



Office of the Auditor-General

Performance Audit Report on the Management of Cash Transfer to
Orphans and Vulnerable Children



Departments of Children Services -
Ministry Labour, Social Securities and Services

July 2016

Forward by the Auditor - General

In my capacity as the Auditor General of Kenya, I am pleased to publish and publicize this performance audit report that examines the management of Cash Transfer to Orphans and Vulnerable Children (CT - OVC) program by the Ministry of Labour, Social Securities and Services. My Office carried out the audit under the Public Audit Act, 2003. Section 29 (1) of the Act mandates me to assess the economy, efficiency and effectiveness with which the Government, a state corporation or local authority uses its resources.

Performance Audits together with Financial and Continuous Audits form the three-pillar audit assurance framework that I have established to give focus to the varied and wide scope of audit work done by my Office. The framework is intended to give assurance to stakeholders that public resources are not only correctly disbursed, recorded and accounted for but that they also have a positive impact on the lives of all Kenyans. The overriding goal of our performance audits is to promote delivery to Kenyans of public services of outstanding quality.

I have submitted the original copy of the report to the Speaker of the National Assembly to table in Parliament in accordance with Article 229 (7) of the Constitution. In addition, I have remitted copies of the report to the Cabinet Secretary for Ministry of Labour, Social Securities and Services and to the Principal Secretary at the National Treasury. I wish to express my appreciation for the co - operation and assistance afforded to the audit team by the Cash Transfer to Orphans and Vulnerable Children's Central Programme Unit and County Children's Officers.



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

29 July 2016



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List of abbreviations

AAC	-	Area Advisory Council
BCP	-	Business Continuity Plan
BWC		Beneficiaries Welfare Committees
CPU	-	Central Programme Unit
CT - OVC	-	Cash Transfer to Orphans and Vulnerable Children
CCO		County Children's Office
DCS	-	Department of Children Services
DEO	-	District Education Officer
DMOH	-	District Medical Officer of Health
DOSC	-	District OVC Sub Committee
DWP	-	Detailed Working Paper
ERD	-	External Resources Department
HH	-	Household
HSNP	-	Hunger Safety Net Programme
ICT	-	Information Communication Technology
ID	-	Identification
IT	-	Information Technology
LOC	-	Locational OVC Committee
MIS	-	Management of Information Systems
MLSSS	-	Ministry of Labor Social Securities and Services (also referred to as the Ministry)
OVC	-	Orphan and Vulnerable Children
PSP	-	Payment Service Provider (Equity was CT-OVC's private PSP and Posta the public PSP)
WB	-	World Bank

Executive Summary

Background to the Audit

1. The Cash Transfer to Orphans and Vulnerable Children (CT–OVC) programme was launched by the Government in 2004, to strengthen the capacity of poor households to protect and care for orphans and vulnerable children to ensure that they receive basic care within families and communities. An orphan and vulnerable child (OVC) for the programme is defined as a single/double orphan; a child who is chronically ill or who has a caregiver who is chronically ill and/or a child who lives in a child headed household due to orphan hood. The CT–OVC programme targets orphans and children in Kenya made vulnerable by HIV/AIDS, Tuberculosis and Cancer. The CT–OVC programme is implemented by the Government with the support of UNICEF, World Bank and DFID. The CT–OVC programme is managed by a Central Programme Unit within the Department of Children Services (DCS) under the purview of the Ministry of Labor, Social Securities and Services (MLSSS).

Why the effective implementation of the CT- OVC programme is important

2. As stated in the CT–OVC's project appraisal document, Kenya has over two million orphans and vulnerable children of whom six hundred thousand are living in extreme poverty. CT–OVC is one of the key flagship programmes in Kenya Vision 2030, the country's new development blueprint covering the period 2008 to 2030. It aims to transform Kenya into a newly industrializing, "middle-income country providing a high quality life to all its citizens by the year 2030". Kenya Vision 2030 emphasizes on the need to invest in all vulnerable groups since no society can achieve social cohesion if significant sections of the population live in abject poverty. The rationale of investing in the program is that the likelihood of orphaned and vulnerable children's household being poor is higher than in the overall population. Effective implementation of the CT–OVC programme is therefore important since it seeks to improve on the food security, health, nutritional and educational status of the poorest orphaned children in Kenya made vulnerable through HIV/AIDS, Tuberculosis and Cancer.

What the audit examined

3. The objective of the audit was to assess whether the Department of Children Services, had managed the Cash Transfer to Orphans and Vulnerable Children (CT–OVC) programme with due care to ensure that :
 - i. There was adequate capacity in the CT–OVC's Central Programme Unit to effectively manage the program;
 - ii. The program had checks and balances in place to ensure efficient fund management;
 - iii. Only deserving beneficiaries were enrolled in the program; and
 - iv. Increase in social safety net access for extremely poor orphans and vulnerable children households were through an effective and efficient expansion of the programme.

Scope of the Audit

4. The audit examined the operations and activities of the Cash Transfer for Orphans and Vulnerable Children (CT-OVC) program for a five-year period from 2009 to 2014. The audit focused on targeting, enrollment, payments, and disbursements of funds, capacity development, case management, updating of CT-OVC's management information system (MIS), conditionality's compliance and complaints management. The audit did not examine the misappropriation of funds, if any, by the CT-OVC management. The audit scoped only the subnational governments i.e. the Counties funded by a loan facility, specifically from the World Bank. The audit criteria were drawn from the CT-OVC's operational manual, statutory mandate, financing agreement, project appraisal documents and service delivery charter.

Limitation of scope

5. The Ministry of Labor, Social Securities and Services (MLSSS) did not avail requested personal files of the CPU's personnel and written description of user privileges/tasks for officers managing CT-OVC to enable the assessment of the technical capacity of staff working on the programme. The audit was also unable to analyze and conclude on whether the increase in social safety net access for extremely poor orphans and vulnerable children households were through an effective and efficient expansion of the programme because the CPU denied the team access to the MIS application and the server room.

Summary of findings

6. Ministry of Labor, Social Security and Services evaluation reports noted that since inception, the CT-OVC program had resulted in many benefits such as reduced farm child labor for boys, reduced number of households living on less than a dollar a day, an 11% reduction in incidence of diarrhea among children aged between 3 - 5 years old, a 13% increase in measles vaccination, a 13% increase in children accessing preventive care for children of ages ranging between 0 - 5 years, and finally, an increased opportunity for children in the program of ages 13 - 18 years being more likely to be enrolled in secondary schools. Despite such positive highlights of the success of the programme reported by the Ministry of Labor, Social Security and Services, the audit noted challenges that were faced by the program that hindered its effective implementation as discussed below.

Inadequate staff capacity to effectively manage the CT-OVC program

7. The Ministry of Labor, Social Security and Services did not ensure that persons implementing the programme had required competencies hence staff risked being unjustly blamed for any inefficiencies, due to lack of adequate expertise. The Ministry has a responsibility to ensure that the CT-OVC programme has adequate resources to deliver its services nationwide to effectively achieve optimum results at minimum costs. The Ministry established a Central Programme Unit (CPU) within the Department of Children Services to manage the daily operations of the CT-OVC programme. The audit found that the CPU had inadequate staff capacity based on its organogram in four main areas: operations planning, evaluation and monitoring; administration and financial management, and

management information systems (MIS). Hence, crucial operational services such as MIS engineering work, financial management and data entry were being done by development partners, temporary staff or Ministry staff attached but not seconded to the programme. The Ministry had no documented agreements with the development partners on services provided hence they lacked legal recourse if appropriate services were not being provided. The Ministry also had not attached specific staff to work alongside the development partners to gradually develop required capacity and reduce reliance.

The CT-OVC's Management Information System

8. The audit revealed that CT-OVC's MIS applications had several weaknesses and potential vulnerabilities that presented an inherent risk to the program's operations:
 - a) **The MIS had no business continuity plan to respond to incidents and disruptions:** A business continuity plan ensures continued operations of critical business processes and required backup arrangements and post - resumption review. The CT-OVC program did not have business continuity due to of lack of trained IT personnel and was therefore not prepared to respond effectively to plan any likely disaster(s).
 - b) **The CT-OVC programme did not have documented ICT policies and procedures:** The CPU did not have any written IT policy or procedure to ensure that it's MIS operations had adequate control expectations on key issues like quality, security, confidentiality, internal controls, usage of IT assets, ethics, intellectual property rights and ensuring IT operations are aligned with the overall objective of the program.
 - c) **Inadequate audit trail record:** The audit revealed that the audit trail maintained by the CT-OVC's MIS was inadequate as only logins were recorded. An audit trail enhances accountability and decision making. A good audit trail should record who initiated a transaction, time of the day and the date of entry, field of information contained, and file updated.
 - d) **Inadequate data validation and editing:** Validation is the act of establishing the truth, accuracy or relevance of an amount or fact by corroborating it through re-performance, vouching, confirmation or reconciliation. In computer programs, procedures or routines can validate data as it is entered. Review of CT-OVC's computerized MIS application revealed that the systems validity check had not been enforced in key fields like the recipients surname. This affected data integrity in the system and exposed the CT-OVC program to the risk of having less reliable information for decision making.
 - e) **CT-OVC did not have an IT strategy:** The CT-OVC also had no strategy to enable the programme relate to a long-term direction in leveraging IT for improving the programme's business processes and IT decisions.

CT-OVC program did not have adequate systems for efficient management of program funds

9. The audit found that the CT-OVC did not have adequate controls which led to :

- a) **Presence of deceased caregivers in the system:** Changes to replace deceased caregivers with alternate names in the CT-OVC's payment system are expected to be done through update Forms U1 to U6 with supporting documents within 15 days after the filled programme update forms are delivered to the CPU. However the audit found that it took up to forty months or 3.5 years to replace deceased caregivers in the system.
 - b) **Removals and reinstatements of the CT-OVC recipients to the payroll:** A beneficiary household is required to exit the program if they do not collect payments for three consecutive periods. The audit found that at times beneficiaries who did not collect their funds for four consecutive cycles were removed from the programme payment list and then reinstated under unclear circumstances.
 - c) **Arrears not reflected in the payroll after recipients miss pay:** The audit found that at times beneficiaries' arrears were not being reflected in the payrolls after missing payments for three consecutive payments for various reasons.
 - d) **Beneficiaries not exited from the program as required:** CT-OVC's operational manual requires a beneficiary household to exit the program if they do not collect payments for three consecutive periods; that is the arrears for four cycle payments equal to Kshs.16,000.00. The audit found there were 48 beneficiaries in three counties whose arrears were reflected as Kshs.16,000.00 for more than one pay cycle, but the beneficiaries were not exited from the program as stipulated.
 - e) **Double enrolment:** The audit found fifteen beneficiaries in five counties who had been enrolled twice (double enrolled) into the CT-OVC program as at 30 June 2014. The audit also found that at times CT-OVC recipients were registered twice in the programme using temporary programme cards while they had national IDs at times of enrolment as per the National IDs issue date. The double registration of the beneficiaries was attributed to circumstances where the first program card had the national ID number while the second program ID had the temporary programme card number. Double enrollment was due to inadequate monitoring of requisite documents during enrolment of recipients that resulted to recipients receiving twice the amount of funds
 - f) **Beneficiaries were not being paid their arrears:** after missing less than three consecutive payments for various reasons. For instance, in one sampled payment cycle in one location; the audit found fifteen beneficiaries whose arrears totaling Kshs.45,000.00 were not reflected in the following months' payroll after missing pay for only one cycle.
10. The Ministry of Labor, Social Security and Services contracted two Payment Service Providers to provide a cost effective, reliable, accessible and secure system for the delivery of cash to the CT-OVC program recipients. CT-OVC's cash transfers are made after every two months. Up to September 2011 recipients were paid a monthly CT-OVC cash transfer benefit of Kshs.1,500.00, which was increased to Kshs.2,000.00 from October 2011. The audit found that payment of the CT-OVC program funds had not been properly managed because:

- a) **There were over payments of funds to beneficiaries:** The audit found that, at times the CT - OVC's Central Programme Unit (CPU) posted wrong amounts to the beneficiaries' names. The audit noted that overpayments were made more through the Private Payment Service Provider than in the Public Payment Service Provider.
- b) **Beneficiaries were being paid above the stipulated maximum limits:** The audit found that there was no frequent update and monitoring of the CT-OVC's payroll by the CPU unit and County Children Officers. In addition, the programme's MIS did not have an inbuilt internal control mechanism to stop payments beyond the maximum allowed arrears of Kshs.16,000.00, hence, beneficiaries were at times receiving more than the set allowed maximum arrears.
- c) **Recipients were paid without stipulated identification documents:** The audit found that payment to CT-OVC's beneficiaries were at times made without prescribed identifications. CT-OVC's private Payment Service Provider came with an extra cost since it was to offer a strong and secure payment solution with two-factor authentication process. Audit review of the p Private Payment Service Provider payment cycle reports and summary of payrolls from cycles revealed there were almost 18,252 beneficiaries who had not been issued with biometric cards since being enrolled. The audit also noted that only the national ID had a photo of beneficiaries while the programme ID had no photo of beneficiaries hence difficulty in visual identification.
- d) **Double production of beneficiaries programme and biometric cards:** The audit found that the CPU and CT-OVC Private Payment Service Provider at times produced two cards per beneficiary which led to the Government losing funds on the cost of producing the second cards and hence an increased probability of double payment to beneficiaries.
- e) **Beneficiaries were not accessing funds due to lack of biometric cards:** The Private Payment Service Provider would have a month to produce a biometric card as the beneficiaries' payment instrument, from the time of submission of the enrollment list. However audit noted that the number of beneficiaries who had not been issued with biometric cards in relation to the carded beneficiaries per cycle at times went as high as 11.2% of the total recipients in the CT-OVC payroll for the Private Payment Service Provider.
- f) **Biometric cards were not replaced promptly:** The Private Payment Service Providers has a Service Level Agreement (SLA) with the Ministry to replace damaged, lost or stolen biometric cards used by CT-OVC recipients in their system within two weeks once they are reported. However, the audit noted that the Private Payment Service Providers at times took up to ten months to replace recipients' biometric cards. In addition the audit found malfunctioning biometric cards were also not replaced promptly and resulted in the exit of some of the beneficiaries from the programme.

- g) **Untimely payments to CT-OVC recipients:** Payments to the CT-OVC program households are made bimonthly through contracted Payment Service Providers. The payments are made in the months of February, April, June, August, October and December of each year. The audit revealed that no cycle was paid within the stipulated time in the six 2012/13 payment cycles analyzed. Interviews conducted with CPU officers indicated that delays noted above resulted from capacity gaps within the contracted Payment Service Providers, delays in cash inflows from the donors, release of funds by the exchequer and long approval times at various levels.

There were undeserving beneficiaries enrolled in the program

11. The audit revealed ninety four undeserving households who were outside the programme's set target criteria in five sampled counties. This was because beneficiaries were not being validated before being enrolled as required. If CT-OVC beneficiaries are chosen arbitrarily without following the prescribed enrollment guidelines of assessing that only deserving orphaned children within set target criteria are enrolled in the programme, it is possible that Government may not derive value for money from the cash transfers programme. This could hinder the Government from meeting their target of covering 50% of all orphans and vulnerable children living in extreme poverty, in Kenya. Undeserving beneficiaries can result in taxpayers incurring unnecessary financial burden catering for persons who were neither orphans nor vulnerable, and thus excluding suffering children in dire need of the assistance.

Slow scale up of the CT-OVC programme

12. By 2009 there were an estimated 100,000 households with around 300,000 orphans and vulnerable children living in extreme poverty in Kenya. The Government aimed at reaching about half of all these orphans and vulnerable children, through the CT-OVC nationwide program by 2012. As at 30 June 2014, the number of CT-OVC's beneficiaries were 156,193. However, the audit was unable to analyze and report on the yearly scale up of the CT-OVC program and whether the programme's increase in social safety net access was through an effective and efficient expansion of the programme because the CPU denied the team access to the MIS application and the server room.

Conclusions

13. The Ministry of Labor, Social Securities' and Services has the mandate and resources to put in place systems and structures needed to effectively deliver on CT-OVC's objectives. However, there is inadequate capacity within the Central Programme Unit (CPU) to manage the CT-OVC program effectively. The Department of Children Services has not managed the CT-OVC programme with due care. The program's checks and balances in place at times did not ensure efficient fund management. The Ministry's outsourced Payment Service Providers also did not ensure taxpayers consistently get value for money for costs incurred. As at 30 June 2014 there were 156,000 households benefitting from the CT-OVC program. Due to this high number of beneficiaries, the programme has become increasingly dependent on the use of its computerized Management Information System (MIS) to

deliver its cash transfer services, and to process, maintain and report on essential program information. Despite this, the programme's MIS was also not properly managed and did not have adequate controls in place. Persons outside the CT-OVC target group were receiving programme funds yet deserving beneficiaries were neither enrolled in the programme nor aware of its existence.

Recommendations

14. In view of the findings of the audit, the Auditor-General has made several recommendations that the Accounting Officer in the Ministry of Labor, Social Securities and Services could take to ensure that the Programme is implemented in a more efficient and effective manner. The recommendations call for more assertive oversight by the Ministry of Labor, Social Securities and Services and the programme's Central Programme Unit, improved financial and operational controls, closer engagement of the Ministry and Department of Children Services among other management reforms. The recommendations are detailed in Chapter Six of this report for consideration.

Chapter 1

Background of the Audit

Introduction

- 1.01 This audit examined the management of Cash Transfer to Orphans and Vulnerable Children (CT–OVC) programme. The audit was conducted as mandated under Section 29 of the Public Audit Act, 2003 and a report prepared for tabling in Parliament in accordance with Article 229 (7) of the Constitution. The CT–OVC programme is managed by the Department of Children Services (DCS) under the Ministry of Labor Social Securities and Services (MLSSS). The Ministry implements the programme in collaboration with UNICEF, the World Bank and DFID.

Background on the Cash Transfer to Orphans and Vulnerable Children Programme

- 1.02 The Cash Transfer to Orphans and Vulnerable Children (CT–OVC) programme was launched by the Government of Kenya (GOK) in 2004. The main objective of the CT–OVC program is to strengthen the capacity of poor households to protect and care for orphans and vulnerable children to ensure that they receive basic care within families and communities. An orphan or vulnerable child for the program is defined as - a single/double orphan, a child who is chronically ill or who has a caregiver who is chronically ill and/or a child who lives in a child headed household, due to orphan hood. By 2004, there were an estimated 100,000 households with around 300,000 orphans and vulnerable children living in extreme poverty, in Kenya. The Government of Kenya aimed at reaching about half of all these orphans and vulnerable children, through the CT - OVC nationwide program by 2012.

Motivation for the audit

- 1.03 The audit was authorized after having considered the following motivational factors:
- i. There were complaints from the public that persons outside the target group were receiving CT–OVC funds, yet deserving beneficiaries were not being enrolled in the programme;
 - ii. CT–OVC's annual budget allocations rose significantly from Kshs.1.8 billion in 2008/09 fiscal year to Kshs.8.5 billion in 2013/14, which accounted for 15% of the Ministry's annual budget;
 - iii. Auditor-General's financial audit reports revealed incidences that the programme funds were not used for the intended purposes; and
 - iv. An objective audit would provide valuable information to Parliament, the Executive, its managers and stakeholders and offer recommendations to improve its management to ensure that taxpayers and donors receive the right value for the money already invested in the programme.

Chapter 2

Design of the Audit

Objectives of the audit

- 2.01 The objective of the audit was to assess whether the Department of Children Services (DCS) had managed the Cash Transfer to Orphans and Vulnerable Children (CT–OVC) programme with due care to ensure that:
- i. There was adequate capacity to effectively manage the program;
 - ii. The program had checks and balances in place to ensure efficient fund management;
 - iii. Only deserving beneficiaries were enrolled in the program; and
 - iv. Increase in social safety net access for extremely poor orphans and vulnerable children households were through an effective and efficient expansion of the programme.

Scope of the Audit

- 2.02 The audit examined the operations and activities of the CT–OVC program, applied by the Central Program Unit (CPU) in the Department of Children Services (DCS), County Children Officers (CCO) and outsourced Payment Service Providers (PSP's) in the management of the program. The audit focused on targeting, enrolment, payments, and disbursements of funds, capacity development, case management, updating of CT–OVC's management information system (MIS), conditionality's compliance and complaints management. The audit did not examine the misappropriation of funds, if any, by the CT-OVC management. The audit covered a five year period from 2009 to 2014. The CT–OVC program is co -financed by the Government of Kenya and three donors: UNICEF, Department of Foreign Investment (DFID) and World Bank. The audit only focused on the subnational governments i.e. Counties funded by debt borrowed from the World Bank.

Limitation of scope

- 2.03 The Ministry of Labor, Social Securities and Services did not avail requested personal files of the CPU's personnel and written description of user privileges/tasks for officers managing CT–OVC to enable the assessment of technical capacity of staff. The audit was also unable to analyze and conclude on the yearly scale up of the CT–OVC program because the Ministry did not grant the audit team access to the MIS application and the server room.

Audit Assessment Criteria

- 2.04 The audit criteria were drawn from the CT-OVC's operational manual, statutory mandate, financing agreement, project appraisal documents and service delivery charter. We expected the CT-OVC programme to have been managed with due care, within stipulated time frames and only to stipulated target population so as to attain desired programme objectives. Thus, the performance of the CT-OVC programme was assessed in relation to:
- i. Timely update of CT-OVC information and payments relative to the program's regulations;
 - ii. Capacity to manage the CT-OVC program;
 - iii. Effectiveness in ensuring that only deserving beneficiaries in poor households that meet set conditions in CT-OVC's selection procedures and criteria are funded; and
 - iv. Increase in social safety net access for extremely poor orphans and vulnerable children households were through an effective and efficient expansion of the programme.
- The detailed assessment criteria applied in the audit are highlighted in the respective audit findings in Chapter 4 of this report.

Methods of Data Collection

- 2.05 The audit was carried out in accordance with Performance Auditing Guidelines set by the International Organization of Supreme Audit Institutions (INTOSAI) and audit policies established by the Office of the Auditor-General. The guidelines and policies fulfill the requirements of International Supreme Standards on Auditing (ISSAI's). The following methods of data collection were used during the audit:
- i. **Documentary reviews:** The audit reviewed CT-OVC's beneficiaries' payrolls, complaints files, financial and statistical data maintained by the Central Programme Unit (CPU) and County Children's Office (CCOs) to obtain information on the program's operations and performance.
 - ii. **Interviews:** The audit conducted interviews with senior officers in CPU, County Children Officers and beneficiaries, CT-OVC's payment service providers and paying officers.
 - iii. **Physical verifications:** The audit team visited CCOs, beneficiaries' homesteads and paying offices for payment service providers to observe the living and paying conditions for the beneficiaries.
 - iv. **Operations of the CT-OVC Management Information System:** To understand the programme's embedded internal control the audit team undertook an information system internal controls review.

Chapter 3

Description of the Audit

The Cash Transfer for Orphans and Vulnerable Children Programme's Legal Framework

- 3.01 Kenya has over sixty pieces of legislation dealing with children's issues and is a signatory to a number of international conventions and agreements that provide for the protection and promotion of children rights. The CT-OVC programme targets orphans and children made vulnerable by HIV/AIDS, Tuberculosis and Cancer. Thus the CT-OVC programme is guided by Kenya's National Programme Guidelines on Orphans and Children made vulnerable by HIV/AIDS, Kenya's Orphan and Vulnerable Children Policy and the Children Act, 2001, CT-OVC Project Appraisal Document 2009 & 2013, Operational Manuals 2009, 2010 and 2012 and their annexures.

Statutory mandate and role of the Ministry of Labor, Social Securities and Services

- 3.02 Social protection is a national level function in the Government of Kenya. As per Article 43 of Kenya's Constitution, the Ministry of Labor, Social Securities and Services (MLSSS) has the responsibility of ensuring that all citizens enjoy social protection. The Ministry derives its mandate to facilitate and coordinate gender mainstreaming in all sectors, promote social development, welfare and children's development from Kenya's executive circular 1/2008 and 2/2013 respectively. The Ministry was created to promote, coordinate, monitor and evaluate gender equality, women's empowerment, social development, care and protection of children and other vulnerable groups as an integral part of the national development. The Ministry aims at being a leader in the provision of a gender responsive, child friendly and social services leading to a society where all enjoy equal rights, opportunities and a high quality of life. The Department of Children Services (DCS) within the Ministry manages the CT-OVC program. The DCS coordinates and implements all children's programs in Kenya and draws its mandate from the Children Act, 2001. This Act among other things makes provision for the care and protection of children a priority.

Cash Transfer to Orphans and Vulnerable Children's objectives

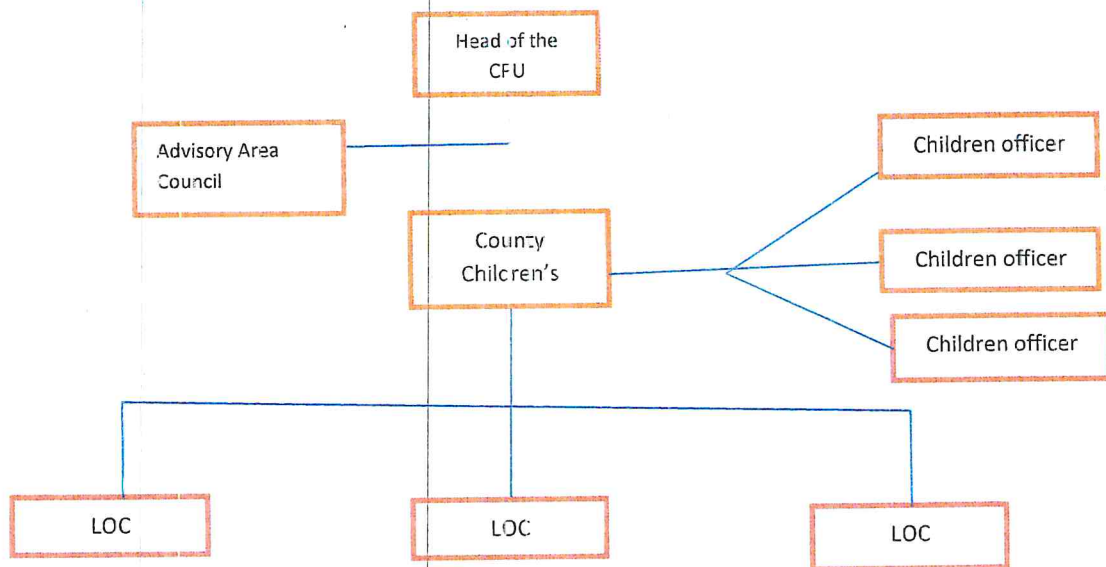
- 3.03 The CT-OVC program's overall objective is to provide a social protection system through regular and predictable cash transfers to families living with orphans and vulnerable children (OVC's). The cash transfers are to encourage fostering and retention of orphans and vulnerable children within their families and communities and to promote their human capital development. As stated in CT-OVC's project appraisal document presented to World Bank, the programme's development objective is to increase social safety net access for extremely poor orphans and vulnerable children households, through an effective and efficient expansion of the CT-OVC

program by increasing the capacity of the DCS to manage the CT-OVC program, supporting effective program implementation in selected Counties, by providing timely and predictable transfers to eligible orphaned and vulnerable children's households and contributing to improved human capital for orphaned and vulnerable children in the households.

The Cash Transfer for Orphans and Vulnerable Children Programme's Institutional Framework

3.04 The Ministry has put in place the following structures for implementation of the programme:

Figure 1 : CT-OVC's implementation structure



- a) **At the national level:** The programme is implemented by a Central Programme Unit (CPU) headed by a Director of Children Services within the Department of Children Services (DCS).
- b) **At the County level:** One Children Officer and three assistants are in charge of administrative aspects of the program.
- c) **At the sub-county level:** Advisory Area Councils (AAC) who constitutes various government officers coordinate and supervise program activities at the sub-county level.
- d) **At the community level:** Location CVC committees (LOC) who are elderly members of the community administer the programme within the community.

Organizational Structure of CT-OVC's Central Programme Unit

3.05 A Central Programme Unit (CPU) has been established within the Department of Children Services to manage the daily operations of the CT-OVC programme. Members of the programme's CPU are selected by the Ministry. The CPU is headed by a Director of Children's Officer.

Roles and responsibilities of key players under the CT–OVC program

3.06 The MLSSS allocated the following roles and responsibilities to key players in the program :

- a) **The Department of Children Services (DCS):** CT–OVC's CPU established in Nairobi within the Department of Children Services (DCS) is responsible for managing CT–OVC program activities nationwide. Within the CPU is a coordinator who reports directly to the Director of DCS. The coordinator manages the day to day activities and provides operational guidelines of the CT–OVC program. The CPU coordinator also links the Government with donor partners and authorizes all the programme payments supervised by Director of DCS. CT–OVC's CPU functions include :
 - i. Coordinating for identification and selection of the beneficiaries' processes, logistics for enrolment and program promotion procedures;
 - ii. Producing the lists of eligible households;
 - iii. Supervising the compliance of conditionality's/responsibilities under the processes;
 - iv. Requesting cash transfers for payment agencies and approve payments to households;
 - v. Organizing trainings for programme operations for central and local staffs; and
 - vi. Ensuring proper documentation and reporting of the programme processes.
- b) **The County Children Offices (CCO)** - are responsible for the administrative management of the CT–OVC program at the Counties. They also serve as the link between the CPU and the entities providing health, education and civil registration services and the beneficiaries. They also monitor compliance and reporting information and filing financial reports back to the CPU. Further, the CCO works with the Locational OVC Committee (LOC), County OVC Sub-Committee (COSC) to support selection, enrolment, conditionality's/responsibilities compliance, payments, monitoring, case management and complaints management of beneficiaries.
- c) **Location OVC Committees (LOC)** - are formed prior to the start of the CT–OVC targeting process and are disbanded once enrolment is completed. The main role of the LOC is to identify orphaned vulnerable children within their location, assist to identify enumerators for house hold surveys, validate selection of beneficiaries through the community barazas, assist with enrolment, coordinate home visits and awareness sessions process and monitor progress of OVC continuously. LOC's also sensitized the community on the Children's Act and the public plight of OVC and HIV/AIDS and encourages the community to obtain birth and death certificates, ID document and maintain OVC data.
- d) **Advisory Area Council (AAC):** The AAC coordinates and supervises activities and services for children at the sub-county level. The AAC creates County OVC Sub-Committees (COSC) who are in charge of supporting the implementation of the CT–OVC program.
- e) **County OVC Sub-Committees (COSC):** select and approve locations and lists of beneficiary households based on the programme guidelines given from the CPU. COSC sensitizes

county administration, opinion leaders and community on CT-OVC, train and supervise LOCS and assist in programme cycle activities.

- f) **Beneficiary Welfare Committees (BWCs):** In each location where CT-OVC programme is implemented beneficiaries are elected into BWC and once enrolment is completed the LOC's are disbanded. Each village should have a named BWC who is expected to represent them. The BWC's disseminate information to beneficiaries on payment dates, play a role in the complaints and grievance system and compose lists of beneficiaries who do not receive payments during a payment cycle to Sub-County Children's Officers to facilitate follow-up. BWCs also play a similar role to LOCs in locations during scale up of the program. Both LOCs and BWCs are members from each of the sub - locations making up the location and have representation from any marginalized or minority groups found in the location.

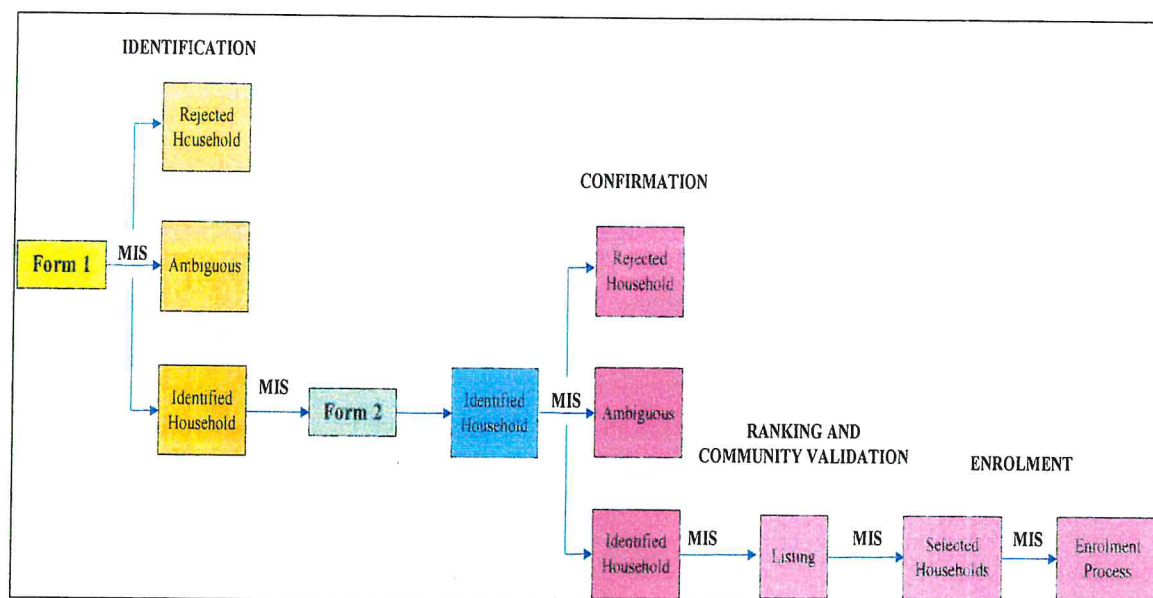
CT-OVC Process Description

3.07 The CT-OVC programme provides cash transfers to the beneficiaries as follows:

- a) **Program targeting phase :** As described in the CT-OVC's targeting guide beneficiaries are targeted through geographic and household targeting:
- i. **Geographic targeting:** This is the identification of counties to be incorporated into CT-OVC programme based on rankings of extreme poor OVC households.
 - ii. **Household targeting Process (selection of eligible households) includes:** After the LOCS members are trained on how to fill CT-OVC Form 1, they plan on how to collect required information using a route map which is also used later by enumerators. Each LOC member receives the original CT-OVC targeting materials, other respective materials and the printed original Form 1. The LOC members visit all households in his location that look very poor and have orphaned children in order to fill out form. Once the fieldwork is over, LOC members meet and with the assistance of DOSC members decide which HH's qualify or not.

Priority list of eligible households are produced by the MIS and sent to the DOSC, for validation by the LOC and the community in a "Barraza". After validation, the lists of immediate beneficiary households, pending households and rejected households is produced. Any changes from the validation process are adjusted in the MIS then the final list of selected households for the programme is produced and immediate beneficiary households are invited for the enrolment processes as depicted in the following figure.

Figure 2 : Household targeting process



Source: CT-OVC guidelines

b) Program delivery phase: Once targeting of CT–OVC beneficiary households have been completed CPU coordinates the organization and implementation of the enrolment process jointly with the County Children's Officers in the following stages:

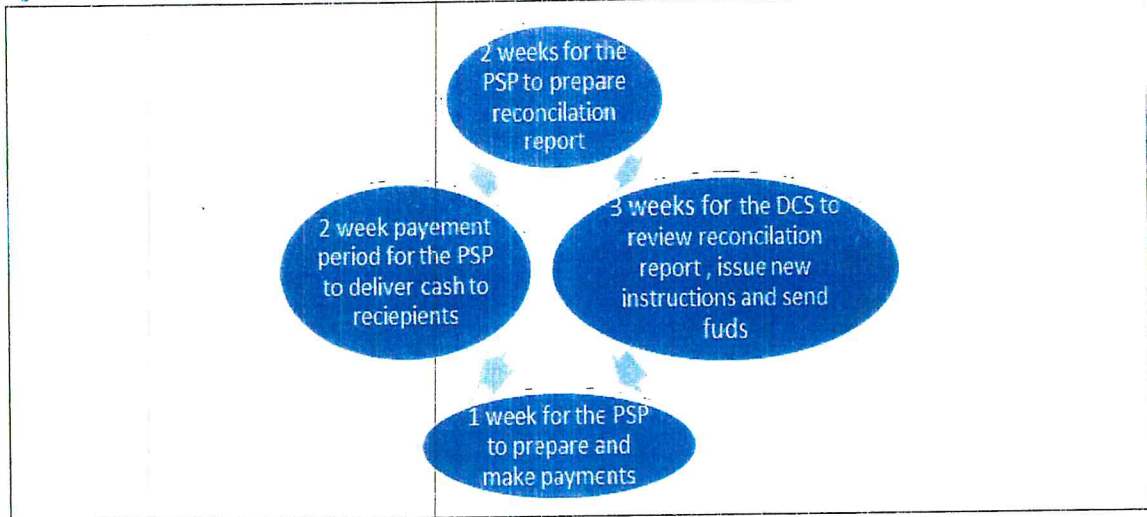
- i. **Planning:** entails logistical coordination with County Children's Officers (CCO), the programme team and other entities who agree to participate in the event. It also involves training of County OVC Sub Committees (COSC) who will select and train the enrolment team;
- ii. **Implementation of the enrolment process :** Households receive orientation on the program and are provided with the information and relevant documents required;
- iii. **Closure stage:** Once the enrolment process has been completed, the site is closed down
- iv. **Information systemization:** Once CT–OVC documentation is received at the CPU from the counties, the enrolment forms are organized reviewed and entered into the MIS. The MIS produces list of beneficiaries who are ready to receive the first payment, list of beneficiaries with incomplete households' forms and non-attendance households.

CT – OVC's payment process

3.08 The Ministry has contracted two payment service providers (PSP) with different contracts and payment systems to make CT–OVC payments to programme recipients. CT–OVC's public payment service provider, M/s Postal Corporation of Kenya Limited has been making payments to beneficiaries manually since the program was launched in 2004. In November 2011, to enhance efficiency, the Ministry contracted another private payment service provider, M/s Equity Bank Limited, to offer a strong and secure payment solution with two-factor authentication process. The two-factors of authentication comprise of: something the recipients HAVE (e.g. magnetic stripe

card) and something they ARE (e.g. a biometric). The CT-OVC's payment process is repeated every two months as depicted below:

Figure 3 : CT – OVC's two months payment cycle



Source: CT – OVC management documents

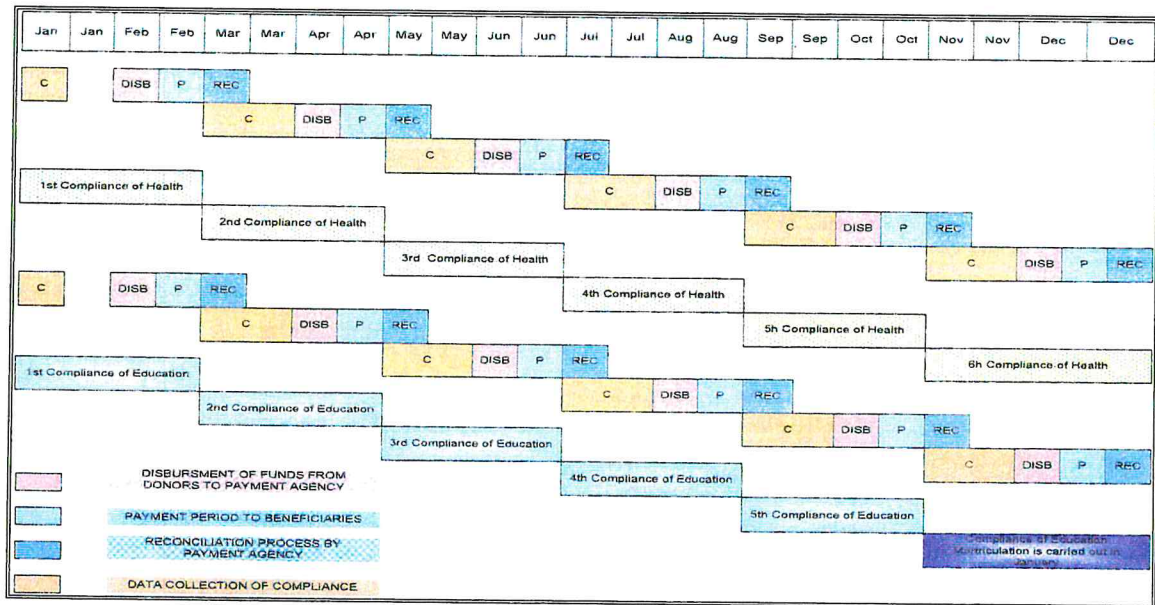
3.09 The payment process is divided into three phases; preparation, payment and reconciliation phase

- a) **Preparation phase:** Preparation phase takes two weeks before the beginning of payment period phase as follows :
 - i. The CPU sends payment information to the Central PSP via magnetic form.
 - ii. The National Treasury and/or Donors transfer funds from their bank account to the PSP bank account.
 - iii. The Central PSP receives the electronic information and check whether it's correct.
 - iv. The Central PSP sends this information either in printed material or in soft copies to their regional PSP branches depending on the resources available in the branches.
 - v. Before payment period each PSP branch must get three copies of beneficiary list and one copy of receipts for beneficiaries to support each payment and confirm that the house hold has received the payment. Each beneficiary list is stamped and signed by the officer in charge of the branch office.
- b) **Payment period phase:** As stated in the CT-OVC operational manual, the payments are made bi-monthly in the months of February, April, June, August, October and December. Once the amounts to be paid to beneficiaries have been calculated in the MIS, the list of payments is sent to PSPs to begin payment. The payments are to last two weeks beginning on the second last Monday of each month for public PSP and the last fourteen days of the second month for private PSP payments.
- c) **Reconciliation Phase:** Once the payment period ends, each regional payment service provider (PSP) starts with the reconciliation, and send back to the Central PSP in Nairobi list

of beneficiaries and the payment receipts not delivered with the corresponding signatures of the beneficiaries who were paid. The central PSP in turn consolidates the information and makes the reconciliation report or settlement report to the CPU and send the information in hard and soft copies to the Ministry (MLSSS)

d) **Compliance and monitoring of conditions process:** is as depicted below:

Figure 4: CT – OVC payment periods and compliance conditions



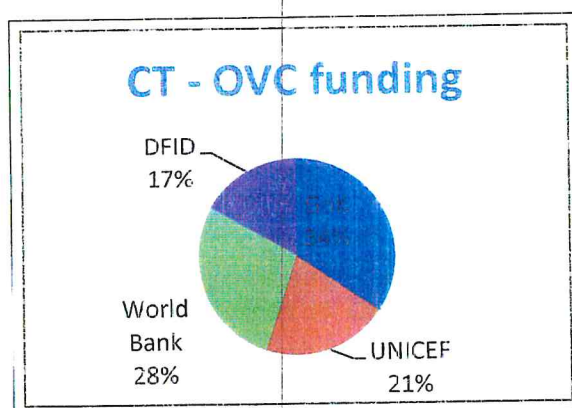
Source: Operational Manual

- i) **Compliance:** Health and education compliance forms are pre-printed with the names of beneficiaries and are sent to the respective schools and health facilities by the DCO at the onset of either the academic or calendar year
- ii) **Monitoring:** Monitoring of education and health conditions is undertaken by the central programme unit and county children office with support from schools, health facilities, county education and medical officers respectively.

Financing of the CT - OVC programme

3.10 The entire CT-OVC program is co-financed by the Government of Kenya and three donors, UNICEF, DFID and the World Bank as shown and tabulated below.

Figure 5: Sources of Funding to CT- OVC -



N/B: The Government and World Bank is the main source of CT - OVC's operational funds
Source: OAG Analysis of MLSSS audited Financial Statements

- 3.11 The aggregate amount of funds received for the CT-OVC programme from all sources between the 2008/2009 and 2012/2013 financial years is shown in Table below:

Table 1: Programme Expenditure by Source of financing in Kshs. (Millions)

Year	GOK Kshs.	UNICEF Kshs.	World Bank Kshs.	DFID(World Bank Trust Fund) Kshs.	Total Amount with O&M per Year (Kshs)
2008/09	579,000,000	380,982,938	-	-	959,982,938
2009/10	815,916,000	752,911,724	48,900,017	-	1,617,727,741
2010/11	789,885,416	847,137,280	450,843,458	-	2,087,866,154
2011/12	1,081,429,697	294,529,512	1,300,429,030	688,568,805	3,364,957,044
2012/13	1,081,487,612	342,357,417	1,769,981,998	1,408,709,923	4,602,537,250
Total Amount with O&M	4,347,719,025.	2,617,918,871	3,570,154,503	2,097,278,728	
					Total Amount For HH only per year
2008/09	546,000,000	296,301,090	-	-	842,301,090
2009/10	743,872,000	680,202,340	-	-	1,424,074,340
2010/11	741,117,200	810,883,200	397,638,240	-	1,949,638,640
2011/12	923,229,200	263,988,205	1,135,248,540	665,362,405	2,987,828,350
2012/13	1,001,305,460	300,300,000	1,353,153,085	1,325,444,948	3,980,703,493
Total Amount For HH only per year	3,955,523,860	2,352,174,835	2,886,039,865	1,990,807,353	

Sources: MLSSS status report

- 3.12 This audit covered only debt (Loan) funded program areas from 2009 to 2014 as reflected in table below.

Table 2: Annual Donor Funds (IDA)

Financial Year	Amounts (Kshs)
2009/2010	573,400,000
2010/2011	1,055,959,105
2011/2012	1,363,631,498
2012/2013	1,689,137,998
2013/2014	2,726,944,838

Source: GOK Development Estimates

Application Controls

- 3.13 Application controls are controls over input, processing and output functions. Implementation of these controls helps ensure system integrity, that system functions operate as intended, and that information contained by the system is relevant, reliable, secure and reliable when needed. These controls include: methods for ensuring that; only complete, accurate, and valid data are entered and updated in a computer system; processing accomplishes the correct tasks; and processing results meet expectations.

CT-OVC's Stakeholder Analysis

- 3.14 The key stakeholders of CT-OVC includes but not limited to; the MLSSS, Parliament, the National Treasury, Payment Service Providers and CT-OVC beneficiaries.

Table 3: Stakeholders of CT-OVC Program

Stakeholder Group	The stakeholder's interest in the Affairs of the CT - OVC Program
Parliament	To ensure that CT-OVC fulfils its mandate and that the funds disbursed are properly utilised.
CT - OVC's Payment Service Providers	To earn an income from services provided.
Beneficiary Households	To earn an income from the bi-monthly disbursements received.
The Government	Assurance that CT-OVC is offering the intended services to the Kenyan public.
Development Partners	Assurance that the funds to the program are being utilised for the right purpose.

Sources: OAG stakeholder analysis

Chapter 4

Findings of the Audit

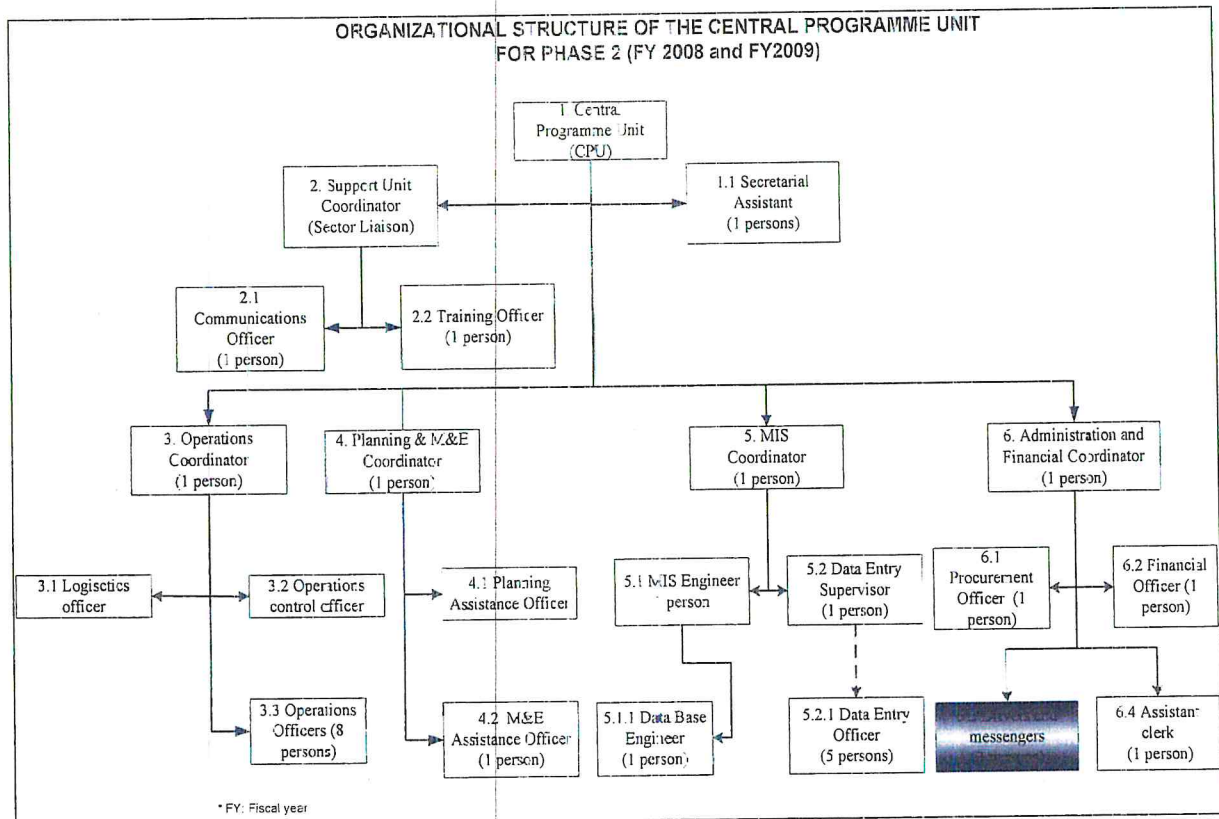
Benefits of CT - OVC programme

- 4.01 The CT–OVC 2012 programme evaluation and 2013 Kenya National Safety Net Program for Results noted the following benefits associated with the programme since it was initiated in 2004:
- i. **Reduced labor** - There was a 12% reduction rate in farm child labor for boys.
 - ii. **Poverty reduction** – There was with a 13% reduction in the share of households living on less than a dollar a day.
 - iii. **Access to health** - Families benefiting from CT–OVC programme had an 11% reduction in incidence of diarrhea among 3 - 5 years old, 13% increase in measles vaccination and 13% increase in children accessing preventive care for children of 0 - 5 years of age.
 - iv. **Access to secondary education** - children between 13-18 years of age residing in beneficiary households were 9% more likely to be enrolled in secondary schools than those from non-beneficiary households.
- 4.02 The Cash Transfer for Orphans and Vulnerable Children (CT–OVC) program at times was not managed with due care and faced challenges that hindered its full implementation. The audit found that there was inadequate capacity to manage the programme effectively, checks and balances in place did not ensure efficient fund management and undeserving beneficiaries were enrolled in the program. These findings, in addition to the reasons for the unsatisfactory management of the programme are discussed below.

Inadequate capacity to manage the CT - OVC programme effectively

- 4.03 The Ministry has a responsibility to ensure that the CT–OVC programme has adequate resources to deliver its services nationwide effectively to achieve optimum results at minimum costs. One of the CT–OVC's development objectives as stated in its 2009 project appraisal document to World Bank was to increase the capacity of the Department of Children Services (DCS) to manage the program. The audit thus expected that by 2015 at the time of audit, the programme had staff capacity that are qualified for and understand the roles and responsibilities of their job duties.
- 4.04 The CT–OVC's Central Programme Unit (CPU), implements and manages the programme's day to day operations. The CPU's organization structure has four main areas; operations and

planning, evaluation and monitoring, administration and financial management and Management Information Systems (MIS) as depicted below:



CPU's organogram --

Source: Ministry of Labour, Social Securities and Services

The CPU had inadequate staff capacity to manage the programme effectively:

- a) By effectively using its computerized MIS, the CPU can optimize the use of CT-OVC's resources, accelerate and reduce programme processes and implementation costs and better serve the public. Based on CT-OVC's organogram above, the CPU's MIS area should have an MIS coordinator, engineer, data supervisor and data entry officers. However the audit found that:
 - i. The MIS coordinator's position who is the most senior official accountable for the entire programme's MIS issues was held by a Children's Officer who is an economist. As stipulated by the Ministry, the MIS coordinator's position should be held by persons with a bache or's degree in information systems or computer science with at least three years of experience in dealing with information management systems preferably in development projects. The Officer should be able to manage information systems including hardware and software issues. The Children's Officer had been trained on the job and received short courses on IT. However, given the complex nature of managing information systems, the Children Officer managing the programme's MIS area risked being unjustly blamed for vast inefficiencies, changes or modifications in the MIS due to lack of adequate technical expertise.

- ii. Since the CPU did not have an MIS Engineer, it relied on development partners for provision of its MIS engineering work. However, the Ministry did not attach any specific staff to work alongside the development partners to gradually develop required capacity and reduce this reliance. In addition the Ministry had not documented any agreement with the development partners to provide the programme's MIS engineering services. Hence the Ministry did not have any legal recourse if appropriate services were not provided. Further, having the donors maintain the programme's MIS engineering works also raised concerns on conflict of interest and how to effectively manage this relationship since the development partners loan government funds for the programme.
 - iii. The CPU had two data supervisors and recruited data clerks for data entry on a needs basis. The programme handled sensitive country wide information on cash transfers on orphans and children made vulnerable by HIV/AIDS, Tuberculosis and Cancer. However there were no documents determining the depth of screening levels for the neither temporary data entry clerks nor indications that the clerks were receiving periodic reminders of their responsibilities as regards information being handled. Thus the programme's information was exposed to privacy and security risk such as disclosure, modifications, destruction and interferences. There were also no indications that the two supervisors work were being subjected to regular reviews to ensure that the transactions were being processed correctly resulting to inadequate segregation of duties and accountability.
- b) To maintain stakeholder's confidence in the programme, effective accountability and good financial management of the CT–OVC programme is of utmost importance. As depicted in its organogram above the CPU was to have over four staff managing its financial administration. These included an administration and financial coordinator, a procurement officer, financial officer and an assistant clerk. However, due to inadequate capacity, a financial management consultant was engaged by the World Bank. Also the finance officers and project accountants were attached but not seconded to the programme and as such could not wholly dedicate their services to the programme. The programme also did not have an internal auditor and relied on the Ministry's internal audit department. An internal auditor appraises the activities and monitors the adequacies and effectiveness of internal controls in place. The audit observed weak controls which was attributed to inadequate capacity in the financial administration area.
- c) According to the Ministry, County Children Officers implementing the CT–OVC programme are trained locally and internationally on a regular basis. However documentary review of programme reports, interviews conducted and observations made during field visits indicated that some CT–OVC officers managing the programme within the counties were not able to effectively monitor the enrolment process, maintain and update program records as required.

- d) The Ministry did not avail other required information to enable the audit verify the existence, competency and capacity of other CPU personnel apart from the MIS area in managing the CT-OVC programme.
- 4.05 The CT-OVC's CPU is responsible for managing the programme's overall operation to ensure the programme attains its objectives. The audit noted that due to inadequate capacity indicated above the CT-OVC program faced challenges in all four main areas of operations; MIS, administration and financial management, planning, evaluation and monitoring.

The CT-OVC's Management Information System

- 4.06 Fundamental success of CT-OVC's decision making and accountability depends on the nature of data captured and processed, information produced, stored and communicated in the Management Information System (MIS). Hence effective management and coordination of all CT-OVC's information is required for the achievement of the programme's desired outputs and outcomes. The audit conducted a review at the Ministry's headquarters that included data extraction, analysis and walkthrough tests of critical applications in use and also review of the audit trail on data entered in the MIS, and noted that the CT - OVC's MIS applications had several weaknesses and potential vulnerabilities :
- a) **There was no business continuity plan:** The audit revealed that the CT-OVC program did not have a business continuity plan because of lack of trained IT personnel within the programme and was therefore not prepared to continue serving its clients in case of any disaster . A business continuity plan ensures continued operations of critical business processes and required backup arrangements and post-resumption reviews. The main objective of a business continuity plan is to maintain data integrity together with operations, services and processing facilities and if necessary provide temporary or restricted services till normal services can resume. The CT-OVC programme serves critical needs of vulnerable orphaned children and if these services are disrupted it can lead to both financial and socio-economic losses to recipient households. Over time the CPU has increasingly relied on the availability of the CT-OVC's MIS to discharge its obligations. Hence it was expected that the CT-OVC had a business continuity plan to respond to incidents and disruptions and consistently ensure normal operations carry on, in case of a disaster.
- b) **The CT-OVC programme did not have ICT policies and procedures:** The audit found that the CPU did not have any written IT policy in place to ensure that it's computerized MIS operations had adequate control expectations on key issues like quality, security, confidentiality, internal controls, usage of IT assets, ethics, intellectual property rights and ensuring IT operations are aligned with the overall objective of the CT-OVC program.
- c) **Inadequate audit trail record:** The audit revealed that the documentation trail maintained by the CT-OVC's system was inadequate as only logins were recorded. The absence of a trail was caused by lack of application controls that could result in lack of data integrity. An audit

trail enhances accountability and decision making. A good audit trail should record who initiated the transaction, time of the day and the date of entry, what field of information it contained, and what file it updated. According to COBIT BA 107, DSS05 an MIS should have adequate audit trails so to be able to retrace and recreate the flow of transactions from the point of origin to its existence on an updated file.

- d) **Inadequate data validation and editing:** Review of CT–OVC's MIS application revealed that CT –OVC's MIS validity check had not been enforced in key fields like the recipients surname. This affected data integrity in the system and exposed the CT–OVC program to the risk of having a less reliable information system for decision making. Validation is the act of establishing the truth, accuracy or relevance of an amount or fact by corroborating it through performance, vouching, confirmation or reconciliation. In computer programs, procedures or routines can validate data as it is entered. According to COBIT DSS05 input data should be validated and edited as close to the time and point of origination as possible by using preprogrammed input formats.
- e) **The CT–OVC does not have an IT strategy:** The CT–OVC also had no strategy to enable the programme relate to a long-term direction in leveraging IT for improving business processes and making IT decisions.

CT–OVC program did not have adequate systems for efficient management of program funds

4.07 Controls are all methods, policies and procedures that ensure protection of an organization's assets, accuracy and reliability of its records and operational adherence to set management standards. The audit found that the CT–OVC did not have adequate controls and the CPU did not regularly update the MIS, hence,

- a) **Deceased care givers were found included in the CT–OVC's system:** Changes to replace deceased caregivers with alternate names in the CT–OVC's system are expected to be done through update Forms U1 to U6 with supporting documents within 15 days after the filled programme update forms are delivered to the CPU. However, the audit found that at times it took up to forty months to replace deceased caregivers in the system. For instance in a sample of 65 deceased beneficiaries in two counties, as at 30 June 2014: 77% had been reported dead by the CCO's to the CPU three to twenty months before 30 June 2014, 18% had been reported between twenty one to thirty months before, while 5% had been reported deceased between thirty one months to forty months before. This resulted to use of letters from chiefs and CCO's to identify caregivers whose names were not altered in the payroll instead of programme ID's. The DCS had on several occasions discouraged the use of letters for the purpose of collecting cash. The use of the letters was meant to ease the suffering of beneficiaries who do not have the necessary documents to collect the cash which however increased the risk of fraudulent payments.

- b) **Removals and reinstatements of the CT-OVC recipients to the payroll:** The audit found that at times beneficiaries who did not collect their funds for four consecutive cycles were removed from the programme payment list and then reinstated under unclear circumstances. A beneficiary household is required to exit the program if they do not collect payments for three consecutive periods. Due to poor management when recipients names are reinstated the arrears would be deliberately omitted, which also raised the risk of fraudulent activities.
- c) **Arrears not reflected in the payroll after beneficiaries' recipients miss pay:** The audit found that at times beneficiaries were not being paid their arrears after missing less than three consecutive payments for various reasons. For instance in one sampled payment cycle in one location; the audit found fifteen beneficiaries whose arrears totaling Kshs.45,000.00 were not reflected in the following months' payroll after missing pay for one cycle.
- d) **Beneficiaries not exited from the program as stipulated:** The CT-OVC's operational manual, requires a beneficiary household to exit the program if they do not collect payments for three consecutive periods; that is the arrears for four cycle payments equal to Kshs.16,000.00. Analysis of the programme's payment documents in three counties and found there were 48 beneficiaries whose arrears were reflected as Kshs.16,000.00 for more than one pay cycle, but the beneficiaries were not exited from the program as stipulated.
- e) **Double enrolment:** The audit analyzed CT-OVC's mobilization list and signed recipient's pay list on the programme's MIS for five counties to determine whether there were beneficiaries who were double enrolled in the program. The audit found fifteen beneficiaries who had been enrolled twice (double enrolled) into the CT-OVC program as at 30 June 2014. Double enrolment of beneficiaries into the CT-OVC program may result in the government losing funds paid to the second beneficiaries enrolled, and not be able to enroll other deserving beneficiaries. The audit also found that at times CT-OVC recipients were registered twice in the programme using temporary programme cards while they had national IDs at time of enrolment as per the national IDs issue date .The double registration of the beneficiaries resulted where the first program card had the national ID number while the second program ID had the temporary programme card number. This was due to inadequate monitoring of requisite documents during enrolment of recipients and resulted to recipients receiving twice the amount of funds that they should have been receiving
- f) **Beneficiaries not being paid their arrears:** after missing less than three consecutive payments for various reasons. For instance in one sampled payment cycle in one location; the audit found fifteen beneficiaries whose arrears totaling Kshs.45,000.00 were not reflected in the following months' payroll after missing pay for one cycle.

4.08 The Ministry contracted two payment service providers to provide a cost effective, reliable, accessible and secure system for the delivery of cash to the CT-OVC program recipients. The CT-OVC's Central Programme Unit (C²U) is responsible for coordinating with the payment

service providers. Making payments is the responsibility of the outsourced payment service providers. The CT–OVC programme works on a payment cycle that takes eight weeks (two months). The first payment cycle starts within a week after receipt of cleared funds from the CCS and lasts two months during which all payments to the recipients must be made. Activities for the two months payments cycle are: 2 weeks for the PSP to prepare reconciliation report, 3 weeks for the CCS to review reconciliation report, issue new instructions and send funds, 1 week for the PSP to prepare and make payments and 2 week payment period for the PSP to deliver cash to recipients. The cash transfers are made after every two months. Up to September 2011 recipients were paid a monthly benefit of Kshs.1, 500.00 which was increased to Kshs.2,000.00 from October 2011. The audit found that payment of the CT–OVC program funds had not been properly managed.

- a) **There were over payments of funds to beneficiaries:** The audit found that, at times the CT–OVC’s CPU posted wrong amounts to the beneficiaries’ names. At the time of transferring the CT –OVC funds to payment service providers, the Ministry also forwards the payroll form which comprises a list of payments according to the beneficiary, location and names of persons authorized to collect the subsidy on behalf of the beneficiary. The audit noted that overpayments were made more through the private CT-OVC payment service provider than in the public payment service provider. For instance review of the second and fourth cycle of the private PSP payments to CT–OVC recipients revealed that thirty one program beneficiaries had been overpaid by Kshs.544,000.00 (Kshs.388,000.00 and Kshs.156,000.000 respectively). While the public PSP overpaid seven beneficiaries by Kshs.28,000.00 in the November – December, 2011 cycle.
- b) **Beneficiaries were being paid above the stipulated maximum limits:** The CT–OVC’s operational manual stipulates that a beneficiary household that does not collect payments for three consecutive periods (that is the arrears for four cycle payments equal to Kshs.16,000.00) has to be removed from the program. The County Children’s Officer should then inform the household about the non-collection of the payments and its consequences. The audit found that there was no frequent update and monitoring of the CT- VC’s payroll by the CPU and County Children Officers. In addition the programme’s MIS did not have an inbuilt internal control mechanism to stop payments beyond the maximum allowed arrears of Kshs.16,000.00. Hence beneficiaries were at times receiving more than the set allowed maximum arrears. For instance there were eight beneficiaries who had been overpaid a total amount of Kshs.185,559.00 as arrears, with some of these beneficiaries receiving overpayments of up to Kshs.30,405.00 each. The Kshs.185,559.00 would have managed to fund over 60 OVC households.
- c) **Recipients were paid without stipulated identification documents:** The CT–OVC’s guidelines, stipulate that a beneficiary be identified by a national ID or the programme’s ID. An alternative caregiver is required to be identified using their national ID, beneficiary’s national ID and the program ID at the time of payment. On the other hand for private payment service provider payments, in addition to these listed documents, beneficiaries need to produce a biometric card during payment. The purpose of the authentication process is to ensure that the person

transacting is who they claim to be and has the right to transact using the payment instrument, however:

- i. Analysis of the programme reports and questionnaires administered from the County Children's Officers (CCO's) indicated that payments to beneficiaries were at times made without prescribed identifications. For instance, in three counties there were 99 beneficiaries who were paid after being identified using letters written by the CCO or their representatives. Of these 99 beneficiaries, 91% had no program ID, 7% had no national ID, while 2% had national and program ID missing during the payments. The audit also observed that it is only the national ID that had the photo of beneficiaries, while the programme ID had no photo of beneficiaries. Without a picture to identify a beneficiary it was not easy to confirm whether the beneficiary being paid is the bonafide program member since at times in some communities it is common to have identical names. Failure to authenticate recipients as prescribed raised the risk of government losing funds through payments to people not enrolled in the program, lack of proper reconciliations and data capture and risk of wrongful removal of beneficiaries from the program due to non-collection of funds.
- ii. CT-OVC's private PSP came with an extra cost since it was to offer a strong and secure payment solution with two - factor authentication process comprising (1) something the recipients HAVE (e.g. magnetic stripe card); (2) something they ARE (e.g. a biometric. Hence taxpayers were subjected to extra transaction fee of Kshs.30.00 (the difference of Kshs.90.00 per transaction for payments through the private PSP and Kshs.60.00 through the public PSP). Audit review of the private PSP's payment cycle reports and summary of payrolls from cycle 1 - 11 revealed almost 18,252 beneficiaries who had not been issued with biometric cards since being enrolled. These beneficiaries were not authenticated using the biometric cards during payments despite taxpayers extra funds for the use of the biometric electronic authentication. Audit analysis revealed that the percentages of beneficiaries without biometric cards at times went as high as 11.20% as tabulated below:

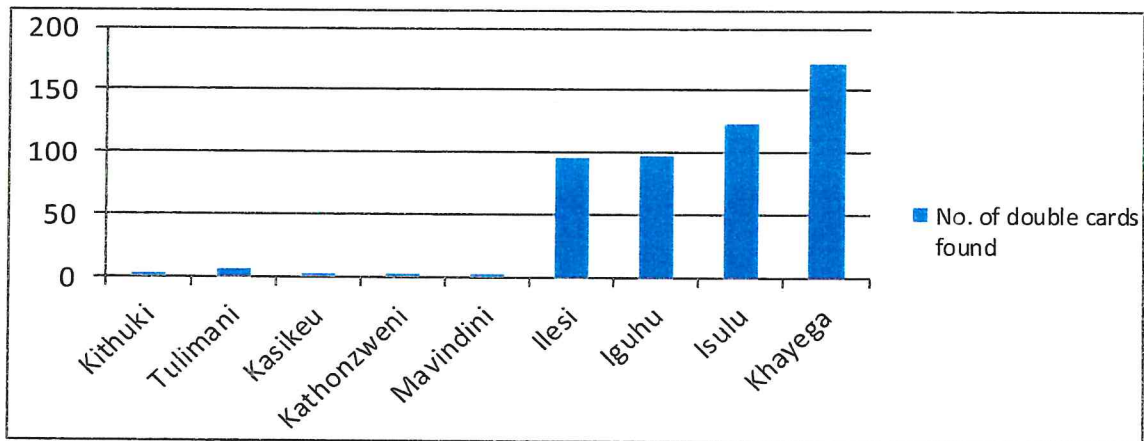
Table 3: Number of non-carded Beneficiaries per Cycle

Cycle	Recipients with biometric cards	Recipients not issued with biometric cards	Total Recipients	% Un-carded Beneficiaries
2	9,914	580	10,494	5.50%
3	20,350	2052	22,402	9.20%
8	52,768	6,635	59,403	11.20%
9 & 10	54,662	4,280	58,942	7.30%
11	55,050	4,705	59,755	7.90%
Total		18,252	210,996	

Source: Payment Cycle Reports and summary of payrolls from Cycle 1 to 11

d) **Double production of beneficiaries programme and biometric cards:** Contract agreement between the CT–OVC’s private payment service provider and the Ministry require the County Children Officers (CCO) to send an enrolment file to the private payment service provider to produce and personalize the payment instrument used in their solution. This is done during the enrollment of beneficiaries after the CCO has identified the recipients and enrolled them in the program. However documentary review and interviews conducted revealed that the CPU and CT–OVC private payment service provider at times produced two cards per beneficiary. Producing two cards for a beneficiary (double production of cards) led to the Government losing funds on the cost of producing the second cards and probability of double payment to beneficiaries. For instance in an audit sample of two counties we found 499 beneficiaries with two cards (98% for Kakamega and 2% for Makueni). Within Kakamega the audit found that Khayega Sub County had the highest double production of beneficiary cards of 173.

Figure 5 : Double Carded beneficiaries



Source: OAG analysis of CT - OVC data

e) **Beneficiaries were not accessing funds due to lack of biometric cards:** The payment instruments required for CT–OVC beneficiaries to be paid with the private payment service provider included both the national identification card and a biometric card. The private payment service provider is given one month from the submission of the enrollment list to produce the beneficiaries' payment instruments. The CT–OVC’s private PSP first payment cycle was February 2012, however,

- i. Audit analysis reflected that the number beneficiaries who had not been issued with biometric cards in relation to the carded beneficiaries per cycle at times went as high as 11.2% of the total recipients in the CT–OVC payroll for the private payment service providers as tabulated below. This was of grave concern since the CT–OVC recipients could not receive payments without the biometric cards and risked being removed from the program after missing payments for four consecutive payments

Table 4: Number of non-carded beneficiaries per cycle

Cycle	Carded	Non-carded	Total payroll	% un-carded beneficiaries
2	9,914	580	10,494	5.5 %
3	20,350	2,052	22,402	9.2 %
8	52,768	6,635	59,403	11.2 %
9 & 10	54,662	4,280	58,942	7.3 %
11	55,050	4,705	59,755	7.9 %
Total		18,252	210,996	

Source: OAG analysis of payment cycle reports and payrolls from cycle 1-11

- ii. **Biometric cards were not replaced promptly:** The private payment service provider has a service level agreement (SLA) with the Ministry to replace damaged, lost or stolen biometric cards used by CT-OVC recipients in their system within two weeks once they are reported. The private PSP is also responsible for educating the CT-OVC recipients on the use of the biometric cards. However the audit noted that recipient's biometric cards were not being replaced promptly. For instance, it took the private payment service providers up to ten months to replace biometric cards for a sample of fifteen beneficiaries who had reported the loss of their to CCO as tabulated below:

Table 5: Time taken for lost biometric cards to be replaced

Reported Delay in Replacement (Months)	Number of Beneficiaries	Percentage (%)
10	2	13 %
9	3	20 %
7	1	7 %
6	4	27 %
5	1	7 %
4	2	13 %
3	2	13 %
Total	15	100%

Source: OAG analysis of CT - OVC data

- iii. In addition the audit found seventeen recipients in Kilungu County, who had reported that their biometric cards were malfunctioning, due to various reasons tabulated below, were not replaced by the private payment service providers promptly. Malfunctioning of the biometric cards resulted in the exit of four of the seventeen beneficiaries from the program. Further the beneficiaries were incurring unnecessary transport costs to travel to the pay points even thrice to make enquiries which left them with less money for their upkeep in spite of being vulnerable.

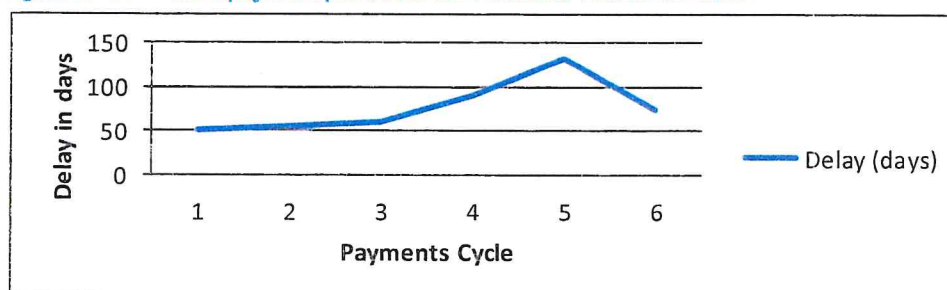
Table 6: Reasons for the malfunctioning biometric cards not replaced promptly

Reasons for the biometric cards malfunctioning	Number of beneficiaries	Percentage
Card defective-Thump print not recognized	9	53%
Card defective -thump print not recognized for both primary and alternative caregivers for three payment cycles and beneficiaries exited from program	4	24%
Money not loaded	4	24%
Total	17	100

Source: OAG analysis of CT – OVC data

- f) **Untimely payments to CT–OVC recipients:** Payments to the CT–OVC program households are made bimonthly through contracted payment service providers. The payments are made in the months of February, April, June, August, October and December respectively. The payment period is designed to last two weeks beginning on the second last Monday of each month for the public payment service provider and the last fourteen days of the second month for the private payment service providers. As contracted, the private payment service providers has a specific responsibility of ensuring that payments are made to the required recipients at the required pay points in a timely manner (within the last 14 days in the months in which the payments are made) however analysis and review of the payment service provider's payment returns and signed copies of beneficiary payrolls for the 2012/13 financial year revealed that no cycle was paid within the stipulated time. 67% of the six 2012/13 payment cycles analyzed were paid two months after the stipulated time had elapsed while the remaining 33% were paid three months and above as depicted in graph below:

Figure 6: CT – OVC payment period for the Financial Year 2012- 2013



Source: OAG analysis of CTOVC's payment returns data

- g) Interviews conducted with CPU officers indicated that delays noted above resulted from capacity gaps within the contracted payment service providers, delays in cash inflows from the donors and in release of funds by the exchequer and long approval times at various levels :
- i. **Capacity gaps within the contracted payment service providers:** Out of the thirteen public payment service providers visited by the team, 47% were being manned by one officer, 38% manned by two officers while only 15% had more than two officers handling CT–OVC's payments. The audit further noted that in all the thirteen public payment service

providers visited no reconciliations of the payments made had been done due to the few officers. CT-OVC's private payment service provider paying agents had one paying officer per paying point. Interviews conducted revealed that the private payment service provider's agents were reducing the number of agents paying beneficiaries due to the lower rate of income generated as compared to the amount transacted

- ii. **Delays in the CT- OVC funds flow:** The audit further revealed that there was inadequate or slow flow of communication between and among the line Ministry, donors, CT-OVC Secretariat and the National Treasury's External Resources Department (ERD) which resulted to notable delays in the programme's cash inflows. When programme funds delay from the off – shore accounts or less funds are released by the donors, no explanation is given from the donors and the ERD on the delays and insufficient funding.
 - **Delays by donors:** The late receipt of donor funds was attributed to unsteady cash flows experienced within the grant portion of the project. For instance CT-OVC's grant account did not have funds for a period of five months between January and May 2012 and for four months between November 2012 and March 2013. Analysis of the disbursement data from the grant account for these periods showed that the disbursements to the project grant account took an average of between 1.5 – 4 months to be effected by the donors. This was a considerable period since the CT-OVC payments are made bi-monthly to recipients. The analysis revealed that there were delays after requisitions were made by the department of children services. 50% of the requests were disbursed after one and half months, 38% after two months while the remaining 12% were disbursed more than three months
 - **Delays by the National Treasury:** Interviews with the staff at the programme's CPU secretariat revealed that the untimeliness in payments to beneficiaries was at times also caused by the delay in release of funds from the National Treasury, External Resources Department Designated Accounts through the Exchequer System to the program accounts. CT-OVC's Implementation Status and Results reports by the donors from their supervision and reviews also consistently highlighted their concern of the untimeliness and unpredictability in payment times within the Program relating it to the government funds flow problem
- iii. It was commendable to note that the program had numerous approval levels for the release of cash transfer funds as a measure of internal control as depicted below. However, the approvals often took an average period of one month before the funds are released to the payment service provider's accounts which negatively affected the programme's objective of strengthening the capacity of households to protect and care for orphans and vulnerable children within their families and communities through regular and predictable cash transfers.

Figure 7: Summary of the Approval Levels for the CT

1	• The Secretariat makes formal request for the funds transfer to the PSPs
2	• Approval by the Director, DCS
3	• Approval by the Secretary – Children's Affairs at the Ministry of Labour and Social Security Services
4	• Approval by the Principal Secretary, Ministry of Labour and Social Security Services
5	• The PAC at the ministry HQs forwards the requisition to the Controller of Budget for Approval
6	• Approval by Controller of Budget
7	• Exchequer Section of the National Treasury prepares a notification letter
8	• PAC at the National Treasury prepares a voucher for the release of funds

There were undeserving beneficiaries found enrolled in the program

- 4.09 If CT–OVC beneficiaries are chosen arbitrarily without prescribed enrollment guidelines of validating that only deserving orphaned children within set target criteria are enrolled in the programme, it is possible that government may not derive maximum value for money from the cash transfers made. This could also hinder the government from meeting their target of covering 50% of all orphans and vulnerable children living in extreme poverty, in Kenya.
- 4.10 The CT–OVC's operational manual has established the following three criteria for deserving beneficiaries in a household to be enrolled in the program. The set target criteria are that the households:
- must have an orphan and vulnerable child aged 0 to 17 years, as a permanent member;
 - live in extreme poverty; and
 - not benefit from any other cash transfer programs.
- 4.11 An orphan and vulnerable child (OVC) for the programme is further defined as a single/double orphan; a child who is chronically ill or who has a caregiver who is chronically ill; and/or a child who lives in a child headed household, due to orphan hood. CT–OVC has stipulated criteria to establish the extent of poverty affecting the households. However audit analysis, home visits and interviews conducted of recipients enrolled in the program in five counties to sampled CT–OVC beneficiaries revealed undeserving households outside set target criteria of the CT–OVC program. Examples are tabulated below:

Table 7: Recipients found outside the CT - OVC target group in five counties

Reason for classification as undeserving	No. of Beneficiaries	Percentage
No Orphan in the household	28	30 %
On pay (FH who are employed or pensioned)	23	24 %
Over - age beneficiary (Last born in the household above 15years)	13	14 %
Well off financially	11	12 %
More than factor making them undeserving (No Orphan, Over - age, Financially stable, on pay owns more than an acre of land)	9	10 %
Owns more than an acre of land	7	7 %
From neighboring District	1	1 %
Two family members in the program (a mother and son both recipients of the program)	1	1 %
Beneficiary became orphans from causes other than program prescribed diseases (TB/HIV/Cancer)	1	1 %
TOTAL	94	100%

Source: OAG analysis of CT - OVC documents

- 4.12 At times beneficiaries were not being validated as required or publicly disseminated to validate their poverty and OVC status and were also enrolled into the program without stipulated documents. This resulted to the programme incorporating undeserving beneficiaries. The CT-OVC's enrollment guidelines require there be a public dissemination of proposed households during *barazas*. At these *barazas* proposed beneficiaries present appropriate government documents (such as birth, death certificates or burial permits) to confirm their identity as genuine orphans to the screening officer for validation.
- 4.13 The CT-OVC enrollment officer is responsible for verifying and correcting existing information on households using the enrolment forms presented. The County Children's Officer (CCO) verifies the information and in case of any discrepancies resolves it with the Enrolment Coordinator. The CCO then submits the forms to the CPU for further action. Existence of non-deserving households in the CT-OVC program was caused by lack of effective monitoring and management of the enrollment process by the County Children Officer and the CPU. Maintaining undeserving beneficiaries, who are outside the stipulated target group, in the program has resulted to taxpayers incurring unnecessary financial burden to people who are neither orphans nor vulnerable children yet excluding suffering orphans who are in dire need of assistance from the programme.

Scale up of the CT - OVC programme

- 4.14 By 2009 there were an estimated 100,000 households with around 300,000 orphans and vulnerable children living in extreme poverty in Kenya. The Government aimed at reaching about half of all these orphans and vulnerable children, through the CT-OVC nationwide program by 2012. By 30 June 2014 the programme had 156,193 CT - OVC's beneficiaries. The audit team was denied access to the MIS application and the server room. Hence the audit was unable to analyze and report on the yearly scale up of the CT-OVC program and whether the programme's

increase in social safety net access was through an effective and efficient expansion of the programme because the CPU.

Events that took place after the audit but before publishing the report

- 4.15 As a result of the findings by this audit, the Department of Children Services gave representation that they have endeavored to put in place stringent measures to safeguard the programme funds which include:-
- a) New checks and balances have been put in place through the biometric payment system which is more secure and has several security features;
 - b) The Government is moving to a new service provider – KCB with an aim of making the program more efficient;
 - c) The programme's MIS was under continuous upgrade to incorporate several pre-payroll and post-payroll checks and balances to avoid any double registration or having people with similar identification numbers;
 - d) Adult caregivers were being registered in the programme using national identification cards linked to the social protection single registry that is also linked to the integrated population registration system (IPRS); and
 - e) The programme strategy is to bring on board all the poor households taking care of OVCs on the programme by 2017 through the National Safety Net Programme.

Chapter 5

Conclusion

- 5.01 The Ministry of Labor, Social Securities' and Services has the mandate and resources to put in place systems and structures needed to effectively deliver on CT-OVC's objectives. Given the complex nature and financial magnitude of the programme's cash transfers nationwide, having adequate staff capacity is crucial to achievement of optimum results at minimum costs. However there was inadequate capacity within the Central Programme Unit (CPU) to manage the CT-OVC program effectively.
- 5.02 The Department of Children Services has not managed the CT-OVC programme with due care. The program's checks and balances in place at times did not ensure efficient fund management. There was poor management of the CT-OVC payments. Beneficiaries were paid without required identification documents, at times could not access funds, got exited from the program as they lacked biometric cards and at times there were double production of beneficiaries programme and biometric cards. The Ministry's outsourced payment service providers also did not ensure taxpayers consistently get value for costs incurred. For instance between June 2013 and June 2014 the Ministry paid an extra cost of Kshs.3,830,400.00 for use of biometric system payments for almost 21,280 households for six cycles at extra Kshs.30.00 per transaction. Kshs.30.00 is the difference of Kshs.90.00 for payments using the biometric system and Kshs.60.00 through manual payment system. Despite this extra cost the use of the electronic system was beset with various challenges and some recipients were paid without the use of biometric cards identification.
- 5.03 As at 30 June 2014 there were 156,000 households benefitting from the CT-OVC program. Due to this high number of beneficiaries the programme has become increasingly dependent on the use of its computerized management information system to deliver its cash transfer services, and to process maintain and report on essential program information. Despite this, the programme's MIS was also not properly managed and did not have adequate controls in place. Persons outside the CT-OVC target group were receiving programme funds yet deserving beneficiaries were neither enrolled in the program nor aware of its existence. This was due to improper targeting and enrolment of beneficiaries in the program.
- 5.04 The instances noted in the audit of non - compliance with set regulations will definitely hamper the Ministry from effectively meeting CT-OVC's objectives. This may result to unnecessary tax burden on Kenyans and loss of donor funds.

Chapter 6

Recommendations

6.01 In view of the findings and conclusions of the audit, the Auditor-General, has proposed the following recommendations for consideration by the Accounting Officer - Ministry of Labor, Social Security and Services :

To ensure only deserving beneficiaries are enrolled in the program, the Ministry should:

- a) Review, clean up and update the CT-OVC beneficiaries list with the involvement of the CPU and County Children Officers after they have revalidated the list on the ground.
- b) Put in place adequate controls to ensure strict compliance with CT-OVC target and enrollment guidelines.
- c) Conduct sensitization and awareness campaigns within the counties to encourage vulnerable households with OVC to come forward and seek the CT-OVC programme public services.
- d) Enhance the CPU's procedures to ensure that the program is regularly monitored and its information updated. The CPU should also conduct regular meetings with stakeholders at the local, county and beneficiaries welfare OVC committees so as to address challenges experienced in a timely manner.

To enhance efficiency in the CT-OVC fund management:

- a) The CT-OVC's Central Programme Unit should review and recommend changes to financial control procedures applied by the Programme so that they may address all risks faced in the management of its financial and other resources.
- b) The Department of Children Services should enhance its systems to ensure that there is strict compliance with selection procedures and criteria and adequate monitoring of the CT-OVC program by the Central Programme Unit and County Children's Officers. This should be aimed at ensuring that beneficiaries get proper services and timely payments, in correct amounts and those changes in caregivers are handled in a timely manner.
- c) The CT-OVC's Central Programme Unit should coordinate with the outsourced payment service providers to effectively address challenges faced by the recipients as regards untimely payments, payment instruments (biometric and programme cards), capacity of paying agents and controls to ensure correct amounts are received by the beneficiaries.
- d) The Ministry of Labor, Social Security and Services should establish a communication strategy to effectively manage the flow of information amongst the CT-OVC programme's key stakeholders so that there are timely authorization processes and cash inflows.

- e) The CPU should consider having beneficiaries photo affixed to the programme ID as this could enhance its authentication process.

To Improve CT–OVC’s computerized Management Information System the Ministry should:

- a) Develop an IT business continuity plan to prepare for any disaster and be able to respond to incidents and disruptions so as to consistently maintain availability of information at an acceptable level. A business continuity plan will ensure there is a continued operation of critical business processes and required backup arrangements and post - resumption reviews.
- b) Establish and document ICT strategy, policies and procedures to ensure that CT–OVC’s MIS operations have adequate control expectations on key issues like quality, security, confidentiality, internal controls, usage of IT assets, ethics, intellectual property rights and ensuring IT operations are aligned with the overall objective of the program.
- c) Develop inbuilt application controls within the MIS to ensure there are adequate audit trails so as to be able to retrace and recreate the flow of transactions from the point of origin to its existence on an updated file.
- d) Develop preprogrammed input formats and controls to enforce validity and edit checks, and identify errors and omissions within the MIS in key fields to enhance data integrity and more reliable information in the system for decision making.
- e) Ensure that the CT–OVC’s MIS area is well staffed with qualified officers as indicated in the program’s organogram.

To support and build capacity of the CPU to effectively manage the CT–OVC program, the Ministry should:

- a) Build capacity of CPU and train County Children Officers on CT–OVC management.
- b) Fill the vacant positions within CT–OVC’s organization structure with the requisite experience and qualification.
- c) Second an internal auditor and accountant to the programme to enhance its financial management.

Appendix

Department of Children's response to the audit findings

Audit Finding	Ministry of Labor, Social Securities and Services response to audit findings
What we found	What the auditee said about our findings
1. The audit found that the CPU had inadequate staff capacity to effectively manage the programme	The Department has endeavored to provide frequent on the Job trainings for the staff within the programme to make the IT efficient.
2. There was no business continuity plan for CT-OVC's MIS	It is true that the CT-OVC Programme has no business continuity plan. It is also true that the CT-OVC Programme's and independent consultants hired by the development partners conduct regular system assessments and recommend on emerging programme needs to help in developing and redesigning business continuity plans and needs.
3. The CT-OVC programme did not have ICT policies and procedures:	It is true that the CT-OVC Programme does not have any written ICT policies and procedures. Any upgrades or configurations are done by outside technical assistance team of engineers hired by Development Partners to address system gaps and not the programme team members as documented in the audit report.
4. CT-OVC's MIS had inadequate audit trail record	It is true that there are inadequate audit trails as it was noted only in logins, however the MIS has been configured in such a way that such information is only available with the administrator of the system.
5. CT-OVC's MIS had inadequate data validation and editing:	Under the CT-OVC Programme, the surnames may be shared in the geographical regions, and to be sure of the accuracy of these surnames, they are collaborated with the national IDs so that the case can be closed.
6. CT-OVC does not have an IT strategy:	It is true that the CT-OVC Programme does not have a well-documented MIS or IT Strategy for its operations and long term direction.
7. CT-OVC MIS did not have inbuilt controls within it to identify errors and omissions:	The CT-OVC programme's functions for regular updating of the beneficiary household data are done as and when the necessary documents for updating are presented to the MIS for updating. The CT-OVC MIS system maintains two levels of security: (i) password security and (ii) application security.
8. Deceased recipients found in the CT-OVC's MIS:	The CT-OVC programme is a dynamic programme supporting households with orphans and vulnerable children which from time to time meets with the challenge of the death of beneficiaries and caregivers.
9. Irregular removal and reinstatements of the CT-OVC receipts	It is true that the team found that there are beneficiaries in the programme who are still in the programme and had arrears but were deleted and subsequently brought back. The DCS is aware of those cases and that the inclusion of the cases to the programme again is done by the TWG which sits and deliberates on the cases for inclusion.

Audit Finding	Ministry of Labor, Social Securities and Services response to audit findings
What we found	What the auditee said about our findings
10. There were arrears not reflected in the payroll after beneficiaries recipients miss pay	These issues are investigated by the complaints and grievance team at the CT-OVC Secretariat and later on incorporated to the MIS.
11. The program did not have adequate systems for efficient management of program funds	The Government is moving to a new service provider – KCB with an aim of making the program more efficient.
12. There were over payments of funds to beneficiaries	If beneficiaries are not able to collect their cash benefits, they are paid double amount in subsequent cycle until the whole amount of sixteen thousand is paid.
13. Some beneficiaries were not exited from the payroll as stipulated in the programme	It is true that the some beneficiaries were not exited from the payroll as stipulated in the programme Operational Manual. This is because these are beneficiaries in the biometric payment system locations whose biometrics have not been captured or their biometrics data were having a challenge in reading. This was due to biometric enrolment process that took time due to logistical issues in locating individual households and collection of both biometrics and pictures of the caregiver and the alternative caregiver.
14. Recipients' were paid without stipulated identification documents	It is true that recipients are at times paid without required identification documents since, these are within the programme guidelines in reference to payments to the beneficiaries who have unique feature, like children (because they do not have IDs)..
15. It is only the national ID that had the photo of beneficiaries while the programme ID had no photo of beneficiaries	The DCS is in the process of securing programme IDs with photos and payment cards that are secure with photos and biometric data in the smart card for all beneficiaries to access their benefits.
16. Beneficiaries were enrolled twice in the programme (Double enrolment)	CT-OVC is designed with pre-payroll checks and post payroll checks functionality to detect such cases and has a link to the Single Registry for Bio-Data Verification service.
17. There were untimely payments to CT-OVC recipients :	It is true that the beneficiaries to the programme receive untimely payments. This is mainly due to delay of exchequer from the National Treasury. The issue is being addressed with consultation with the National Treasury
18. There were notable delays in the programme's cash inflows	It is true that there are delays in the CT-OVC funds flow. The National Safety Nets Programme (NSNP) is concerned about the importance of having timely payments and this is why it has set up a Payments Working Group for all cash transfer programmes in order to have periodic reviews of the duration that each payment cycle took. This group has already developed a payments tracking tool from which it is working to develop mechanisms of removing bottlenecks in the payment process.
19. Beneficiaries were not accessing funds due to lack	It is true that some of the beneficiaries were not accessing funds due to lack of biometric cards. The biometric enrolment process had been contracted to a

Audit Finding	Ministry of Labor, Social Securities and Services response to audit findings
What we found	What the auditee said about our findings
of biometric cards	private organization (Agency for Development and Research). At the time of audit a number of beneficiaries had not been enrolled since the process was on-going.
20. Private PSP biometric cards were lost and not replaced promptly	It is true that in some cases payment cards may at times malfunction due to wrong handling by the beneficiaries or system errors. The procedure of replacing malfunctioning payment cards is documented in the Service Level Agreement and the Contract with the PSP. In most cases the PSP has been manually paying the beneficiaries through internal systems before a new payment card is issued, and thereby replacing the malfunction cards.

