correct amount of revenues and in a timely manner. It is also the auditors' role to report on how the resources are managed and their impact on the livelihoods of ordinary Kenyans.

### **Complex sector**

The extractive industries sector is complex and it is important for the Office of the Auditor-General to have adequate skills and resources to effectively audit the sector.

The Office has identified the need and has been a beneficiary of Kenya Petroleum Technical Assistance Programme (KEPTAP), a project of the World Bank. The project seeks to equip various actors with the requisite knowledge in the Petroleum value chain. Staff from

the Office have benefited from the trainings organised by the KEPTAP Secretariat. Further, the Office has established a unit to specialise in Energy audits.

Kenya discovered commercially viable oil in 2012 in Turkana County. Recent tests show that Kenyan crude oil is of very high quality and is likely to fetch a premium price once it hits the market.

Over the last decade, the amount of minerals extracted and exploited has been increasing. Kenya currently produces gold, soda ash, heavy sand minerals commonly referred to as titanium, fluorspar, cement and gemstones among other trace minerals.

Effective auditing of this sector will ensure benefits accruing from extractive industries will reach both the local communities and the nationals.



*Auditors at Extractive Industries Conference in Kampala Uganda.*



# Kenyan auditors among those on regional leadership programme

By Leonard Lari

Three senior staff of the Office of the Auditor-General are among representatives from different Supreme Audit Institutions on Senior Leadership Development Programme.

The group are undergoing training on competencies, conceptual knowledge, values and behaviour that are fundamental for the teams to inspire, influence, motivate and guide others to achieve and sustain excellence in the Supreme Audit Institution (SAI) environment.

At the end of the programme, it is expected that the team will steer and facilitate the implementation of the International Standards of Supreme Audit Institutions (ISSAIs) manuals, handbooks, guidelines and other emerging issues at the SAI level.

SAI Kenya is represented by Acting Deputy Auditor-General William Agunda and Directors Elizabeth

Nguring'a and Leonard Lari. Representatives from Namibia, Mozambique, Nigeria, Tanzania and South Africa, are also taking part in the programme.

## Four-phased programme

The four-phased programme is sponsored by African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), and the first phase of training took place in Pretoria in August, 2017.

The programme is necessitated by the fact that the SAIs in the AFROSAI-E region aspire to reach level 3 and beyond on the Institutional Capacity Building Framework (ICBF).

Level 3 is categorised as *established level* where a SAI has a legislative, administrative/managerial and financial independence. At this level functional strategic and operational plans are implemented

as well as important quality control requirements for the SAI as set by the Top Management.

To help the SAIs in this direction, AFROSAI-E, and its development partners have undertaken several development initiatives both at the regional and country levels.

These initiatives have resulted in the creation of guidance and training materials for the region. However, when it comes to implementation and sustainable development at the SAI level, it is the SAI leadership that needs to take charge and drive the change agenda. To enhance overall management and leadership capacities and help SAIs reach their desired levels of development, it is necessary to improve implementation of development initiatives.

## Focus of the programme

The programme focuses on SAI teams at two management levels, namely deputy auditors-general and/or senior managers reporting to them. AFROSAI-E seeks to get participants from a cross-section of disciplines within each participating SAI with the aim of creating critical capacity necessary for achieving greater leadership effectiveness and credibility within the SAI.

Through conducting independent public sector audits, SAIs can make an important difference in the lives of people.



Ag. Deputy Auditor-General William Agunda (R) and Directors Elizabeth Nguring'a (L) and Leonard Lari during the leadership programme workshop.



# Using Microsoft Excel as an alternative audit tool

By Samuel Njenga Waweru

As governments continue to automate their processes and replacing manual accounting systems, the confidentiality, integrity and availability of information processed through automated systems are a concern to management and auditors.

The auditors' focus is therefore now shifting to what happens behind the scenes as data is captured, processed, stored and retrieved through the IT systems.

This calls for change in the audit approach in order to mine into the large databases and make sense of the data. Consequently, auditors are tapping into increasingly sophisticated analytics techniques to improve their audit work and deliver quality and timely audit reports.

Applying analytics technologies, tools, techniques and talent can transform dry facts and figures into strategic insights that deliver intelligence in the moment.

It is important to note that most of the audit tools available in the market are quite expensive and beyond reach for most Supreme Audit Institutions (SAIs) in Africa. Microsoft Excel therefore offers an alternative, at no cost.

## Available tools

Some of the tools available in the market include Audit Command Language (ACL) and Interactive Data Extraction and Analysis

(IDEA). However, Microsoft Excel has the following benefits over and above other tools:



1. Microsoft Excel has the same capabilities as Audit Command Language (ACL) and Interactive Data Extraction and Analysis (IDEA);
2. Microsoft Excel is a freeware and does not require licensing. This means that SAIs can roll it out to all staff members without incurring any other cost except for the cost of training;
3. The licensing cost for Audit Command Language (ACL) or Interactive Data Extraction and Analysis (IDEA is Kshs.428,863- approximately \$4,163- per annum inclusive taxes for six licences only which can be used by twelve (12) Audit staff members only). No charges apply for Microsoft Excel.

Owing to these benefits, Kenya, Zambia and Lesotho are some of the African SAIs that have adopted the use of Microsoft Excel in auditing public sector spending.

The latest to adopt the technology is Zimbabwe that has now embarked on training its staff

on the application of Microsoft Excel in auditing. Two Kenyan auditors- Samuel Waweru and Addy Waichigo, have been providing technical support for the SAI of Zimbabwe.

## Capacity-building Workshops

The first capacity-building Workshop took place in Mutare, Zimbabwe, and was organised by African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E). It focused on data analysis using Microsoft Excel as data analysis tool in audit. It covered the following areas:

1. Introduction to Computer Assisted Audit Techniques (CAATs) which covered available CAATs in the market and how they compare with MS-Excel;
2. Data concept, data analysis life cycle and data acquisition;
3. Introduction to MS-Excel and the common errors one is likely to encounter in data analysis;
4. Importation of data from various data file formats into excel;
5. Data integrity verification and data cleansing;
6. Conditional formatting and other logical functions;
7. Data manipulations and other expressions;
8. Data analysis for suspicious and fraudulent transactions, amongst others.



# Linking IT Audit to Financial Audit Process

By Eunice Achenda

Linking Financial to IT audits can greatly improve the quality of the audit process. It is therefore, critical that financial auditors should have the ability to evaluate and respond to an IT auditor's risk assessment.

In order for this to effectively work, there is need for seamless collaboration between these two types of audits.

Additionally, financial auditors should rely heavily on the risk assessment of an IT auditor when assessing internal control risk and planning substantive testing. The auditor should plan the audit and develop an audit approach so that the engagement will be performed in an effective manner.

The need for linkage of these two types of audits is well outlined in the International Standards of Supreme Audit Institutions (ISSAIs) and auditors should strive to explore this avenue, as per the ISSAIs.

It is worth to note that there is a link between IT assertions and financial statement assertions. IT assertions include confidentiality, integrity and availability while financial statement assertions include: occurrence, completeness, accuracy, cutoff, classification, existence, rights and obligations,

valuation, allocation, classification and understandability.

Therefore, IT assertions on integrity and availability of data have a direct link with the financial statement assertions of occurrence, completeness, accuracy, cut-off, allocation and classification of financial statement balances. Hence, if the integrity and availability of data has an issue, clearly, the financial statement account balances may not be complete, accurate, or may not have been allocated or classified in the correct financial period budget codes and transactions may not have occurred.

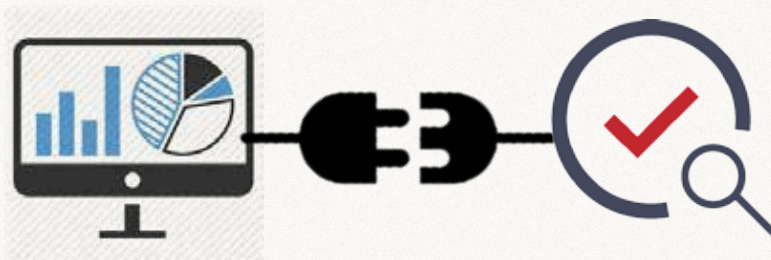
control weaknesses follow-up has not been carried out beyond the planning phase.

Further, connecting the dots between IT audit and financial audit process may include the following recommendations: risk assessments should also include a rigorous IT risk assessment at planning phase; responses to significant IT risks assessed during planning phase should be documented throughout the audit process.

IT controls weaknesses should also be reported to financial auditors in accurate and timely manner to enable their incorporation in the management letter, to the audited entity. Further, there is need for training for financial auditors to understand significant IT risks and how they can affect their audit approach. A similar training should also target IT auditors

to enhance their understanding on how significant IT risks affect the financial statement assertions and hence financial audit approach.

The training should also focus on how to report IT controls weaknesses in a more understandable language. It is of more benefits if IT auditors collaborate more with financial auditors throughout the audit process.



## Challenges

Challenges in linking IT audit to financial statements audit include: lack of integration of IT controls weaknesses in the management letter; IT control weaknesses may not have been reported adequately and timely to financial auditors; lack of clear understanding of IT Audit issues by financial auditors; lack of clear understanding of financial audit issues by IT Auditors; and IT



# Observing integrity in the audit process



By Nicholas Mureithi

The field of auditing requires one to uphold high levels of Integrity and accountability to ensure fairness to the audited entity and enhance quality of audit reports.

When these values are adhered to, then the audit findings will be anchored on a transparent process that ensures that the reports are a true representation of the entity being examined in the audit.

The Office of the Auditor-General (OAG) holds these values dearly, to give assurance to the audited entities and enhance accountability in the public sector. On top of these, the Office also adheres to Independence, Innovation, Professionalism and Team Spirit, as its core values.

The Auditor-General, Mr Edward Ouko, has consistently emphasised on the need for all employees, both audit and non-audit, to uphold high standards of transparency, accountability and complete honesty in executing their work.

The fact that OAG is tasked with the responsibility of providing assurance to the Kenyan taxpayers in the prudent management of public resources, this objective cannot be realised without first certifying that the staff practice integrity and absolute uprightness in their work.

Auditors for example, will independently identify pertinent issues during their audit exercises,

provide advisory services to audit clients where necessary and report fairly without fear, favour or bias.

Non-audit staff also observe fairness, confidentiality and professionalism as they interact with relevant stakeholders both within and without the Organisation. For instance, clerical officers, secretaries and office assistants handle extremely sensitive and confidential documents touching on audit reports. It is therefore incumbent on them to treat classified and confidential information as such.

“The Auditor-General, Mr Edward Ouko, has consistently emphasised on the need for all employees, both audit and non-audit, to uphold high standards of transparency, accountability and complete honesty in executing their work.”

These values are in tandem with the provisions of the Constitution of Kenya, especially Chapter Six, on Leadership and Integrity. It requires, State Officers to behave in a manner that avoids conflict between personal interests and public or official duties. They are also prohibited from conducting themselves in any demeaning manner that is contrary to their respective office.

## International guidelines

Furthermore, the Office observes these principles as outlined in the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), which OAG is a member. The AFROSAI-E Code of Conduct states that: The principles of integrity and objectivity impose an obligation on us to be fair, honest and free of conflict of interest, prejudice and bias. Integrity requires us to observe the principles of independence, maintain irreproachable standards of professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out our work and handling the resources of the AFROSAI-E Secretariat.

These principles are also outlined in the International Standards of Supreme Audit Institutions (ISSAI) number 30. This guideline provides that; Integrity is the core value of a Code of Ethics. Auditors have a duty to adhere to high standards of behaviour in the course of their work and in their relationships with the staff of audited entities.

It is based on the above therefore, that the audit process can be termed as credible, and the quality of audit reports enhanced. This is due to the fact that audit findings will be consequently founded on a true reflection of the financial position in the audited entity having being conducted in an atmosphere of transparency.

# Media as a key partner in accountability



By Rebecca Joshua

It is crucial for Supreme Audit Institutions (SAIs) to build mutually beneficial relations with the media to create impact of audit reports.

To this end the Office of the Auditor-General (OAG) Kenya, has so far carried out seven media workshops to enhance the capacity of journalists on audit matters, for accurate and sustained reporting of audit findings.

About 161 journalists participated in the workshops that took place in Mombasa, Naivasha, Kisumu, Machakos, Nyeri and Eldoret.

Media has a greater responsibility, as the fourth pillar of democracy, along with judiciary, executive and legislature, of an all-embracing role to act against injustice, oppression, misdeeds and partiality of our society.

The fourth estate has a crucial

role in reporting the work of the Auditor-General to the public by scrutinising and reporting on public finance management, and this creates public interest and debate on accountability. The media thus, has a critical role in informing the public about the audit findings and their role in seeking accountability of these resources.

## Financial audits

In financial audits, the Auditor-General expresses an audit opinion which ranges from **unqualified** (Funds have been applied lawfully and in an effective manner), **qualified** (financial statements are fairly presented but there are specific misstatements or limitations on the audit report), **adverse opinion** (there are many fundamental discrepancies/misstatements in the financial statements) and **disclaimer of opinion** (there are so many missing

documents or explanations that the auditor-General does not have enough information to form an opinion).

Journalists should shun politicisation of audit reports as this will sweep the key issues raised in the reports, under the carpet.

Equally important, for the media, is follow-up on the action taken by the accounting officers of the audited entities upon the recommendations from parliamentary hearings. Failure to comply with these recommendations attracts sanctions such as withholding of funds to such state organs.

The expectations of the public have surged and sets the bar higher for the Auditor-General to fulfil the requirement of article 229(6) where an audit report shall confirm whether or not public money has been applied lawfully and effectively.



Nyeri-based journalists during a media workshop, organised by Office of the Auditor-General and GIZ





## Office of the Auditor-General

*Enhancing Accountability*

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

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

### Mission

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

### Our Core Values

The foundation of the OAG's operations is anchored on five 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.

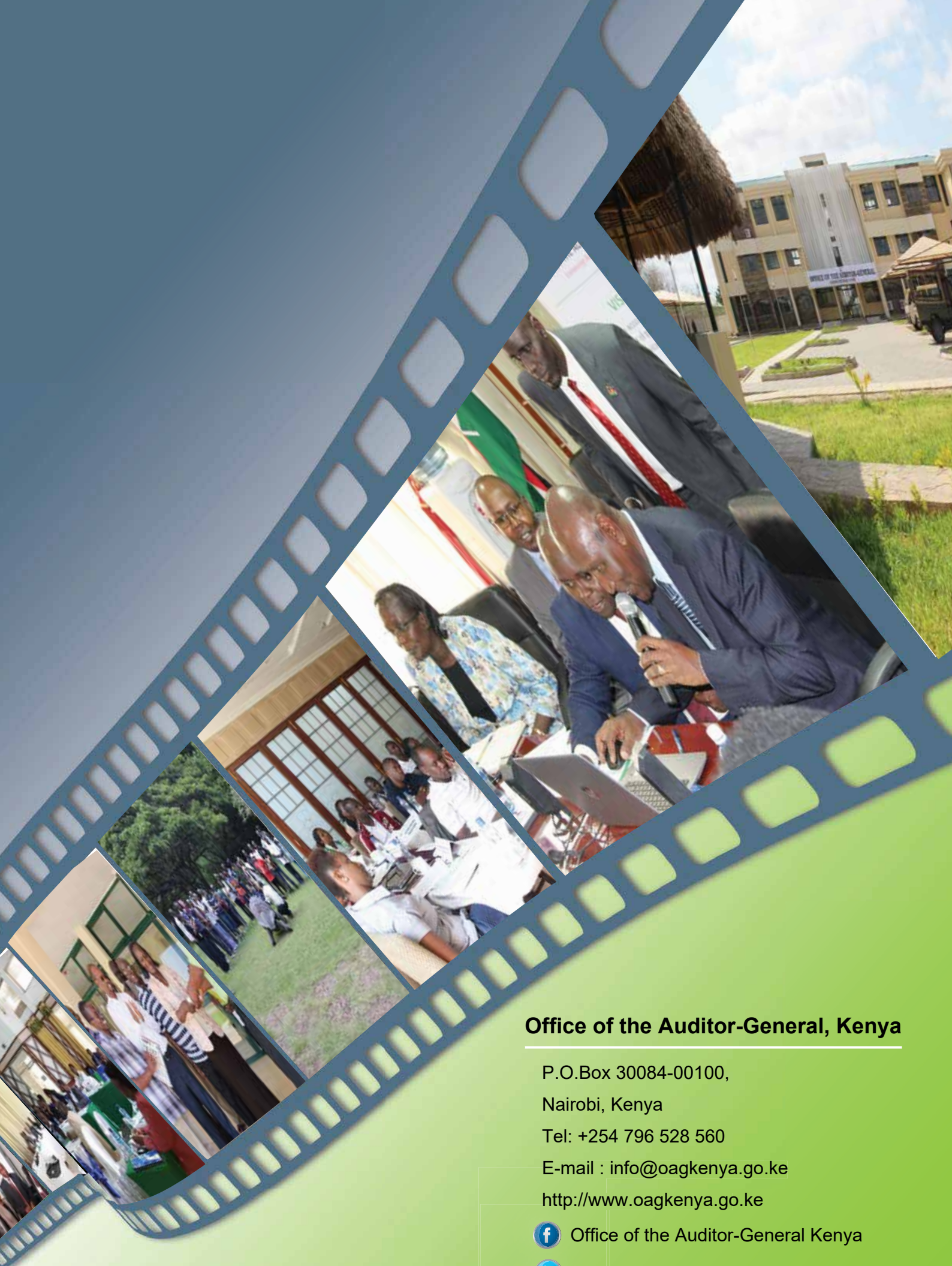
#### Innovation

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.

#### Team Spirit

We work together in teams and offer equal opportunities to all.





## **Office of the Auditor-General, Kenya**

P.O.Box 30084-00100,

Nairobi, Kenya

Tel: +254 796 528 560

E-mail : [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)

<http://www.oagkenya.go.ke>

 Office of the Auditor-General Kenya

 @OAG\_Kenya