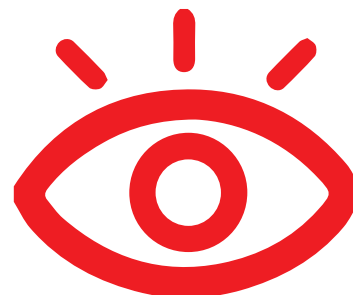


# Supreme Auditor

A Publication of the Office of the Auditor-General, Kenya • Issue 15 • January-June 2023



## AG's from Africa Sign MoU to Combat Illicit Financial Flows (IFFs)



## **VISION**

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



## **MISSION**

Audit services that impact  
on effective and sustainable  
service delivery



## **OUR CORE VALUES**

Integrity ● Credibility ● Relevance  
Accountability ● Independence



# Editor's Note

**W**elcome to the 15th Edition of the Supreme Auditor Magazine.

In this edition, we cover stories that we hope will pique your interest and build on your inquisitive nature in the eternal quest for knowledge.

We lead with an article on Illicit Financial Flows (IFFs). Auditors-General from across Africa recently met in Nairobi for signing of a Memorandum of Understanding (MoU) on Coordinated Audits of IFFs.

Next, we focus on implementation of audit recommendations, outlining the ultimate goal of auditing and exploring how different agencies can work together to ensure audited entities implement these recommendations, for improved impact on the lives of Kenyans.

Talking about Kenyans, this edition also features the role of the citizens in auditing. Given the important stake citizens hold in the accountability process we have incorporated them in citizen accountability audits, which have yielded a number of audit reports. Further, we are exploring ways of automating their involvement in the audit, and how this can be done is shared in this publication, from a benchmarking experience in Ghana.

The Ghana experience is a precursor to a planned mobile phone-based technology application platform that will take citizen engagement to greater heights, ensuring that there are tangible results in the lives and livelihoods of the citizens. The edition also highlights how Supreme Audit Institutions can measure their performances against set targets. The Monitoring and Evaluation article explores this deeper, and gives valuable insights on tracking performance.

Also featured is a journalist's perspective in dealing with audit reports and how he navigates the technical audit jargons to extract the salient findings, for effective and accurate reporting.

These are just a sample of the content of this publication. More stories are featured in this edition to keep you engaged through-out your reading.

Enjoy!

*Anne Wambui*

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# Coordinated Regional Audit On Illicit Financial Flows (IFFs)

By Peter Opiyo

**A**frica loses about US\$88.6 billion, or 3.7 per cent of its gross domestic product (GDP) annually to Illicit Financial Flows (IFFs). The Economic Development in Africa Report, 2020 by the UN Conference on Trade and Development (UNCTAD) estimates that this amounts to nearly half of the US\$ 200 billion financing gap the continent must bridge to achieve the Sustainable Development Goals (SDGs).

This concern has led to Supreme Audit Institutions (SAIs) in Africa coming together and joining hands to conduct a regional coordinated audit on Illicit Financial Flows (IFFs) to fight the vice.

Under the umbrella of the African Organisation of Supreme Audit Institutions (AFROSAI), 14 SAIs meeting in Nairobi appended their signatures to a Memorandum of Understanding (MoU) on coordinated audits of Illicit Financial Flows between them and the AFROSAI's

Institutional and Technical Capacity Building Committee. However, the SAIs that have expressed willingness to take part in the audit are 18 but some could not attend the event due to unavoidable circumstances.

The MoU provides a framework for implementation of the regional coordinated audit on IFFs, with focus on legislative, regulatory and institutional framework for tax revenue mobilization.

The coordinated audit will be implemented with the support of AFROSAI's partner organizations to maintain good financial governance in Africa, notably the African Tax Administration Forum (ATAF), the Collaborative Africa Budget Reform Initiative (CABRI) and the African Organization of Public Accounts Committees (AFROPAC).

The goal of the coordinated audit is to enhance public sector management and governance by improving public policies relating to the fight against IFFs which, because of their cross-sectorial, multidimensional and cross-border nature,

require the joint efforts of countries at the regional level.

Kenya's Auditor-General and Chair of AFROSAI's Institutional and Technical Capacity Building Committee, CPA Nancy Gathungu, CBS, said IFFs have affected the economic growth of developing countries, thus concerted efforts to eradicate the flow of illegally earned income across borders, will do a great service to the citizens of these countries.

"Developing countries and in particular Africa continue to bear the brunt of IFFs", she said at the signing of the MoU in Nairobi, recently.

The German Development Agency (GIZ) echoed the sentiments of Ms Gathungu, pointing out that IFFs has adverse effects on the people of the continent and their countries' economic growth and development.

"SAIs are concerned by the huge challenge IFFs pose to the citizens. They are committed



to the region's initiative of a holistic approach by all stakeholders to deal with IFFs," Maurice Ochieng, the Agency's Programme Manager-Africa, said.

The Auditor-General pointed out that one avenue for potential corruption and IFF is during crises, and called for tougher measures to seal loopholes that exist in management of public resources during such times.

"As SAIs, through our audits on COVID-19 and other related crises, we have observed that responses to disasters increase the opportunities for corruption and IFFs due to the more relaxed safeguards and override of controls," she said.

Technical teams from the SAIs, that will take part in the audit, were trained at the Nairobi meeting on a number of parameters regarding the audit of IFFs.

This audit will be the second coordinated audit by AFROSAI, and it will look at tax revenue mobilization, focusing on the legislative, regulatory and institutional

frameworks and their ability to fight IFFs. The first coordinated audit was done in 2017/2018 and focused on Corruption as a driver of Illicit Financial Flows especially on Asset Declaration and Public Procurement Systems.

The UN Office on Drugs and Crime (UNODC), in its Strategic Vision for Africa 2030 launched in February 2021, notes that illicit financial flows will remain a key impediment to Africa's attainment of the 2030 Agenda and the African Union Agenda 2063.

Similarly, IFFs have been explicitly identified to be a threat to the attainment of SDGs and the Agenda 2063. Specifically, SDG 16 aims to, significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime by 2030.

The SAIs that are willing to take part in the audit;

- Contrôle Supérieur de l'Etat de la République du Cameroun
- Controller and Auditor General of Tanzania

- Cour des comptes de la République de Djibouti
- Cour des comptes de la République de Guinée
- Cour des comptes de la République de Guinée Bissau
- Cour des comptes de la République Démocratique du Congo
- Cour des comptes de la République du Niger
- Cour des comptes de la République du Sénégal
- Cour des comptes de la République Gabonaise
- Cour des comptes du Burkina Faso
- General Auditing Commission of Liberia
- Office of the Auditor General of Botswana
- Office of the Auditor General of Gambia
- Office of the Auditor General of Kenya
- Office of the Auditor General of Uganda
- Office of the Auditor General of Zambia
- Section des Comptes de la Cour Suprême des Comores.
- Audit Chamber of Sudan







# Safeguarding the Independence of Supreme Audit Institutions

Titus Gitonga

**S**upreme Audit Institutions (SAIs) are mandated to check on the governments' use and management of public resources through regular audits of government budgets, revenues and expenditures. To effectively carry out their mandate of ensuring proper use of public resources, SAIs must be independent of the public entities they audit.

The independence of SAIs has been recognised as an important concept under the International Organisation of Supreme Audit Institutions (INTOSAI) framework for professional practices. The Lima Declaration, endorsed in 1977, was the first INTOSAI document to comprehensively set out the importance of SAI independence, laying out three main principles of advocating for organisational, functional and financial control of SAIs.

The Mexico Declaration, which is also referred to as INTOSAI- P10, expands on the principles set by the Lima Declaration setting out the eight pillars of independence, which

constitutes the benchmark against which the Independence of a SAI can be compared. The eight pillars include requirements advocating for both legal expressions of independence

and practical measures by which SAIs should demonstrate their independence.

Legal Status	Heads of SAIs	Operations	Access to Information	Report Audit Results	Content and timing of audit reports	Effective follow-up mechanisms	Resources
<ul style="list-style-type: none"> <li>The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework.</li> </ul>	<ul style="list-style-type: none"> <li>The independence of Head of SAIs and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.</li> </ul>	<ul style="list-style-type: none"> <li>A sufficiently broad mandate and full discretion in the discharge of SAI functions.</li> </ul>	<ul style="list-style-type: none"> <li>Unrestricted access to information required to make decisions.</li> </ul>	<ul style="list-style-type: none"> <li>The right and obligation of SAIs to report on their work.</li> </ul>	<ul style="list-style-type: none"> <li>The freedom to decide the content and timing of audit reports, and to publish and disseminate them.</li> </ul>	<ul style="list-style-type: none"> <li>The existence of effective follow-up mechanisms on the SAI's recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>Financial and managerial/administrative autonomy, and the availability of appropriate human, material, and monetary resources.</li> </ul>

SAI Kenya, which is the Office of the Auditor-General (OAG), is one of the only two independent offices established under the 2010 Constitution. The other independent Office is the Controller of Budget (CoB).

The Constitution, under Chapter 15, also created ten Commissions. These Commissions deal with issues touching on: human rights; land and environment; elections, referenda and boundary reviews; public service appointments and conduct in the Executive, Judiciary and Parliament; allocation of revenue (for counties); and ethics, anti-corruption, gender and national cohesion.

The independence of the Constitutional Commissions and Independent Offices (CCIOs) is essential in line with their mandate to safeguard citizens' rights and deal with oversight of government processes and the conduct of public officials who include those holding positions of power at various levels in the government.

Independence of the SAIs is particularly significant in view of their role in safeguarding the public's interest in the management of public resources. The findings from the 2021 World Bank Supreme Audit Institutions Independence Index show that there is still much to be done to achieve independence of SAIs. The findings indicate that only 2 out of 118 countries assessed were rated as having very high independence. This shows that much needs to be done to meet the aspirations of the 2007 Mexico Declaration.

The absence of legal frameworks and institutions to provide for adequate independence can impair a SAIs' ability to support the fight against corruption. This in turn leads to lack of confidence by the public including investors in the government's ability to deliver services and safeguard investments, something that comes with dire consequences for the economy.

The low ratings of countries on SAIs' autonomy signifies that it cannot only be left to legal and institutional frameworks to safeguard SAIs' independence. External stakeholders involved in upholding public interests must step in for tangible benefits, to be realised. One such avenue for safeguarding SAIs' Independence is through Civil Society Organisations (CSOs) advocacy efforts.

In 2022, INTOSAI Development Initiative (IDI) and Transparency International (TI) developed a resource kit for CSOs on safeguarding the independence of SAIs. The resource kit seeks to assist CSOs to advocate for SAI independence effectively at the global, regional and national level and adds to other resources such as the SAI Independence Rapid Advocacy Mechanism (SIRAM).

Using the resource kit, CSOs can play a significant role in enhancing checks and balances to support the sovereignty of oversight institutions that hold governments to account. These toolkits also share strategies that have worked across the world in safeguarding SAIs' authority. In Kenya for example, in 2016, the courts through an intervention by Transparency International Kenya and other CSO actors, declared some sections of the Public Audit Act, 2015 as unconstitutional, as they were interfering with the independence of the Office of the Auditor General.

The progressive involvement of beneficiaries of government projects and services in the work of SAIs is contributing to anchoring their independence. There is therefore greater need for other stakeholders such as CSOs to play a role in safeguarding the independence of SAIs, in addition to the safeguards outlined in national legal frameworks.

*The writer is a Programme Coordinator at Transparency International (TI) Kenya.*







# **United in Our Diverse Roles to Safeguard Public Resources**

Dennis Odunga

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Photo Courtesy: www.freepik.com

**T**here is growing push to have institutions overseeing the use and management of public resources support each other to effectively nail corruption suspects.

A spot check on the feedback from a cross section of Kenyans points to one glaring outcry. Why are suspects of these audit queries freely and casually walking along the streets, some blatantly smiling at the damning revelations from the Office of the Auditor-General (OAG) and investigative agencies? Many, the mandate of the Auditor-General notwithstanding, argue that the Office should move beyond auditing and reporting and ensure the 'suspects are taken to court, locked up and the keys thrown away.'

For some like Michael Kenani\* (not his real name), many Kenyans especially the youths are leading hopeless lives due to misappropriation of public funds. The 22-year-old university graduate is angry and hungry. He is jobless and cannot come to terms with the reality that he is still heavily reliant on his mother to eke out a living. Sometimes, out of guilt that he has become a bother to his struggling parent, he forgoes meals. Kenani is one of the youths staring at an uncertain future, expectantly anticipating a change of circumstances. Manual jobs offer just a temporary reprieve to his growing list of needs.

Public resources, according to Kenani, are adequate for all Kenyans only if the wastage that is usually exposed by the Auditor-General, is checked. He specifically wants auditors to flag out issues in the audit reports to prompt relevant institutions to step in, as Kenyans of goodwill demand justice. "When you ask for evidence, don't just scratch the surface but dig deeper. Don't leave out elephants and pick on rabbits at the National Government and Counties. Focus on the big fish because their level of corruption poses enormous threats to the public coffers," he says.

The feedback is a clear testimony of many Kenyans' relentless push for an end to misuse of public funds. They want obstacles that delay the wheels of justice drowned so that those caught with their hands in the cookie

jar can be punished. Some specifically want high profile convictions to demonstrate that production of the annual audit reports is not a mere ritual but, a serious exercise meant to hold accountable those who fail the integrity test. The courts rely on evidence and this must be processed and protected by the relevant institutions until the matter is heard and determined in court.

The Constitution of Kenya, 2010 and other relevant existing legislation, policy and regulations have created various offices with a clear mandate. Each public entity is expected to operate within its boundaries as it collaborates with other like-minded organisations to promote good governance. The Auditor-General is mandated to audit and report on the use and management of public resources. Ultimately, the Office has a duty to influence the development of the nation and the delivery of quality and sustainable services to the public through its oversight function. The Office works in partnership with other like-minded institutions to ensure this becomes a reality.

Dr. David Ndii, the Chairman of the President's Council of Economic Advisors, underscores the need to allow and support each institution to discharge its mandate. "We have spoken a lot about letting institutions work. There is an architecture for government accountability. It is the Auditor-General. If you empower the Auditor-General and you have a transparent system, we won't have any problem dealing with public accountability issues," he observes.

Dr. Ndii adds that the media, the civil society and other players can put sufficient pressure so that the institutions diligently perform their duties. To have the Executive watching over itself, he points out, is a flawed mode.

The Constitution under Article 229, requires the Auditor-General to submit audit reports to Parliament and the relevant County Assembly, within six months after the end of each Financial Year. Parliament or the relevant assembly is expected to debate and consider the report of the Auditor-General and take appropriate action within three months after receiving it.

The legislators have powers to invite auditees who are adversely mentioned

in the audit reports to appear before the relevant Parliamentary committees and respond to the audit queries. Thereafter, they can decide to either direct investigative agencies like the Ethics and Anti-corruption Commission (EACC) or the Directorate of Criminal Investigations (DCI) to undertake further investigations with a view of having those adversely mentioned prosecuted or cleared. The investigative agencies, therefore, when conducting and examining evidence, rely on the Auditor-General's report to unearth irregularities or illegalities that have been recommended by Parliament. The investigators must resolve to use the audit reports to firm up their case and ultimately ensure those who embezzle public resources don't get off scot-free.

During subsequent audits, the Auditor-General has a duty to confirm if the entities acted upon include areas of improvement to strengthen their institutions' accountability systems.

The Auditor-General, CPA Nancy Gathungu, CBS, has called for a collaborative approach to ensure effective implementation of the audit recommendations. She observes that oversight and investigative agencies should cooperate to ensure that recommendations from audit reports are not left to gather dust, as people suffer.

The oversight agencies have a duty to support each other in line with their mandate to safeguard public resources, which if well utilised will ultimately improve the lives of the Kenyan people.

"We can achieve our Constitutional mandate if we work together. And one of the key areas to collaborate and partner in is the follow-up of audit recommendations," the Auditor-General said during a recent consultative meeting with Constitutional Commissions and Independent Offices (CCIOs).

And to satisfy the expectations of stakeholders like Kenani, the entities mandated to enhance accountability in the public sector have a duty to execute their mandates without fear or favour, for the best interest of Kenyans and not to serve at the whims of few individuals.





# Putting Citizens at the Centre of Audit: The Ghana experience

Beatrice Omari

**T**he mandate of the Office of the Auditor-General (OAG) is to oversight the use and management of public resources at both the national and county governments. These resources come in the form of taxes from the citizenry. This therefore means that citizens should be at the centre of all audit services.

For this reason, the Office is in the process of developing a digital citizen engagement platform to provide an avenue for citizens' voices to be heard on the utilisation of public resources and to what extent the resources are impacting their lives. This will enable the Auditor-General plan and execute targeted audits from an informed perspective.

The platform will also provide an avenue for receiving feedback and complaints from citizens in line with Article 10 of the Constitution of Kenya, 2010, on public participation. The Constitutional requirement serves to strengthen the voice and capacity of the general public in demanding greater accountability in the use and management of public resources. The development of the proposed digital platform by the Office is therefore expected to enhance transparency, reduce corruption and support good governance which is critical in strengthening effectiveness and efficiency in public service delivery.

The UN Resolutions; A/66/209 of 2011 and A/69/228 of 2014 place citizens at the centre of focus in delivery of transformative services by Supreme Audit Institutions (SAIs). This is further reinforced by INTOSAI-P 12, which requires SAIs to demonstrate their value and

benefits to the citizens by delivering services that are impactful to the citizens.

The development of the platform is further buttressed by the fact that OAG has been selected by the African Organisation of English-Speaking Supreme Audit Institutions (AFROSAI-E), amongst four other SAIs in Africa, to implement technology-based solutions to engage citizens and obtain feedback. The Office with support from German Development Agency (GIZ)-Kenya undertook a study visit to Ghana Audit Services which has successfully implemented a mobile application dubbed "CITIZENSEYE App" to learn and share knowledge on the development and implementation of the citizen engagement tool.

Ghana Audit Services is one of the first African SAIs to develop and implement the mobile application which enable citizens to directly share information by rating public service or report misuse or malpractices in the use of public resources.

Citizen participation and accountability is an area that OAG has identified and takes keen interest in because the Office believes that citizen engagement is essential in building and sustaining relations and partnerships which will lead to enhanced accountability.

It is no secret that citizens' capacity to express and exercise their views on issues affecting them has the potential to influence and shape government priorities and governance processes, including a stronger demand for transparency and accountability. This can only be realised if the citizens have a 'voice' to convey their views. This is the rationale

behind the development of the OAG digital platform is to enable the public exercise their constitutional right to participate in decision making processes pertaining to the utilization of public funds. This is critical in ensuring that government services are delivered as planned and budgeted for.

With support from GIZ-Kenya, OAG will work closely with Civil Society Organisations (CSOs) in the development of the platform due to their close interaction with citizens; who are the tax payers and beneficiaries of government development programmes. Indeed, CSOs are key partners in promoting and ensuring accountability in governance due to their ability to mobilize and work with citizens in exacting accountability and in localising the Sustainable Development Goals (SDGs).

The growing focus among citizens and policy makers on the need for good governance and greater transparency has opened doors for citizens and civil society organizations to participate in the audit process. Technology provides opportunities for citizen participation in governance and accountability issues.

The development of the platform will be a game changer for OAG as it will significantly contribute to fighting corruption thus ripple effect of influencing and boosting the development of the country through prudent utilisation of public resources. The outcome is delivery of quality and sustainable services to Kenyans which is the justification for the existence of any public institution.



# Impact of Future Technology on Audit

Collins Ochola

**N**ew and disruptive technologies are evolving at a speedy pace in today's world. Information technology is increasingly being used to digitise existing business procedures and government administrative tasks, as well as to create entirely new business processes. This requires Auditors to verify the reliability of any new technology by performing procedures as prescribed by laws, regulations, standards and methodologies.

The new technologies include; Blockchain, cloud computing, robotics, machine learning, deep learning, quantum computing and artificial intelligence. These have a huge potential of changing how the audit function is performed.

New technology will affect audits in the following ways: -

- Improve Audit Quality by reducing detection risk where automated tools and techniques are used to sample appropriate populations in a more scientific way
- Give a better understanding of the client's processes and internal controls, leading to a more risk-based audit assessment process hence allowing auditors to focus their attention on more judgmental risk areas.
- Improve communication through connectivity with audited entities, paving the way for easier tracking of information requested and provided for including,

audit queries raised thus facilitating early identification of delays.

The communication tools and techniques adopted by the auditor should address management and those charged with governance. Communication entails obtaining information that is relevant to the audit and provides those charged with governance with timely observations that are significant and relevant to their oversight of the financial reporting process. It is therefore, important to promote an effective two-way technological communication like the use of online meetings, teleconferences and electronic mail, with those charged with governance.

Technology-driven audits in the Supreme Audit Institutions (SAIs) have been the subject of significant financial investments. The investments include building internal assets (servers, networking accessories, collaboration systems), resources and tools in addition to developing relationships with third-party service providers.

Technology may require time to operate effectively and to address any 'teething problem' such as user training, user management, process configuration and system optimisation.

Furthermore, the use of technology may pose a challenge to the auditors in areas such as: -

- The availability of data in a useable form. Some clients still use the legacy system that is no longer supported or custom-made with the end of life of the database

and operating systems. The limitations in the access to data will impact on the audit quality.

- Some clients may not allow access to all of their data remotely using the auditor's automated tools for data extraction, and algorithms used in analysing data.
- Retention periods, particularly when large volumes of data have been collected and stored on the server to support the audit file or evidence, will consume resources such as network bandwidth and server space.

This would require the auditor to be innovative by developing a comprehensive annual planning process that will help to identify and determine the mix of technologies to deploy, given the state of the client's data, industry and regulatory factors, such as security.

In addition, the auditor can embrace enabling visibility, transparency and information sharing to learn and unlearn technology, as the use of data. The auditee and auditor need to agree on how data is made available to auditors. The data can either be provided by clients or the auditors are given access to live data and systems to enable them apply chosen analytics in a live environment server.

By remaining agile and flexible to change, implementing additional tools and launching cloud-based storage systems, the auditor can deploy new data analytics and identify suitable process improvements for future technology driven audits.





Photo Courtesy: www.freepik.com

# Government Transition and the Influence on the Audit Process

Joel Nyagol

**G**overnance risks increase exponentially during the transition period, which is the period between two Government regimes during change of instruments of power from one administration to another. This is essentially due to the fact that it precedes elections where enormous political commitments are made and political actors struggle to establish political rules that provide advantage not only in the immediate contest over state power, but also over any future redistribution of public resources.

The transition process in Kenya is legally fixed through the Constitution of Kenya. The law indicates that the election of President, Members of Parliament, Governors and Members of County Assembly be held on the second Tuesday of August, in every fifth year. This transition, especially for the Office of the President is expected to commence even before elections are held. According to the Assumption of the Office of President Act of 2012, the incumbent President shall establish an Assumption of the Office of President Committee at least 30 days before the General Election.

The period in Kenya has been complex with activities and events including; new leaders, elected and appointed, filling in positions and being onboarded, new programmes being administered and government structures and operations being reorganised. Equally, it has not been short of challenges. The process' notable gaps include; limited institutional knowledge of the new leaders

assuming Office, introduction of new policies, budgetary constraints and reorganisation of some government entities is a growing concern as it affects operations.

How then does the transition affect the public audit process? First, it impacts the planning and execution of an audit. Principle 36 of the International Standards of Supreme Audit Institutions (ISSAI) 200 provides that an auditor should understand the audited entity and its environment. Gaining an understanding of the administration process and its operational environment during the transition process will include; an evaluation of restructuring of government entities, new programmes and budgetary constraints that hold material financial impact. The information generated in the process will enable an auditor document an effective plan for executing the audit.

Secondly, it impacts the nature and extent of the risk assessment procedures that the auditor will perform. The risk assessment process is pivotal since it ensures that limited time and resources are spent on areas susceptible to material misstatement when evaluating risks domiciled in the transition process. In addition, the process is in line with the requirement of ISSAI 200 that obligates the auditor to perform risk assessment and implement procedures to respond to the assessed risks.

Thirdly, the transition risk management process influences choice of the auditing procedures. The choice of audit methodology precedes evaluation of inherent risks

during the transition process. Essentially, the objective of the risk response phase is to design appropriate audit procedures to address the assessed risk of material misstatement in the financial statements and non-compliance to laws and regulations.

The auditor's understanding of the nature and timing of audit procedures will provide opportunity to design an appropriate mix of tests of controls, tests of details and substantive analytical procedures to aid in collection of sufficient appropriate audit evidence in respect to management of the transition process.

Finally, the transition process influences the audit conclusions and reporting. The auditor should collect sufficient and appropriate evidence to reduce audit risks to low levels while evaluating the transition process management and associated risks. While confirming the lawfulness and effectiveness in application of public funds, auditors should identify and report on key audit matters inherent during the process of government administration. This can be in form of reorganisation of government structures or legislation.

In conclusion, the auditor should explore different configurations of transition process management with a view of mitigating audit risks. This should be on an understanding that the audit process can only be impactful if it is designed as an adaptive system that can support innovations and incorporate the changes in the operational environment.





# Monitoring and Evaluating SAI activities

Dr. Nerbert Mandala

**T**racking and analysing progress in achieving specific goals and objectives is essential for organisations keen to measure their success and stay focused.

This calls for policy-makers and programme managers to heavily rely on Monitoring and Evaluation (M&E) to assess how an intervention evolves over time (monitoring), and how effectively a programme was implemented while checking whether there are gaps between the planned and achieved results (evaluation). An evaluation should provide information that is credible and useful, enabling the incorporation of lessons into management decision-making.

Effective M&E systems enable a Supreme Audit Institution (SAI) to report to stakeholders about its own performance, compliance with audit standards, financial management and implementation of its own strategic plan. Consequently, a variety of International Organisation of Supreme Audit Institutions (INTOSAI) principles implicitly



and explicitly explain the basis for sound M&E systems in SAIs.

Principle five of the INTOSAI-P 10-Mexico declaration on SAI Independence requires SAIs to have the right and obligation to

report on their own work. This idea is developed further by INTOSAI P-12 on the value and benefit of SAIs for citizens, which discusses the importance of SAIs being model organisations, leading by example.



SAIs are therefore obligated to demonstrate their value and benefit by showing how their services contribute to the transformation of the lives and livelihoods of the citizens. Monitoring and Evaluation of SAIs' activities therefore becomes a critical tool in gauging the impact of SAI activities.

SAI-Kenya like other SAIs in the region use the African Organisation of English-Speaking Supreme Audit Institutions (AFROSAI-E) Monitoring and Evaluation System (AMES) to evaluate performance against the Strategic Plan. This is a results-based measurement tool modelled against M&E good practices.

The good practices used include:

- linking M&E to the Strategic Plan and Operational Plan;
- focusing on evidence-based reporting;
- using a participatory approach to monitor progress;
- using international and local expertise;
- using data from multiple sources; and
- facilitating data use for programme improvement.

The SAIs' measure the outputs and outcomes by assessing quantitative and qualitative data against the set indicators and annual targets.

The basic tool for setting up a robust monitoring system is the logical framework approach. The key ingredients of such a system must include:

- Beneficiary population and delivery to a set of standards.
- A minimum set of results indicators, both quantitative and qualitative, for each objective and critical assumption that are feasible to collect and analyse;
- An assessment of the capacity for monitoring; and an assessment of training needs when capacity needs to be strengthened;
- A plan for data collection and analysis, including baseline and ongoing data; which includes a combination of techniques such as report review, field visits and special studies and surveys.
  - It must identify and assign responsibility and the time frame for key tasks and be updated regularly.
  - The budget must include funds for staff, consultants, travel, relevant meetings and workshops
  - baseline data collection, data management,
  - special reports and studies
  - A reporting and feedback system that allows for timely decision-making by management on monitoring findings
  - identify who is responsible for ensuring actionable intervention
  - An annual review meeting attended by key stakeholders that will allow a participatory annual assessment of performance and results obtained to date
  - Planning annual monitoring and evaluation activities.
  - Operation objectives that are clearly defined and stated in a logical framework.

Therefore, the key features that differentiate between monitoring and evaluation include;

#### Monitoring and Evaluation Features

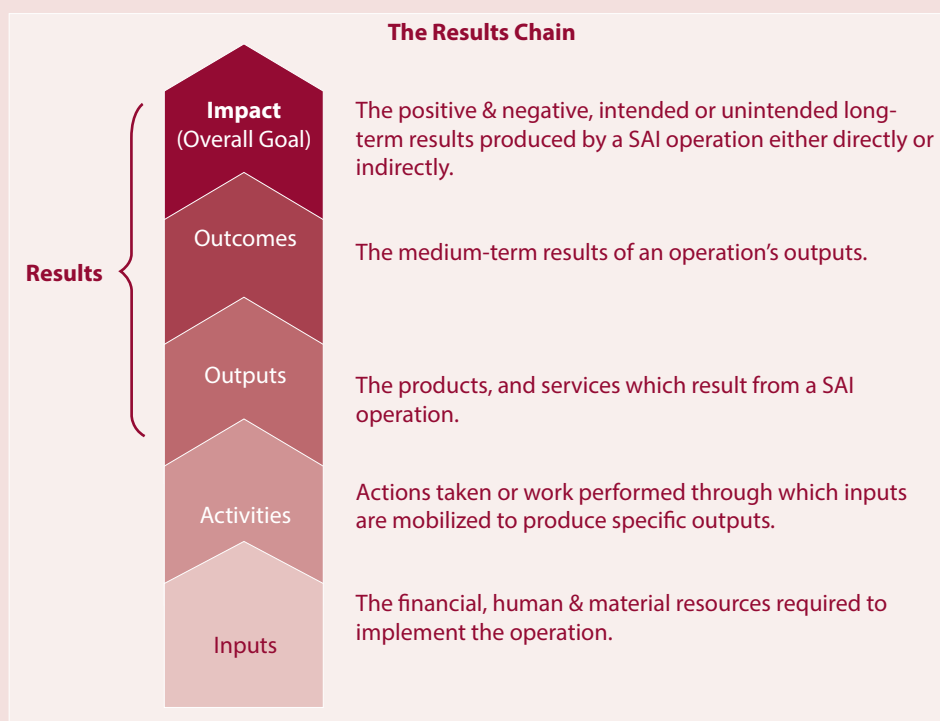
	MONITORING	EVALUATION
<b>Timing</b>	Continuous throughout a project	Periodic review at significant point – end, mid-point, end of phase/ term
<b>Scope</b>	Day to day activities, outputs, indicators of process and outputs	Progress towards objectives and goals; indicators of outcome and impact
<b>Participants</b>	Management, project staff, beneficiaries	External evaluators /facilitators, donors, management, project staff, beneficiaries
<b>Process</b>	Regular meetings, interviews, monthly/quarterly reviews	Extraordinary meetings, mid/end phase, additional data collection exercises
<b>Written outputs</b>	Regular reports and updates to staff, management, donors and beneficiaries.	Written report with recommendations for change, for all key stakeholders and beneficiaries

#### Results-Based Management

SAIs are committed to pursue results-based management (RBM). RBM strives to improve management effectiveness and accountability by:

- Defining realistic expected results;
- Monitoring progress towards achievement of expected results;
- Using results for management decisions; and
- Reporting on performance.

The 'results chain,' which is the causal sequence for an operation that stipulates the necessary order to achieve desired objectives, is central to the RBM. This begins with inputs, activities, outputs, outcomes and eventually the Impact, which is the overall goal. This provides the framework for the identification of indicators for monitoring and evaluation. The terminology and definitions used for the results chain are set out below;



What does RBM mean for SAIs?

- Ensures that outcomes and Impact (overall Goal) are included in the plans to measure progress and performance;
- Implies a shift away from inputs and activities;
- Shifts emphasis towards the measurement of changes in the behaviour and livelihoods of beneficiaries; and
- Expands the scope of monitoring and evaluation along the results chain.



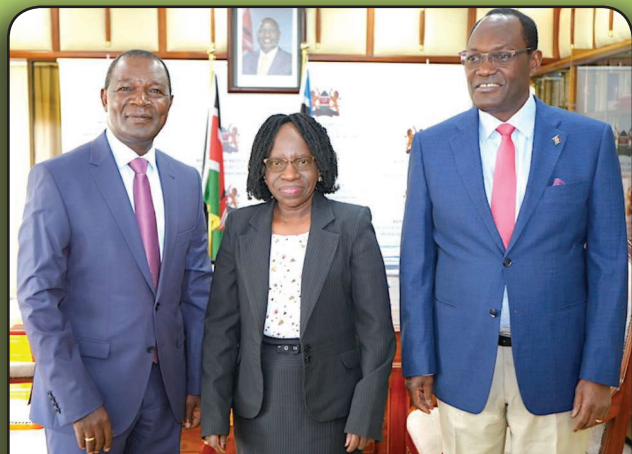
Teams from OAG Kenya and OAG Uganda met in Nairobi to discuss issues of common interest including performance management, use of teammate system, audit entities and staff strength.



Auditor-General, CPA Nancy Gathungu, CBS with distinguished guests at the 60th Anniversary celebration of the Association of Professional Societies East Africa (APSEA) event where she was the guest speaker.



Members of the Nakuru County Assembly's County Parliamentary Accounts and Investments Committee (CPAIC) led by the Speaker Hon. Joel Maina after a meeting with the Auditor-General, CPA Nancy Gathungu, CBS to discuss areas of mutual interest.



Cabinet Secretary for National Treasury and Economic Planning, Prof. Njuguna Ndung'u and his Permanent Secretary, Dr. Chris Kiptoo, CBS during a meeting with Auditor-General, CPA Nancy Gathungu, CBS



Representatives from the Office led by the Auditor-General, CPA Nancy Gathungu, CBS during the AFROSAI-E Technical Conference in South Africa.



Outgoing Deputy Auditor-General, Corporate Services Joyce Mbaabu received a Lifetime Achievement award from the AFROSAI-E for being one of the longest-serving members and for her exemplary contribution to the Organisation over the years.





Nakuru County Governor, Hon. Susan Kihika and members of the Nakuru County leadership after a session with the Auditor-General, CPA Nancy Gathungu, CBS.



Auditor-General, CPA Nancy Gathungu CBS, with delegates from GIZ, AU-EU D4D Hub (African Union - European Union Digital for Development), World Bank, Members of the Civil Society Organisations, representatives from SAI-Ghana and Members of Staff during a workshop on the proposed mobile technology applications for the Office.



Auditor-General, CPA Nancy Gathungu, CBS with Nyeri County Governor, Hon. Mutahi Kahiga and members of the County Executive Committee (CEC)



OAG staff participate in the Standard Chartered Marathon, Nairobi





# Implementing Audit Recommendations key to smiling public entities

Dennis Odunga

**T**he Office continuously proposes audit recommendations, during the audit process, which is done through annual audits that focus on evaluation, review and assessment of the PFM system as implemented by various public entities. The implementation of audit recommendations guarantees accountability, transparency and beneficial change in the utilization of public funds. Acting on the recommendations made, promotes a sound public finance management (PFM) system which is an invaluable asset for service delivery.

However, due to lack of an effective mechanism to track the implementation of recommendations, most audit queries annually recur in subsequent audit reports. The lack of requisite deterrent sanctions has resulted in perennial failure by some

accounting officers to adequately account for the public resources entrusted in their care.

Failure to comply with audit recommendations leads to fiscal indiscipline. In the context of the Auditor-General, indiscipline occurs where there is misallocation of and wastage of resources. Indiscipline also occurs where there is little or no value for money spent in the execution of projects, theft and corruption. Financial indiscipline adversely affects development programmes in the various entities which threatens growth and development of the country's economy, sustainability of service delivery and the wellbeing of the citizens.

In this regard, the Office has developed a framework for Tracking, Follow-up and Reporting on the implementation of audit recommendations. Auditing standards

require the Office to have appropriate mechanisms for following up audit findings and recommendations as well as report, where appropriate, on the follow-up measures taken with respect to the audit recommendations.

The recommendations by Parliament and County Assemblies are a result of a comprehensive audit process which is guided by legislation, International Standards of Supreme Audit Institutions (ISSAIs), policies and resolutions of Oversight Committees. Locally, Section 29 of the Public Audit Act 2015 requires the Auditor-General to apply international standards, principles and practices during the audit process.

Internationally, ISSAI 3000 (136) states that the auditor should follow-up on previous audit findings and recommendations





Photo Courtesy: auditor.utah.gov

and report to the legislature the outcome including, where possible, the impact of corrective actions made. Section 139 of the ISSAI requires an auditor to focus the follow-up on whether the audited entity has adequately addressed the problems and remedied the underlying situation.

Article 229 (8) of the Constitution requires Parliament or the relevant County Assembly to debate and consider the report of the Auditor-General and take appropriate action. Section 31(1)(1) of the Public Audit Act, 2015 requires that within three months after Parliament or a County Assembly has debated and considered the final report of the Auditor-General and made recommendations; a State Organ or a public entity that has been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.

Further, Section 53(1) of the Public Audit Act, 2015 requires that the relevant accounting officer of a state organ or public entity to;

- (a) take the relevant steps to implement the recommendations of Parliament on the report of the Auditor-General; or

- (b) give explanations in writing to Parliament on why the report has not been acted upon.

Section 31(2)b requires the Auditor-General to include in the audit report, how responsive a State Organ or public entity has been to past audit findings and recommendations.

Consequently, there is need for the establishment of a collaborative and consultative forum particularly of Heads of Constitutional Commissions and Independent Offices to institute structures for cooperation that will enhance implementation of audit recommendations. This will enhance public accountability, which is a necessary undertaking for all public entities.

The country's leadership and the citizens have a duty to ensure prudent utilisation of public resources. It is a concerted effort that calls for a vigilant citizenry. But, just as the mirror serves to remind one that some areas of the body need further polishing, those entrusted with public offices have a duty to act on what the Auditor-General's report points out as areas of improvement. By so doing, we will all be moving the

country forward through, better and impactful services.

#### Factbox

Implementation of the audit recommendations can be beneficial in the following ways:

- i. Promote the efficiency, accountability, effectiveness and financial discipline in public administration;
- ii. Enable those charged with governance to discharge their responsibilities through responding to audit findings and recommendations and taking appropriate corrective action;
- iii. Improve financial reporting by reducing recurring audit issues;
- iv. Ensure that national and county governments and public sector entities are held accountable for their stewardship over and in the use of public resources;
- v. Enable sustainable development in the country; and
- vi. Improve service delivery and ultimately make a difference in the lives of citizenry.





# Performance Audit Report: Enforcement of Anti-Counterfeit Regulations

Anne Wambui

Photo Courtesy: [www.alliance2020.com](http://www.alliance2020.com)



**T**here have been plenty of times when an individual has gone to purchase a product that they thought was indeed what they wanted, only to find out it wasn't. The product appears similar to the original one but the quality is different.

Now such similarities have been seen in quite a number of products that still exist on the shelves in various outlets. From electronics, clothes, perfumes, pharmaceuticals, cosmetics and motor vehicle parts. This is an intentional act to mislead a consumer into thinking that he is buying the original product and not an imitation disguised as the original. This deliberate action is known as counterfeiting.

It is a standard practice to have products made available for sale, distribution and consumption, protected by Intellectual Property Rights (IPR) such as copyrights, trademarks and trade names. The Anti Counterfeit Agency (ACA) was therefore, established with the principal aim of prohibiting trade in counterfeit goods.

A study by the Kenya Association of Manufacturers (KAM) estimated that manufacturers in the country lose over USD 42 Million (Kshs.5.3bn) annually while the government loses approximately USD 80 Million (Kshs.10bn) in taxes and fees. On the global scale, an estimated USD 650bn was lost per annum as of the year 2012.

A Performance audit exercise was undertaken to assess the effectiveness of the ACA in enforcing its regulations, to combat trade in counterfeit goods as well as ascertain the efficiency of its research and awareness activities.

### Audit Findings

The findings revealed that procedures involved in making a complaint against suspected counterfeiters proved to be a hindrance as the costs were prohibitive. The costs are as high as Kshs. 18,000 to lodge a complaint against a suspected forger to the agency. The cost effectiveness in carrying out any legal action proved to be dismal as the product may be just one but involving several stores with the complainant required to pay, to file a case against each store. Due to this, the complainant may feel the value of the goods in question aren't worth the legal costs involved. Confiscated goods are released back to the suspected forger after the lapse of three months, which is the stipulated timeline for raising complaints. This has led to the continued trade of counterfeit goods.

The Anti Counterfeit Act gives provisions for confiscated goods to be stored and kept in safe custody by the agency until orders are given by the Court to return, release, dispose or destroy the goods. The audit established that counties such as Kisumu and Mombasa, do not have depots despite

being gazetted, as having them. This has led to seized goods being stored in stakeholder's warehouses such as Kenya Ports Authority (KPA), Kenya Revenue Authority (KRA) and the Kenya Police. As a result, the safety of the goods cannot be guaranteed due to lack of control by the agency, leading to loss of the goods. Such an incident was recorded in Eldoret where assorted seized goods worth Kshs.1.1million went missing.

The audit also established that the level of awareness on counterfeit goods among the general public is quite low. This has been attributed to the limited number of outreach programmes, road shows and media engagements. Funds allocated for such activities were also diverted to other departments due to varying priority needs of the agency.

Inadequate staff at the agency has also led to reduced or lack of agency representatives at the border points for security, leaving room for the entry of the fake goods. There is also insufficient training of staff involved in identifying counterfeits, which has resulted in their inability to verify all the containers. This has led to some goods being released without proper verification of their

authenticity. The low number of prosecutors, there being only three skilled prosecutors after two left, has also aided in delays in the prosecution of cases. At the time of the audit, the agency had only prosecuted 4 cases of backlog of the 200 cases.

### Resolutions

The audit report recommends that the Agency does the following:

- Comes up with a clear complaints' procedure and install an internal control mechanism of their processes to finalise the three months' time line given.
- Create awareness programs on identification of counterfeit goods and Intellectual Property Rights by the public.
- Work closely with intellectual owners, the judiciary and other stakeholders to create, a multi sectoral team.
- Create and enhance public awareness of its mandate through social media campaigns.
- Enforcement of regulations
- Collaborative mechanism to bring on-board all stakeholders should be instituted, especially at the entry ports.



Photo Courtesy: <https://insights.pccb.com>



# Service Delivery to All: A Q & A with the CEO of Moi Teaching and Referral Hospital (MTRH), Eldoret, Uasin Gishu County

Anne Wambui and Annastasia Muasa

**T**he Moi Teaching and Referral Hospital (MTRH) is one of the Office's largest clients and is the second major referral hospital in the country after Kenyatta National Hospital (KNH). Falling under the Ministry of Health as a State Corporation, the MTRH offers inpatient, outpatient and specialized healthcare services such as oncology services, kidney transplants and cardiology.

Boasting of an expanded bed capacity of 1,020 and serving residents of 24 counties in Kenya as well as neighbouring countries; we ask the CEO, Dr. Wilson K. Aruasa about the hospital's relationship with the Office of the Auditor-General, what it takes to serve the public and the impact in providing value for money.

## 1 What's your perspective of the Office of the Auditor-General?

Auditors mainly come to audit us. It's good to have them come and

see from a service delivery perspective; the efficiencies, projects and other improvements that MTRH has undertaken over the years.

## 2 What's your opinion on your working relationship with our auditors?

It's a relationship that has evolved tremendously over the years. From being feared, OAG has become more of a service provider. The Office is one of the key contributors to the transformation of this hospital. They offer professionalized services where they go beyond financial audits and carry out efficiency audits as well as service delivery audits.

## 3 How about recommendations in the audit reports?

We welcome the discussions that arise from issues that are raised and seize the opportunity to come up with corrective measures. I would say our implementation of audit recommendations is about 80-90%.

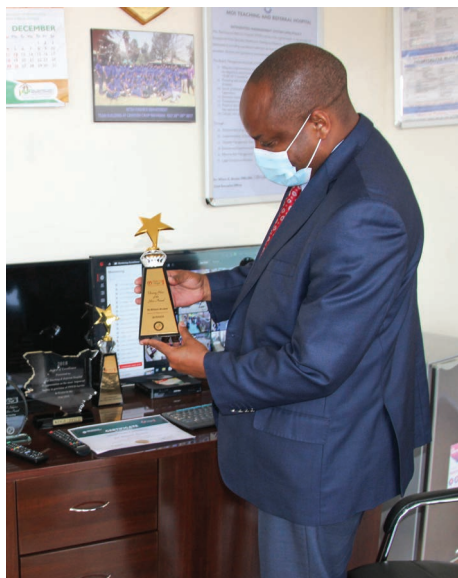
## 4 Describe Dr. Wilson Aruasa and how his typical work day looks like.

I am a medical practitioner with 20 years' experience as a medical doctor and a specialist in obstetrics and gynaecology since the year 2006. I am a passionate manager and leader. I would say that I am a leader who leads. I ensure targets that have been set and the results required, are achieved. I believe in creating new value for the institution and the country at large. Taking hold of opportunities for networking, seeking new partnerships and testing frontiers that haven't been tried before.

## 5 What's unique about your style of leadership?

We have an in-house programme aptly known as Hospital Management Team Rounds. Essentially, what we do is take a minimum of a 5km walk around the hospital grounds. We ensure it is from one service point to another. This is done once a week and is aimed at providing support to





our staff by offering services as well as listen to the clients on any challenges they may face and how the management can step in to support them. One thing that we take pride in is in providing quality service delivery. The efficiency of the staff, their courteousness and punctuality. Staff capacity development is something we hold dear. When you develop your staff as an institution, then you become stronger as an institution. Service is not just a building; you can have a beautiful building but most important is service delivery. We make certain that staff are well catered for by ensuring they have an in-house sacco, staff welfare scheme, staff pension scheme among other interventions that aid to the productivity of the staff.

## 6 What would you say are some of the achievements that places you a cut above the rest?

We are the first hospital in East and Central Africa to establish an oxygen generating plant that supplies piped air to its patients. It has a generating capacity to supply 2,000 litres of oxygen per minute. We have the capacity to execute a pair of kidney transplants on a weekly basis. We work with the National Hospital Insurance Fund (NHIF), which is a key partner, to ensure that the costs of the surgery and hemodialysis

(before surgery) is borne by the institution which eases the burden on the patients. We offer cancer services that are well catered for through our cutting edge technology of two linear accelerators, a brachytherapy machine as well as a treatment planning system. We also host the *Shoe 4 Africa* children's hospital – it's the first public children's hospital in the country with 220 beds. Courtesy of the French government, we received equipment worth Kshs.1bn which includes a phototherapy tunnel. This is a machine that deals with jaundice in children. Babies born with jaundice can have the condition cleared within 8 hours instead of three days as before.

## 7 What are some of the challenges you have faced as a hospital?

There's no medical insurance for post-transplant medicines. These are medicines required by the patient to prevent rejection of the new kidney which will be used for life. Transplant is way cheaper and more cost effective than hemodialysis. Hemodialysis would set a patient back Ksh80,000 to Ksh90,000 a month per patient.

## 8 How do you handle cases where patients do not have money and are in dire need of treatment?

According to statistics, about 52% of the country's population is unable to put food on the table and do basic things. Only 20% have NHIF cover. We do not detain patients for lack of money or inability to pay. Detaining patients doesn't add any value as the bills will increase and the chances of getting an infection and blood clots increases. We prefer releasing them and urging them to pay when they are able. Some of the mechanisms we encourage is community fundraising (Harambee) or online fundraising. It's not sustainable in the long run. If anything, we need to have the Universal Health Coverage as the solution to the issue as everyone will be paying through the insurance.



## 9 What can people emulate from Moi Teaching and Referral hospital?

Take it one day at a time. Think big but act small. Excellence isn't about perfection but doing it and doing it to the best of your ability; with the resources available to you and using them in an efficient manner. We have many strategic documents that tell you in 5-10 years this is where we want to be and how to get there. It boils down to the minute that you are in today. Do it for that minute.

Dr Wilson Aruasa is quite accomplished having received three State commendations i.e. the Moran of the Burning Spear (MBS), the inaugural Presidential Uzalendo award for the work done during the height of the Covid pandemic (MTRH was the headquarters for Covid management) and the Elder of the Burning Spear (EBS). In the Professional space, he has been the honoured recipient of the Best Leadership Practises award from the Kenya Obstetrics and Gynaecological Society, the best health leadership in the health sector from the Kenya Medical Association, the Unsung Hero of the year award Spurs excellence award by KISM for his work in understanding the law, its application and mentorship of staff, among others accolades.

### Did you know?

- MTRH is the only public hospital that can do corneal transplants in the country.
- They have a Chaplaincy training school, the Hospital Pastoral care programme that deals with spiritual care of patients regardless of their religious affiliation.
- They host one of the two gender-based violence recovery Centres in the country, known as the care Centre for assault recovery Eldoret. The other is Nairobi Women's hospital situated in Nairobi.
- They won an award from the Kenya Institute of Supplies Management (KISM) for the Best Public Procurement Project of the year (2021) for the procurement of the first oxygen generating plant.

### The MTRH is a seven (7) in one hospitals. This includes the; -

- Chandaria Cancer and Chronic Disease Centre – it deals with non-communicable diseases i.e. high blood pressure, diabetes, heart diseases, mental illnesses, drug abuse, etc
- Shoe 4 Africa children's hospital – it's the first public children's hospital in the country with a capacity of 220 beds
- Riley Mother and Baby Hospital – a maternity hospital with a new born unit
- Mental Health and Rehabilitative Services
- Renal Dialysis and Transplant Centre
- Infectious Disease Centre
- Ophthalmology & Corneal Transplant Centre



Photo Courtesy: www.vecteezy.com

# OAG publishes its first Citizen Accountability Reports

CPA Paul Muthuri

**T**he Office of the Auditor-General has published its first Citizen Accountability Audit (CAA) Reports. The reports are a product of a citizen participatory approach to auditing, adopted by the Office to complement other audits.

The first audit reports focuses on public participation in the County Budget making process, as required by the Constitution, the Public Finance Management Act, 2012 and the County Government Act, 2012. The audit covered 18 out of the 47 Counties in the Country and has been submitted to Parliament and relevant County Assemblies, for discussion and implementation.

The second audit is on, assessing legal compliance and effectiveness of the Global fund programme, which provides interventions on HIV/AIDS, TB and Malaria diseases at the County level.

The CAA employs a proactive approach in its audits where citizens participate in audit planning, execution and reporting. This encompasses bringing on board grassroots organisations-Community Based Organisations (CBOs), Civil Society Organisations (CSOs), Faith Based Organisations (FBOs) and the private sector in the push for good governance through prudent oversight.

Grassroots Organisations have a greater understanding of the needs and challenges of the Citizenry and are therefore, in a better position to hold those in governance positions to account for how they utilise public resources. Other Countries in Africa that have adopted CAA include South Africa, Ghana and Rwanda.

Participating organisations are selected and vetted based on the CAA Engagement

Framework, which provides a criteria and guidelines for working with OAG. The selected organisations then sign a Memorandum of Understanding (MOU) with the Office and Non-Disclosure Agreement (NDA) to ensure confidentiality and accountability in processing of audit information obtained from auditees.

Citizen participation is prescribed under Article 10 of the Constitution, which stipulates National Values and Principles of Governance. These values include public participation, accountability and service delivery to Citizens. Kenyans pay taxes and therefore, have a right to be involved in governance and management of public resources.

## Why Citizen Accountability Audits

Under Article 229 (6) of the Constitution, the Auditor-General is mandated to audit and confirm whether public money has been applied lawfully and effectively, something that requires multifaceted approaches including Citizen participation in the audit process. Further, Section 34 of the Public Audit Act 2015 mandates the Auditor-General upon request or on her own initiative, to conduct periodic proactive audits which are preventive and deterrent to fraud, corrupt practices, systemic and which are determined with a view of evaluating the effectiveness of risk management, control and governance processes in public entities.

The Office is also in the process of developing a mobile technology-based application, which will enable citizens to provide feedback to the Office, on utilisation of resources at the grass roots level. The technology will facilitate audit planning by providing information on areas of concern by the citizens. It will also increase efficiencies in processing of audit reports.

Deliberations are going on amongst Supreme Audit Institutions (SAIs) from Ghana, Uganda, Botswana, Liberia and Kenya with support from African Organisation of English-speaking Supreme Audit Institutions (AFROSAIE) and German Development Agency (GIZ) to ensure development and smooth implementation of the citizen engagement platform.

Already, Ghana and Uganda, which have rolled out the CitizenEye App and the Citizen Feedback Platform (CFP) respectively, have shared their experiences in engaging with stakeholders using the technology and how the interactions inform audit planning. Based on this, the participating SAIs are expected to come up with a clear roadmap on the development and implementation of the tool within a stipulated timeframe.

SAIs have to be of value to citizens and harnessing technology, as an enabler of service delivery provides an opportunity for the citizens to contribute to the work of the audit institutions in line with the respective SAI's Strategic Plan.

GIZ is expected to hand over hosting of the App to the individual SAIs by November 2024. To facilitate a smooth takeover and sustainability, the SAIs are required to understand how the tool operates.

The SAIs will therefore be expected to ensure they are well prepared in terms of the requisite personnel and infrastructure to guarantee a sustainable take off.

The future of effective public audit oversight whether financial, performance or compliance audits, lies in the involvement of Citizens and other stakeholders in guaranteeing accountability and prudent management of public resources. OAG is on course to achieving this goal.



# Financial Health:

## A day with an Auditor

Emmaculate Cherop

Osoro spent his childhood days fishing along the shores of Lake Victoria in Kisumu County. On weekends, he would accompany his elder brother to the Lake for a fishing excursion. Osoro learned how to paddle a Canoe to the high seas in search of the valuable commodity, the 'Tilapia fish,' a treasured delicacy. Fishing was a family hobby for Osoro because his father was a fisherman before. His father unfortunately, drowned when his boat capsized in the Lake. This left Osoro as the sole bread winner for the family.

Just like any other income-generating activity, there were good and bad days. The Canoe would be filled to the brim on good days, and the produce would be scarce on bad days. When the fishermen concluded fishing for the day, they would sell their

catch to buyers waiting on the shores. Osoro, managed to raise enough money from fish proceeds for his school fees. Despite the odds, the young man not only managed a great score in his KCPE exam but also excelled in Mathematics. He was selected to join a National School in the capital city but his mother was unable to raise the necessary funds for him to join the prestigious School. Osoro negotiated with the Principal of Nyamosoro Secondary School and was permitted to enrol for half the fee. Over the weekend, he could go fishing to supplement his school fees.

For the ardent learner seeking new opportunities, high school life was a great experience. Every year, the school would host a career day and invite a range of guest speakers to enlighten the students about their future careers. Speakers were drawn from various professions and included; Doctors, Engineers, Pilots, Accountants, Teachers and Entrepreneurs.

A guest speaker from the Office of the Auditor-General was invited to give a talk on, "A Day with an Auditor," on one of the days.

"I am a financial health "Doctor" and I perform "check-ups" on organisations to determine whether financial resources were put to proper use. "I am an auditor," the speaker explained. Osoro, was intrigued, remembering his mother's struggling fish business, and was curious to know how best they could use their money to pay school fees.

"I practice in the public sector with the Office of the Auditor-General. We are the watchdog providing oversight on how government entities use public funds for the benefit of the citizens like you and me," he added.

"How many of you have any pocket money?" he asked. Almost everyone raised their hands. "How many of you are broke by mid-term?" he asked. The majority of the hands went up again. "Why do you think you get broke?" he continued. "We just buy things without a plan," shouted one student.

"Very right," the auditor said. "In the absence of proper planning, you will definitely be broke. Similarly, by preparing budgets, the government plans how it will provide services to citizens. Budgets specify how much money is available and how it will be spent. Without budgets, money could be lost through wasteful spending," he continued.

For Osoro, this was thought-provoking. He wondered if his mother kept a budget for the money they earned from selling fish. "As auditors, we check whether government entities spent money in accordance with their budgets. This allows us to determine an entity's financial health. We can establish any malpractice in the management of public funds through our audit," the guest speaker expounded.

"If you buy stuff and do not have a receipt to confirm the expenditure, then it will be difficult for you to demonstrate to your parents how you spent your pocket money.

Similarly, if a government entity fails to provide adequate documentation to support its expenditure, an auditor cannot confirm the expenditure's authenticity. In such cases, we report this as Unsupported Expenditure," said the speaker.

In his address, the speaker enlightened the students about unaccounted expenditure or revenue. Osoro could relate with the speaker's sentiments. Most of the time, they collected a significant amount of money but because they lacked financial literacy and kept no records, they could barely explain their spending, resulting in the continuous cycle of cashflow problems.

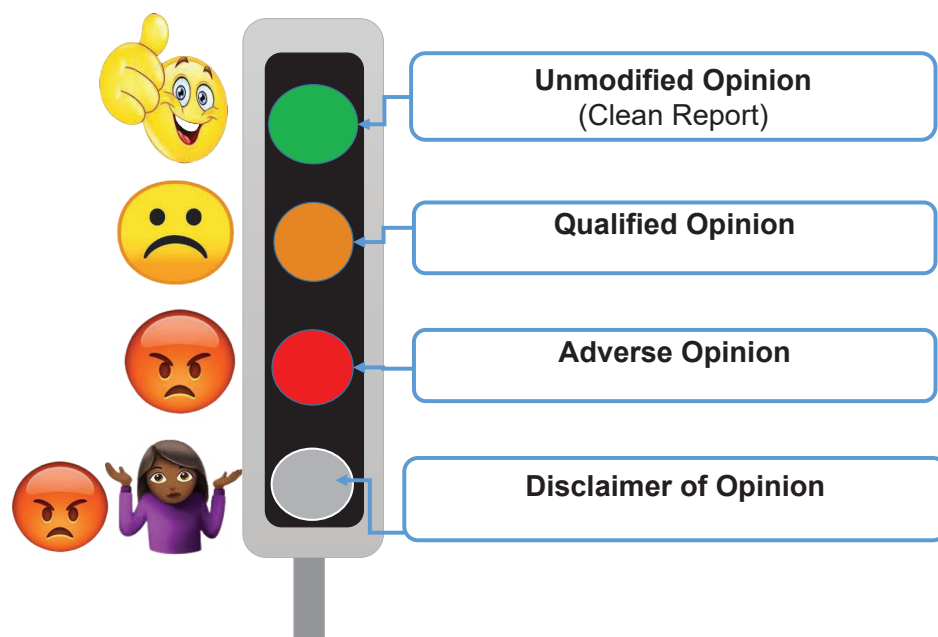
Osoro appreciated that if he taught the mother how to prepare a budget, stick to it and keep track of her payments, she would not only be able to properly account for her money, but also end the debt cycle accrued as bank overdrafts, due to spending.

"Why do we see a lot of news on stolen money in government?" my classmate

asked. "A lot of malpractices can result in the government losing money. For instance, when there are poor controls on expenditure, public officers may spend money without proper authority which may lead to wastage or fraudulent practices. In such instances, we flag such occurrences as unauthorised expenditure. Irregular expenditure is another financial malpractice involving non-compliant transaction processes," the speaker explained.

"Are there any questions before I conclude?" inquired the speaker. "What happens to the findings of auditors so that your work benefits the citizens?" Mr. Kombo the deputy head teacher asked. "You have raised a critical question, Mr. Kombo. The Auditor-General certifies the financial "health" of an audited entity by issuing an audit report (certificate). These certificates are referred to as audit opinions. There are four types of audit opinions ranked from best to worst as shown below:

## Audit Opinions – Financial Statements



"The Auditor-General submits her report to Parliament and County Assemblies for further interrogation, actions and sanctions to be taken against the responsible heads of institutions, also known as Accounting Officers," he explained.

"In conclusion, the Office of the Auditor-General plays a critical role in enhancing accountability in the management of public funds. Our Vision is to improve the lives and livelihoods of Kenyan Citizens. We believe that integrity is a key ingredient to the success of this nation. I urge you, as future leaders to always strive to do the right thing, even when no one is watching. I wish you all the best in your future endeavours. I hope to see you as future auditors. Thank you very much," the guest speaker concluded.

The Hall was filled with resounding applause!!! Everyone's eyes beamed with joy and hope for a better future and a better Kenya. Osoro, was elated at the value of this talk. He couldn't wait for the mid-term break to share this profound knowledge with his mother. He was convinced that he wanted to be an auditor and that he would take baby steps with what he had learned to improve his mother's business.



# The Prism of Baringo County in the Eye of an Auditor

David Kinyanjui

In Swahili they say, "*Kutembea kwingi ni kuona mengi*," loosely translated as (travelling widely exposes one to many things). Kenya is a country basking in the glory of its success mainly due to its diversity and this never really hit home until I visited Baringo County for the Covid-19 Vaccine Special Audit exercise, last year. The audit entailed visiting various health facilities per sub-county and auditing their storage, administration, disposal of various Covid-19 vaccines received as well as the mobilisation efforts they applied to sensitise people to get vaccinated. That was one of the most eye-opening and surreal experiences I have had since joining the Office of the Auditor-General. My team comprised five officers from various directorates.

Before the visit, the numerous cases of drought and banditry emanating from Baringo County always conjured up images of a flat and vast desert in my mind. This stereotype quickly gets quashed even before you exit the Nakuru-Sigor road. The scenic view of hills from a distance is quite spectacular. The views improve as you meander towards Kabarnet town. This was just a titbit of the diverse topography that Baringo County has to offer. I had no idea of what lay ahead. Little did I know what lay ahead. By the end of the exercise, I had seen the good, the bad and the ugly side of this County and by extension, our motherland.



Kabarnet is the County's largest town, serving as both the County seat and headquarters for Baringo Central Sub-County. The County's nerve-centre, Baringo Central sub-county, handled all the vaccines brought from the regional depot in Eldoret. The vaccines were received and stored at the BCRH, the County's only level 5 hospital. The vaccines were thereafter distributed to the Sub-County hospitals and other health facilities, significantly increasing the audit workload. The meanders along the Kabarnet-Iten road were quite a sight to behold. The diversity of Baringo County became apparent as we veered off the highway towards Kuikui Health Centre.

The majorly flat topography was dry and dusty, epitomising my first impression of Baringo county. Failure to roll up the windows would quickly get you an appointment with a medic the next day. The road was sandwiched by a myriad of wild growing tamarind trees and the famous mathenge trees (scientifically known as *Prosopis juliflora*), a key symbol of dry regions, which attracted the attention of the courts for knocking off the teeth of livestock as its thorns left some area residents limping. Every few kilometres, our eyes would be greeted by the sight of one to two metres tall anthills. This is another sight that pleases to deceive as the anthills are known to house sand-flies which, frequently, cause Kala-azar. In 2021, Kala-azar was reported as the world's second-largest parasitic killer after Malaria. We were informed that cars had previously been swept away by floods during the rainy season due to lack of bridges in the area. Fortunately for us, it did not rain. By the time we arrived at Kuikui Health Centre, you could be forgiven for thinking our vehicle had been dug out of a hole as it was covered in dust.

We had a different experience in Koibatek sub-county, Eldama Ravine, which typically features the highlands of the county. The area appears green and hilly with a tinge of rocks. The hills create a good scenery but also provided a big challenge in traversing the rugged terrain; a challenge we encountered first-hand on our way to Saos Dispensary. The wet weather in Eldama Ravine provides a conducive environment for farming. At Sigoro Dispensary, we were surprised to find tortoises in the facility's compound casually and calmly feeding on grass. Apparently, that's a common sight in Koibatek. While in Nairobi you pay to see such animals in parks, in Koibatek, nature brings them to your doorstep.

If what we had experienced in the three sub-counties had surprised us, what we were to go through in Mogotio Sub-county would boggle our minds. Mogotio was a bad blend of the ruggedness of Koibatek mixed with the dryness of Baringo South. It was horrible to navigate. The harshness of the weather in Baringo was also about to rear its head. On our way to Kamar Dispensary (yes,

there is such a hospital in Mogotio) at a place called Chebiwan just before Tingtingnyon hill I saw, for the first time in my life, school-going children and cattle drinking water from the same pond. I had read about it in newspapers but seeing it with my naked eyes made my heart sink. Nature can be cruel sometimes, I whispered to myself. Simeon Tuitoek, a Public Health Nurse who doubled up as our guide, told us that most children in that area actually go to school, not to study, but to get the free lunch offered at school. We also came to learn that it was primarily the women's duty to herd cows and look for water besides nurturing babies. Men on the other hand, when they are not chatting politics in the nearest centre, conduct raids to steal cattle more cattle for women herd.

Mogotio subcounty is also infamous for amputations of people's legs or hands due to snake bites. The hot and dry weather as well as the rocks serve as a nice breeding and hiding ground for snakes; most of which are venomous. The hospitals in those snake-infested areas are few and located a couple of kilometres apart, leaving the locals with no option but to amputate the bitten hand or leg to curb the spread of poison and sometimes, avoid death.

Waseges Dispensary, a remote health facility, 63 kilometres from Mogotio town, was our next stop. It took us almost two hours to get there. Treacherous. The nurse in charge of the facility took a while to meet us for an entry meeting. He was apparently midwifing a delivery. We actually thought he was lying to us as we heard no screams but, as we came to learn, women in Waseges do not scream when giving birth, and this was confirmed by some mothers who had brought their children for check-up at the Dispensary. We were all in shock. As if that was not shocking enough, it was an eighteen years old woman, giving birth to her second child. They had to wait for an ambulance from Mogotio sub-county to take the child to the sub-county hospital for specialised care as she had a premature birth. We later came to learn that the child did not make it. Poor thing!

As we traversed the terrain, we came across an area referred to as, Kapicha. As the names suggests, a place where people usually stop to take pictures of Lake Bogoria. The spot offers a superb aerial view of Lake Bogoria and we could not help but take pictures from this vantage point. Simeon showed us a spot by the shores of the lake where it is believed first President Jomo Kenyatta used to come to fish and unwind. On the last Sunday of our audit exercise, our team leader organised an excursion to Lake Baringo as we compared notes on what we had achieved. It was fun. We took a boat ride and also visited a snake park on our way back to Kabarnet.

The audit was the most surreal experience I have ever had as an adult. The realities of our country's diversity have never been



so real. We also experienced the myriad of challenges that health facilities faced in transporting and administering Covid-19 vaccines as well as, mobilising locals to get vaccinated. The most worrying challenge was the storage and disposal of used vaccine bottles and vials. Most facilities had no proper way of disposing the used vials, with some simply burning them in burning pits because they lacked incinerators while others buried them in the ground. I also got first-hand experience in Performance audit as the audit exercise was more on performance than on financial audits. A memorable experience, it was!





# OAG participates in the Standard Chartered Marathon

Anne Wambui

**M**embers of staff took part in the 19th edition of the Standard Chartered marathon on 30th October, 2022. The marathon that was being held both physically and virtually, took place at the Uhuru gardens and drew thousands of participants from across the country.

The event was aimed at tackling inequality and encouraging economic inclusion for the younger generation as well as those living

with disabilities, through their 'Futuremakers initiative.' The Marathon is a platform for creating awareness and raising funds for causes that affect mankind directly and indirectly.

The event was coordinated by the Corporate Social Responsibility and Sustainability Committee, which has initiated and participated in diverse programmes aimed at leaving an indelible mark in the hearts of many people. These include tree planting, visits to the elderly in society, visits to

children's home, donating equipment to institutions such as hospitals and hosting a blood drive for members of staff to voluntarily donate blood to save lives.

The initiative is aligned to the UN's Sustainable Development Goal eight, which speaks to the promotion of sustained, inclusive and sustainable economic growth, full and productive employment as well as decent work for all. The platform hopes to raise USD 50million by 2023 towards this goal.





# Dealing with Audit reports: A journalist's perspective

Samuel Owino

**F**or the ten years that I have been covering Parliament, I have interacted a lot with reports from the Office of the Auditor-General where I'm tasked to extract public interest stories in regards to how taxpayers' money has been spent by public agencies.

The reports, mostly being consumed by the watchdog committees of Parliament-County Public Accounts Committee and County Public Investments and Special Funds Committee (Senate), and Public Accounts Committee (PAC) and the Public Investments Committee (PIC) of the National Assembly, normally form the bulk of stories for reporters in a newsroom.

When I started interacting with the reports, it was an uphill task since the auditing jargons used in the reports such as qualified opinion, unqualified opinion, adverse opinion and disclaimer of opinion proved challenging for me to know exactly what the Auditor was saying even before I got into the body of the report.

Inside the reports, reporters also met words such as... *this amount of shilling could therefore not be accounted for, the validity of the expenditure could not be confirmed;... completeness and valuation could not be confirmed* among a host of other auditing jargons.

In the absence of explanations, reporters have always been left to interpret what the words mean and make sense of the numbers by simplifying them to the readers.

This is where the problem emanates as sometimes I write that a certain amount has been lost only for the mentioned organisation to come out gun blazing complaining of misreporting and disparaging the organisation with a possible end result of being sued.

The Office of the Auditor-General has tried in the recent past to take parliamentary reporters like myself into various trainings where the jargons are explained in simple terms for ease of understanding while doing stories.

The trainings have been graced by senior auditors who normally conduct the audits hence providing a perfect avenue for interactive sessions with the reporters.

However, a one-off training cannot solve the problem of understanding the reports hence there is need for continuous engagements. Why the continuous engagement one would ask? Newsroom is dynamic, in my decade stint in the newsroom, I have seen reporters who mentored me into parliamentary reporting, crossing the bridge and getting into the corporate sector.

This means that a new crop of reporters, are usually seconded to parliament to take their place. These reporters come face-to-face with Audit reports and therefore struggle to make meanings out of them.

Audit reports remain one of the vital documents where journalists can get public interest stories if only they can be made easier and simpler to understand.

I must admit that even with my experience, I still find some audit reports that are not explicit in their findings and leave out important details such as names of persons or organizations that may be responsible for misuse of public funds.

In the absence of some of these details, some of the stories have been 'killed' at the altar of news editors even before they land into the desk of chief sub editors.

I have done stories from the audit reports and received lots of feedback from readers who demand for more or certain details, but I always tell them it was not included in the report leaving them to yearn for more information.

One thing I have noticed is that the public really love audit reports, going by the interactions the reports generate in the various social platforms, but many people cannot resonate with them mainly because of the technical language that even journalists sometimes struggle with.

Is all lost? I believe not, more engagements are needed between the Office of the Auditor-General and the journalists to enhance its visibility and improve the impact of its reports to the citizens. This can be achieved. The Office is on the right track in making the audit reports more impactful but I challenge them to improve further in having all stakeholders, on board.

*Mr. Owino is a Parliamentary reporter, Daily Nation*





The Society was established and registered in 1974, and is registered under the Cooperative Society's Act Cap 490 of the Laws of Kenya and issued with certificate No. CS/2234. The Membership is mainly drawn from the Office of the Auditor-General, Government Ministries, counties and State Corporations.

We are hosted by the Auditor-General of the republic of Kenya. Our active membership stands at about 2,300 mainly drawn from the Office of the Auditor-General, Ministry of Finance, Kenyatta national hospital, Ethics and anti-corruption commission among other Ministries, State corporations and Commissions. The Society has experienced tremendous growth, and as per the audited accounts for the year ending 31 December, 2022 total assets grew from 2.4 billion (the previous year) to 2.7 Billion. Interest on deposits moved from 12.6% to 12.7%, while dividends were paid out at 20%.



Photo Courtesy: www.vecteezy.com-Thanakorn Lappattara



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- Repayment method - 2 Months for 50,000/=



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- Repayment Period - 10 months



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