



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



ANNUAL CORPORATE REPORT

2021 - 2022





OUR — VISION

Making a difference in the lives and livelihoods of the Kenyan people.



OUR — MISSION

Audit services that impact on effective and sustainable service delivery.



OUR — VALUES

- INTEGRITY
- CREDIBILITY
- RELEVANCE
- ACCOUNTABILITY
- INDEPENDENCE



OUR — MOTTO

Enhancing Accountability

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OAG staff participate in a blood donation drive

ACRONYMS AND ABBREVIATIONS

AMS	-	Audit Management System
AWAK	-	Association of Women Accountants of Kenya
AFROSAI-E	-	African Organisation of English-speaking Supreme Audit Institutions
AOP	-	Annual Operational Plan
CAA	-	Citizen Accountability Audits
CDF	-	Constituency Development Fund
CSOs	-	Civil Society Organisations
CPAK	-	Certified Public Accountants of Kenya
CAATs	-	Computer Assisted Audit Techniques
CS	-	Corporate Services
DAG	-	Deputy Auditor-General
FCPA	-	Fellow Member of the Institute of Certified Public Accountants of Kenya
ICPAK	-	Institute of Certified Public Accountants of Kenya
INTOSAI	-	International Organisation of Supreme Audit Institutions
INTOSAI-GOV	-	International Organisation of Supreme Audit Institutions Governance
ISSAIs	-	International Standards of Supreme Audit Institutions
MDAs	-	Ministries, Departments and Agencies
NAC	-	National Audit Chamber of Republic of South Sudan
NARIGP	-	National Agricultural and Rural Inclusive Growth Project
OAG	-	Office of the Auditor General
PAC	-	Public Accounts Committee
PIC	-	Public Investments Committee
PFM Act	-	Public Finance Management Act
PSASB	-	Public Sector Accounting Standards Board
SA	-	Specialised Audit
SAI	-	Supreme Audit Institution
SDGs	-	Sustainable Development Goals
SNAO	-	Swedish National Office
TAI	-	Transparency Accountability and Inclusiveness

FOREWORD



I am delighted to present to you the Annual Corporate Report for the year 2021/2022, in line with Article 254 (1) of the Constitution. The Article requires that the Office submits an annual report on its performance to the President of the Republic of Kenya and to Parliament.

This report provides details about the Office's achievements, performance, challenges, recommendations and financial statements for the year under review.

In line with the OAG mandate, we submitted 1,578 Financial audit reports and 39 Specialised audit reports to Parliament and the relevant County Assemblies for deliberations and further action. In addition, we participated in the audits of the East African Community (EAC) and the organs and institutions of the

Common Markets of Eastern and Southern Africa (COMESA).

We marked the end of the year with a renewed resolve to provide audit services focused on enhancing accountability and making a difference in the lives and livelihoods of the Kenyan people. This resolve is outlined in our Strategic Plan 2021-2026 and is anchored on three priorities, which are: 1. Enhance the quality of audit services for improved management of public resources, 2: Position the Office of the Auditor-General for greater relevance and credibility to stakeholders and 3: Be a model organisation for effective service delivery.

In our quest to bring services closer to the people and enhance our operations, we have increased the number of Regional Offices from seven to 13. Other notable achievements during the year included; launch of the Kiswahili version of the Audit report and release of the framework for tracking, follow-up and reporting on implementation of audit recommendations.

OAG continues to improve its technical capacity through collaborations with various Supreme Audit Institutions (SAIs), African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), AFROSAI and International Organisation of Supreme Audit Institutions (INTOSAI). We serve in various capacities in these organisations. Regionally,

we are the Vice Chair of AFROSAI-E and the Chair of AFROSAI's Institutional and Technical Capacity Building Committee. We also Chair the audit of Common Markets for Eastern and Southern Africa (COMESA) organs and institutions and provide the lead in the International Conference on the Great Lakes Region (ICGLR). We are also members of the East African Community Audit Commission.

In order to meet our Constitutional audit obligations, we continued to strengthen the capacity of the Office through staff recruitment, training and development, provision of conducive working environment and enhanced the use of technology in our operations. Further, we continue to seek

for financial and technical assistance from The National Treasury, Parliament and Development Partners to enable us effectively execute our mandate.

We commit to continue discharging our duties and responsibilities professionally to meet increasing public expectations in line with our core values of Integrity, Credibility, Relevance, Accountability and Independence.



CPA NANCY GATHUNGU, CBS
AUDITOR-GENERAL



OAG staff during a training

PERFORMANCE AT A GLANCE

Achievements during the period under review



Launch of the Strategic
Plan 2021 - 2026



Launch of the Kiswahili
Audit report



OAG appointed Chair of
audit of COMESA organs
and institutions



1,617

Audit reports submitted to
Parliament and County
Assemblies



269

Parliamentary Committee
sessions supported



**6 YEAR
TERM**

Auditor-General
appointed Chair of
AFROSAI's Institutional
and Technical Capacity
Building Committee

Challenges experienced



Performance audit reports
are yet to be discussed by
Parliament



Budgetary constraints



Tight timelines for
completion of audit
reports

CHAPTER 1: WHO WE ARE

OUR MANDATE

The Office of the Auditor-General (OAG) is established under Article 229 of the Constitution of Kenya 2010. The Constitution mandates the Office to oversee the management of public resources within the three arms of government (the Executive, Legislature and the Judiciary), the Constitutional Commissions, the Independent Office of the Controller of Budget and any other entity that is funded from public funds.

In performing this role, we audit and report on the effective and lawful use of public resources. The audit reports of public entities are submitted to Parliament and the relevant County Assemblies for deliberations and action. Once discussed, Parliamentary and County Assembly Committees give appropriate recommendations for implementation. Thereafter, the Auditor-General follows up on the status of implementation of the recommendations before commencing the next cycle of auditing.

OUR JOURNEY

Public sector auditing has been in place from the time Kenya was a Colony and Protectorate of Britain. The Office was then known as the Colonial Audit Office. In 1955, the Office was renamed the Controller and Auditor-General through the Exchequer and Audit Ordinance, which define the duties and powers of the Office in undertaking public sector audits.

The Office was further entrenched in the Constitution as an independent Office mandated to: -

- i) Approve withdrawal of funds from the Consolidated Fund;
- ii) Confirm that the use of the approved funds were utilized for the intended purpose and that the expenditure complied with the governing authorities;
- iii) Audit and report on the accounts of public institutions.

In 1985, the Exchequer and Audit Act was amended to provide for the appointment, duties and powers of the Auditor-General (Corporations) with the responsibility of auditing the accounts of the Statutory Boards and Commissions or Bodies.

This essentially split the role and mandate of the Exchequer and Audit Department and by extension the role of the Controller and Auditor-General, by transferring the mandate for the audit of state-owned enterprises to a separate institution, while retaining the audit of Central Government Ministries and Agencies with the Controller and Auditor-General.

The Public Audit Act (PAA) was enacted in 2003, repealing the Exchequer and Audit Act. The PAA merged the Office of the Auditor-General (Corporations) with the Office of the Controller and Auditor-General creating the Kenya National Audit Office (KENAO). The

repealed Public Audit Act, 2003, provided for the audit of government and state corporations, introduced the audit of local authorities and value for money audits.

The Act further provided for distinct mandates relating to the functions and operations of the Controller and Auditor-General and defined a governance structure for the Office by establishing the Kenya National Audit Commission (KENAC).

The Office of the Auditor-General experienced tremendous changes after the enactment of the PAA, 2003. The changes were driven by: -

- Government reform processes;
- Performance requirements within international Supreme Audit Institutions;
- Changing clients' needs due to advancement in public finance and technology;
- Emerging challenges in the audit profession and stakeholder expectations

The Constitution of Kenya 2010 brought about tremendous changes in the governing structure of the country through the creation of the devolved system of government. The Supreme Law created two levels of government - the National Government and 47 County Governments.

The Constitution also enhanced the mandate of the Auditor-General by specifically providing for the audit of all entities funded from public resources, both at the national level and county governments. The mandate of the Auditor-General is explicitly spelt out in Article 229, which is to carry out audits of all entities funded from public funds and to confirm whether or not public funds are applied lawfully and effectively.

The Constitution grants the Auditor-General security of tenure and legal immunity in the discharge of the Office's duties. The Office holder serves for a non-renewable term of eight years. The Public Audit Act, 2015 section 9 empowers the Auditor-General to conduct investigations, conciliations, mediations and negotiations as well as issue summons to witnesses for the purposes of investigations.

The separation of the controllership of the budget function from the audit function, reinforced auditing as a function that should be kept independent of the Executive. FCPA Edward Ouko, CBS, was appointed as the first Auditor-General under the Constitution of Kenya, 2010 for an eight-year term which ended in August 2019. CPA Nancy Gathungu CBS, succeeded FCPA Ouko in July 2020.

OUR LEADERS



CPA JOYCE MBAABU
DEPUTY AUDITOR-GENERAL
CORPORATE SERVICES



CPA STANLEY MWANGI
DEPUTY AUDITOR-GENERAL
FINANCIAL AUDIT SERVICES



CPA SYLVESTER KIINI
DEPUTY AUDITOR-GENERAL
FINANCIAL AUDIT SERVICES



CPA EDWIN KAMAR
DEPUTY AUDITOR-GENERAL
SPECIALISED AUDIT SERVICES



CPA NANCY GATHUNGU, CBS
AUDITOR-GENERAL



CPA WILLIAM AGUNDA
DEPUTY AUDITOR-GENERAL
FINANCIAL AUDIT SERVICES



DR. LEONARD LARI
DEPUTY AUDITOR-GENERAL
FINANCIAL AUDIT SERVICES



CPA FREDRICK ODHIAMBO
DEPUTY AUDITOR-GENERAL
FINANCIAL AUDIT SERVICES



CPA DAVID NJOKA
DEPUTY AUDITOR-GENERAL (RETIRING)
FINANCIAL AUDIT SERVICES

WORKING THROUGH COMMITTEES

Corporate governance is enshrined in the operations of the Office of the Auditor-General. The Office recognises that governance is a vital ingredient in the maintenance of a dynamic balance between the need for order and equity in society, protection of public interest and efficiency in operations. Accountability in the use of power, the protection of human rights and freedoms, as well as maintenance of an organised corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems are therefore necessary.

To embrace good governance and ensure integrity in our operations, the Office requires that all its staff conform to the Code of Conduct and Ethics for the Office. We strive to continuously improve the effectiveness of our audit and undertake annual reviews to

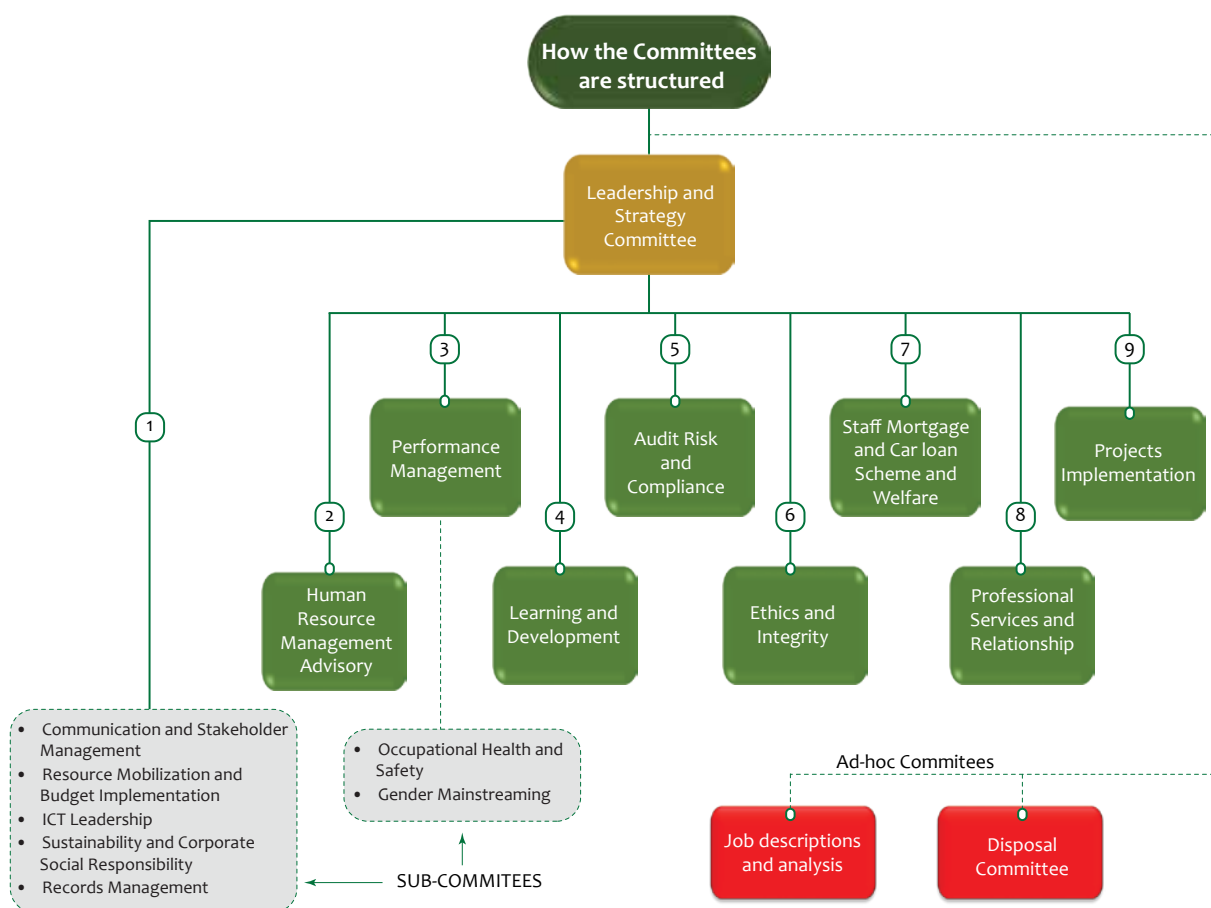
assess our performance. We acknowledge the importance of diversity, gender, equity and equality for the effective functioning of the Office and commit to supporting these components of good governance. Looking ahead, we will strive to maintain our high standards of corporate governance as it is central to provision of quality services. Our mandate is to audit the use and management of public resources, protect public interest and advocate for sound accountability and governance in all sectors of the economy.

We are committed to leading practices and continuously seek to promote effective corporate governance. To this end, and in order to enhance and streamline our operations, the Auditor-General established the thematic Committees as a strategy to provide oversight, enhance efficiency and effectiveness in service delivery as well as improve on staff welfare.

The table below shows the Committees and their respective mandates:

No	Committee	Mandate
1	Leadership and Strategy Committee	Provide leadership and clarity in setting strategies, cross-office planning processes and policies under the Auditor-General's direction
2	Human Resource Management Advisory Committee	Making recommendations to the Auditor-General on HR issues
3	Performance Management Committee	Ensure linkage between institutional strategic goals and performance contracts
4	Learning and Development Advisory Committee	Consider and approve training objectives, staff development strategies, training needs, training projections, skills inventory and training data
5	Audit, Risk and Compliance Committee	Review the appropriateness of OAG's financial and performance reporting, systems of risk oversight and management and systems of internal control
6	Ethics and Integrity Committee	Monitor the impact of ethics and corruption prevention initiatives and actions taken following breaches of the Ethics Policy Framework

7	Staff Mortgage and Car Loan Scheme and Welfare Committee	Supervise the administration of the Staff Mortgage and Car Loan Schemes and Staff Welfare issues
8	Professional Services and Relationship Committee	Recommend for approval of OAG auditing standards, methodologies, tools and policies
9	Projects Implementation Committee	Prioritization of projects based on OAG's strategic plan and medium term plan of the vision 2030

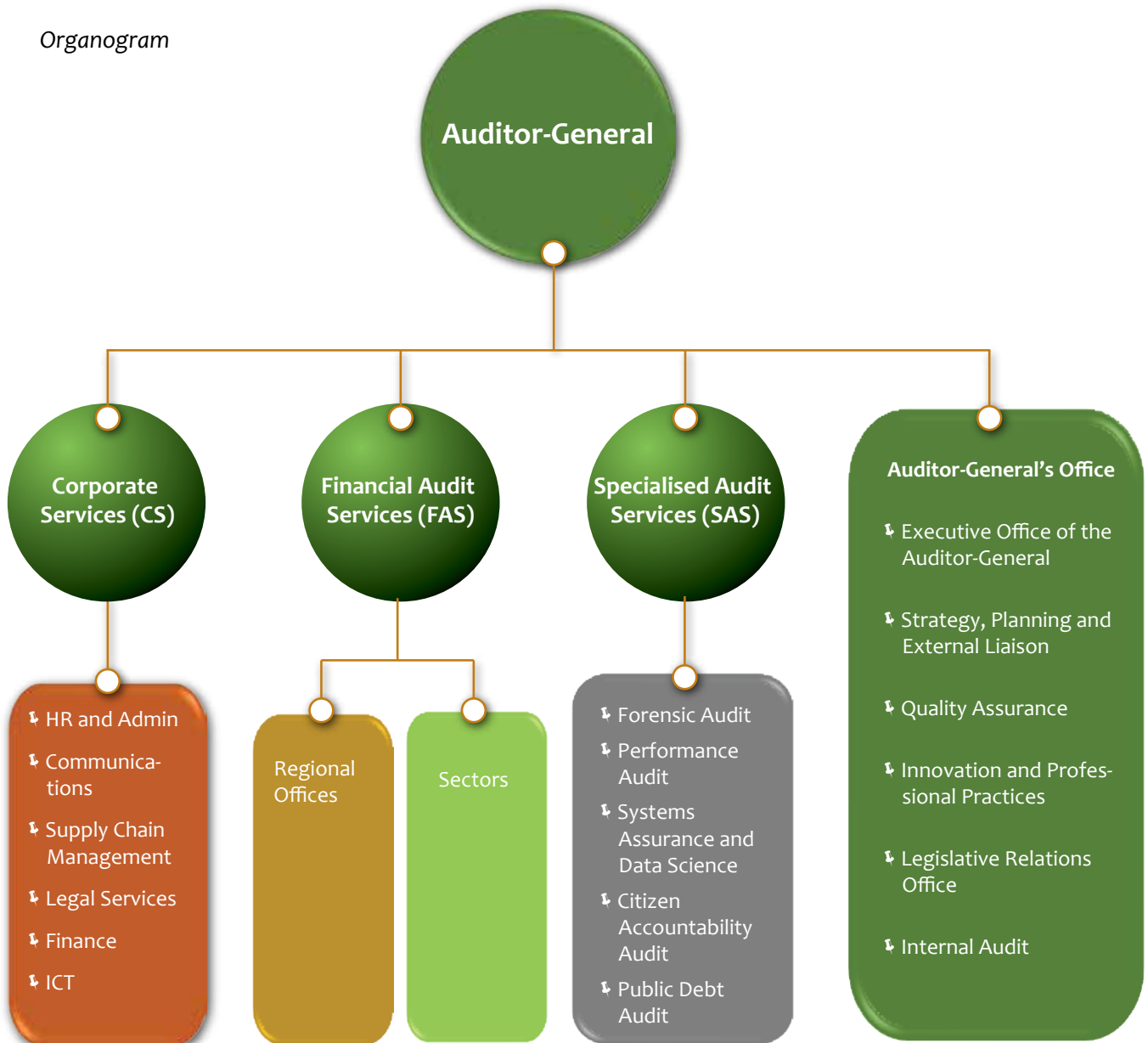


ORGANOGRAM

OAG is structured into two service categories namely, Audit Services and Corporate Services. The Audit Services category is further subdivided into the Financial Audit Services (FAS) Departments and the Specialised Audit

Services Department. Financial Audit Services are spread across sectors and Regional Offices while Specialised Audit Services are centralised at the Headquarters. The Corporate Services Department supports the audit function.

Organogram

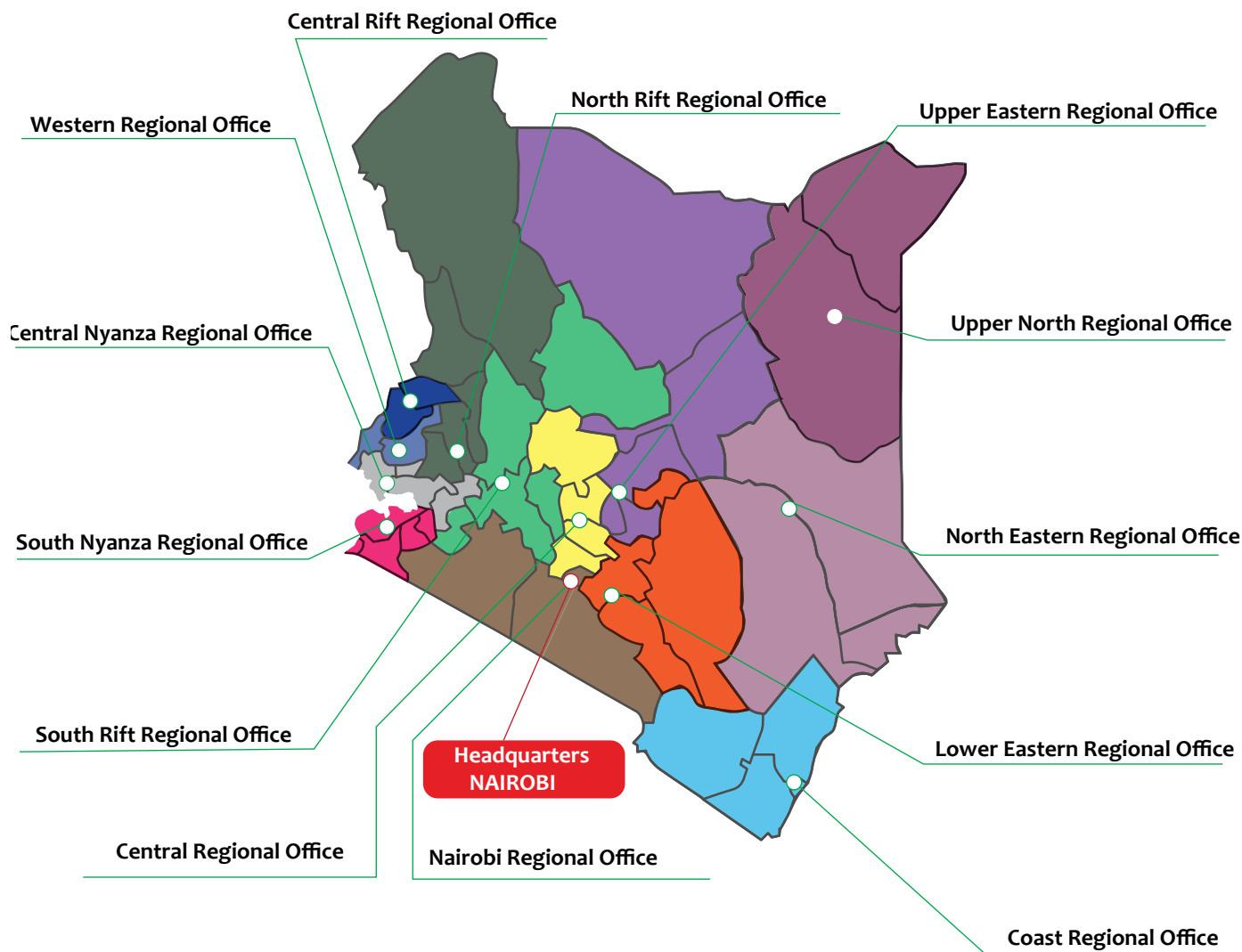


REGIONAL OFFICES

The Office of the Auditor-General has 13 Regional Offices spread across the country. The Head Office is at Anniversary Towers,

Nairobi. Establishment of the Regional Offices is intended to devolve audit services closer to the Kenyan people and to ensure that there is continuous audit presence at the grassroots.

Regional Offices





Location of our Regional Offices

Nairobi	Anniversary Towers
Upper Eastern	Regional Commissioner's premises, Embu
Coast	KPA Headquarters, Mombasa
North Eastern	Office of the Auditor-General Building, Garissa
Upper North	Ewaso Nyiro Office Block
Western	Office of the Auditor-General Building, Kakamega
North Rift	Office of the Auditor-General Building, Kakamega
Lower Eastern	Sartaj Plaza, Machakos Town
Central	Regional Commissioner's Building, Nyeri
Central Nyanza	Prosperity House, Kisumu
South Nyanza	Key Place Services Building, Homa Bay
South Rift	Kenya National Library Services Building, Nakuru
Central Rift	Office of the Auditor-General Building, Eldoret

OUR CLIENTS

During the year under review, the Office audited a total of 1570 public entities. There was an increase of 132 audit clients in comparison to the previous financial year. The categories of clients are listed below:

Cients	Number of Clients
National Government	1092
Consolidated Fund Services (CFS)	7
Corporation - Outsourced	15
Corporation - Trading	34
Corporation Non-Trading	149
County Corporation	2
County Executive Fund	2
Donor Funded Project	211
MDA	48
National Fund	64
National Polytechnic	10
NG-Car Loan and Mortgage Fund	10
NGCDF	290
Pension Scheme	1
Political Party	2
Receiver of Revenue	14
Regional Development Authority	1
Retirement Fund	1
SAGA	51
Special Deposit Account	1
TVET	134
University	38
Water Development Agency	7

Parliament	5
MDA	2
National Fund	1
NG-Car Loan and Mortgage Fund	2
Judiciary	5
MDA	3
Receiver of Revenue	2
Commissions & Independent Offices	23
Commissions & Independent Offices	16
MDA	2
NG-Car Loan and Mortgage Fund	5

County Governments	445
Corporation Non-Trading	1
County Assembly	47
County Assembly Fund	60
County Corporation	20
County Executive	47
County Executive Fund	194
Water Company	76
Grand Total	1570



OAG Central Rift Regional Office (Eldoret)

CHAPTER 2: PERFORMANCE

This section discusses our performance during the year under review. The performance is anchored on Article 229(4) of the Constitution which requires us to audit and report on all accounts of public entities by 31 December. In addition, Article 229(6) of the Constitution and Section 7 of the Public Audit Act, 2015 require us to report on the lawfulness and

effectiveness on the use and management of public resources.

Our score-card is further defined by our strategic priorities as outlined in our Strategic Plan 2021-2026. In line with our strategic direction and objectives, the Office aligned its operations based on the following strategic priorities and their corresponding objectives:



WHAT WE STAND FOR

The realisation of our strategic priorities is driven by our core values which guide our staff in making a difference in the lives and livelihoods of the Kenyan people. These values underpin our contract for service delivery to the citizens.

These values are:-



Integrity: We are committed to honesty, reliability and trustworthiness in our professional and personal conduct.



Credibility: Our work is based on appropriate professional knowledge, skills, standards, up-to-date techniques, and laws.



Relevance: We are a credible source of independent and objective insight and guidance to support beneficial change in the public sector.



Accountability: We shall ensure accountability, transparency, continuous improvement and sustained confidence in the use of public resources.



Independence: We act with impartiality, objectivity and are free from control and influence of others.

FORGING AHEAD

The year under review presented an opportunity for the Office to take stock of its operations based on the 2018-2021 Strategic Plan and to chart the way forward in the new Strategic Plan 2021-2026. This plan therefore becomes the blueprint to guide the Office in re-engineering itself for improved service delivery to Kenyans.

The development of the new Strategic Plan was based on assessments of our performance in the previous strategic period, as well as stakeholder feedback on delivery of services. The development of the Plan also relied on the assessment results of the Supreme Audit Institutions' Performance Measurement Framework (SAI-PMF) and the Institutional Capacity Building Framework (ICBF) for SAIs.

The ICBF identifies gaps that need to be addressed in organisational growth and maturity. The last assessment using the ICBF was done for the 12-month reporting period ending December 31, 2021. The results of the period ending December 31, 2020 however formed the basis for the development of the Strategic Plan 2021 -2026.

The assessments of the previous strategic plan enabled us to chart a renewed approach to service delivery to the people of Kenya.

The new Strategic Plan took note of the successes and challenges that came with the implementation of the 2018-2021 Strategic Plan. The retired Plan ushered in reform initiatives aimed at re-orienting the OAG to respond to

the expanded constitutional mandate and thus improving service delivery to the public. Over the 2018-2021 Strategic Plan period, OAG opened additional Regional Offices and leveraged on ICT to enhance efficiency in its

operations. Additionally, the Office enhanced capacity in human resources management and development; and restructured financial management and procurement.

Key Achievements and Challenges During 2018-2021 Strategic Period are outlined below:

GOAL	Achievements	Challenges
Goal 1 To enhance professional excellence in the delivery of OAG mandate	<p>The Risk-Based Audit Methodology (RAM) rolled out.</p> <p>All audit staff trained and re-trained on the methodology</p> <p>Financial Audit and Compliance Audit - Combined Approach Manual (F!CAM) customized to the needs of the OAG, thus making it more user friendly to the auditors.</p> <p>Audit process reviewers have been trained on supervision and review.</p> <p>The Quality Assurance (QA) function has been strengthened through training and additional staff.</p> <p>The QA staff continue to play a key role in ensuring that audit documentation and reports meet international standards.</p> <p>A technical support team has been constituted to strengthen quality control during the audit process.</p> <p>Participated in inter-agency forums and other initiatives for fighting corruption and promoting good governance and accountability.</p> <p>Increased resources for specialized and forensic audits</p> <p>The Performance Audit unit has been strengthened through additional numbers of staff.</p> <p>Training on performance audit conducted.</p> <p>A Performance Audit Manual has been developed and is in use.</p> <p>Performance audits carried out and reports issued</p>	<p>We were not able to meet the timelines as required by the Constitution due to:</p> <ul style="list-style-type: none"> • Delays and inadequate funding for audit operations • Delays in provision of documents and response to audit queries by clients • Inadequate staffing • Lack of optimal decentralization to the counties • Limited use of Computer Assisted Audit Techniques (CAATs) • An ineffective Performance Management System • Inadequate implementation of our recommendations by the audit clients • Policy on follow up of our recommendations not yet developed • Inadequate training • Inadequate stakeholder interactions and consultations • Performance Audit reports not discussed in parliament

GOAL	Achievements	Challenges
Goal 2 To continually transform OAG for efficient and effective delivery of audit services	<p>Enactment of the Public Audit Act, 2015</p> <p>Seven (7) governance policy documents have been developed and are being implemented for: Human Resource (HR), Information and Communication Technology (ICT), Internal Audit (IA), Fleet Management, Premises, Procurement and Communication.</p> <p>A professional Communications Unit established.</p> <p>Key support functions, namely, HR, internal audit, legal, Communication, procurement have been professionalized.</p> <p>Communication strategy is now in place.</p> <p>Two hundred (200) new staff were recruited.</p> <p>Eleven (11) Regional Offices were established.</p> <p>ICT staff have been deployed to the Regional Offices</p> <p>Strategic Planning and External Liaison Directorate has been established.</p> <p>Various trainings have been conducted.</p> <p>Land for construction of OAG headquarters and some regional offices has been acquired</p>	<p>Lack of financial independence</p> <p>Inadequate office space, facilities and logistics</p> <p>Inadequate number of audit staff</p> <p>ICT Infrastructure is not adequate. Insufficient IT skills and capability</p>
	<p>ICT strategy has been developed and is being implemented.</p> <p>ICT support capacity and capability has been enhanced through hiring and training.</p> <p>90 % of staff have been issued with laptops.</p> <p>The Wide Area Network has been expanded and all offices are now linked to the headquarters.</p> <p>ICT help desk is operational</p>	

The achievements and challenges, for the 2018 - 2021 Strategic Plan, were instrumental in charting the way forward for the Office in the new strategic period.

This Strategic Plan 2021-2026 was therefore, developed at a time when we are experiencing critical changes both in our external and internal operating environments. These changes include dynamic and complex audit environment, heightened audit risks, emerging priorities as well as the ever-changing stakeholder expectations.

Further, we have learnt from the COVID-19 pandemic, to be resilient in the face of crises and be ready to live with reduced physical proximity to our clients and amongst ourselves as audit staff.

The changes affected the way we work and inspired new approaches to audit. It is against this backdrop, coupled with the challenges and lessons learnt from the previous Strategic Plan period that we took the prudent step of developing a new Strategic Plan to guide our work in the coming years so as to remain future, relevant auditors and a value adding

institution.

Resource Requirements for the Office of the Auditor-General

During the year under review, the Office was allocated Kshs 6.08bn against a requirement of Kshs 8.33bn leaving a deficit of Kshs 2.25bn. We continue to appeal for support from Parliament and the National Treasury for increased funding to effectively execute our mandate. We are also seeking funds for capital expenditure for the construction of our Headquarters in Nairobi and regional offices.

In order to effectively implement our strategic plan, we require adequate resources. Provision of quality and effective audit services which includes confirmation of lawfulness and effectiveness of implemented programmes, requires comprehensive scrutiny and evaluation of documents.

Most critical is the physical confirmations of the existence and utilization of projects or programs implemented throughout the country. This requires an independent and well-resourced Audit Office with guaranteed availability of resources and optimal staffing.

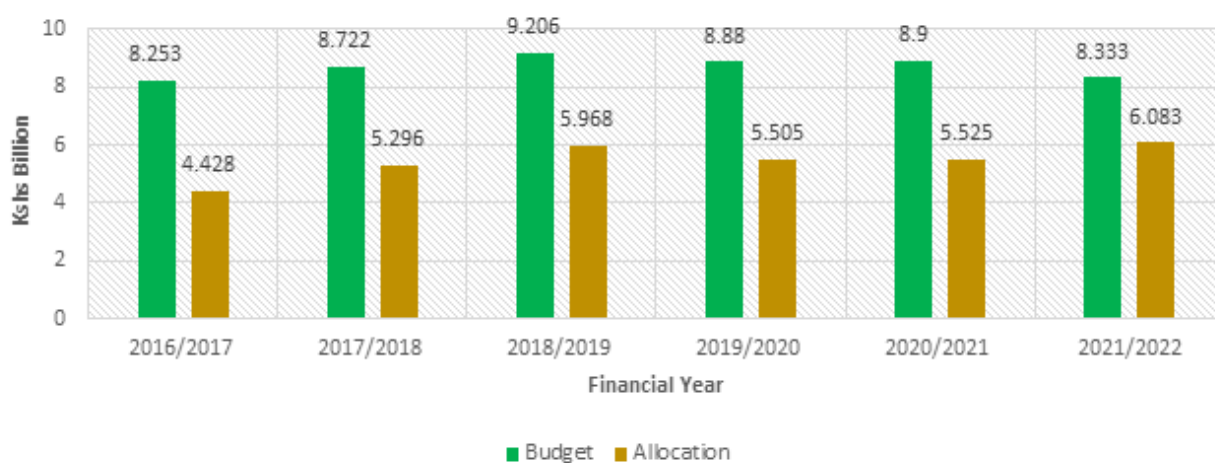


The following tables and graphs illustrate the budget requirements by the Office of the Auditor-General versus the allocated amounts, and the National Government budget versus allocation to the Office of the Auditor-General over the last six (6) years.

Analysis of Budget Requirement by OAG versus Allocation

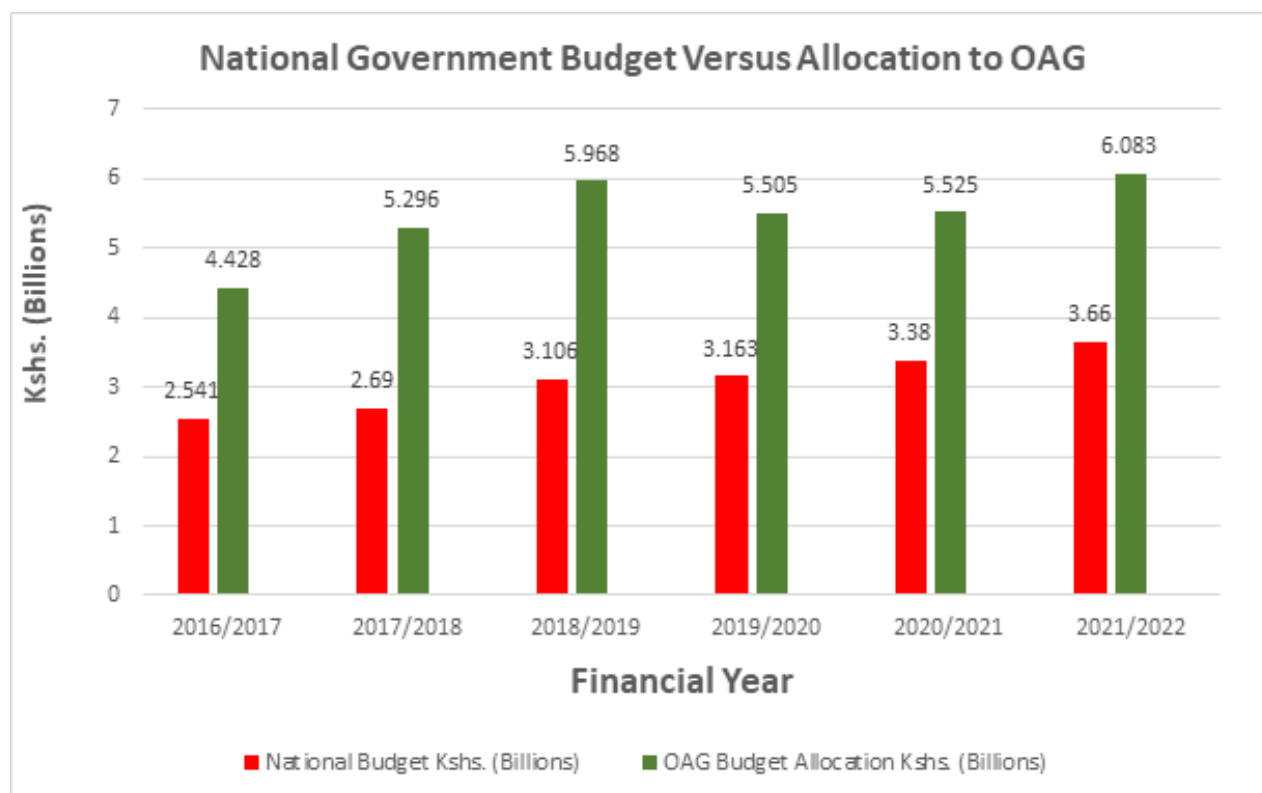
Year	Requirement Kshs. (Billions)	Budget Allocation Kshs. (Billions)	Budget Shortfall Kshs. (Billions)	Actual Expenditure Kshs. (Billions)	OAG Budget Absorption %
2016/2017	8.253	4.428	3.825	4.311	97
2017/2018	8.722	5.296	3.426	4.735	89
2018/2019	9.206	5.968	3.238	5.783	97
2019/2020	8.88	5.505	3.375	5.425	99
2020/2021	8.90	5.525	3.375	5.348	96
2021/2022	8.333	6.083	2.250	5.643	92

OAG Budget Requirement Versus Budget Allocation



National Government Budget Versus Allocation to OAG

Financial Year	National Budget Kshs. (Billions)	OAG Budget Allocation Kshs. (Billions)	% of Allocation to National Budget
2016/2017	2,541	4.428	0.17%
2017/2018	2,690	5.296	0.20%
2018/2019	3,106	5.968	0.19%
2019/2020	3,163	5.505	0.17%
2020/2021	3,380	5.525	0.16%
2021/2022	3,660	6.083	0.16%



AUDIT SERVICES

During the period under review, we submitted to Parliament and the County Assemblies 1,617 audit reports comprising 1,578 financial audit reports and 39 specialised audit reports. The table below provides an analysis of the audit reports:

Programme	Key Output	2019/2020	2020/2021	2021/2022
National Government Audit	National Government Audit Reports	738	746	841
County Government Audit	County Government Audit Reports	411	402	447
NGCDF Audit	NGCDF Audit Reports	290	290	290
Specialized Audits	Specialized Audits Reports	-	29	39
TOTAL		1,439	1,467	1,617

We carried out the following audits during the year under review: Financial audits, Forensic audits, Performance audits, Citizen Accountability Audits and Systems Assurance and Data Science Audit.

1. Financial Audit

Financial audit refers to an objective examination and evaluation of the financial statements of public entities to confirm that the financial records present a true, fair and reasonable representation of the transactions they claim to represent. We conduct financial audits on all public entities every year. We incorporate compliance audits to check whether entities comply with laws

and regulations on the use and management of public resources in conformity with Article 229(6). During the period, we completed and submitted 1,578 financial audits to Parliament and the County Assemblies for deliberation and action.



2. Forensic Audit

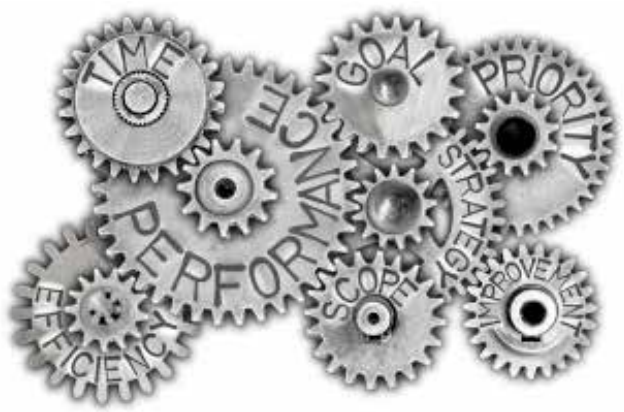
Forensic audits examine an entity's financial records to check on issues of fraud. We carried out eight (8) forensic audits during the year under review. Through the use of the Audit Management System (AMS), our audits have become more effective and seamless leading to the timely finalization of reporting findings. During the year under review, the Office established engagements with the French Court of Accounts and other investigative agencies to enhance capacity in Forensic audits. We also updated the Forensic Audit Manual.



3. Performance Audit

As part of its mandate, the Office is required to carry out Performance Audits on audited entities. Performance Audit refers to an independent examination of a programme, function, operation or the management systems and procedures of any government entity to assess its Efficiency, Economy and Effectiveness.

We submitted six (6) Performance audit reports to Parliament for deliberation and further action.



Although the reports are yet to be discussed in Parliament, we plan to carry out follow-up audits on past reports to assess the status of implementation of audit recommendations.

During the year under review, the Office undertook a review of the Performance Audit Manual in line with updated International Standards of Supreme Audit Institutions (ISSAIs). We also commenced work on revising Performance Audit Procedures to provide for automated audits using our AMS. The revised manual and procedures will contribute to efficient and effective delivery of audit services.

4. Systems Assurance and Data Science

We carry out examination and evaluation of information technology infrastructure, policies and operations in various public entities to establish the level of performance and compliance related to specific subject matters of Information Systems.

We proactively perform Data Analysis and Data Analytics to identify trends, patterns and derive insights from data. During the year under review, we incorporated the use of

modern technologies to revolutionise audit and engaged in real time investigations in collaboration with financial auditors.

During the period, we undertook the following activities:

(a) Proactive Activities

1. Performed analysis of the Integrated Financial Management Information System (IFMIS) data for 75 Ministries, Departments and Agencies (MDAs) and 47 County Governments. The results were used by financial auditors during their audit execution.
2. Audited Payrolls processed outside the Integrated Payroll and Personnel Database (IPPD) in all the 47 County Executives. The findings were incorporated in the financial audit reports for the counties.
3. The Office further audited Payroll and Revenue for nine public Universities and the findings were incorporated in the financial audit reports of these Universities.

(b) Reactive Activities

1. Conducted systems audit of revenue and payroll for Postal Corporation of Kenya and shared the findings with financial auditors.
2. Serviced requests by financial auditors for systems review and data analytics for four clients.

(c) Special Audit Activities

1. Conducted audit of COVID 19 Vaccines rollout in the 47 Counties and Ministry of Health; and
2. Carried out audit of public debt.

4. Citizen Accountability Audit

The Office continues to engage citizens in the audit process to enhance the accountability in the management of public resources for improved service delivery, through Citizen Accountability Audit. This audit approach is in line with the Constitution of Kenya, which requires public participation as a key pillar in the running of public entities and implementation of public programmes.

During the period, the Office conducted the following Citizen Accountability Audits:

	Audit Topic			
		Planning	Execution	Status
1	Citizen Involvement in Budget Process (Case of Counties Budget process)	Completed	Completed	100 % Submitted
2	Global Fund Audit	Completed	Completed	70 %
3	Ministry of Agriculture NARIGP Project	Planning stage	Pending	10%
4	Equalization Fund	Planning stage	Pending	-

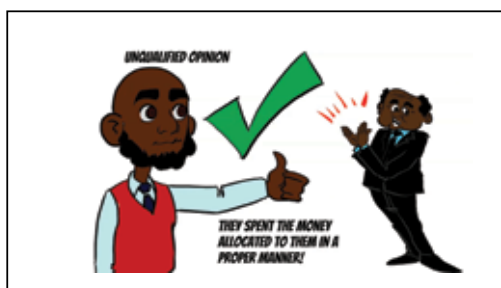
AUDIT OPINIONS

The Auditor-General expresses the following opinions after auditing financial statements of public entities:



1. Unqualified opinion (unmodified opinion)

-This means that the books of accounts and underlying records agree with the financial statements and no material misstatements are found. The financial statements present fairly, in all material respects the operations of the entity.



2. Qualified opinion (modified opinion)

-This means that the recorded financial transactions are to a large extent in agreement with the underlying records, except for cases where

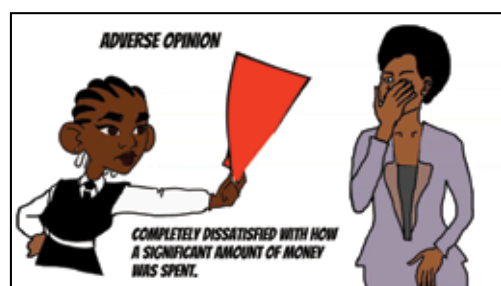


material misstatements or omissions in the financial statements are noted. The issues though deemed material, are not widespread or persistent.



3. Adverse opinion

-This means that the financial statements exhibit significant misstatements with the underlying accounting records. There is significant disagreement between the financial statements and the underlying books of accounts and/or standards. These problems are widespread, persistent and require considerable interventions by the management to rectify.



4. Disclaimer of opinion

-This means that the financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of



scope, inadequacy or lack of proper records such that the Auditor-General is not able to form an opinion on the financial operations.



Summary of Audit Opinions Excluding Donor Funded Projects and National Funds

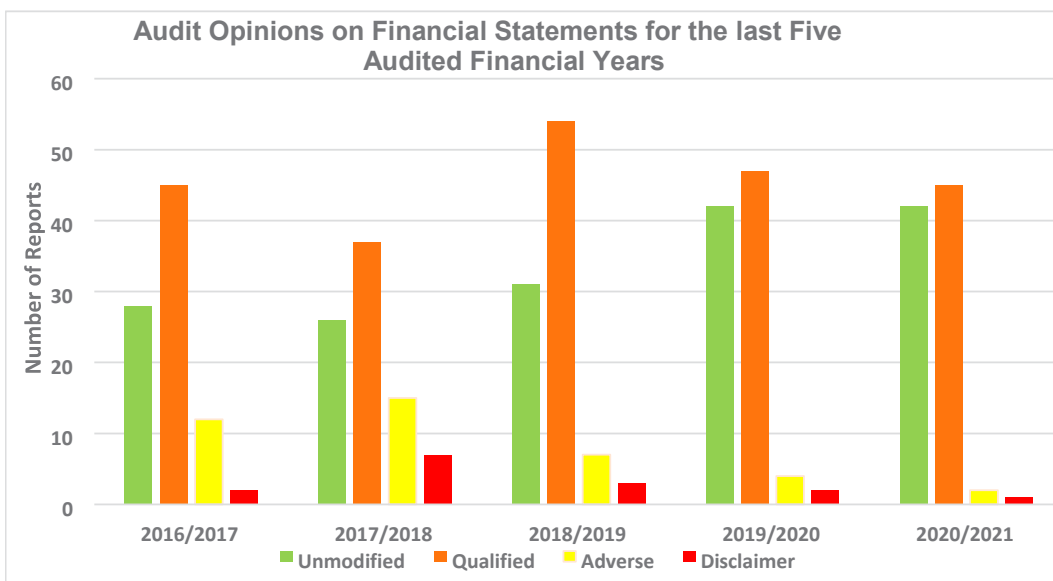
A total of ninety (90) National Government financial statements, excluding Donor Funded Projects and National Funds, were examined during the year ended 30 June, 2021. The tabulation below indicates the type of audit opinions expressed on the financial statements in the last five years excluding donor funded projects and National Funds:

Audit Opinions on Financial Statements in the Last Five Years

Audit Opinion	2016/2017		2017/2018		2018/2019		2019/2020		2020/2021	
	No. of FS	%	No. of FS	%	No. of FS	%	No. of FS	%	No. of FS	%
Unmodified	28	32.2%	26	30.6%	31	32.6%	42	44.2%	42	46.7%
Qualified	45	51.7%	37	43.5%	54	56.8%	47	49.5%	45	50.0%
Adverse	12	13.8%	15	17.6%	7	7.4%	4	4.2%	2	2.2%
Disclaimer	2	2.3%	7	8.2%	3	3.2%	2	2.1%	1	1.1%
Total	87	100%	85	100%	95	100%	95	100%	90	100%

The table indicates that compared to the previous year, the number of financial statements with unmodified opinion increased from 44.2 % to 46.7%. The number of financial statements with qualified opinion slightly increased from 49.5% to 50%. There was a drop in percentages by 2% and 1% of adverse and disclaimer of opinion respectively compared to the previous year. Overall, there has been an improvement in the way the financial statements were prepared which is attributed to use of Integrated Financial Management Information System (IFMIS), guidance by The National Treasury through circulars and issuance of reporting templates to Ministries, Departments and Agencies (MDAs) by the Public Sector Accounting Standards Board (PSASB).

The graph below depicts the analysis of audit opinions:



Auditing in line with International standards

We are part of the global public audit community that operates within agreed international audit standards and guides. Additionally, we observe domestic laws, standards and regulations when conducting audits. To streamline adherence to standards and guides, we have put in place the Innovation and Professional Services (IPS) Unit which is charged with overseeing compliance with these standards. During the year, the Office undertook the following activities:

Development of subject matters for compliance auditing
Update of performance audit manual and procedures
Development of audit fee guidelines
Rolled out the engagement of 52 Quality Reviewers in the audit process
Development of curriculum for induction training of Audit Associates in conjunction with the Kenya School of Government
Development of the Policy on Outsourced Audits
Development of guidelines for the conduct of audits

Our reports go through quality checks to ensure they are aligned to professional standards, office policies and regulations.

We documented our work processes and finalised the OAG Quality Assurance Policy to improve the quality of audit reviews to meet the needs of our stakeholders.

CHAPTER 3: CORPORATE SERVICES

PEOPLE AND CULTURE

Human Resource plays a critical role in the effective and efficient delivery of the OAG mandate.

In the Financial year 2021/2022, we provided opportunities to staff to enhance their knowledge and skills through workshops and trainings, following training needs analysis, that led to the development of the training strategy.

During the year under review, we conducted an in-house human resources audit on the policies, practices, and procedures to ensure that the Office adopts leading practices and that the policies comply with the relevant guidelines.

In order to effectively implement the 2021-2026 Strategic Plan, we recruited 198 staff and promoted 442 officers in various cadres during the period under review. We also revised the staff establishment to reflect the ideal staffing requirements for all departments from 1,895

to 2,043.

During our recruitment, we used the AFROSAI-E HR Assessment Tools to enable us achieve the following:

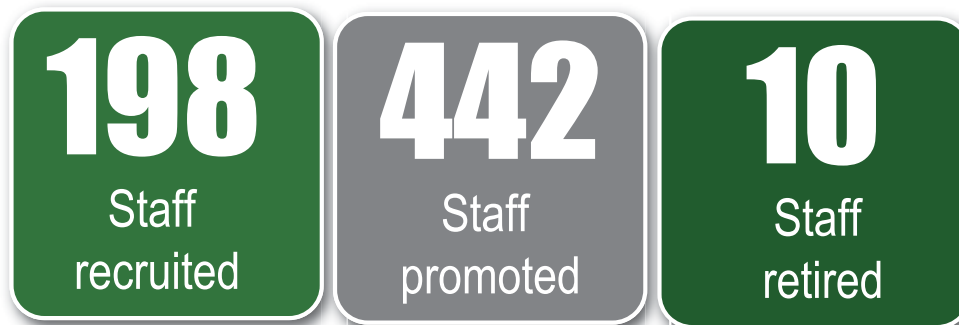
- 1) Enhanced objectivity
- 2) Cost effectiveness of the process
- 3) Enhanced efficiency
- 4) Enhanced candidate satisfaction

CAPACITY BUILDING

The Office conducted training and capacity building interventions to equip staff with requisite knowledge and skills to enable them enhance their work performance. During the year, a total of 1,934 participants attended various trainings.

The trainings encompassed programmes such as Public Sector Auditing Standards and Methodologies, legal framework underpinning audit, professional courses, leadership courses, soft skills, induction and pre-retirement.

The capacity building interventions have enriched staff performance, quality of audits, increased motivation levels and reduced staff turnover.



Through the cooperation with German building forums with County Public Development Agency for International Investments and Accounts Committees from Cooperation (GIZ), we conducted capacity thirteen (13) counties.

We engaged with the following stakeholders to facilitate our capacity building programmes

S/No.	Stakeholders	Mode of Engagement	Impact of Engagement
1.	Staff	As facilitators for various in-house trainings and stakeholder training	Building a competent body of training experts in various disciplines within the Office
2.	Kenya School of Government(KSG)	<ul style="list-style-type: none"> As partners in the proposed establishment of the OAG Academy Induction As a trainer for various management courses 	<ul style="list-style-type: none"> To ensure the successful implementation of the induction for newly recruited Audit Associates To build leadership, managerial and supervisory competencies
3.	ICPAK	As a trainer for various Audit and Accounting trainings	<ul style="list-style-type: none"> To build financial and Audit competencies among the Auditors Enhance performance of Auditors
4.	Other professional bodies such as; <ul style="list-style-type: none"> The Institute of Human Resource Management (IHRM) Public Relations Society of Kenya(PRSK) Academy of Certified Human Resource Professionals (ACHRP) Kenya Associations of Records Management and Archivists (KARMA) Law Society of Kenya (LSK) 	As trainers for professional courses	<ul style="list-style-type: none"> To build professional competencies among staff Enhance performance of staff
5.	Development Partners	To provide financial and technical support in capacity building initiatives	Enabled the Office implement various trainings

6.	<ul style="list-style-type: none"> • INTOSAI-IDI • AFROSAI-E. Swedish National Audit Office • UK National Audit Office • French Court of Accounts • Netherlands Court of Audit. 	<ul style="list-style-type: none"> • As trainers for various trainings • As organisers of trainings that utilise our staff as resource persons 	<ul style="list-style-type: none"> • To build financial and Audit competencies among staff • Building a competent body of training experts in various disciplines within the Office
7.	Kenya Defence Forces	<ul style="list-style-type: none"> • Training on Information Security • Training on audit process 	<ul style="list-style-type: none"> • Building staff capacity on the sensitivity of all Government information.

THE WORK SPACE

The Office strives to provide staff with a conducive and comfortable work environment in order to increase performance and enhance service delivery. OAG has engaged the State Department for Public Works over the proposed construction of its headquarters building in Nairobi. Plans are also underway to commence construction of OAG Offices in Mombasa to effectively serve the Coast region.

We have presence in thirteen (13) regions spread across the country. We have managed to lease office space to a number of Government agencies in Eldoret and Garissa resulting in increased revenue base in form of Appropriation- In- Aid.

To ensure safety of our staff and property, we have conducted fire safety trainings in collaboration with some of the relevant agencies aimed at improving our emergency preparedness and response in our various offices.

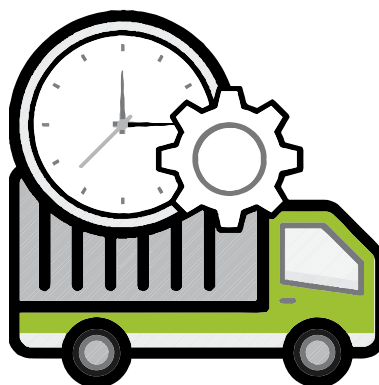
SUPPLY CHAIN MANAGEMENT

The Office awarded tenders worth more than Kshs.309m for supply of various goods, services and works in line with the Procurement Plan and the Public Procurement and Assets Disposal Act, 2015.

We however, did not realise 100 percent budget absorption due to the following challenges:

- Price fluctuations in the global market made it difficult for some items to be procured due to variance between the planned cost and the actual cost of acquisition especially due to covid-19 pandemic.

- Majority of the technology related items especially ICT equipment and their consumables were affected by long lead times as a result of market disruptions and global



logistical challenges. Due to this, some contracts could not be fully executed within the financial year.

- Frequent suspensions of the Integrated Financial Management Information System (IFMIS) hindered effective implementation of the procurement plan.
- The quarterly budgetary allocation was a major challenge to the procurement of high value goods, services and works.
- Inadequate understanding of the newly introduced standard tender documents for use in the procurement processes by tenderers has resulted in many bids being unresponsive thus leading to repeat of procurement processes.

FLEET ESTABLISHMENT

During the year under review, we had a total fleet establishment of 108 vehicles at the Headquarters and Regional Offices. A total of 13 vehicles were boarded to reduce operational costs. This has gone a long way in provision of efficient logistical support thus ensuring uninterrupted delivery of quality and timely audit services to our clients in line with our vision of ‘*Making a difference in the lives and livelihood of the Kenyan People*’.

Our vehicle allocation strategy is to have appropriate and newer vehicles in the Regional Offices to cover long distances and rough terrains. Our target is to have at least one vehicle per County. The average fleet availability at the Head Office is 79.8 percent while that of the regional offices is 91.7 percent.



SECURING OUR RECORDS



The Office in collaboration with the Kenya National Archives and Documentation Services conducted a records survey exercise at the Headquarters and the Regional offices to appraise its records in line with the provisions of section 4(1, a) and (b) of the Public Archives and Documentation Service Act, 2018.

Proper records management facilitates easy retrieval of relevant documents to ensure timely, efficient and effective service delivery to the citizens.

THE LEGAL FRAMEWORKS

During the period, we engaged stakeholders in the review of the Public Audit Act, 2015, which is still ongoing.

We have also developed an in-house Data Protection and Secure Transfer of Information Policies to protect privacy of information and personal data.

Further, we have developed a litigation database to keep track of case progress, developed a database to enhance management of contracts and put up mechanisms to ensure legal documents served are accessed on time.



RISK MANAGEMENT

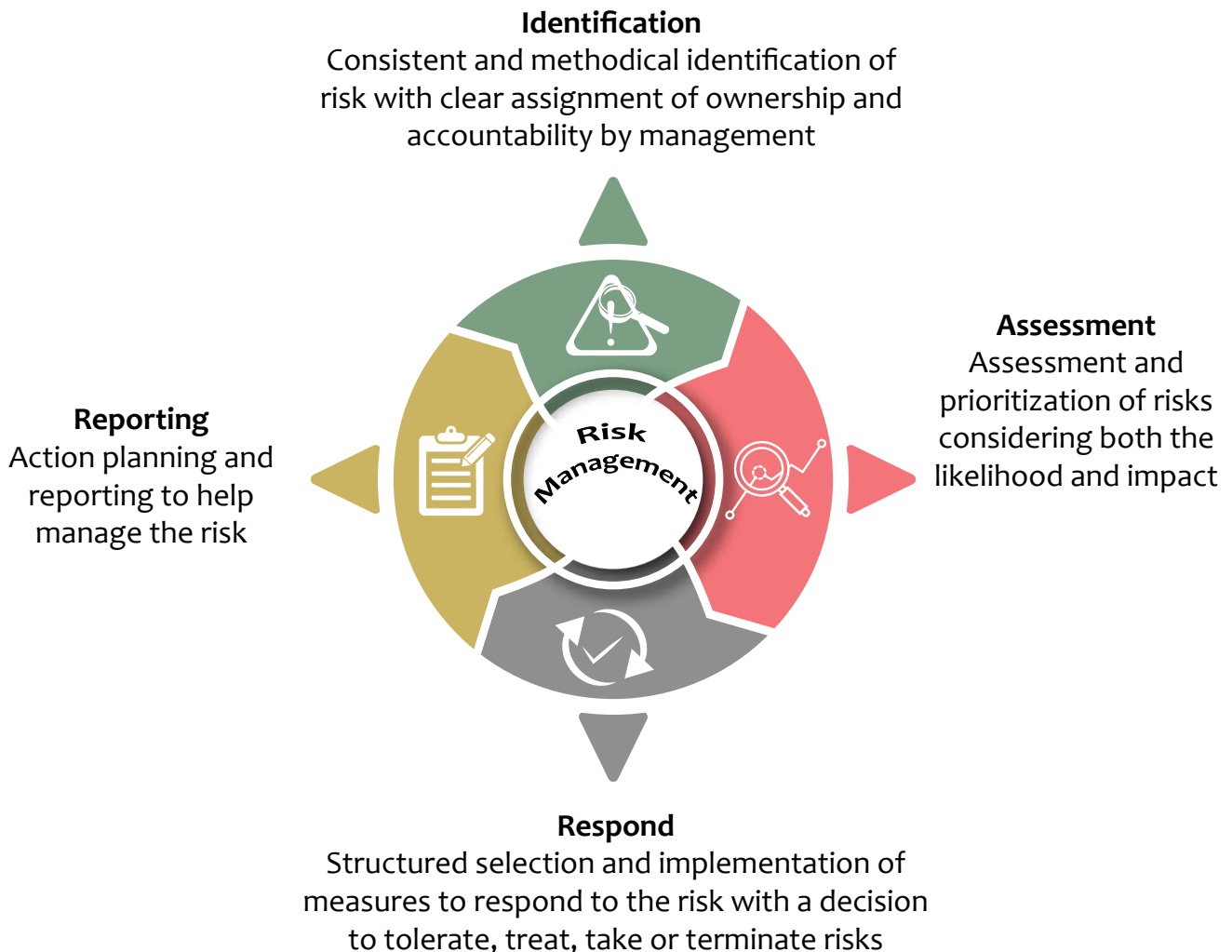
The Office is exposed to a variety of risks as it strives to achieve its role and mandate anchored on the Strategic Plan. These risks are identified, managed and assessed within a risk management framework.

We have an Internal Audit Directorate which provides an independent and objective assessment of our performance.

We have also established an Audit, Risk and Compliance Committee (ARCC) which is mandated to provide independent advisory

and assurance to the Auditor-General through the provision of oversight on OAG operations and work plans. The Committee comprises eight members; five OAG staff and three independent members. Effective management of risks in systems and operations is critical in mitigating risks.

To this end, the Internal Audit Directorate implemented automation of its audit process through adoption of the web-based TeamMate+ within 2021/2022 FY. Below is the OAG risk Management process;



We have identified the following risks that are likely to impact on our operations and outlined how the Office will manage them:

Categories	Risk Description	Impact	Verdicts
Governance	<ul style="list-style-type: none"> • Risk arising from the conflicting demands of our stakeholders (Parliament, management, employees, the public, regulators). Impacts may be primarily reputational as well as financial. • Compliance with the law 	High	<ul style="list-style-type: none"> • Enhanced stakeholder engagement • Potential conflicts of interest are avoided and or disclosed
Strategic	Loss of reputation, independence and audit failure leading to incorrect reports	High	<ul style="list-style-type: none"> • Seamless quality review and assurance of OAG reports • Enhance branding • Accepts a low level of risk where there are significant opportunities to serve our core stakeholders and achieve our mission
Reputational	Risks resulting from any action, event or situation that could adversely or beneficially impact on OAG reputation	High	<ul style="list-style-type: none"> • Enhanced stakeholder engagement • The OAG has zero appetite for activities that could lead to undue adverse publicity
Operational	<ul style="list-style-type: none"> • Risks resulting from inadequate or failed internal processes. • People and systems from external events. • Structural risks • Compliance with rules and regulations 	High	<ul style="list-style-type: none"> • OAG Upgrade of internal systems and procedures • Has zero operational appetite for fraud, losses and corruption • Zero tolerance for IT and data security breaches • Employs suitably skilled and experienced staff • Is an equal opportunity employer • Zero tolerance with regards to non-compliance with agreements, legislation and policies • Zero appetite for legal action against the Office
Financial	<ul style="list-style-type: none"> • Risk arising from inadequate resources to deliver OAG mandate 	High	<ul style="list-style-type: none"> • Resource Lobbying and mobilisation

CONTRIBUTION TO SDGS

In carrying out our role, we conduct audits that impact on the achievement of the Sustainable Development Goals (SDGs) as well as African Union (AU) Agenda 2063 and our National Development Plan, Vision 2030. Through our audits, we assess and recommend appropriate interventions that speak to the SDGs. During the year under review, we conducted audits and engaged in programmes that focused on the following SDGs:

SDG 3: Ensure healthy lives and promote well-being for all at all ages.



We carried out audits and engaged in other activities that had a bearing on access to quality healthcare services.

- We carried out a special audit on the roll out of Covid 19 vaccines in the country.

SDG 4: Quality Education



Our report on Expansion, Improvement and Maintenance of Infrastructure in Public Primary Schools speaks to SDG 4 - “ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all”. The report in-

dicates that there is no long-term plan for expansion, improvement and maintenance of infrastructure in the schools. This is attributed to inadequate needs assessment, inadequate budget and lack of adequate guiding policy on infrastructure standards. The report recommends that the Ministry of Education carries out comprehensive assessment of infrastructure status in the schools to enable it develop a long-term plan for infrastructural development.

SDG 6: Clean water and sanitation



We carried out an audit on the Enforcement of environmental regulations on efficient management in slaughter houses by National Environ-

ment Management Authority (NEMA).

This audit focused on target 6.3 of SDG 6 which is outlined below:

- By 2030, improve water quality by reducing pollution, eliminating dumping and minimising the release of hazardous chemicals and materials; halving the proportions of untreated waste water and substantially increasing recycling and safe reuse globally.

The audit established that although the National Environment Management Authority (NEMA) has developed regulations that should ensure proper effluent management

in slaughter houses, it has not been able to adequately enforce these regulations.

SDG 10: Reduced inequalities



We ensure that our recruitment process addresses the diversity component by ensuring gender parity, age inclusion and giving a chance to people living with

disabilities.

The Office is also giving opportunities to the youth, women and people living with disabilities in supply of goods and services, to create opportunities for economic empowerment of these groups.

We also conducted an audit on Provision of Services to Persons with Disabilities and established that the economic empowerment programme has not improved the economic status of persons

with disabilities. In the report, analysis of applications for funding indicated that out of 2,098 groups that applied for the National Council for Persons With Disabilities grant only 578 groups were awarded, representing 28 percent.

SDG 16: Peace, Justice and strong institutions



In order to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and in-

clusive institutions at all levels, we conducted an audit on the implementation of the dispensation of justice programmes by the Judiciary.

The report established that the judiciary had not fully implemented the Integrated Case Management System (ICMS), thus affecting the efficiency in dispensation of justice.



CHAPTER 4: ENGAGING STAKEHOLDERS



OAG Kenya staff and their Ugandan counterparts during a courtesy call on Kenya's Parliament

Stakeholder engagement is key in ensuring that there is prudence in the management of financial resources.

We commit to ensuring that our work resonates with the needs of the citizens and other stakeholders in line with the International Standards of Supreme Audit Institutions **Principle 12** (INTOSAI-P12) The Value and Benefits of Supreme Audit Institutions –

making a difference to the lives of citizens.

Our stakeholder engagement is aimed at ensuring that stakeholders interrogate our reports and hold leaders to account on the use of public resources.

We commit to having continuous engagements with our stakeholders by facilitating their participation in the audit process.

Below are some of our key stakeholders :-

CITIZENS

Our role is to audit and report to citizens through their representatives, Parliament. We therefore owe a huge responsibility to the citizens to deliver quality audit reports. We do this by ensuring easy accessibility and simplification of the reports.

Apart from making the summarized audit reports available, we translated the National Audit Report for 2019/2020 into Kiswahili. The translation was informed by the desire to expand the reach of audit findings and to make every citizen part and parcel of the accountability process in the use and management of public funds.

We have, for a long time been publishing our reports in English and this may have

disadvantaged many Kenyans who speak, read and understand Kiswahili language more comfortably than the English language.

Accessibility of our audit reports by the citizens will encourage them to read, understand and participate more in the decision-making process by calling those entrusted with the management of public resources to account. We are in the process of coming up with simplified versions of our audit reports.

In line with the International Standards of Supreme Audit Institutions (ISSAIs) and the Public Audit Act, 2015, we are alive to the requirement of accessibility and availability of audit reports to the citizens.

In this regard, we revamped our website for easy navigation by stakeholders who seek access to audit reports. The data shows the number of downloads on our website:



Website downloads by our stakeholders

AUDIT REPORTS PAGES	DOWNLOADS
County Governments Audit Reports	14370
National Government Audit Reports	11406
State Corporations Audit Reports	9043
2019/2020 County Government Audit Reports	6209
2019/2020 County Government Audit Reports	6099
Financial Audit Reports	6053
CDF Audit Reports	5989
2019/2020 State Corporations Audit Reports	5014
Special Audit reports	4786
Performance Audit reports	4271
2018/2019 County Government Audit Reports	4002
2019/2020 National Government Audit Reports	3991
2018/2019 State Corporations Audit Reports	3004
2019/2020 Constituency Development Fund Audit Reports	2835
Annual Corporate Reports	147
2019/2020 National Government Audit Reports	143
2020/2021 Constituency Development Fund Audit Reports	128
2018/2019 State Corporations Audit Reports	119
2017/2018 County Government Audit Reports	105
2016/2017 County Government Audit Reports	102
2018/2019 Constituency Development Fund Audit Reports	102
2021/2022 County Government Audit Reports	101
2017/2018 State Corporations Audit Reports	89
Kiswahili Audit Reports	87
Publications	83
National & County Governments	80
2016/2017 State Corporations Audit Reports	78
2020/2021 Constituency Development Fund Audit Reports	61
2020/2021 State Corporations Audit Reports	58
2018/2019 National Government Audit Reports	57
2017/2018 Constituency Development Fund Audit Reports	55
2016/2017 Constituency Development Fund Audit Reports	55
TOTAL	88722

MEDIA ENGAGEMENT



The Media, being opinion shapers through their reporting, have been instrumental in the accountability process. This is outlined

in the INTOSAI P-12 that requires Supreme Audit Institutions to engage with the media to enhance understanding of their mandate.

During the financial year 2021/2022, we held four media workshops and trained approximately 80 journalists. Through these workshops, we provided the media with an opportunity to enhance their understanding of the audit process for accurate reporting and dissemination of audit findings.

We have also been conducting continuous assessments on the accuracy of reporting by journalists who have been trained on the audit process. The assessment informs interventions that help to improve subsequent media engagements.

We have observed positive trends from these findings as illustrated below: -

Accuracy of media articles On Audit Findings (July, 2021 – June, 2022)

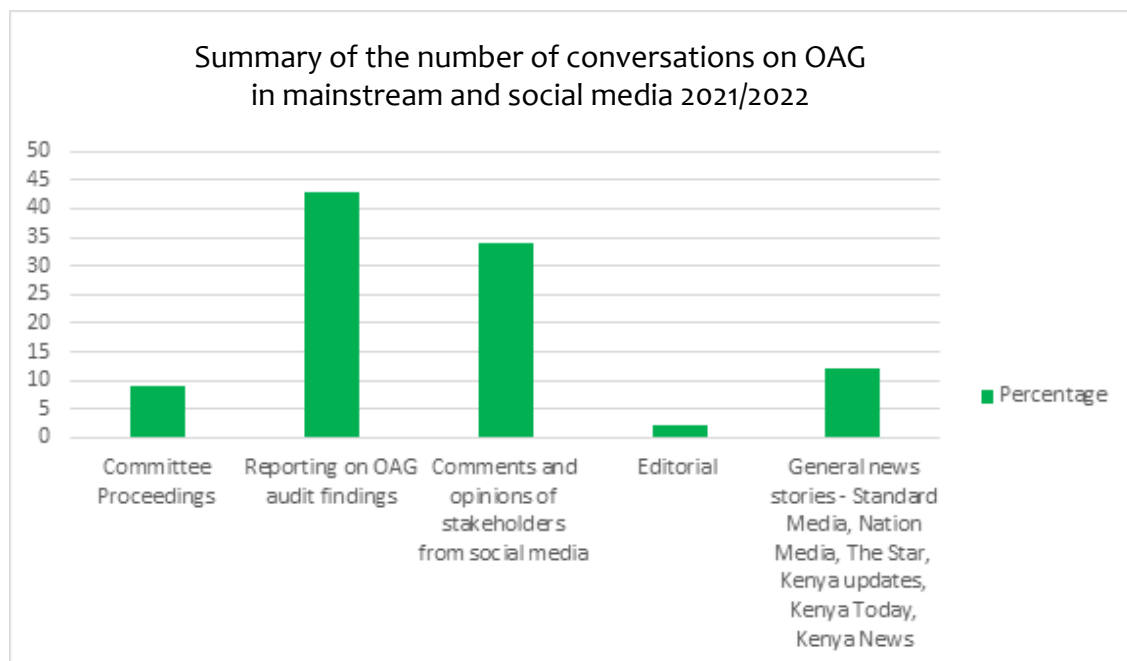
Month	Number of articles reviewed	Number of accurate articles	Percentage of accurate articles (%)
July	18	13	72
August	17	15	88
September	20	14	70
October	16	12	75
November	14	13	92
December	12	10	83
January	16	13	81
February	18	15	83
March	22	21	95
April	25	18	72
May	20	16	80
June	15	14	93
TOTAL	233	182	Average: 88 per cent

VISIBILITY FOR IMPACT

During the period under review, our work elicited enhanced public interest. The table below captures the Media conversations touching on our Mandate between July 2021 – June 2022.

Summary of number of conversations on OAG in mainstream and social media for 2021/2022.

Conversations	No. of sittings	Percentage
Committee proceedings	281	9
Reporting on OAG audit findings	1,326	43
Comments and opinions of Stakeholders from social media	1045	34
Editorial	57	2
General news stories- Standard media, Nation Media, The Star, Kenya updates, Kenya Today, Kenya News.	340	12
Total	3,049	100



PARLIAMENT AND COUNTY ASSEMBLIES

Our Office performs an oversight role for Parliament by ensuring that we give the necessary technical support.

After Committee hearings are completed, the Parliamentary and County Assembly Committees with the support of the Office, give recommendations which must be implemented by the entity concerned. Thereafter, the Auditor-General follows up to confirm whether the recommendations have been implemented. We do this by guiding the Oversight Committees of Parliament and the County Assemblies in interpretation of the Auditor-General's reports and follow-up on recommendations.

We support Parliament and County Assemblies in report writing and follow-up on the implementation of committees' recommendations. We have developed a framework for tracking implementation of audit recommendations and we are collaborating with other institutions to improve on the follow-up. This is intended to improve performance of government institutions.

During the year under review, we supported 190 sessions of the Public Accounts Committee (PAC) of the National Assembly examining the Auditor-General's reports on expenditure of the National Government.

During this period, the Committee deliberated and finalized on the Auditor-General's report for two financial years (2018/19 and 2019/20). The Committee also interrogated the Auditor-General's report for financial year 2020/21 for twenty-one (21) State Departments.

Further, we supported the Public Investments Committee (PIC) of the National Assembly which held 79 sessions to discuss findings in the Auditor-General's reports. The Committee also deliberated and made recommendations on the Special Audit Report on the utilization of Covid-19 Funds by KEMSA and adopted the Special Audit Report on the Lake Turkana Wind Power Project (LTWP).

Additionally, the Office supported 59 sessions of the Special Funds Accounts Committee (SFAC) where Reports of the Auditor-General on National Government Constituency Development Funds and other



National Government Funds were deliberated and forwarded to the National Assembly for adoption.

During the period, we supported Public Accounts and Investments Committee (PAIC) of the Senate in 143 sessions. The Committee discussed the Auditor-General's report for the financial year 2018/19 and for financial year 2019/20, eleven (11) County Executives and nine (9) County Assemblies. The Senate adopted 38 reports by PAIC of the Senate. They also deliberated and adopted special audit Report on Utilization of Covid-19 Funds by KEMSA .

The Office provided technical support to the 47 County Assemblies during sessions to deliberate on our reports.

AUDITEES

Auditees are key stakeholders in the delivery of our services. We continuously engage them to understand their needs while at the same time outline our expectations from them. In the period we engaged Accounting Officers of Ministries, Departments and Agencies, County Governments, Universities, Technical and Vocational Education and Training Authorities (TVETs) and Commissions. The engagements focused on understanding the audit process, critical areas to focus on during audit, as well as feedback on previous engagements with OAG.

DEVELOPMENT PARTNERS

Development Partners play a critical role in enabling us achieve our mandate. We

continue to work with our partners who offer budgetary support, programmes coordination, technical and capacity building assistance as well as advisory services. This is to enhance specialisation and deliver improved development results of the Office.

Our partners include: the Swedish National Office (SNAO), Swedish International Development Cooperation Agency (SIDA), the German Development Agency – Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ), the French Court of Accounts, Agence Française de Développement (AFD), World Bank, DANIDA, African Development Bank (ADB), Global Fund, United Nations Development Programme (UNDP), Kenya Devolution Support Programme (KDSP) and the Public Financial Management Reforms Kenya (PFMR). We also work closely with other Supreme Audit Institutions (SAIs) and International bodies.

OUR GLOBAL CONTRIBUTIONS

We are part of the audit community, discharging roles in various capacities in the global and regional associations and giving peer support to a number of Supreme Audit Institutions. Our Auditor-General, CPA Nancy Gathungu, CBS, sits at the African Organisation of Supreme Audit Institution as the Chair of the Institutional and Capacity Building Committee. At the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) she is the Vice Chair.

Further, we are involved in giving peer support

under the INTOSAI-IDI programme to Supreme Audit Institutions (SAIs) of Gambia and South Sudan. Some of our staff are also involved in a number of AFROSAI-E's and IDI's programmes as resource persons in various disciplines. Our members of staff also participated in Information Systems (IS) Audit support for SAI of Eswatini, under the AFROSAI-E's peer review programme.

At the INTOSAI we are members of the Workstream on Guides and Occasional papers of INTOSAI-Capacity Building Committee. The role of the workstream is to manage the production and maintenance of CBC guides and occasional papers, and updates them as required. Additionally we sit in the INTOSAI-CBC Editorial Board, which provides editorial support to CBC's website content.

The Office is supported by the Swedish

National Audit Office in an East African regional cooperation. The arrangement has Kenya, Uganda, Tanzania and Rwanda and focuses on strategies for external relations, with emphasis on how to create impact on the lives of the people.

We also Chair the Board of audit of Common Market for Eastern and Southern Africa (COMESA) Organs and Institutions, and provide the lead in the International Conference on the Great Lakes Region (ICGLR). The COMESA Board of External Auditors (COBEA) was created through the resolution of the COMESA Council of Ministers in 2016. The mandate of the Board is under Article 169 of the COMESA Treaty which stipulates that external auditors, who are appointed by the Council, shall audit annual accounts prepared by the Secretariat in line with set international standards.



Auditors-General from East Africa and Zimbabwe during a partnership meeting with Swedish National Audit Office in Stockholm, Sweden.

CHAPTER 5: ASSESSMENT OF OUR PERFORMANCE

Every year we conduct a self-assessment based on the African Organisation of English-speaking Supreme Audit Institution's (AFROSAI-E) Institutional Capacity Building Framework (ICBF).

The ICBF assesses the level of development of SAIs on five areas (domains), which are critical for professional and capacity development of a SAI. The domains are:

- Independence and Legal Framework
- Organisation and Management
- Human Resources
- Audit Standards and Methodology
- Communication and Stakeholder Management

The ICBF can be used:

- As a tool for a SAI's general self-assessment.
- For a SAI's identification of areas of improvement and how these can be achieved with an institutional perspective (capacity building).
- For a SAI's benchmarking with other SAIs.
- As a basis among the AFROSAI-E members for common vocabulary and thinking (strategic and others).

- As a basis at the AFROSAI-E Secretariat for planning, development of manuals and guidelines, workshops, monitoring and evaluation.

These five development levels are assessed and graded as level 1 to 5. These levels are:

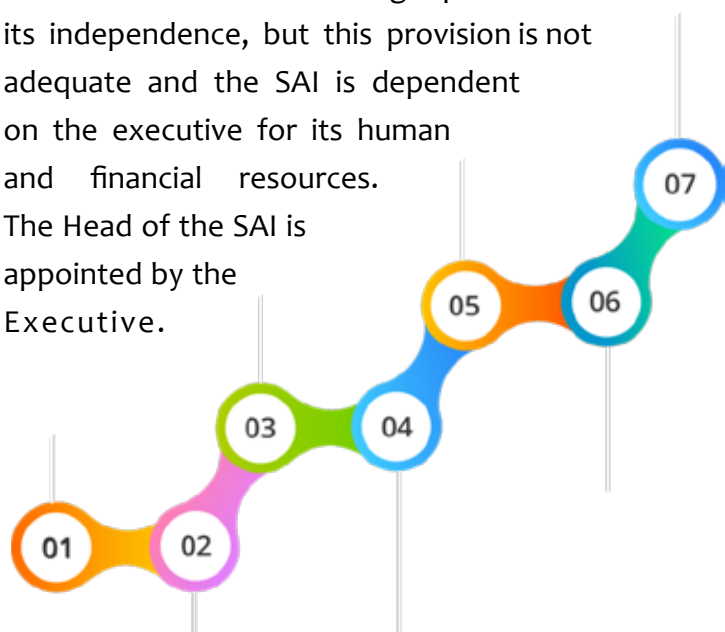
• **Level 1 – the Founding level**

At this score a SAI exists, but everything is very rudimentary. The SAI is part of the executive government structure and not independent in any area. The audit work is not organized according to a strategic, annual operational or audit work plan and the work is not carried out according to the INTOSAI Code of Ethics.

Level 2 – the development level

A SAI exists and has some legal provisions for its independence, but this provision is not adequate and the SAI is dependent on the executive for its human and financial resources.

The Head of the SAI is appointed by the Executive.



Access to information, discretion to select audit topics, freedom to decide on content, timing and publishing of reports can be provided by the legislation, but is not carried out without obstacles. The SAI has no direct access to parliament to submit audit reports. Strategic, annual operational, audit, development and communication plans and the thinking behind these can be under planning or development but are not implemented.

- **Level 3 – the established level**

The plans prepared or under development at level 2 are implemented at level 3, however improvement in some areas or in the implementation is needed. The SAI has a legislative, administrative/managerial and financial independence. The SAI reports directly to parliament.

The Head of SAI is appointed by and can only be removed by parliament. Functional strategic and operational plans are implemented as well as important quality control requirements for the SAI as set by the Top Management.

Level 4 – the managed level

Full compliance with all requirements on level 3 is achieved by the SAI that is all the requirements for the 5 domains and the individual elements in the domains. The SAI and the key stakeholder are fully satisfied at level 4 with the implementation of plans and procedures.

The SAI has at level 4 therefore, achieved a full sustainable development. In addition to the

conditions at level 3, the SAI is capable of managing its core business in the most cost efficient and cost-effective way.

Level 5 – the optimized level

The SAI complies fully with all requirements on level 4. On the optimized level, level 5, the SAI is able to scan the environment and position itself and by that use the resources in the most proactive and value adding way.

To optimize its use of resources the SAI must constantly evaluate, analyze and assess its policies, objectives, strategies, systems, procedures, capacity, the skill of its staff and the impact of its decisions.

OUR SCORES

In the period ending December 31, 2021, we posted the following scores on the five domains:

Domain	2021 scores
Independence and Legal Framework	3.04
Organisation and Management	2.65
Human Resources	2.77
Audit Standards and Methodology	3.00
Communication and Stakeholder Management	2.73

ICBF scores for the last five years (Source: AFROSAI-E)

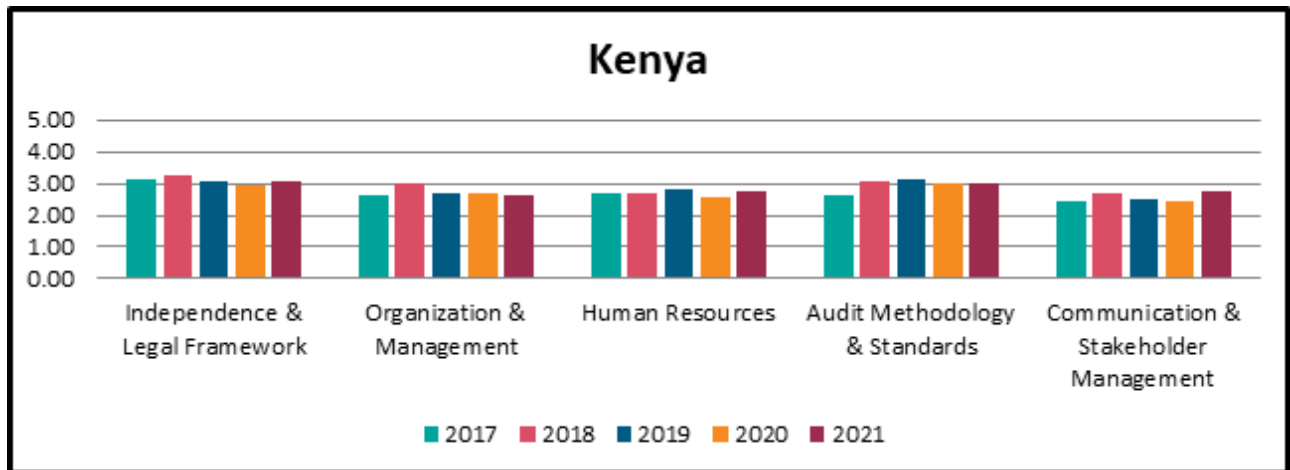
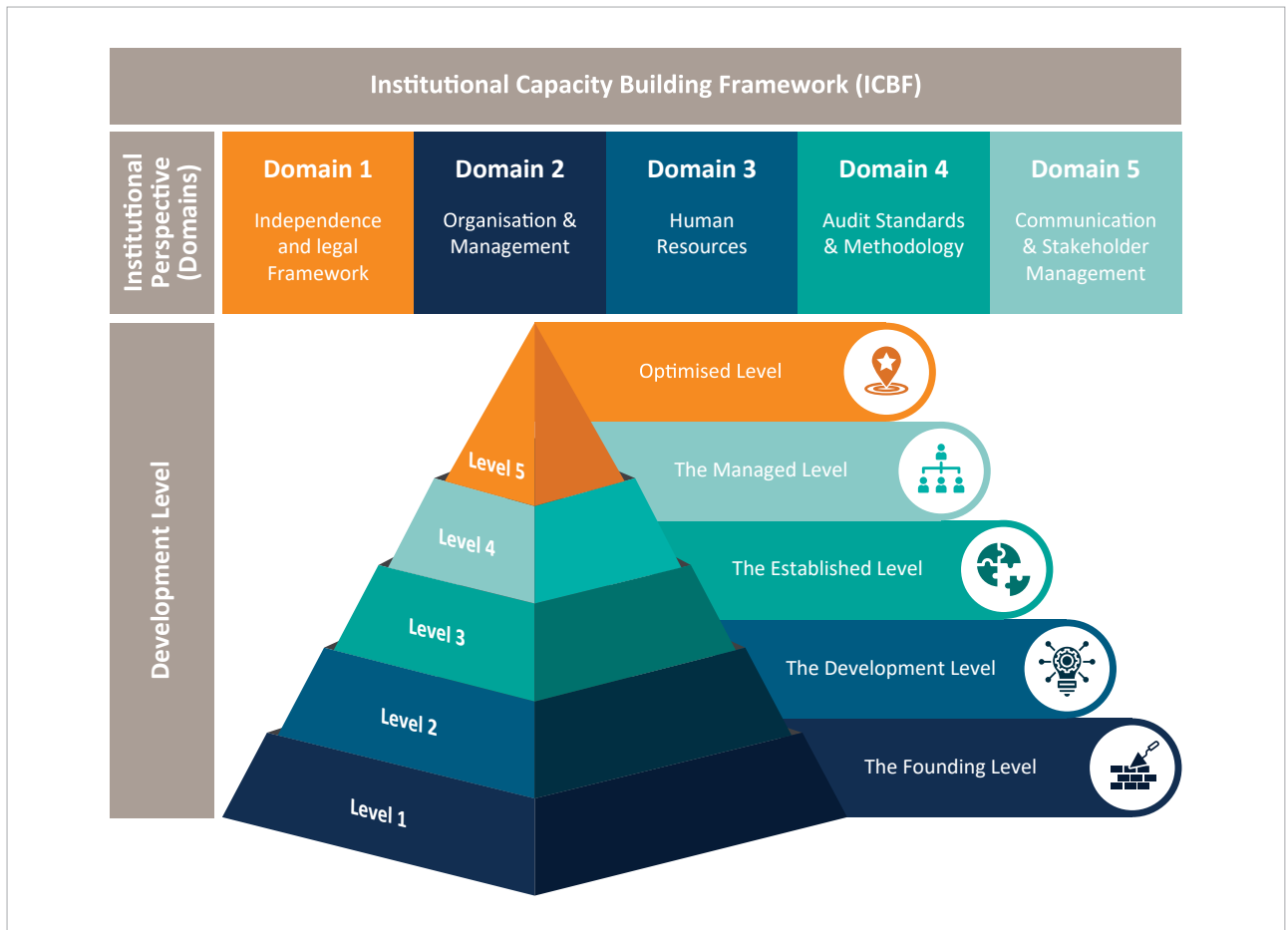


Illustration of the ICBF - Source: AFROSAI-E



CHAPTER 6: FINANCIAL STATEMENTS

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

Attached are the OAG's financial statements for the period ended June 2022:



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6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	5,310,484,973	5,344,579,480
Other Receipts	2	360,161,836	187,415,144
TOTAL		<u>5,670,646,809</u>	<u>5,531,994,624</u>
PAYMENTS			
Compensation of Employees	3	3,827,228,917	3,644,508,684
Use of goods and services	4	1,558,197,302	1,388,626,233
Social Security Benefits	5	0	2,868,465
Acquisition of Assets	6	227,685,962	312,562,001
TOTAL PAYMENTS		5,613,112,181	5,348,565,383
SURPLUS/DEFICIT		57,534,629	183,429,241

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29/09/2022 and signed by:



Auditor-General
CPA Nancy Gathungu, CBS
ICPAK NO:4893



Deputy Auditor-General (CS)
Joyce Mbaabu
ICPAK NO:10868

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7. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7A	357,312,440	395,144,524
Cash Balances	7B	851,330	1,186,550
Total Cash and cash equivalent		<u>358,163,770</u>	<u>396,331,074</u>
Accounts Receivables	8	76,574,342	2,511,410
TOTAL FINANCIAL ASSETS		<u>434,738,112</u>	<u>398,842,484</u>
FINANCIAL LIABILITIES			
Accounts Payables	9	(373,505,523)	(188,540,774)
NET FINANCIAL ASSETS		<u>61,232,589</u>	<u>210,301,710</u>
REPRESENTED BY			
Fund balance B/fwd	10	210,301,709	67,201,482
Prior year adjustment	11	-206,603,750	(40,329,014)
Surplus/Deficit for the year		57,534,629	<u>183,429,241</u>
		0	
NET FINANCIAL POSSITION		<u>61,232,588</u>	<u>210,301,710</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 21/09/2022 and signed by:



Auditor-General
CPA Nancy Gathungu, CBS
ICPAK NO:4893



Deputy Auditor-General (CS)
Joyce Mbaabu
ICPAK NO:10868

OFFICE OF THE AUDITOR-GENERAL
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8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022

		2021-2022	2021-2022
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	5,310,484,973	5,344,579,480
Other Receipts	2	360,161,836	187,415,144
		5,670,646,809	5,531,994,624
Payments for operating expenses			
Compensation of Employees	3	3,827,228,917	3,644,508,684
Use of goods and services	4	1,558,197,302	1,388,626,233
Social Security Benefits	5	0	2,868,465
		5,385,426,219	5,036,003,382
Adjusted for:			
Adjustments during the year			
Decrease/(Increase) in Accounts Receivable	12	-74,062,932	59,272,145
Increase/(Decrease) in Accounts Payable	13	184,964,749	61,984,330
Prior Year Adjustments	11	-206,603,750	-40,329,014
Net cash flow from operating activities		-95,701,933	576,918,704
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	-227,685,962	-312,562,001
Net cash flows from Investing Activities		-227,685,962	-312,562,001
NET INCREASE IN CASH AND CASH EQUIVALENT		-38,167,304	264,356,702
Cash and cash equivalent at BEGINNING of the year	7	396,331,073	131,974,371
Cash and cash equivalent at END of the year	7	358,163,769	396,331,073

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29/09/2022 and signed by:



Auditor-General
CPA Nancy Gathungu, CBS
ICPAK NO:4893



Deputy Auditor-General (CS)
Joyce Mbaabu
ICPAK NO:10868


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9. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	5,756,450,390	37,000,000	5,793,450,390	5,310,484,973	482,965,417	92%
Other Receipts (AIA)	150,000,000	140,000,000	290,000,000	360,161,836	(70,161,836)	124%
TOTAL RECEIPTS	5,906,450,390	177,000,000	6,083,450,390	5,670,646,809	412,803,581	93%
PAYMENTS						
Compensation of Employees	4,066,460,000	-169,000,000	3,897,460,000	3,827,228,917	73,880,627	98%
Use of goods and services	1,510,911,700	418,000,000	1,928,911,700	1,558,197,302	370,714,398	89%
Social Security Benefits	3,042,100	-3,000,000	42,100	0	42,100	0%
Acquisition of Assets	326,036,590	-69,000,000	257,036,590	227,685,962	29,350,628	89%
TOTAL PAYMENTS	5,906,450,390	177,000,000	6,083,450,390	5,613,112,181	473,987,753	92%
Surplus/ Deficit				57,534,629		

(i) The changes between the original and final budget are as a result of supplementary budgets approved within the year.
(ii) Under-utilization in use of goods and services and acquisition of assets is due to shortfall in exchequer receipts.

The entity financial statements were approved on 27/09/2022 and signed by:


Auditor-General
CPA Nancy Gathungu, CBS
ICPAK NO:4893


Deputy Auditor-General (CS)
Joyce Mbaabu
ICPAK NO:10868



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