



# ANNUAL

## CORPORATE REPORT

### 2022 - 2023







<b>00</b>	Acronyms and abbreviations.....	II
	The Year at a glance .....	IV
	Foreword .....	1

<b>01</b>	<b>OUR OFFICE</b> .....	5
	Reporting .....	5
	Strategic Direction .....	7
	Our Governance .....	10

<b>02</b>	<b>OUR PERFORMANCE</b> .....	19
	Our Committees .....	22
	Audit Services .....	25
	Audit Opinions .....	30

<b>03</b>	<b>PERFORMANCE ENABLERS</b> .....	36
	Capacity Building .....	37
	Budgetary Requirements .....	38

<b>04</b>	<b>PERCEPTION OF MPS ON THE VALUE OF OAG WORK</b> .....	41
	Our Global Footprints .....	49
	Highlights .....	51
	Our Challenges .....	52

<b>05</b>	<b>ASSESSMENT OF OUR OPERATIONS</b> .....	54
-----------	---	----

<b>06</b>	<b>FUTURE FORECASTING</b> .....	57
-----------	---------------------------------	----

<b>07</b>	<b>FINANCIAL STATEMENTS</b> .....	58
-----------	-----------------------------------	----

## ACRONYMS AND ABBREVIATIONS

<b>AFROSAI-E</b>	-	African Organisation of English-speaking Supreme Audit Institutions
<b>AMS</b>	-	Audit Management System
<b>ASAL</b>	-	Arid and Semi-Arid Lands
<b>CAA</b>	-	Citizen Accountability Audits
<b>CFS</b>	-	Consolidated Fund Services
<b>CISA</b>	-	Certified Information Systems Auditor
<b>CPA</b>	-	Certified Public Accountant
<b>CSOs</b>	-	Civil Society Organisations
<b>DAG</b>	-	Deputy Auditor General
<b>FAS</b>	-	Financial Audit Services
<b>HoAGDP</b>	-	Horn of Africa Gateway Development Project
<b>ICBF</b>	-	Institutional Capacity Building Framework
<b>INTOSAI</b>	-	International Organisation of Supreme Audit Institutions
<b>ISSAIs</b>	-	International Standards of Supreme Audit Institutions
<b>ITCBC</b>	-	Institutional and Technical Capacity Building Committee
<b>KNBTS</b>	-	Kenya National Blood Transfusion Services
<b>MDAs</b>	-	Ministries, Department and Agencies
<b>NAO</b>	-	National Audit Office
<b>OAG</b>	-	Office of the Auditor-General
<b>PAC</b>	-	Public Accounts Committee
<b>PIC</b>	-	Public Investments Committee
<b>PFMA</b>	-	Public Finance Management Act
<b>PFMR</b>	-	Public Financial Management Reforms
<b>PSASB</b>	-	Public Sector Accounting Standards Board
<b>SAI</b>	-	Supreme Audit Institution
<b>SDGs</b>	-	Sustainable Development Goals
<b>SNAO</b>	-	Swedish National Audit Office
<b>TVET</b>	-	Technical and Vocational Education and Training





## THE YEAR AT A GLANCE

### ACHIEVEMENTS



Engaged in Technical Capacity Building to improve quality of audit reports



Auditor-General elected AFROSAI-E's Chairperson



1,764

Audit reports submitted to Parliament and relevant County Assemblies



33

Specialised Audit reports submitted to Parliament and relevant County Assemblies



322

Parliamentary meetings supported



Established Post-retirement Medical Scheme for staff



Produced the first Citizen Accountability Audit Report



Established Environmental and Climate Change Audits Unit

### CHALLENGES



Inadequate budgetary allocation



Tight Audit timelines (only three months to audit)



Increase in Audit Universe



Low implementation of audit recommendations



Delay in discussing Performance Audit Reports

# AUDITOR- GENERAL'S STATEMENT

## Introduction

**P**ursuant to Article 254 (1) of the Constitution of Kenya, I am pleased to present to the President and Parliament the Annual Corporate Report

for the Office of the Auditor-General on our performance for the Financial Year 2022/2023.

This report focuses on our achievements, the challenges we faced and how we mitigated the challenges in order to deliver audit services that resonate with our vision of *Making a difference in the lives and livelihoods of the Kenyan people*.

Over the years, my Office has played a critical role in enhancing accountability in the public sector by ensuring Kenyans get value for every shilling appropriated by the legislature. We do this by auditing and reporting on the effective and lawful use of public resources.

## Submission of audit reports

We submitted 1,764 Financial Audit Reports and 33 Specialised Audit Reports. Among these were 10 Performance Audit Reports, which speak to the heart of transformation of the lives and livelihoods of the citizens. Performance Audits provide an opportunity to monitor and evaluate impact and outcome on the management

and use of public resources. They also provide valuable information on whether the country is achieving its development priorities and service delivery objectives.

I am happy to report significant interest and public discourse in our Performance Audit reports and implementation of recommendations by State Agencies. This has given us impetus to carry out more Performance Audits because audit is about influencing beneficial change. I am in discussion with Parliament to carry out more performance audits and I am also championing the importance of Performance Audit to other stakeholders.





On the quality of our audit reports, we executed training activities and improved our audit methodologies. We also reviewed our quality assurance tools and processes to enhance the quality of our work.

Internationally, the Office was involved in the audit of the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) where the Auditor-General is the incoming chair of the EAC Audit Commission and International Conference on the Great Lakes Region(ICGLR).

### **Audit recommendations**



We continuously propose audit recommendations to tighten controls in the use and management of public resources for improved service delivery. We have however, noted with concern that some of the recommendations are not implemented resulting in recurring audit queries in subsequent years' audits. To this end, we developed a system for tracking implementation of audit recommendations. We have further noted that lack of requisite

sanctions has led to perennial failure by some Accounting Officers to adequately account for the public resources entrusted in their care. It has also led to fiscal indiscipline including misallocations, wastage of resources, lack of value for money in the implementation of projects, theft and corruption.

The Office has made submissions to Parliament to amend the Public Finance Management Act, 2012 to include sanctions for non-implementation of audit and Parliamentary recommendations to instil fiscal discipline.

### **Public participation**



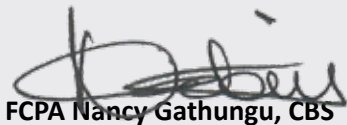
The Office has a duty to oversight prudent use and management of public resources by supporting efforts to ensure that those who violate laws on management of the resources are held to account. Citizens are therefore, strategic stakeholders in this process and their involvement is important in the fight against corruption.

The Office carries out Citizen Accountability Audits (CAA), where citizens participate in audit planning, execution and reporting. CAA

brings on board Civil Society Organisations (CSOs) and the private sector, who have an understanding of the needs of the citizens and champion good governance.

Further, we conducted feedback sessions with various stakeholders to forge a common approach to the audit process. To effectively deliver on our mandate and respond to the expectations of our stakeholders, we intend to continue holding these engagements.

We pledge to continue carrying out audits that meet the needs of our people and support the government in meeting its development goals of enhanced economic development for the country and sustainable and quality service delivery to the people.



FCPA Nancy Gathungu, CBS

**Auditor-General**







## OUR OFFICE

**W**e are an Independent Office mandated by the Constitution under Article 229, to audit the three arms of the government (Executive, Judiciary and Legislature), the Constitutional Commissions and Independent Offices and any other entity that is funded from public funds.

Our ultimate role is to influence the development of our nation and the delivery of quality and sustainable services to the people, aided by the following constitutional provisions:

### ARTICLE 229(4)

Focuses on the audit of accounts of all entities funded from public funds, evaluating and reporting on financial accountability.

### ARTICLE 229(6)

Points at the aspect of lawfulness and effective use of public money. We address the compliance component in our audits, under this provision. It further enables us to conduct performance audits or Value for Money audits guided by efficiency, economy and effectiveness in the use and management of public resources for the benefit of the people.

### ARTICLE 252

Gives the Auditor-General the powers to conduct investigations on complaints made by members of the public and conduct conciliation, mediation and arbitrations on matters related to public financial management.

## Reporting

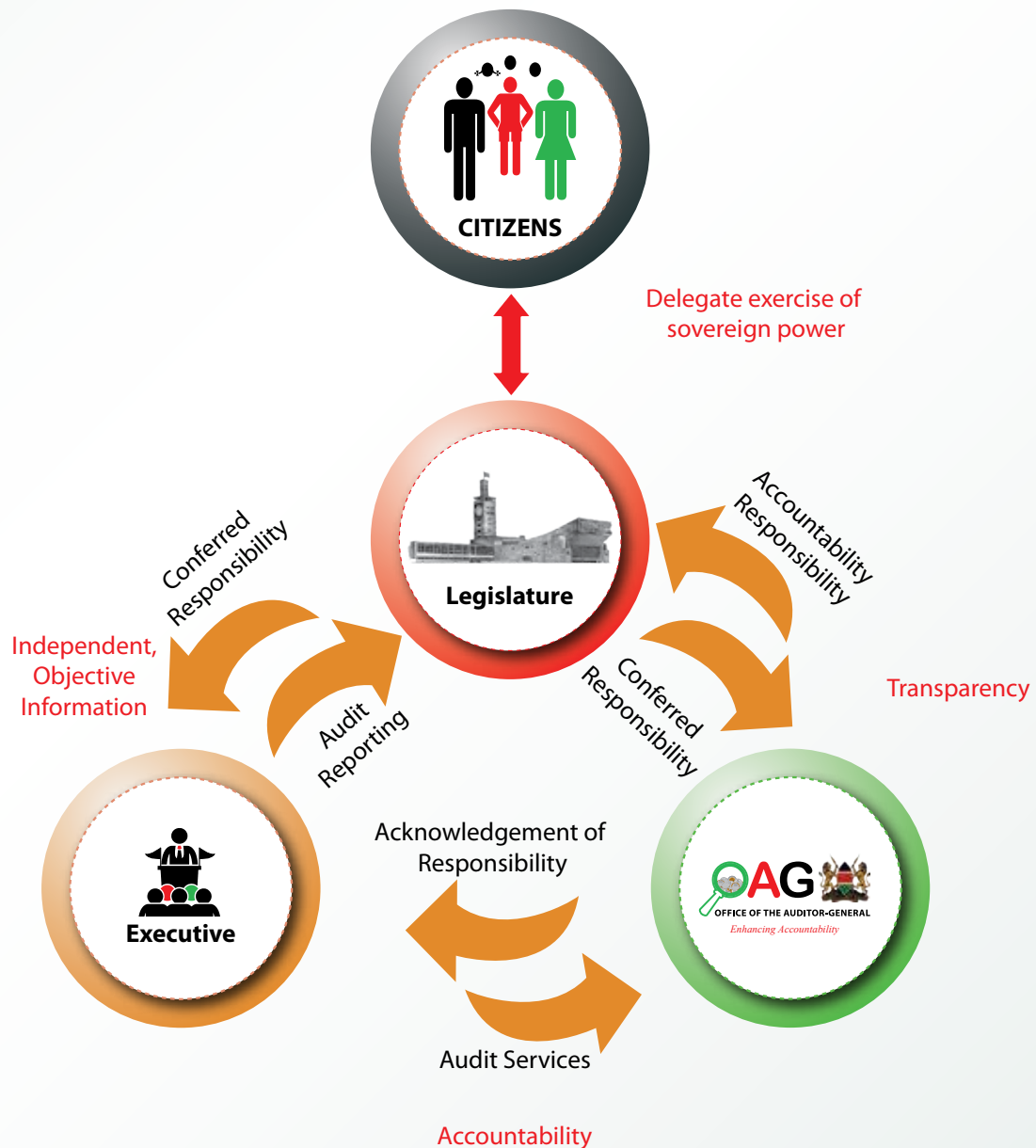
Article 229(7) requires the Auditor-General to audit public spending and submits the audit reports to Parliament and relevant County Assemblies.

Further, Article 229(8) requires the legislature to debate and consider the Auditor-General's reports and take appropriate action.

## Accountability Mechanism

The accountability mechanism illustrates how the delegated sovereign power by the citizens under Article 1(3) of the Constitution enables our Office to deliver on its mandate as stipulated under Article 229. Parliament and County Assemblies approve budgets and appropriate funds for use by public entities, while the Executive implements and prepares reports on the use of the resources.

We audit and report on the accounts of all entities receiving public funds and provide assurance on their effective and efficient use, internal controls, risk management and overall governance on behalf of the citizens. We submit the audit reports to Parliament and relevant County Assemblies as stipulated under Article 229(7).

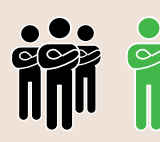


# Strategic direction

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

**Mission** Audit services that impact on effective and sustainable service delivery

**Core Values** Integrity Credibility Relevance Accountability Independence



**Strategic Priorities**

**Priority 1**

*Enhance the quality of Audit Services for improved Management of Public Resources*

**Priority 2**

*Position OAG for greater relevance and credibility to Stakeholders*

**Priority 3**

*Be a model organisation for effective service delivery*

**Strategic Objectives**

- ⊙ Provide audit services that meet professional standards
- ⊙ Enhance the value and benefits of audit reports.
- ⊙ Safeguard OAG independence

- ⊙ Sustain stakeholders' interest in audit services for greater impact
- ⊙ Sustain OAG as a credible source of independent and objective insight on public sector accountability
- ⊙ Enhance visibility for impact.
- ⊙ Improve OAG communication

- ⊙ Institutionalize good governance focusing on transparency and accountability and Cumulative Corporate culture and change management that enhances performance
- ⊙ Attract, retain and maintain a competent, productive and motivated workforce; and improve and sustain a conducive work environment.
- ⊙ Leverage on ICT for efficient service delivery



Our Strategic Direction is anchored on OAG's Strategic Plan 2021-2026, which focuses on delivery of impactful audits aimed at transforming the lives of citizens. The plan is based on Principle 12 of the International Organisation of Supreme Audit Institutions (INTOSAI) Framework for Professional Pronouncements, which requires Supreme Audit Institutions (SAIs) to demonstrate their value and benefits to the citizens.

Our Corporate Strategy is driven by our Vision of *Making a difference in the lives and livelihoods of the Kenyan people*. We are implementing this strategy in an increasingly complex audit environment occasioned by increased audit risks, emerging priorities and ever-changing stakeholder expectations.



## Strategic risks

The Office has identified risk factors that might hinder the implementation of the Strategic Plan and has put in place appropriate mitigating measures as highlighted:

RISK FACTOR	LIKELIHOOD	IMPACT	MITIGATION
Failure to meet statutory audit timelines	High	High	<ul style="list-style-type: none"> <li>i. Optimization on use of technology and Data Science in audit</li> <li>ii. Audit workload redistribution</li> <li>iii. Ensure adequacy of resources and enhance resource optimization</li> </ul>
Failure to produce quality audit reports	Medium	High	<ul style="list-style-type: none"> <li>i. Enhanced supervision and review of audit and audit reports</li> <li>ii. Increased use of peer review</li> <li>iii. Enhancement of quality control and quality assurance</li> </ul>
Inadequate funding	High	High	Resource mobilization
Negative reputation	Medium	High	Enhanced stakeholder engagement
Cyber and information security risks	High	High	<ul style="list-style-type: none"> <li>i. Security awareness</li> <li>ii. Enforcement of the Code of Ethics</li> <li>iii. Enhancement of ICT security</li> </ul>
Resistance to Change	High	High	<ul style="list-style-type: none"> <li>i. Capacity building</li> <li>ii. Culture and change management programmes</li> </ul>
Changes in Government policies	Medium	High	<ul style="list-style-type: none"> <li>i. Enhanced stakeholder engagement</li> <li>ii. Risk management</li> </ul>
Limited support from key stakeholders	Medium	High	Stakeholder engagement
Emergencies/crises	High	Medium	Adherence to mitigation and response guidelines

# Our Governance



**FCPA Nancy Gathungu, CBS**

## AUDITOR-GENERAL

- ➔ Board Member of the INTOSAI Development Initiative (IDI)
- ➔ Chair of AFROSAI Technical and Institutional Capacity Building Committee (TICBC)
- ➔ Chair of the AFROSAI-E Governing Board
- ➔ Chair of OAG's Leadership and Strategy Committee and the Ethics and Integrity Committee
- ➔ Patron of AFROSAI Women Leadership Academy







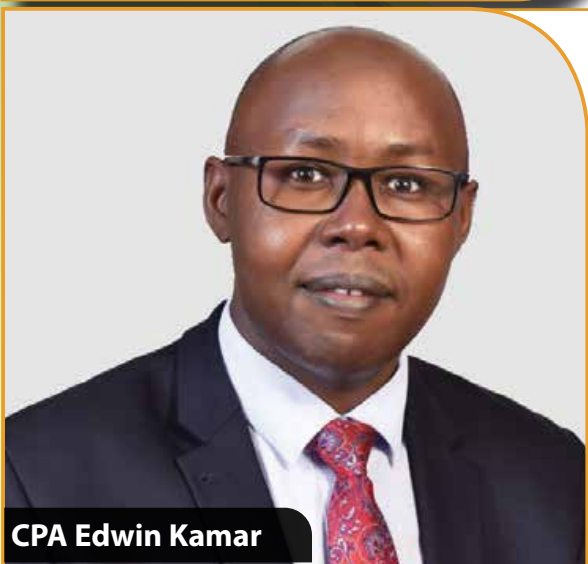
**CPA Sylvester Kiini**

- ➔ Deputy Auditor General, Financial Audit Services in charge of the following:
  - ✎ National Treasury and Planning
  - ✎ Kenya Revenue Authority
  - ✎ Health Services
  - ✎ Three Regional Offices
- ➔ Chair of the Performance Management Committee



**CPA Fredrick Odhiambo**

- ➔ Deputy Auditor General, Financial Audit Services in charge of the following:
  - ✎ Agriculture Sector
  - ✎ Environment, Water and Natural Resources Sector
  - ✎ Public Service, Labour and Social Protection
  - ✎ Three Regional Offices
- ➔ Chair of the Professional Services and Relationship Committee



**CPA Edwin Kamar**

- ➔ Deputy Auditor General, Financial Audit Services in charge of the following:
  - ✎ General Economic and Commercial Affairs Sector
  - ✎ Education Sector
  - ✎ Governance, Justice and Law Sector
  - ✎ Two Regional Offices
- ➔ Chair of the Projects Implementation Committee and ICT Leadership Workstream



**Dr. Leonard R. Lari**

- ➔ Deputy Auditor General, Financial Audit Services in charge of the following:
  - ✂ Sports, Youth Affairs and ICT Sector
  - ✂ National Security and Foreign Relations Sector
  - ✂ Three Regional Offices
- ➔ Chair of the Staff Mortgage and Car Loan Scheme and Welfare Committee



**CPA Stanley Mwangi**

- ➔ Deputy Auditor General, Financial Audit Services in charge of the following:
  - ✂ Housing, Lands and Transport Sector
  - ✂ Energy, Mining and Blue Economy Sector
  - ✂ Four Regional Offices
- ➔ Chair of Learning and Development Advisory Committee



**CPA Joyce Ndung'u**

- ➔ Deputy Auditor General, Specialized Audit Services in charge of the following Directorates:
  - ✂ Performance Audit
  - ✂ Systems Assurance and Data Science
  - ✂ Public Debt Audit
  - ✂ Forensic Audit
  - ✂ Citizen Accountability Audit
- ➔ Chair of the Communication and Stakeholder Management Workstream



**CPA Isaac Ng'ang'a**

- ➔ Deputy Auditor General, Corporate Services. He is in charge of the following Directorates:
  - ✂ Human Resource and Administration
  - ✂ Finance
  - ✂ Information, Communication and Technology (ICT)
  - ✂ Supply Chain Management
  - ✂ Legal Services
  - ✂ Public Relations and Communications
- ➔ Chair of the Human Resource Management Advisory Committee
- ➔ Chair Resource Mobilisation and Budget implementation Workstream

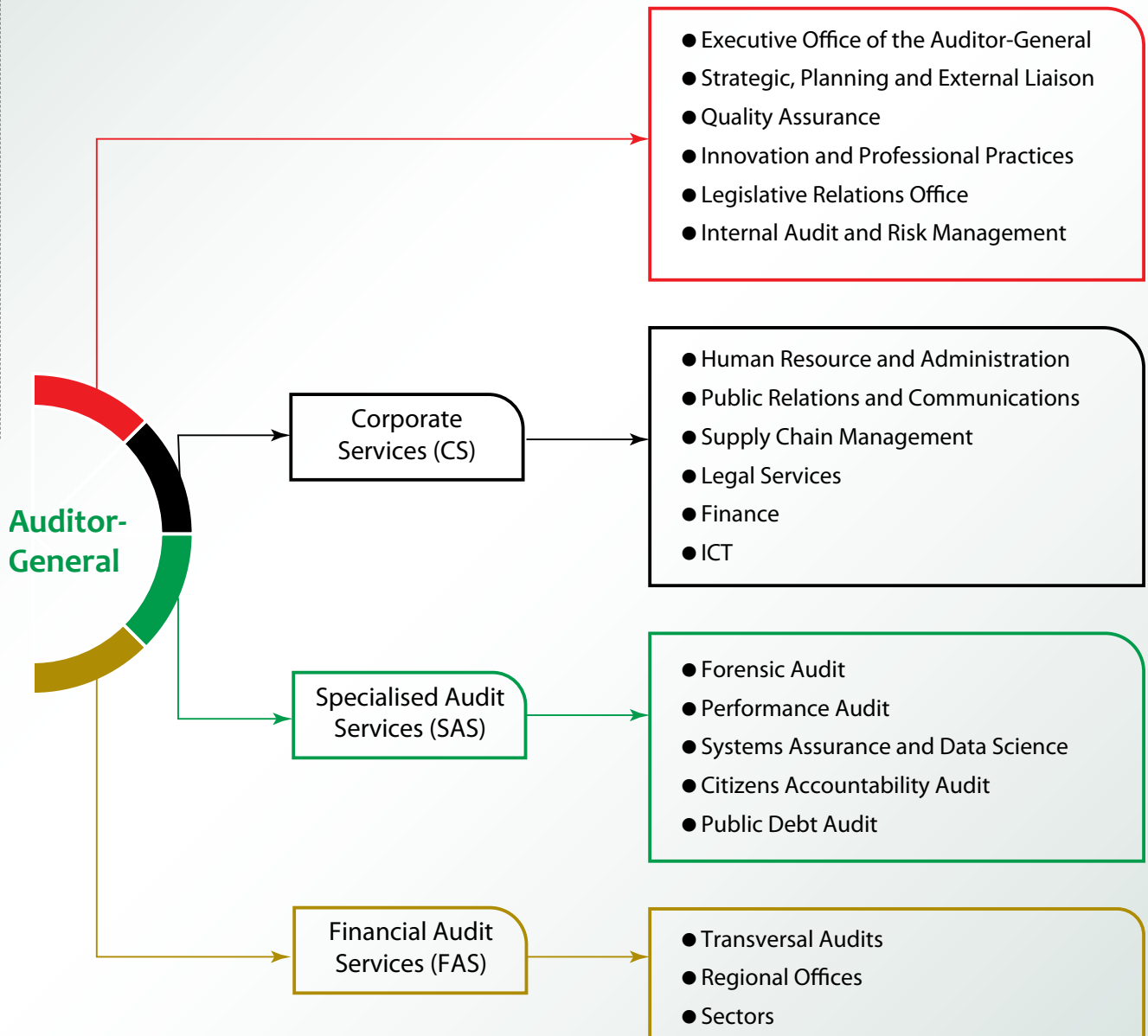






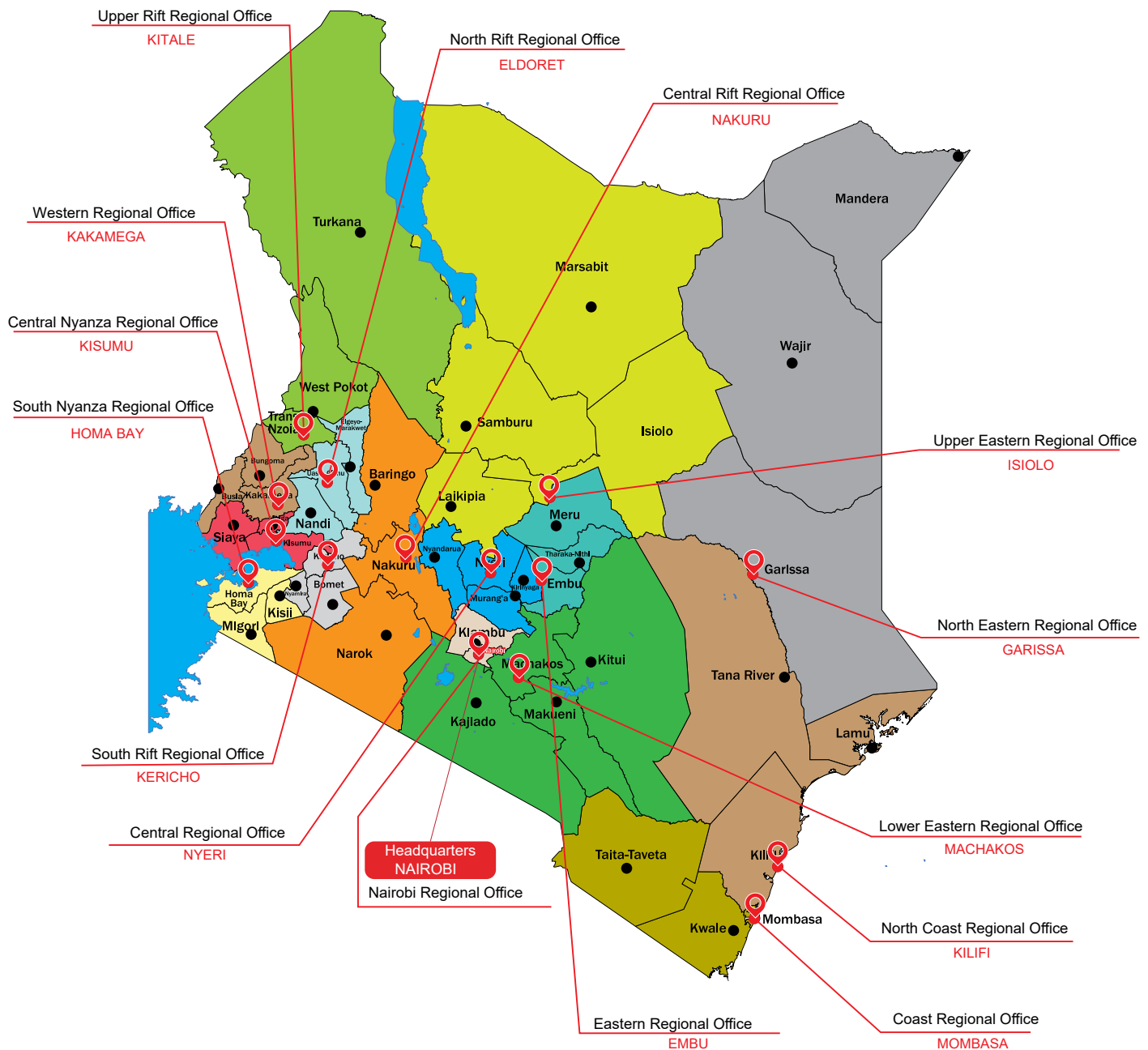
## Organogram

Our Office 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) and the Specialised Audit Services (SAS) Departments. The Corporate Services (CS) Department supports the audit function.



## Regional Presence

The Office established fifteen (15) Regional Offices in the country to decentralize audit services and ensure continuous audit presence at the grassroots.





## OUR PERFORMANCE



Our performance is anchored on Article 229 of the Constitution which requires us to audit and report on all accounts of public entities by December 31 of every year. In addition, Article 229(6) and 229(7) of the Constitution and Section 7 of the Public Audit Act 2015 require that we confirm and report to Parliament and relevant county assemblies on the lawfulness and effectiveness on the use and management of public resources.

These constitutional and statutory requirements are incorporated in the Strategic Plan for implementation through the three strategic priorities. The priorities are driven by our core values of Integrity, Credibility, Relevance, Accountability and Independence which underpin our contract for service delivery with the citizens.

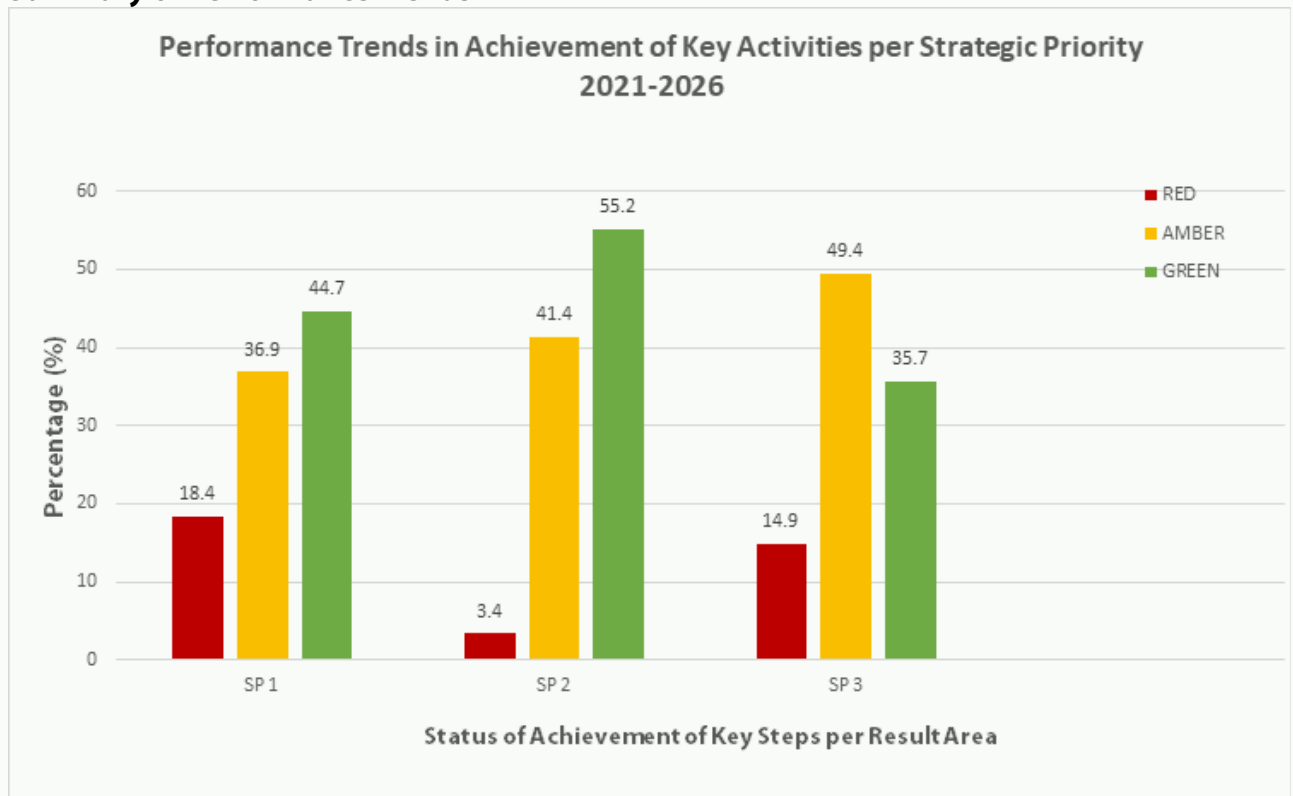
## Corporate Score card

Summary of Performance Trends in Achievement of Key Activities per Strategic Priority (SP) of the Strategic Plan 2021-2026

### Key to the performance matrix

Red	Key step achievement has been delayed for 6 months or more (encountered major barriers to progress)
Amber	Key step has been delayed for less than 6 months (encountered few barriers to progress and thus can be achieved) or is on course to being achieved
Green	Key step achieved

### Summary of Performance Trends



During the year, we achieved the following scores in our three strategic priorities:



Strategic Priority	How we performed
1. Enhance the quality of audit services for improved management of public resources.	Certified 1,764 public entities' accounts and submitted four Consolidated Audit reports (National Government, National Government Funds, County Executives and County Assemblies)
	Rated at level 3 out of 5 by AFROSAI-E's Institutional Capacity Building Framework-Self Assessment, in the quality of our audits
	Enhanced the capacity of the Engagement Quality Reviewers (EQR)
	Improved the quality of audit through continuous capacity building of all staff in audit standards and methodology.
	Enhanced the use of the Audit Management System – All financial audits done and documented through the system and performance audits on course in ensuring all audits are done in the system
	Completed and issued ten (10) performance audit reports as scheduled
	Implemented Framework for Follow-up and Tracking of Audit recommendations - Follow-up audit being done through the audit cycle.
	Managed 100% representation of OAG in all Oversight Committee meetings of Parliament to support the oversight role of Parliament. Supported County Assemblies.
	Collaborated with other SAs on Public Sector Auditing and Capacity Building
	Undertook 33 Specialized Audits focusing on issues affecting citizens.
	Review of the Public Audit Act, 2015 ongoing
	Produced user friendly reports including a Kiswahili version
	Revised audit programmes and procedures for audit purposes
2. Position the Office of the Auditor-General for greater relevance and credibility to stakeholders	Held various stakeholder and media engagement forums which have increased the visibility of the Office .
	Enhanced presence on digital media platforms and recognition of OAG internationally
	Increased collaboration with Development Partners in enhancing OAG Mandate










3. Be a model organization for effective service delivery	Restructured oversight committees to enhance governance and strengthen the capacity of OAG
	Implemented Monitoring and Evaluation of the Strategic Plan to enhance performance
	Conducted continuous staff capacity development initiatives aimed at equipping staff with the relevant skills to improve performance
	Promoted and recruited staff in order to enhance capacity
	Enhanced staff complement with right fit
	Enhanced staff welfare programs with the objective of boosting staff morale and retention
	Provided conducive working environment and tools
	Developed an ICT Strategy focusing on automation of all services

### Our Committees

The Auditor-General established thematic committees to improve efficiency and effectiveness in service delivery as well as improve staff welfare.

Committee	Role	Performance
<b>Leadership and Strategy Committee</b>  	Provide leadership and clarity in setting strategies, cross-office planning processes and policies under the Auditor-General's direction	<ul style="list-style-type: none"> <li>Established a Risk Management Committee.</li> <li>Approved enhancement of pension contributions for employee and employer components respectively.</li> <li>Approved the OAG Annual Operational Plan.</li> <li>Conducted salary reviews and harmonization through the Salaries and Remuneration Commission (SRC) for OAG members of staff.</li> </ul>
<b>Human Resource Management Advisory Committee</b>  	Make recommendations to the Auditor-General on HR issues	<ul style="list-style-type: none"> <li>Revised Medical Scheme Policy</li> <li>Revised HR and Procedures Manuals</li> <li>Conducted Pre-retirement trainings for two cohorts</li> <li>Conducted retirees forum to recognize the service rendered by our employees</li> </ul>

<p><b>Performance Management Committee</b></p> 	<p>Ensure linkage between institutional strategic goals and performance contracts</p>	<p>Held meetings that discussed of the following:</p> <ul style="list-style-type: none"> <li>✦ Creation of a performance culture where staff are held accountable for results.</li> <li>✦ Recognition of productivity and performance by developing productivity metrics and implementing a performance management framework in line with SRC guidelines / framework for the payment of performance-based bonus.</li> <li>✦ Review of the performance management instruments for the Office</li> </ul>
<p><b>Learning and Development Advisory Committee</b></p> 	<p>Considers and approves training objectives, staff development strategies, training needs, training projections, skills inventory and training data</p>	<ul style="list-style-type: none"> <li>✦ Facilitated trainings for majority of staff</li> <li>✦ Hosted the Performance Module 3 program for Performance Auditors from Kenya, Norway, Tanzania, Rwanda, Sweden and AFROSAI – E</li> <li>✦ Implemented Public Sector Audit training for 154 Audit Associates</li> <li>✦ Implemented induction trainings for recruited staff</li> </ul>

<b>Audit, Risk and Compliance Committee (ARCC)</b> 	Review appropriateness of OAG's financial and performance reporting, systems of risk management and internal control	<ul style="list-style-type: none"> <li>Reviewed governance documents namely; ARCC charter, Internal audit charter and internal audit strategy.</li> <li>Developed internal audit workplans</li> </ul>
<b>Ethics and Integrity Committee</b> 	Monitor the impact of ethics and corruption prevention initiatives and actions taken following breaches of the Ethics Policy Framework	<ul style="list-style-type: none"> <li>Reviewed the Code of Conduct and Ethics</li> </ul>
<b>Staff Mortgage and Car loan Scheme and Welfare Committee</b> 	Supervise the administration of the Staff Mortgage and Car Loan Schemes and Staff Welfare issues	<ul style="list-style-type: none"> <li>Approved Mortgage for 23 employees</li> <li>Approved car loans to 14 staff</li> </ul>
<b>Professional Services and Relationship Committee</b> 	Recommend for approval of OAG auditing standards, methodologies, tools and policies	<ul style="list-style-type: none"> <li>Developed Outsourced Audit Policy</li> <li>Facilitated the induction of National Government Constituency Development Fund outsourced auditors</li> <li>Prepared subject matters for compliance audit and revised audit reporting templates</li> </ul>
<b>Projects Implementation Committee</b> 	Prioritize projects based on OAG's Strategic Plan and Medium-Term Plan of Vision 2030	<ul style="list-style-type: none"> <li>Construction of Embu Regional Office</li> <li>Created office space for the Upper Eastern Regional Office, Isiolo</li> <li>Refurbished OAG offices, Nairobi</li> <li>Commenced planning and design of the Coast Regional Office, Mombasa</li> </ul>



## Audit services

The Government comprises the National and Counties, forming a two-tier administrative format. We are therefore organized in alignment with this set up to effectively respond to the audit services requirement of the entities at both the national and subnational levels. The breakdown of our audit universe is as outlined:

### National Government

Client Type	No.
Ministries, Departments and Agencies (MDAs)	55
Receivers of Revenue	15
Consolidated Fund Services including Public Debt	7
Commissions and Independent Offices	16
Donor Funded Projects	216
SAGAs and State Corporations	272
Public Universities	41
Public Pension Schemes	2
TVET including National Polytechnics	222
National Funds	50
NG-Car Loan and Mortgage Fund	23
NG-CDFs and other Devolved Funds	293
Political Parties	48
Public Secondary Schools	9,271
<b>Total</b>	<b>10,531</b>

## County Governments

	Client	Number
1.	County Executive	47
2.	County Revenue Funds	47
3.	County Receivers of Revenue	43
4.	County Corporations (including City and Municipal Boards and Water Service Providers)	137
5.	County Executive Funds	253
6.	County Assembly	47
7.	County Assembly Funds	58
8.	TVET (Vocational Training Centres/ Village Polytechnics and Craft Centres)	924
9.	Level 4 and 5 Hospital	358
	<b>TOTAL</b>	<b>1,914</b>

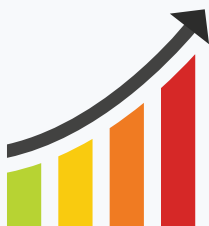
We carried out the following audits during the year:

### Financial and Compliance Audits



Financial audits examine and evaluate financial accounts of public entities to confirm whether they present a true and fair view of their financial position. This is to ensure financial accountability of public resources. Compliance Audits check whether entities comply with laws and regulations on the use and management of public resources.

### Performance Audits



A Performance Audit is 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 as well as recommend areas for improvements. We conducted Performance Audits on various national development priorities including; Health care, Agriculture, Education, Environment, Energy and Gender.

### Citizen Accountability Audit



In the financial year 2022/2023, we completed our first Citizen Accountability Audit (CAA) on Public Participation in County Budget Making Process. The audit report sought to confirm the level of compliance with legal provisions

and the effectiveness of public participation in the budget making process at the subnational level. CAA gives a voice to the citizens in the management of their resources, and is geared towards proactive and impactful audits as envisioned in Section 34 of the Public Audit Act, 2015.

### Forensic Audits



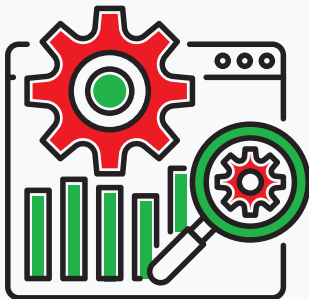
Our focus in forensic audits is to establish fraud, corruption or other financial improprieties and ensure those who misuse public funds are held accountable. We completed two forensic audits and issued reports to the institutions that had requested for the audits.

### Public Debt Audits



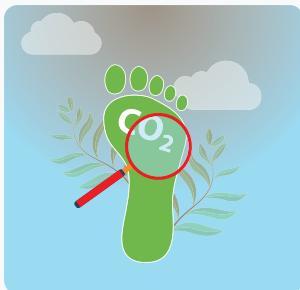
Public Debt Audit involves carrying out financial, compliance or performance audits on public debt management. The audit focuses on confirming whether the Government is managing its debts in a prudent manner in order to raise the required amount of funding at the lowest possible cost. During the year, we published two audit reports on Debt Servicing and Utilisation of Commercial Loans.

### Systems Assurance and Data Science Audits



The Systems Assurance and Data Science audits focus on 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 conducted fifteen Information Systems and Data Science audits on selected government systems. Audit findings and recommendations aimed at mitigating against cyber threats were noted and shared with the respective entities. We further supported our financial audit teams in evaluation of information systems controls, data extraction and data analytics for informed data driven audits.

### Environmental and Climate Change Audits



In response to emerging environmental challenges faced by citizens, we have established an Environment and Climate Change Unit to assess the extent to which environmental programmes and projects are conducted in an economical, efficient and effective manner. This is in line with Principle 5 of INTOSAI P12 which calls on Supreme Audit Institutions (SAIs) to be responsive to changing environments and emerging risks.



We are also part of the Executive Group developing the Climate Scanner Framework. The framework aims to develop and disseminate an innovative rapid review method and a tool for assessing governments' actions to deal with climate change under three axis: governance, public policies, and finance. The Executive Group comprises eighteen SAIs led by SAI Brazil.

### Status of Audit

During the period we audited a total of **1,764** financial statements comprising **1,283** at the National level and **481** at the counties. We also conducted **33** specialised audits as indicated:

### Financial Audits

Category of Client	Audited Financial Statements
Commissions and Independent Offices	14
Consolidated Fund Services (CFS)	6
Corporations - Outsourced	7
Corporations - Trading	62
Corporation Non-Trading	128
County Assemblies	47
County Assembly Funds	57
County Corporations	30
County Executives	47
County Executive Funds	251
County Receivers of Revenue	49
Donor Funded Projects	216
MDA's	56
Municipalities	8
National Funds	69
National Polytechnics	8
NG-Car Loan and Mortgage Funds	24

Category of Client	Audited Financial Statements
NG-CDF	290
Pension Schemes	1
Political Parties	2
Receivers of Revenue	14
Regional Development Authorities	3
SAGAs	65
Special Deposit Accounts	2
Teachers College	1
TVETs	181
Universities	40
Water Companies	80
Water Development Agencies	6
<b>Grand Total</b>	<b>1,764</b>

### Specialised Audits

Types of Audits	Planned Audits	Ongoing Audits	Completed Audits
Citizen Accountability Audits	3	2	1
Forensic Audits	6	4	2
Performance Audits	18	8	10
Public Debt Audits	7	5	2
Systems Assurance and Data Science Audits	23	5	18
<b>Totals</b>	<b>57</b>	<b>24</b>	<b>33</b>

## Audit Opinions

Audit opinions are the ultimate product of the financial audit process. In our audit reports, the Auditor-General expresses an opinion on the financial statements. These opinions are:

### 1. Unmodified Opinion (Unqualified Opinion)



This means that the books of accounts and the supporting records agree with the financial statements presented and no material misstatements have been found. The financial statements present fairly, in all material respects the operations of the audited entity.

### 2. Modified Opinion (Qualified 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 opinion is issued where financial statements exhibit significant misstatements with the



underlying accounting records. The financial statements significantly disagree with the underlying books of accounts and/or standards. These problems are widespread, persistent and require considerable interventions by the management for rectification.



#### 4. Disclaimer of Opinion

The Auditor-General withholds an opinion when 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

A total of **1,764** audit opinions were expressed during the year ended 30 June, 2022 as indicated below:

Clients	Unmodified Opinion	Unmodified with emphasis of matter	Modified Opinion	Adverse Opinion	Disclaimer of Opinion	TOTAL
National Government	322	2	836	72	51	1,283
County Government	68	1	308	81	23	481
<b>TOTAL</b>	<b>390</b>	<b>3</b>	<b>1,144</b>	<b>153</b>	<b>74</b>	<b>1,764</b>



## Contributions to Sustainable Development Goals (SDGs)

Our audits are conducted with a view to contributing to the achievement of the Sustainable Development Goals (SDGs). SDGs are the set of global goals established by the United Nations (UN) in 2015 as part of the 2030 Agenda for Sustainable Development.

We conducted audits that focused on the following SDGs:

### SDG 2: Zero Hunger



We carried out a performance audit on *“Management of Fishing Activities in Kenya”*. The audit assessed how the Kenya

Fisheries Service was managing, conserving and developing fisheries in order to ensure adequate supply of fish in the country. This aligns with SDG 2, Target 2.1 which seeks to ***end hunger and ensure access by all people, especially the poor and vulnerable to safe, nutritious and sufficient food all year round.***

The fishing industry in Kenya contributes to food security, employment and rural development. According to the Kenya Economic Survey, 2021, national annual fish production is approximately 149,700 metric tonnes, valued at Kshs. 26 billion and earns about Kshs. 3 billion in foreign exchange.

The report indicated that the Country has not exploited its full potential for deep sea fishing and fishermen were experiencing post-harvest losses. The report recommends that the State Department for Blue Economy and

Fisheries develops a framework to enhance the Country's exploitation of deep-sea fishing. Further, the Kenya Fisheries Service should ensure that landing sites have the requisite infrastructure and equipment and promote value addition in the sea food value chain in order to minimize post-harvest losses.

### SDG 3: Good Health and Well-being



We carried out three performance audits that focus on access to quality healthcare services as outlined in SDG 3. The reports are:

1. Implementation of the ***Linda Mama Programme by National Health Insurance Fund (NHIF)***

The objective of the programme is to help Kenya achieve SDG Target 3.1, which is ***to reduce the global maternal mortality ratio to less than 70 per 100,000 live births.*** The audit was aimed at assessing whether NHIF had enabled access to maternal health services and ensured efficient implementation of the programme.

The implementation of the Linda Mama Programme has brought on board private and faith-based health facilities offering maternal health services. This has increased accessibility to maternal health services by expectant mothers. As a result, the uptake of skilled maternal health services by 145% between 2017/2018 and 2021/2022 financial years.

The audit established that the programme has not fully eliminated financial barriers

to accessing maternal services. This was evidenced by the fact that it did not cover complications that occurred during pregnancy. Additionally, there were inefficiencies in reimbursement of costs incurred by health facilities in the programme.

The audit recommended that the Ministry of Health and NHIF should include all complications experienced by mothers during pregnancy and postpartum period of three months in the programme service entitlement.

## 2. Provision of Neonatal and Maternal Health by Ministry of Health

The audit sought to address SDG target 3.2, which is to reduce neonatal mortality ratio to as low as 12 per 1000 live births. The objective of the audit was to assess the provision of maternal and neonatal healthcare services in public hospitals.

The audit revealed that there was inadequate dissemination of policies and guidelines on maternal and neonatal healthcare. There was also inadequate infrastructure and equipment for delivery of maternal and neonatal healthcare services. The audit further established that there were delays in accessing care due to inefficient referral systems.

The report recommends that the Ministry of Health should facilitate the relevant departments to implement activities towards ensuring effective implementation of health policies and guidelines. Further, county

governments should ring-fence funds in county health budgets for infrastructural development and purchase of equipment. The Ministry of Health in consultation with county governments should develop a framework that ensures that each county has the required number of ambulances that are well equipped and have efficient re-fuelling and maintenance systems.

## 3. Management of Blood Transfusion Services by Kenya National Blood Transfusion Services (KNBTS)

The objective of the audit was to assess whether KNBTS had ensured adequate supply of blood to hospitals for transfusion. This is in line with SDG 3 that seeks to promote healthy lives and well-being for all at all ages.

The audit established that there was inadequate supply of blood to hospitals for transfusion and lack of an inventory system for efficient management of blood and blood products. This was due to inadequate mobilisation, recruitment and retention of blood donors. KNBTS also experienced break down of equipment and lacked reagents for processing of blood.

The report recommends that KNBTS should ensure an organised blood transfusion service, with adequate resources for the services.

## SDG 4: Quality Education



Our report on Provision of Sanitary Towels to Girls in Public Primary Schools speaks to SDG 4 of ensuring inclusive

and equitable quality education and promoting lifelong learning opportunities for all.

The objective of the audit was to assess whether the Ministry of Education had ensured access to adequate menstrual hygiene for girls in public primary schools. The report indicates that sanitary towels issued to girls were insufficient to last them for the period they were in school and schools lacked safe disposal facilities for used towels.

The report recommends that the Ministry of Education provide girls with adequate sanitary towels for the school period and allocate quantities based on enrolment data collected annually. The Ministry of Education should also improve the existing toilet facilities and equip them with sanitary bins and provide budgetary allocations for emptying the bins regularly.

## SDG 6: Clean Water and Sanitation



We carried out two performance audits that relate to SDG 6 - ensuring sustainable management of water resources and access to safe water and sanitation. The reports include:

### 1. Kenya Towns Sustainable Water Supply and Sanitation Programme

The audit objective was to assess whether the Ministry of Water, Sanitation and Irrigation had ensured that there were adequate measures to enable timely completion and sustainability of the Programme.

The audit found that there were delays in completion of projects due to extension of

project time versus corresponding works progress. Inability of water service providers to meet operations and maintenance costs also affected the sustainability of the programme.

The report recommends that the National Treasury and Planning should ensure that there is due consideration for program timings during preparation of loan agreements. Also, the Ministry of Water, Sanitation and Irrigation should engage relevant stakeholders and develop policies that can reduce production costs at the water service provider levels.

### 2. Construction of Small Dams and Water Pans

The objective of the audit was to assess whether the measures put in place by the Ministry of Water, Sanitation and Irrigation and its implementing agencies had ensured effective construction and maintenance of small dams and water pans.

The audit established that there was no clear plan by the Ministry on increasing water storage and inadequate collaboration by the Ministry and its agencies

The audit recommends that the Ministry of Water, Sanitation and Irrigation should put in place measures to ensure implementing agencies harmonize their list of projects and locations to better coordinate the distribution and implementation of projects.

## SDG 7: Affordable and Clean Energy



We conducted an audit on *Implementation of the Last Mile Connectivity Project*. The project is expected to lead in the attainment of SDG7 - ensuring access to affordable, reliable, sustainable and clean energy for all.

The objective of the audit was to assess the extent of implementation of the Project. The audit observed that there were delays in



project implementation due to delayed tax exemption approvals, import clearance and wayleave disputes.

The audit recommends that the Ministry of Energy and Petroleum, Kenya Power and Lighting Company and other stakeholders should coordinate to streamline the tax exemption process in order to minimize delays in delivery of materials. Further, they should ensure proper planning for wayleaves, as well as streamline the acquisition process to avoid delays in project implementation.

### SDG 11: Sustainable Cities and Communities



Our report on *Response to Floods in Kenya* was meant to address SDG 11- reducing the number of deaths caused by disasters, including water related disasters with a

focus on protecting the poor and people in vulnerable situations.

The objective of the audit was to assess whether the Government had ensured adequate response to humanitarian emergencies during flooding. The audit observed that there was lack of early action by stakeholders despite dissemination of early warning information. Further, there were challenges with evacuation of victims and lack of focal national government entity specifically charged with the responsibility of flood response and preparedness.

The audit recommends that the State Department for Internal Security and National Administration should coordinate with the State Department for ASALs and Regional Development to formulate a National Disaster Risk Management Policy and enact laws to govern disaster management. This will resolve the challenges faced in mandate and coordination.

### SDG 12: Responsible Production and Consumption



Our report on *Monitoring of Artisanal Mining Operations* was meant to address SDG 12- responsible production and consumption, advocating for countries to aim at achieving sustainable management and efficient use of natural resources.

The objective of the audit was to assess the measures put in place by the Ministry of Petroleum and Mining to enhance the monitoring of artisanal mining operations. The audit found that there was partial implementation of the provisions in the Mining Act, 2016 to formalize and regulate artisanal mining operations. There were also negative health, safety, environmental and economic effects attributed to artisanal mining operations.

The audit recommends that the Ministry of Petroleum and Mining should fast track the formalization and regulation of artisanal mining operations and ensure that artisanal miners are issued with permits.

### The 17 Sustainable Development Goals (SDGs)



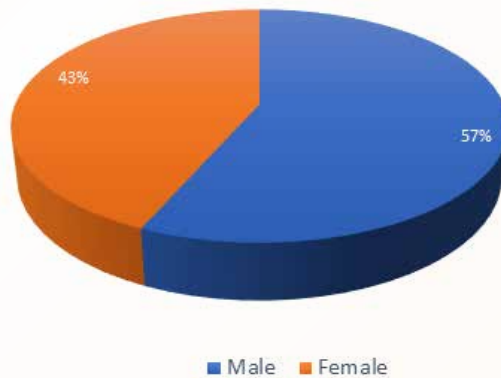
## PERFORMANCE ENABLERS

### Our People

The Office recognizes the key role our human resource plays in helping us achieve our mandate in an effective and efficient manner.

Our staff establishment stands at **1,640** (928 (57%) males, 712 (43%) females). The Office has also responded to affirmative action and employed staff with disabilities and the youth.

Staff Gender



### Age distribution of OAG staff

S/No.	Age	No.
1	18 - 30	208
2	31 - 40	723
3	41 - 50	365
4	51 - 60	343
5	Above 60	1
<b>Total</b>		<b>1,640</b>

## Professional Certifications of our staff

Certified Public Accountants



Certified Information Systems Auditors



Certified Fraud Examiners



Certified Human Resource Practitioners



Supply Chain Specialists



Communication Professionals



Engineers



Lawyers



## Capacity Building

During the year, our staff benefited from workshops and trainings meant to enhance their skills and knowledge and promote career development. These interventions were guided by a training strategy developed based on a training needs analysis. Staff were taken through a range of capacity building programmes as highlighted.

### Capacity Building Programmes attended by staff

	Programmes	Numbers
1	Public Sector Audit Methodologies	134
2	Audit Management System	1,327
3	3-Module Performance Audit	23
4	Information and Cyber Security	25
5	Record and Archives Management	103
6	Professional Courses	231
7	Leadership courses	14
8	Resource Mobilization and Financial Sustainability	4
9	Inductions	30
10	Soft Skills	189

## Staff Welfare

During the period, the Office revised the Medical Scheme to enhance medical cover for staff and their dependents.

The Office also introduced a voluntary Post-Retirement Medical Scheme for serving employees. Each member contributes a minimum of 2.5 percent of his/her basic salary per month. The Scheme is meant to support retired staff in gaining access to quality medical services and ease the burden of healthcare in retirement.

The medical scheme, allows staff to accumulate a medical fund to cater for their post-retirement health needs.

## Budgetary Requirements

During the year, we received funding of **Kshs.6.9B** from the Exchequer to undertake our activities. This amount was however, below our estimated requirement of **Kshs.8.7B**, leading to a shortfall of **Kshs.1.8B**.

The Office continues to experience a shortfall in its budgetary allocation, every year, as indicated in the table:

Financial Year	OAG Budget			National Budget	% of National Budget
	Requested	Allocated	Shortfall		
2018/2019	9.2 B	5.5 B	3.7 B	3.1 Tr	0.19%
2019/2020	8.9 B	5.7 B	3.2 B	2.7 Tr	0.18%
2020/2021	8.9 B	5.2 B	3.7 B	2.8 Tr	0.17%
2021/2022	8.3 B	5.5 B	2.4 B	3.7 Tr	0.16%
2022/2023	8.7B	6.9 B	1.8 B	3.3 Tr	0.21%



To effectively execute our mandate, we require adequate resources, especially in the light of the ever-expanding audit scope. Parliament aware of this need, recommended that the funding for the Office be based on a formula of one-half percent (0.5%) of the last audited and approved revenue figures of the National Government. Currently the last audited statement of revenue approved by Parliament is for FY 2019/2020 which shows revenue figure of **Kshs.1.7TR**. This should give the Office an allocation of not less than **Kshs.8.7B**. We continue to appeal to Parliament and the National Treasury to allocate adequate funding so as to effectively execute our constitutional mandate.

### Facilities

To enhance quality service delivery, the Office strives to provide a conducive working environment for the staff as well as decentralizing audit services closer to the people.

The Office has established two new Regional Offices; North Coast Regional Office in Kilifi and South Rift Regional Office in Kericho raising the number of regional offices to fifteen.

### Fleet Management

We have installed a fleet management system to improve efficiency, ensure compliance with government regulations and support data driven decisions. Proper fleet management facilitates timely provision of audit services.

During the year, we had a fleet of 120 vehicles which was below our current requirement of 200.

### Supply of goods and services

We procured goods and services worth Kshs.525m in line with the Procurement Plan and the Public Procurement and Assets Disposal Act, 2015. Out of the Kshs. 525m, approximately Kshs.106m worth of contracts were awarded to Youth, Women and Persons with Disabilities.

### Review of laws and governance frameworks

We are involved in the review of the Public Audit Act, 2015 to align it with the Constitution of Kenya, 2010 and the judgement of the High Court in Petition No. 388 of 2016. This petition declared some provisions of the Act unconstitutional as they infringed on the independence of the Auditor-General. Through the review, we also intend to address the inefficiencies brought about by certain provisions of the Act.

The Office also completed a compliance matrix and developed a draft legal handbook. The two tools are instrumental in mitigating our legal risks in the audit process, particularly in compliance audits.

In addition, we are developing a Governance Charter, to serve as a reference document on the roles and responsibilities of our internal governance Committees. The Charter outlines how meetings are to be conducted and follow up on decisions and resolutions made.

## **Our Risk Environment**

The Office has entrenched risk management framework and obtained approval from Audit, Risk and Compliance Committee on a roadmap to drive the risk management process through the following key steps:

- Establishment of a Risk Management Committee
- Proposal to review the Risk Management Policy before roll-out of the risk management process
- Development of a Risk Management matrix

## **Quality Control and Assurance**

In 2022/2023, we updated and designed our quality review tools for financial and performance audits. The tools aim at strengthening our capacity to ensure our audit processes and reports align to relevant laws, policies and professional standards.

We reviewed performance and forensic audit manuals and carried out quality assurance reviews on our various types of audits. In addition, we are working on a standard criteria for assessing audit quality to ensure compliance with International Auditing Standards.



## ADDING VALUE TO OUR STAKEHOLDERS

Perception of Members of Parliament on the value of OAG work

*What they said*

“ OAG reports point out the gaps and possible areas to focus on to get the desired change in institutional policies to align to recommendations regarding use of public resources

“ The Auditor-General's reports are really helping Parliamentary Audit Committee make good recommendations that if implemented can improve service delivery to the citizens.

“ OAG reports have led to meaningful change in policy and averted loss of public funds



## Adding Value To Our Stakeholders

**W**e consider stakeholder engagement a key instrument in enhancing prudent and transparent management of public resources. This is in line with the Principle 12 (INTOSAI-P12) of the International Standards of Supreme Audit Institutions: *The Value and Benefits of Supreme Audit Institutions (SAI) –making a difference to the lives of citizens.*

In stakeholder engagement, our audit standards expect us to be aware and to appropriately respond to the expectations of our stakeholders in a timely manner, without compromising our independence.

We engaged with the following key stakeholders:

### 1. Parliament and County Assemblies

Sensitised Parliament and County Assembly Members and staff of Oversight Committees on OAG mandate and the audit process to enhance their effectiveness.

322

Number of Parliamentary Committee meetings supported (Providing technical support)

42

County Assemblies Audit Committees trained on audit process

57

Meetings supported in the County Assemblies (technical support)

3

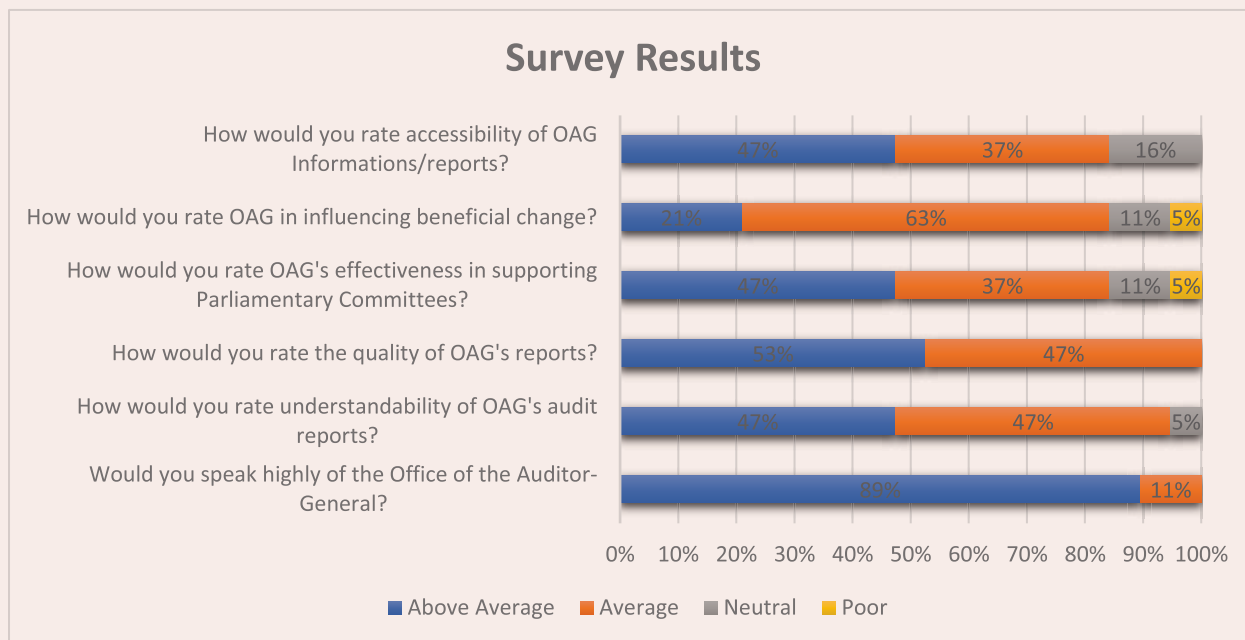
Briefing sessions with 2 National Assembly's Committees

The Office continues to engage oversight committees of the legislature when planning audits to incorporate their expectations, concerns and insights.





We interviewed 19 MPs sitting in Audit Committees of Parliament on the value of our work.



In giving support to parliamentary committees 47% rated the effectiveness of our efforts as **above average** while 89% said they would **speak highly** of OAG.

In our quest to influence beneficial change to the society, 63% of the MPs interviewed rated our efforts as **average** while 53% of the MPs rated the quality of our reports as **above average**.

Further, 47% rated the understandability of our reports to be **average**, and 47% of the MPs rated the accessibility of the reports as **average**.

## Impact of our Work - Case Study

### Management of Assets

The Auditor-General raised issues in respect to asset management relating to maintenance of assets registers, valuation of assets and completeness of records. Following recommendations by Public Accounts Committee (PAC), the National Treasury through Public Sector Accounting Standards Board (PSASB) has developed a policy framework on recognition, valuation and recording of all public assets and liabilities which took effect in 2022/2023 and also developed an Asset Register Templates. Further, the National Treasury has operationalized the National Assets and Liabilities Management Department.





## 2. Citizens

The Office engaged with citizens through media, public forums and Citizen Accountability Audits (CAA). In the forums, we responded to inquiries on our mandate, audit process, follow-up on audit recommendations, among others.

We continue to translate the National Government Audit reports to Kiswahili to enable more Kenyans understand and interrogate the reports. This will enhance citizen participation in decision-making processes by calling to account those entrusted with the management of public resources.

Citizens access our audit reports mainly from the Office website which is the primary source of information on OAG mandate. During the year, we recorded 75,999 downloads as illustrated:

No.	Types of reports	Number of downloads
1	County Governments Audit Reports	17,340
2	National Government Audit Reports	14,568
3	State Corporations Audit Reports	10,648
4	2019/2020 County Government Audit Reports	3,374
5	Financial Audit Reports	5,472
6	CDF Audit Reports	4,480
7	2019/2020 State Corporations Audit Reports	1,800
8	Special Audit reports	2,068
9	Performance Audit reports	7,190
10	2018/2019 County Government Audit Reports	1,325

No.	Types of reports	Number of downloads
11	2019/2020 National Government Audit Reports	1,061
12	2018/2019 State Corporations Audit Reports	1,010
13	2019/2020 Constituency Development Fund Audit Reports	1,032
14	2021/2022 County Government Audit Reports	4,631
	<b>TOTAL</b>	<b>75,999</b>

### 3. Media

The Office conducted four media engagements targeting journalists from mainstream media from various regions. The aim of the engagements was to elicit feedback and gather information on our relationship with the media.

The journalists demonstrated understanding of the mandate of the Office and expressed satisfaction with how the Office has been beneficial in supporting their work. However, they appealed to the Office to consider simplifying further the audit reports for ease of interpretation and reporting. The journalists requested for more engagement forums to enable them understand and accurately report on audit findings.

#### Impact of media trainings

The Office undertakes continuous assessments of the articles published in the print media to gauge the accuracy of reporting by journalists who have been trained on reporting on audit findings. This enables us to develop appropriate interventions aimed at enhancing objective reporting and enriching subsequent media engagements. We have observed a positive trend, with a significant number of journalists correctly interpreting the audit reports as they disseminate relevant information to stakeholders. A summary of the findings from the accuracy analysis shows an improvement in accuracy of media articles from the previous year's as illustrated:



## Accuracy of Media Articles on Audit Findings (July, 2022-June, 2023)

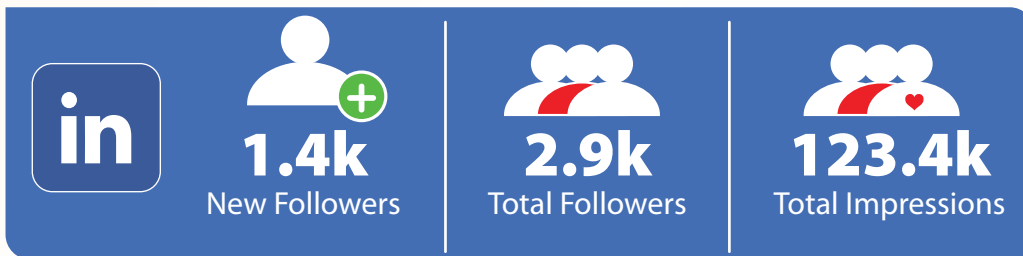
July 2022-June 2023				July 2021- June 2022		
Month	Number of Articles Reviewed	Number of Accurate Articles	Percentage of Accurate Articles	Number of Articles Reviewed	Number of Accurate Articles	Percentage of Accurate Articles
July	11	10	91%	18	13	72%
August	2	1	50%	17	15	70%
September	20	17	85%	20	14	85%
October	24	23	96%	16	12	75%
November	20	13	65%	14	13	92%
December	21	18	86%	12	10	83%
January	26	21	81%	16	13	81%
February	11	8	73%	18	15	73%
March	27	25	93%	22	21	95%
April	21	21	100%	25	18	72%
May	12	11	92%	20	16	80%
June	10	10	100%	15	14	93%
<b>Total</b>	<b>205</b>	<b>178</b>	<b>Average 87 per cent</b>	<b>233</b>	<b>174</b>	<b>Average 74.6 per cent</b>

## Social Media

Social media is another tool that continues to serve as a key bridge between organizations and their stakeholders. We continue to enhance usage of this tool in our bid to reach our various stakeholders.

We used three social media platforms to reach our stakeholders; X (formerly Twitter), Facebook and LinkedIn. We gained **4,700 new followers** across the three platforms, against the target of 3,000 (*1,000 followers for each platform*). During the year, we created more than **530,000 impressions** (*number of times content is displayed to users*) across the three platforms, as outlined.





#### 4. Auditees

We held engagement forums with Accounting Officers of Ministries, Departments and Agencies, County Governments, Universities, Technical and Vocational Education and Training Authorities (TVETs), and Commissions. During these engagements, we unpacked the audit process, important areas to focus on during audit and received feedback on previous engagements with our Office including areas of improvement.



#### 5. Development Partners

Our development partners supported our activities through budgetary support, coordination of programmes, technical and capacity building assistance as well as advisory services.

Our development partners included; African Development Bank (AfDB), the German Development Agency – Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ), World Bank, Agence Française de Développement (AFD), The Global Fund, the Swedish National Office (SNAO), United Kingdom National Audit Office (NAO), the Public Financial Management Reforms Kenya (PFMR), International Organisation of Supreme Audit Institutions (INTOSAI), African Organisation of Supreme Audit Institutions (AFROSAI), African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) and the Horn of Africa Gateway Development Project (HoAGDP).



# Our Global Footprints

The Office actively contributes to the global and regional public sector auditing community in various capacities. At the global arena, we serve in the following capacities:

## Leadership Responsibilities

Body	Responsibility	Role
INTOSAI Development Initiative (IDI)	Board Member	IDI supports capacity development of audit offices in developing countries across the world.
AFROSAI's Institutional and Technical Capacity Building Committee (ITCBC).	Priority Chair	ITCBC is a professional working group of AFROSAI (A regional body focusing on capacity building of SAIs in Africa).
African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E)	Chair	AFROSAI-E is a 26-member organisation with membership from the African region charged with the responsibility to assess future opportunities and match SAI needs with capacity-building initiatives for outcome-driven implementation at the SAI level.
INTOSAI Capacity Building Committee (CBC)	Member Editorial Board	The Board provides editorial support to CBC's website content.

## Peer Support

The Office provided peer support to the National Audit Chamber of South Sudan and the National Audit Office of The Gambia in the areas of Audit, ICT, Human Resource and Communication in cooperation with IDI, AFROSAI-E and the Supreme Audit Institution of Norway.

## Resource Persons

We provided resource persons to various AFROSAI-E and IDI programmes meant to support and build capacity for various

developing SAIs.

## International Cooperation

The Office is part of the East African Regional cooperation agreement with the Swedish National Audit Office (SNAO), which brings together the Supreme Audit Institutions of Uganda, Tanzania and Rwanda. The cooperation focuses on:

- 🔑 Parliamentary Liaison
- 🔑 Quality Control and Quality Assurance
- 🔑 Communication

## ↳ Performance Audit

## ↳ Information Systems and Data Science.

Additionally, we also have an agreement with the UK National Audit Office (NAO). The cooperation focuses on:

- ↳ Building effective relationships with Parliament
- ↳ Measuring audit impact for purposes of reporting in OAG Kenya's Annual Corporate Report

The Office has engagements with the French Court of Accounts to enhance capacity in

Forensic audits.

## **Audit Assignments**

The Office was involved in the audit of the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) where the Auditor-General is the incoming chair of the EAC Audit Commission and International Conference on the Great Lakes region. Our staff also participated in support missions to Zimbabwe (forensic auditing) and Mauritius (performance auditing /quality assurance).





## HIGHLIGHTS

### INCOSAI 2022

A delegation from the Office headed by the Auditor-General attended the XXIV International Congress of Supreme Audit Institution (INCOSAI) that took place in Rio De Janeiro, Brazil, from 7 to 11 November, 2022. The Congress brought together Auditors General and other SAI delegates from 147 countries across the world, including other international organisations and development partners. During the Congress the Auditor-General of Kenya was elected as the Vice Chair with the role of assisting the Chair, President of the Brazilian Court of Accounts, Mr. Bruno Dantas, in running the Congress. The Auditor-General also spoke in a plenary session with the Auditors-General from the UK and Chile. She discussed Kenya's experience of auditing through the pandemic and the lessons for SAIs in future emergencies. The AG also participated in the side event on the Public Financial Management Reporting Framework-an audit tool that strengthens SAIs' contributions to Public Financial Management (PFM) reforms and the achievement of SDGs.

We also attended side events on emerging audit issues on climate change and action and how SAIs can contribute to mitigating effects of climate change.

#### Membership in Working Groups and Committees

INTOSAI Working Group on Public Debt

INTOSAI Working Group on Environmental Audit

INTOSAI Working Group on Evaluation of Public Policies and Programmes

INTOSAI Working Group of Science and Technology on Auditing

INTOSAI Working Group on Extractive Industries (WGEI)

INTOSAI SAI Performance Measurement Fund Advisory Council

INTOSAI Working Group on Stakeholder Engagement

Chair of AFROSAI-E Working Group on Information Systems Audit and Management

### Accountability Conference

The Auditor-General was a panelist during a plenary discussion on ***spending well and with accountability in the public sector*** in Washington DC organised by International Monetary Fund (IMF) on 12 April 2023.

The focus of the discussion was on spending well and ensuring that citizens get value for money from public expenditures. In an environment of constrained resources, the quality of spending is critical to ensure that budgets deliver on policy priorities, including the need to protect the vulnerable and to invest for growth.



## Operational Challenges

In carrying out our role we face the following operational challenges:

### 1. Inadequate budgetary allocations and late disbursement of funds

In the year, we were allocated a budget of Kshs 6.9 billion against our requirement of Kshs 8.7 billion, translating to a funding gap of Kshs 1.8 billion. This, together with delays in Exchequer releases, affected the implementation of planned activities. We however, continue to seek support from The National Treasury and Parliament for enhanced budget allocation.

### 2. Inadequate staff

Human Resource plays a critical role in the delivery of the OAG mandate. In order to effectively implement the OAG Strategic Plan 2021- 2026, the Office requires additional 426 staff in line with our current revised establishment of 2,070. OAG aims to progressively employ more staff to bridge this gap based on the available budget.

### 3. Increase in our audit universe

Our audit universe has been increasing over the years due to demand for accountability by our stakeholders, including requests for special audits by Parliament and County Assemblies. This year, we expanded our audit scope to include 222 National Polytechnics and Technical and Vocational Education Training Institutions (TVETs), 358 Level 4 and Level 5 hospitals and 9,271 secondary schools.

This requires additional financial and human resources.

### 4. Delay by Parliament to discuss Performance Audit reports

Our Performance Audit reports are yet to be discussed by Parliament. We issued 52 reports by June 2023 touching on various government undertakings. The reports provide recommendations, that if implemented, would address some of the challenges the country experiences. We will however, continue engaging Parliament to discuss and make recommendations with regard to Performance Audit Reports.

### 5. Low Implementation of Audit Recommendations

The Office and Parliament make recommendations to enhance the accountability, transparency and effective utilization of public resources. Unfortunately, these recommendations are not always implemented due to lack of follow-up and enforcement mechanisms.

In line with our Mission of ***Audit services that impact on effective and sustainable service delivery***, we have taken proactive measures to develop a Framework for Tracking, Follow-up and Reporting on Implementation of Audit Recommendations. The framework proposes a multi-agency approach to effectively implement recommendations. Additionally, we have submitted proposals to Parliament to review the Public Finance Management Act, 2012, to make implementation of audit recommendations mandatory for all public

entities and introduce and enforce sanctions on those who fail to comply.

### **6. Tight audit timelines**

Our timelines for submission of audit reports to Parliament and County Assemblies are very tight owing to a provision in the Public Finance Management Act, 2012, which gives public entities three (3) months after the end of the financial year to present their financial statements for auditing. This reduces the duration for audit to 3 months from the 6 months constitutional timelines given to the Auditor-General to audit and report.

### **7. Fluctuation of market prices**

Fluctuation of market prices has rendered most of the framework contracts for procurement of goods and services

inexecutable due to price changes. Some items could not be procured because there was high variances between the planned costs and the expected costs of acquisition with the budgeted amount.

### **8. Long Lead times**

Majority of the technology related equipment and consumables were affected by the long time taken from the commencement of procurement process to conclusion. Due to this, some contracts could not be fully executed within the financial year.





## ASSESSMENT OF OUR OPERATIONS

**W**e assessed our activities using the African Organisation of English-speaking Supreme Audit Institution's (AFROSAI-E) Institutional Capacity Building Framework (ICBF), a tool that enables SAIs to identify and prioritise their capacity building needs, gaps and challenges.

The ICBF assesses the level of development of SAIs on five domain areas:

- **Independence and Legal Framework** - This looks at the operational, financial and administrative independence of the Auditor-General and the staff.
- **Organisation and Management** - This focuses on the governance and leadership elements as well as operational and strategic planning.
- **Human Resources**- This domain looks at management and development of staff. It

covers recruitment, induction, retention, recognition, performance management, training, career development and staff wellness.

- **Audit Standards and Methodology** - This focuses on development, implementation and maintenance of appropriate up-to-date ISSAI compliant audit tools like audit manuals, guidelines, and templates, in accordance with the SAI's mandate and national legislative requirements.
- **Communication and Stakeholder Management**- This domain focuses on engagement with stakeholders guided by strategies and plans that are aligned with, and support strategic goals and mandate of the SAI.

An assessment questionnaire was administered to assess the levels of



development in the five domains. The development levels are graded from Level 1 to Level 5, with the following explanations:

### Level 1

This is the **Foundation Level**. When a SAI scores Level 1, it means the SAI exists but operations and other processes are at rudimentary level. The SAI is part of the executive government structure and not independent in any area. Audit work is not organized according to a strategic, annual operational or audit plan and the work is not carried out according to the INTOSAI Code of Ethics.

### Level 2

This is the **Development Level**. The SAI exists and has some legal provisions for its independence, but the 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 Plan and other annual operational plans are not implemented.

### Level 3

This is the **Established Level**. At this level, 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 some form of 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 as well as important quality control requirements are implemented.

### Level 4

This is the **Managed Level**. At this level, full compliance with all requirements on Level 3 is achieved by the SAI. The SAI and key stakeholders are fully satisfied at Level 4 with the implementation of plans and procedures. The SAI is at Level 4 and has achieved full sustainable development. In addition to the conditions at Level 3, the SAI is capable of managing its core business efficiently and effectively.

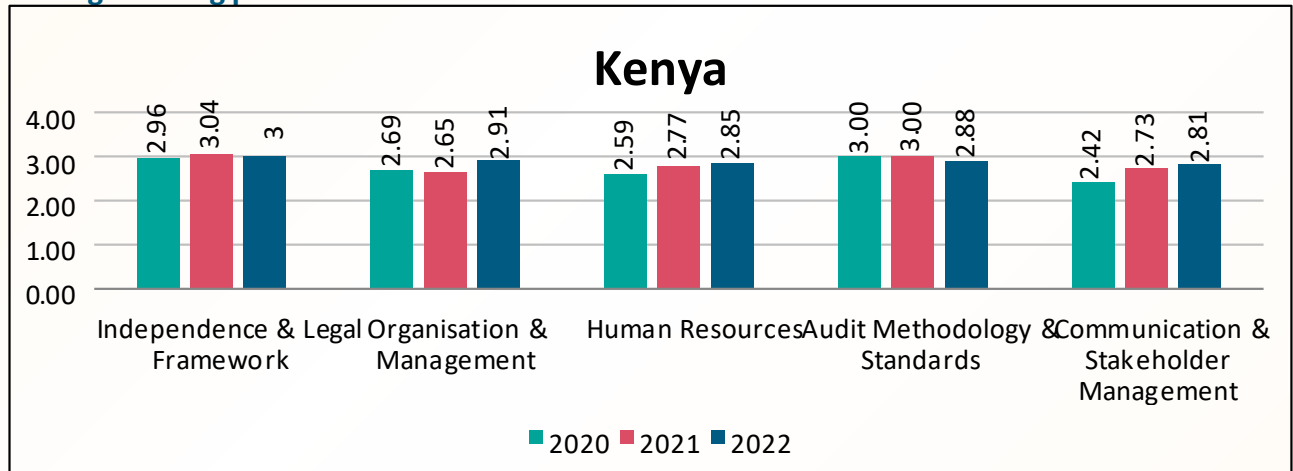
### Level 5

This is the **Optimised Level**. At this level, the SAI complies fully with all requirements on Level 4. The SAI is able to scan the environment and position itself appropriately. Resources are utilised in the most proactive and value adding way. To optimise use of resources, the SAI constantly evaluates, analyses and assess its policies, objectives, strategies, systems, procedures, capacity, the skills of staff and the impact of decisions.

In the period ending December 31, 2022, we posted the following scores on the five domain areas:

Domain	Score (Out of 5) 2022
Independence and Legal Framework	3
Organisation and Management	2.91
Human Resource	2.85
Audit Standards and Methodology	2.88
Communication and Stakeholder Management	2.81

#### Average scoring per domain from 2020 to 2022



Source: AFROSAI-E





# FUTURE

## FORECASTING

### Upgraded Audit Management System

We plan to migrate to a more vibrant Audit Management System (AMS) from the current version. The upgraded system will enhance efficiency during audits, meet audit standards and respond to the expectations of our stakeholders.

### Citizen Accountability Audit Mobile Application

The application is meant to compliment other avenues of engaging with citizens for robust and targeted dissemination of results of CAA operations and policies. The portal and the mobile application will improve OAG's visibility and support the institution's outreach to stakeholders and citizens at large. It will also be used as a knowledge and resource sharing platform, cataloguing and disseminating information for the benefit of citizens.

In addition, the Office of the Auditor-General Kenya has been selected by AFROSAI as one of the countries in Africa to implement

technology-based solutions to engage citizens and obtain feedback. Other Supreme Audit Institutions selected to implement this programme are Botswana, Rwanda and Liberia. This programme is supported by GLZ-South Africa.

### Stakeholder Engagement Survey

The Office is in the process of carrying out a survey to establish the level of awareness, satisfaction and perception of our stakeholders on our services.

### Audit Recommendations

The Office is in the process of developing a system for tracking implementation of recommendations emanating from parliamentary committees. We seek to establish a system which comprises all actors in the implementation process and ultimately create a platform which is accessible by the public. This will improve the implementation of the Framework for Tracking, Follow-up and Reporting on Implementation of Audit Recommendations already developed.



## 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 to be prepared in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.


Attached are the OAG's unaudited financial statements for the period ended June 2023:

### Statement of Receipts and Payments For The Year Ended 30 June, 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Receipts			
Exchequer Releases	1	5,803,190,789	5,310,484,973
Proceeds from Domestic and Foreign Grants	2	10,506,720	0
Proceeds from Sale of Assets	3	2,750,900	0
Miscellaneous Receipts	4	410,287,043	359,661,836
<b>Total</b>		<b>6,226,735,451</b>	<b>5,670,146,809</b>
Payments			
Compensation of Employees	5	4,080,528,183	3,826,205,103
Use of Goods and Services	6	1,749,266,788	1,635,907,123
Acquisition of Assets	7	176,325,718	227,685,962
<b>Total Payments</b>		<b>6,006,120,689</b>	<b>5,689,798,188</b>
Surplus/(Deficit)		220,614,762	(19,651,379)

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 15 September 2023 and signed by:


  
**CPA Nancy Gathungu, CBS**  
**Auditor-General**

  
**CPA Isaac Ng'ang'a**  
**DAG - Corporate Services**

## Statement of Financial Assets and Financial Liabilities as at 30 June, 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial assets			
Cash and cash equivalents			
Bank balances	8A	164,740,690	357,112,440
Cash balances	8B	884,967	851,330
Total cash and cash equivalents		165,625,657	357,963,770
Imprests and advances	9	195,727,203	14,095,994
<b>Total financial assets</b>		<b>361,352,860</b>	<b>372,059,764</b>
Financial liabilities			
Third party deposits and retention	10	161,292,489	375,793,927
Net financial assets		200,060,370	(3,734,163)
Represented by			
Fund balance b/fwd.	11	(3,734,163)	202,699,563
Prior year adjustment	12	(16,820,229)	(186,782,347)
Surplus/(Deficit) for the year		220,614,762	(19,651,379)
Net financial position		200,060,370	(3,734,163)

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 15 September, 2023 and signed by:


  
**CPA Nancy Gathungu, CBS**  
**Auditor-General**

  
**CPA Isaac Ng'ang'a**  
**DAG - Corporate Services**

## Statement of Cash Flows for the Year Ended 30 June, 2023

Description	Note	2022-2023 Kshs	2021-2022 Kshs
Operating Activities			
Receipts			
Exchequer releases	1	5,803,190,789	5,310,484,973
Proceeds from domestic and foreign grants	2	10,506,720	0
Miscellaneous receipts	4	410,287,043	359,661,836
<b>Total Receipts</b>		<b>6,223,984,551</b>	<b>5,670,146,809</b>
Payments			
Compensation of employees	5	4,080,528,183	3,826,205,103
Use of goods and services	6	1,749,266,788	1,635,907,123
<b>Total</b>		<b>5,829,794,972</b>	<b>5,462,112,226</b>
Net receipts/(payments)		394,189,580	208,034,584
Adjustments during the year			
Prior year adjustments	12	(16,820,229)	(186,782,347)
Decrease/(Increase) in accounts receivable	13	(181,631,208)	3,449,855
Increase/(Decrease) in deposits and retention	14	(214,501,438)	155,296,827
Net Cash Flow from Operating Activities		(18,763,295)	179,998,919
Cash flow From Investing Activities			
Proceeds from sale of assets	3	2,750,900	-
Acquisition of assets	7	(176,325,718)	(227,685,962)
Net Cash Flows from Investing Activities		(173,574,818)	(227,685,962)
Net increase in cash and cash equivalents		(192,338,113)	(47,687,043)
Cash & Cash Equivalent at Start of The Year	8A	357,963,770	405,650,813
Cash & Cash Equivalent at End of The Year	8A	165,625,657	357,963,770

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 15 September 2023 and signed by:

  
**CPA Nancy Gathungu, CBS**  
**Auditor-General**

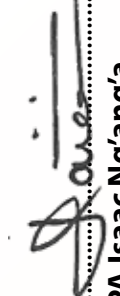
  
**CPA Isaac Ng'ang'a**  
**DAG - Corporate Services**

## Statement of Comparison of Budget and Actual Amounts For Financial Year 2022/2023

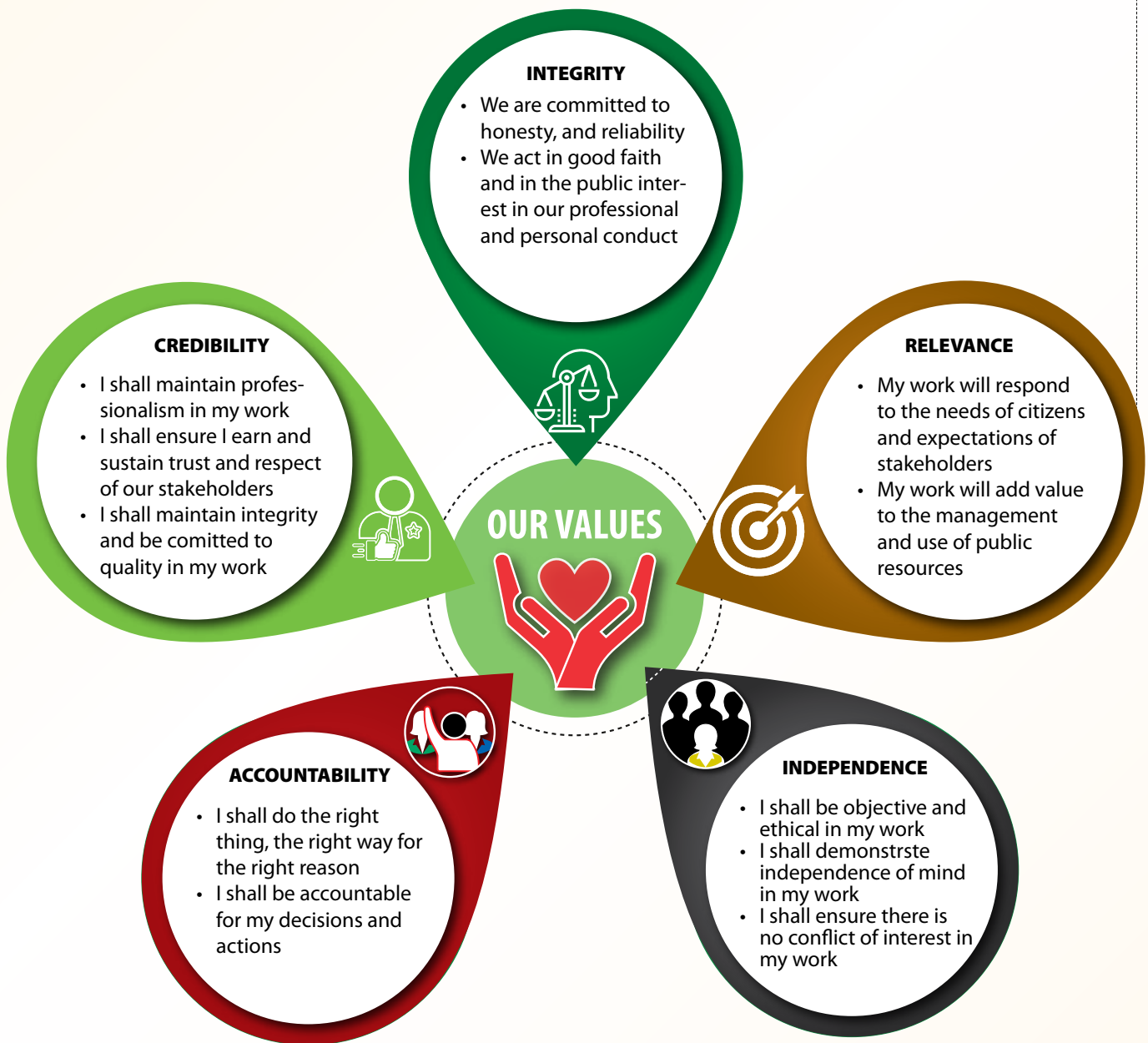
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Exchequer releases	6,728,330,000	(522,480,000)	6,205,850,000	5,803,190,789	402,659,211	94%
Proceeds from domestic and foreign grants	10,730,000	-	10,730,000	10,506,720	223,280	98%
Proceeds from sale of assets	-	-	-	2,750,900	(2,750,900)	-
Miscellaneous receipts	159,100,000	157,080,000	316,180,000	410,287,043	(94,107,043)	130%
<b>Total Receipts</b>	<b>6,898,160,000</b>	<b>(365,400,000)</b>	<b>6,532,760,000</b>	<b>6,226,735,451</b>	<b>306,024,549</b>	<b>95%</b>
Payments						
Compensation of employees	4,418,450,000	(183,480,000)	4,234,970,000	4,080,528,183	154,441,817	96%
Use of goods and services	1,873,793,400	177,707,000	2,051,500,400	1,749,266,788	302,233,612	85%
Acquisition of assets	605,916,600	(359,627,000)	246,289,600	176,325,718	69,963,882	72%
<b>Total Payments</b>	<b>6,898,160,000</b>	<b>(365,400,000)</b>	<b>6,532,760,000</b>	<b>6,006,120,689</b>	<b>526,639,311</b>	<b>92%</b>
Surplus/ Deficit	-	-	-	220,614,762	(220,614,762)	-

The entity financial statements were approved on 15 September, 2023 and signed by:

  
 .....  
 CPA Nancy Gathungu, CBS  
 Auditor-General

  
 .....  
 CPA Isaac Ng'ang'a  
 DAG - Corporate Services





## CONTACTS

3rd Floor, Anniversary Towers,  
University Way, Nairobi

**Phone:** +254 020 3214000

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

**Website:** <https://www.oagkenya.go.ke/>



oagkenya



@OAG\_Kenya



Office of the Auditor-General Kenya