REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

OFFICE OF THE AUDITOR-GENERAL ABRIDGED SUB-SECTOR REPORT

FINANCIAL YEAR 2027/2028 AND MEDIUM - TERM EXPENDITURE FRAMEWORK

SEPTEMBER 2026

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

Table of Contents

CHAPTER ONE 3

1. INTRODUCTION 3

1.1 Mandate 3

1.2 Strategic Direction 4

1.3 Strategic Goals 4

1.4 OAG Stakeholders 5

CHAPTER TWO 7

2. PROGRAMME PERFORMANCE REVIEW 7

2.1 OAG Programme and Sub-Programmes 7

2.2 Programme Performance – FY 2022/2023 to FY 2025/2026 7

2.3 Other Key Achievements 8

2.4.1 Recurrent Budget Analysis 10

2.4.2 Development Budget Analysis 11

CHAPTER THREE 12

3. MEDIUM TERM PRIORITIES AND FINANCIAL PLANS 12

3.1 Programmes and Objectives 12

3.2 Programme Performance Targets in the Medium Term 12

3.3 Resource Requirement and Proposed Allocation 13

CHAPTER FOUR 14

4.0 CROSS-SECTOR LINKAGES AND EMERGING ISSUES 14

CHAPTER FIVE 17

5.0 CONCLUSION 17

CHAPTER SIX 19

6.0 RECOMMENDATION 19

CHAPTER ONE

1. INTRODUCTION

The Office of the Auditor-General (OAG) is an Independent Office established by Article 229 of the Constitution of Kenya. The Office is charged with the primary oversight role of ensuring accountability in the use and management of public resources within the three arms of government (the Legislature, the Judiciary and the Executive), County Governments, as well as the Constitutional Commissions, Independent Offices and any entity that is funded from public funds.

1.1 Mandate

The mandate of the Auditor-General as stipulated in the Constitution of Kenya 2010 and the Public Audit Act, 2015 is to carry out audits of all entities funded by the Government and to report to Parliament and the relevant County Assemblies. Specifically;

1. Article 229(4) of the Constitution of Kenya mandates the Auditor-General to confirm financial accountability of all entities funded from public funds.
2. Article 229(6) requires the Auditor-General to confirm the lawfulness and effectiveness in the use and management of public resources.
3. Article 252 mandates the Office to conduct investigations on complaints made by members of the public and conduct conciliation, mediation and arbitrations on matters related to public financial management.
4. Section 71(a) of the Public Audit Act, 2015 requires the Auditor-General to give assurance on the effectiveness of internal controls, risk management and overall governance at national and county governments and;
5. Under Article 249(1), the Office of the Auditor-General is expected to meet the objectives and goals of Commissions and Independent Offices as stipulated in the Constitution of Kenya, namely;

   (a) protect the sovereignty of the people;

   (b) secure the observance by all State Organs of democratic values and principles; and (c) promote constitutionalism.

1.2 Strategic Direction

Our Strategic Direction is anchored on OAG's Strategic Plan 2021-2026, which focuses on delivery of impactful audits aimed at transforming the lives and livelihoods of citizens. It aligns with International Organization of Supreme Audit Institutions (INTOSAI) Framework for Professional Pronouncements Principle 12, which emphasizes on Supreme Audit Institutions (SAIs) demonstrating their value and benefits to the citizens.

Our Vision

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

Our Mission

Audit Services that Impact on Effective and Sustainable Service Delivery.

1.3 Strategic Goals

The implementation of OAG strategy is driven by our vision of making a difference in the lives and livelihoods of the Kenyan people, in an increasingly complex audit environment, increased audit risks and emerging priorities. It also takes into account the continuously escalating stakeholders' expectations and demand for accountability which have become a new reality. The strategic direction outlines three strategic priorities which are:

- Enhance the quality of audit services for improved management of public resources. This is achieved through implementation of measures that will strengthen adherence to audit quality standards and timelines,
- Position the Office of the Auditor-General for greater relevance and credibility to stakeholders. OAG continues to play a more pivotal role as an authority on matters of accountability and governance in the economy in ensuring the public gets value from the use of public resources,
- Be a model organization for effective service delivery. OAG will put in place strong governance structures, systems and an effective and efficient human resource that delivers quality and value to the staff.

1.4 OAG Stakeholders

As an Office, we recognize and appreciate the important roles played by various stakeholders in the furtherance of our constitutional mandate of oversighting the use and management of public resources. The stakeholders' interests are diverse and at a times conflicting and this calls for clear analysis of their identity, roles and expectations in order to build partnerships and synergy in the delivery of the constitutional mandate.

Below is an analysis of some of our key stakeholders, their importance and respective roles:

Stakeholders	Roles	Importance
International and Regional Organizations of Supreme Audit Institutions	Develop and issue Audit Standards and manuals, give technical support, knowledge sharing, undertake peer reviews and capacity building.	Improve quality, credibility and comparability of audit reports.
Auditees/All public entities	To apply appropriated public resources and render accountability.	They manage public resources on behalf of the citizens and OAG exist to provide assurance on the same.
Parliament and County Assemblies	• Interrogate Audit reports and enforce audit recommendations. • Appropriate resources to various public entities in furtherance of the Country's economic, development and social goals.	They are the representatives of the citizens and play complimentary role of oversighting the use and management of public resources.

Kenyan Citizens	Ensuring there is prudent management of public resources by demanding accountability on their use and management.	They are the object of existence of the Government as all public entities are established to benefit the citizens. Citizens give feedback on the delivery of services by the government which assist OAG in evaluation of impact of use of public resources.
Development Partners	They play a key role of ensuring that the government upholds the principles of good governance, transparency and accountability Support programs aimed at enhancing audit process and capacity building.	They assist in building the capacity of OAG to deliver on its mandate.
Media	Accurate, fair and user-friendly reporting and sharing of information on issues that are of public concern and interest. They provide visibility and social responsibility	Media is a key partner of the OAG since it assists in publicizing audit reports. It also helps the citizen to understand the role of OAG.

CHAPTER TWO

2. PROGRAMME PERFORMANCE REVIEW

2.1 OAG Programme and Sub-Programmes

The Office of the Auditor-General implements only one Programme for Audit Services within which there are five (5) Sub-Programmes namely; National Government Audit, County Governments Audit, National Government Constituencies Development Fund (NG-CDF) Audit, Specialized Audit Services and the Education Institutions Audit Sub-Programme established in the financial 2024/2025.

The outputs from the Audit Services Programme and Sub-Programmes are audit reports issued by the Auditor-General to Parliament and County Assemblies.

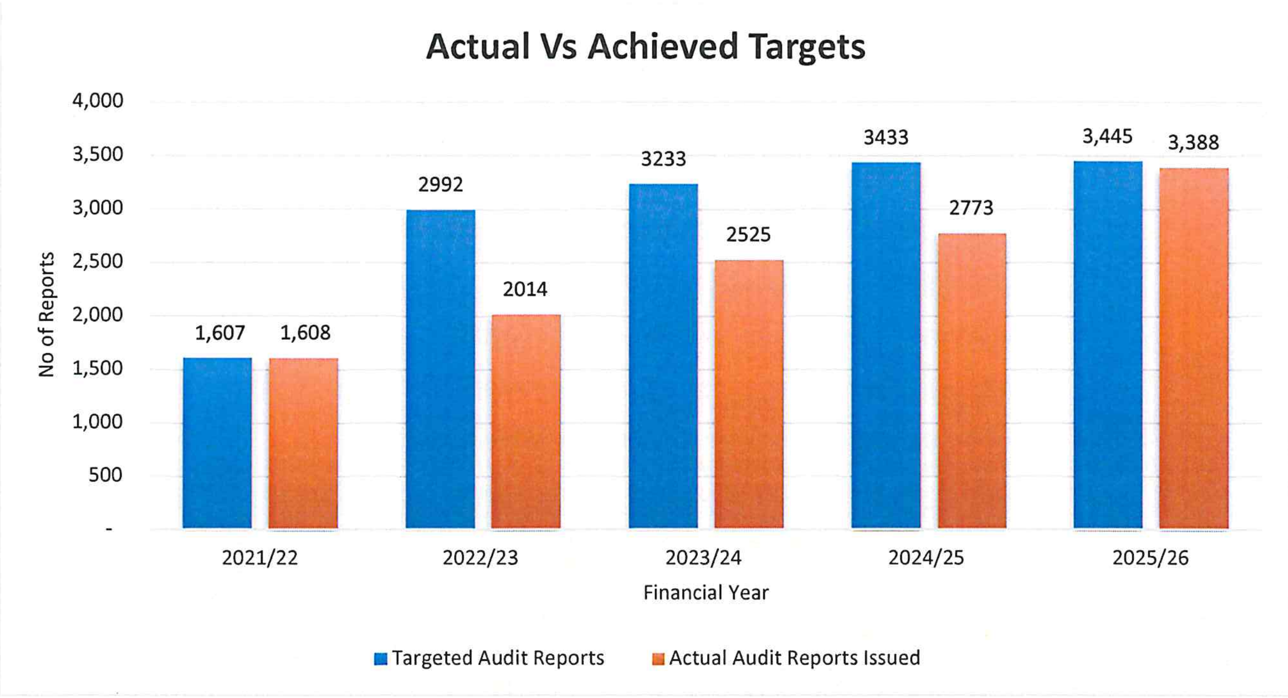
2.2 Programme Performance – FY 2021/2022 to FY 2025/2026

The audit scope of the Office of Auditor-General has been increasing over the years due to creation of new public entities and some existing semi-autonomous entities becoming self-accounting. Some of the entities that have been added to the audit scope in the period under review include, Public Secondary Schools, Technical and Vocational Education Training (TVETs) and Level 4 and 5 hospitals.

However, the increase in audit scope is not matched with resources allocation which creates a gap. In spite of the funding challenge, the Office ensures that the allocated resources are utilized in a prudent and efficient manner and within the established priorities to effectively deliver on our oversight role.

In the period under review, the number of audit reports issued increased steadily from **1,608** in **FY 2021/22** to **3,388** in **FY 2025/26** reflecting a **111%** growth. The programme performance rat in terms of the achieved targets also improved over the last four years from **67.3%** in **2022/23** to **98.3%** in **2025/26.** This is a demonstration of strengthened audit capacity and improved operational efficiency, enabling the Office to nearly attain its annual audit targets by **FY 2025/26.**

This is illustrated in the chart below:



The performance variances in the financial years 2022/2023 to 2024/2025 were mainly under Education Institutions Audit Sub-Programme and was attributed to inadequate funding and failure by majority of public secondary schools to submit auditable financial statements.

2.3 Other Key Achievements

In the pursuit of our constitutional mandate of oversighting the use and management of public resources, the Office also made other key achievements during the period under review as highlighted below:

i. In FY 2025/26, the Office audited **3,356** public entities, representing a substantial increase of **866** entities compared to the previous year. The audit reports were submitted to Parliament and County Assemblies within the constitutional timelines, with the exception of Public Secondary Schools;

ii. In addition, the Office conducted **sixty-seven (67)** specialised audits, comprising Performance Audits, Information Technology Audits, Citizen Accountability Audits, Forensic Audits and Public Debt Audits;

iii. Another significant achievement during the year was the parliamentary consideration of the Performance Audit on the Management of On-lending Activities in Kenya within the financial year in which it was published. Further, the National Assembly's Public

Accounts Committee (PAC) adopted recommendations from three (3) performance audit reports while reviewing the corresponding financial statements. This demonstrates increasing utilization of audit results in public oversight and accountability processes;

iv. As part of strengthening accountability and follow-up mechanisms, the Office submitted three (3) follow-up reports to Parliament. Further, OAG with the support from GIZ trained Committees of Public Accounts and Investments (CPAICs) and Committees on Implementation from fifteen (15) County Assemblies on audit oversight and implementation of recommendations. In addition, the Office developed a County Public Accounts and Investments Committee Handbook;

v. The Office continued to strengthen its international standing through notable leadership and oversight roles in global institutions. A notable achievement was appointment as the external auditor for the **Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization** for the 2026–2027 period. Also, a member of staff of OAG was appointed as one of the two External Auditors of International Anti-Corruption Academy;

vi. The Office's commitment to professional excellence was internationally recognized when its Performance Audit Report on the Implementation of the Kenya Urban Support Programme Phase I received the AFROSAI-E Best Performance Audit Report Award in 2025. This marked the third attainment of this prestigious award, reaffirming the Office's leadership and professional excellence in public sector auditing;

vii. OAG marked a significant milestone with the launch of the OAG Academy, a transformative initiative designed to foster strategic partnerships, strengthen institutional capacity, enhance research and innovation, and cultivate a culture of integrity, accountability, and professional excellence in public sector auditing. The Academy is expected to play a pivotal role in supporting high-quality auditing and advancing the Government's aspiration for zero-fault audits;

viii. The Office also expanded its regional presence through the operationalization of the Embu Regional Office, establishment of Meru Regional Office, and the commencement of construction of the Mombasa Regional Office Block. These initiatives are aimed at enhancing governance, operational resilience, and institutional performance, while bringing audit services closer to stakeholders to improve responsiveness, accessibility, and service delivery at the regional level;

ix. OAG received unqualified (clean) audit opinions on our financial statements for financial years from **2021/2022** to **2024/2025**;

x. The Office also achieved ISO/IEC 27001 certification, marking a significant milestone that highlights our commitment to protecting sensitive data and information and

xi. During the period under review, the office continued to provided technical support to the Parliament's and County Assemblies' oversight committees.

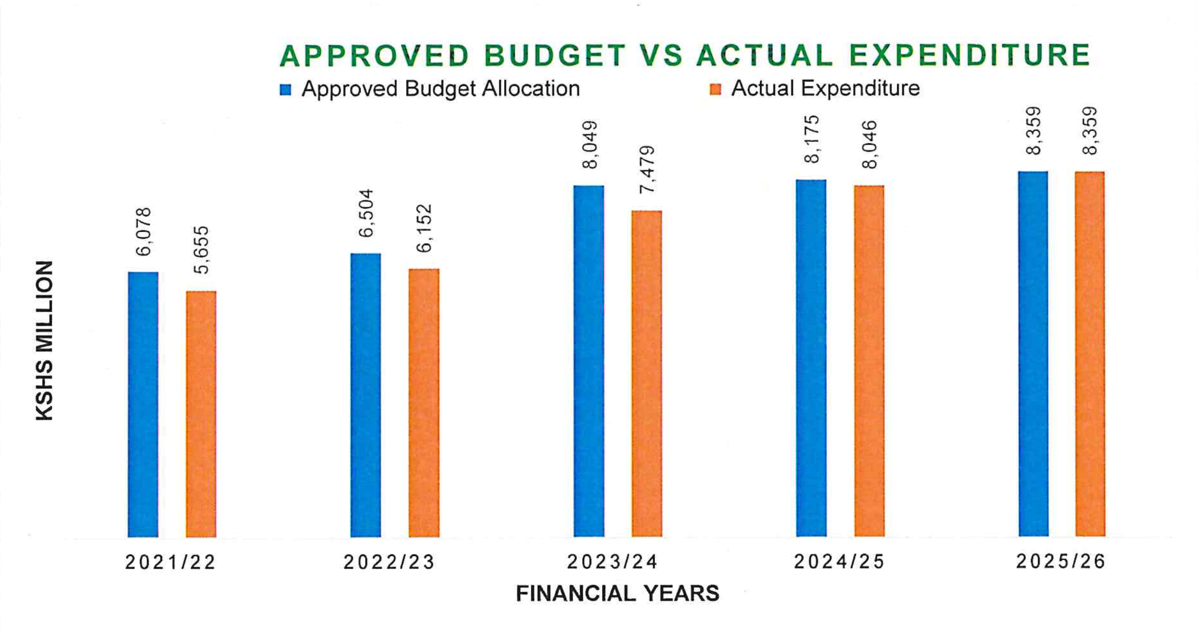
2.4 Budgetary Performance Review

2.4.1 Recurrent Budget Analysis

OAG Recurrent Budget has increased steadily over the last five years with allocations of **Kshs.6.08 billion, Kshs.6.50 billion, Kshs.8.05 billion, Kshs.8.18 billion** and **Kshs.8.36 billion** in **FY 2021/2022, FY 2022/2023, FY 2023/2024, FY 2024/2025** and **FY 2025/2026** respectively. The budget utilization level also improved from **93%** in **FY 2021/2022** to **100%** in **FY 2025/2026**.

The chart below depicts OAG Recurrent budget Performance over the last five financial years:

Table 2.4: Recurrent Budget Allocation vs Expenditure - FY 2021/2022-2025/2026



2.4.2 Development Budget Analysis

The Office has acquired two parcels of land in Nairobi and Mombasa for construction of OAG Headquarters and Mombasa Regional Office Block respectively. The initial plan was to implement the two projects concurrently but after consultations with the Budget and Appropriations Committee of the National Assembly, the construction of Mombasa Regional Office Block was Prioritized. The project has estimated cost of **Kshs.1.5 billion** and construction was commenced in **FY 2025/2026** and is expected to be completed in **FY 2027/2028**.

OAG Development budget allocations over the last three years which are, FY 2023/2024, FY 2024/2025 and FY 2025/2026 amounted to **Kshs.70 million**, **Kshs.56.2 million** and **Kshs.330 million** respectively. Actual expenditures for each of the three years amounted to **Kshs.6.7 million**, **Kshs.39.2 million** and **Kshs.320.9 million** respectively translating to respective absorption rates of **10%, 70%** and **97%**.

CHAPTER THREE

3. MEDIUM TERM PRIORITIES AND FINANCIAL PLANS

3.1 Programmes and Objectives

The Office of the Auditor-General implements one Programme for Audit Services within which there are five Sub-Programmes. The objective of the Programme is to support good governance and accountability in the management of public resources.

The ultimate strategic contribution of the Programme is improvement in the lives and livelihoods of the Citizens by ensuring that public resources are applied to the intended purposes and in adherence to the principles of effectiveness, efficiency and economy for realization of the required impact.

3.2 Programme Performance Targets in the Medium - Term

The Office targets to issue **3,936** audit reports in **FY 2026/27** and in each of the other three years in Medium -Term comprising **1,110, 1,085, 290, 1,411** and **40** for National Government, County Governments, Constituencies Development Fund (NG-CDF), Public Secondary Schools and Special Audit reports respectively as summarized in **Table 3.1** below:

Table 3.1 Targeted Programme Outputs - FY 2026/2027 to FY 2029/2030

Key Outputs	Target (Baseline) 2026/27	Target 2027/28	Target 2028/29	Target 2029/30
National Government Audit Reports	1,110	1,110	1,110	1,110
County Government Audit Reports	1,085	1,085	1,085	1,085
NGCDF Audit Reports	290	290	290	290
Education and Health Audit Reports	1,411	1,411	1,411	1,411
Special Audit Reports	40	40	40	40
Total	**3,936**	**3,936**	**3,936**	**3,936**

3.3 Resource Requirement and Proposed Allocation

In the current financial year 2026/2027, OAG has a combined budget allocation of **Kshs.9.83 billion** made up of **Kshs.9.526 billion** and **Kshs.303.1 million** in Recurrent and Development Votes respectively. However, the assessed resource requirements for **FY 2026/2027** amounts to **Kshs.11 billion** with a resultant funding deficit of **Kshs.1.2 billion**.

In the ongoing budget process for **FY 2027/2028**, the Office has an assessed budget requirement of **Kshs.13.13 billion** comprising **Kshs.12.31 billion** and **Kshs.812.78 million** for Recurrent and Development Votes respectively.

The Office is confident that it will be allocated adequate resources during the on-going Sector Working Groups Budget forums to enable it to continue undertaking its constitutional mandate of oversighting the use of public resources..

CHAPTER FOUR

4.0 CROSS-SECTOR LINKAGES AND EMERGING ISSUES

The Office of the Auditor-General (OAG) continues to strengthen collaboration with key stakeholders, including the National Treasury, the Office of the Internal Auditor-General, Parliament, County Assemblies, constitutional commissions, and oversight agencies, to enhance public sector accountability and governance. The Office has progressively expanded its audit focus beyond traditional financial and compliance audits to include assessments of economy, efficiency, and effectiveness in the use of public resources, with greater emphasis on citizen impact.

Similarly, the devolution of resources and functions to county governments has led to increased public spending in devolved units, aimed at accelerating socioeconomic development. Concurrently, a more informed and engaged public has amplified the demand for transparency and accountability in the use and management of public resources. This includes growing citizen interest in audits that address emerging issues such as Environmental, Social, and Governance (ESG) factors, Public Private Partnership (PPP), public debt sustainability, climate change, and equitable service delivery. The Office is progressively expanding its audit scope to include ESG, Public Private Partnership (PPP) and public debt audits. ESG audits assess how public entities manage environmental impacts, uphold social responsibility, and adhere to governance principles. Public debt audits evaluate the legality, transparency, and sustainability of debt acquisition and utilization, with a focus on fiscal responsibility and long-term economic stability. Public Private Partnerships (PPP) audits, evaluate the legality and value for money for the PPP engagements. These emerging areas reflect a global shift toward holistic public sector accountability and are increasingly demanded by Parliament, civil society, and development partners.

The demand for specialized audits has grown exponentially, particularly from Parliament and other oversight bodies. These include requests for audits on topical and sensitive areas such as school capitation, county health services, and more recently, ESG compliance and public debt management. These audits are often urgent, complex, and resource-intensive, yet they are typically unfunded. The increasing volume and complexity of these requests place significant pressure on the Office's limited resources and disrupt pre-planned audit schedules. This trend underscores the urgent need for enhanced budgetary support to meet the growing expectations of Parliament and the public.

Despite the increased audit universe, the Office continues to face persistent resource constraints. For instance, in period under review, the Office initiated audits of schools, Technical and Vocational Education and Training (TVET) institutions, and Level IV and V hospitals. However, the budgetary shortfall remains, even as the national budget continues to grow, posing significant challenges to the effective and efficient execution of OAG's constitutional mandate.

Article 229(7) of the Constitution requires the Auditor-General to audit and submit reports to Parliament or the relevant County Assembly within six months after the end of the financial year. However, Section 81(4) of the Public Finance Management Act, 2012, shortens this timeline to three months, as entities are required to submit financial statements by the end of September. The compressed audit cycle, coupled with inadequate funding and delays in disbursement by the National Treasury, adversely affects the scope, coverage, and comprehensiveness of audits. The National Treasury has however through circular dated 29th March,2026, guided MDAS to submit financial statements to the Auditor General by the end of August and therefore increased the timeline to four (4) months.

To enhance operational efficiency, the Office continues to leverage on an automated Audit Management System (AMS). However, this system requires sustained resource allocation to ensure continuity and avoid disruptions when contracts lapse. The increasing automation of government operations and digital transformation across public entities necessitate the auditors to deploy technology-enabled audit tools. This shift demands investment in ICT infrastructure and capacity building to maintain audit relevance and effectiveness.

Furthermore, changes in the INTOSAI Framework for Professional Pronouncements (IFPP) have introduced new competency requirements for auditors. These developments call for continuous professional development and specialized training to equip audit staff with the skills needed to conduct complex audits, including those involving data analytics, ESG, and public debt. The evolving audit landscape, therefore, justifies the need for additional resources to strengthen institutional capacity, enhance audit quality, and respond effectively to emerging risks and stakeholder expectations.

CHAPTER FIVE

5.0 CONCLUSION

To efficiently and effectively discharge its constitutional mandate, the Office of the Auditor-General (OAG) has adopted a forward-looking strategy through its Strategic Plan, which includes restructuring the Office to align with the current governance framework. This restructuring is designed to support the audit and reporting of financial statements for both the National and County Governments within the constitutionally prescribed timelines. It also enables sector-based audits of the National Government, in line with the economic sectors established by the government.

In addition to traditional financial and compliance audits, the Office is expected to audit all Technical and Vocational Education and Training (TVET) institutions and Public Schools. This expanded audit universe requires substantial resources to ensure comprehensive coverage and timely auditing and reporting.

Moreover, the audit landscape is rapidly evolving, with increasing demand for audits that address emerging issues such as Environmental, Social, and Governance (ESG) factors, public debt sustainability, climate change, and digital transformation. ESG audits assess how public entities manage environmental impacts, promote social equity, and uphold governance standards. Public debt audits evaluate the legality, transparency, and sustainability of debt acquisition and utilization. These areas are critical to national development and fiscal accountability, and their inclusion in the audit scope reflects a global shift toward holistic public sector oversight.

Parliament and other oversight bodies continue to request specialized audits on topical and complex issues, school capitation, county health services, ESG compliance, and public debt management. These audits are often urgent and resource-intensive, yet they are typically unfunded. The exponential growth in such requests underscores the need for enhanced budgetary allocation to the Office of the Auditor-General to enable it to undertake its oversight role effectively.

OAG continues to experience resource constraints, particularly in staffing. The authorized staff establishment stands at **2,560** while the current in-post is **2,051** resulting in a shortfall of **509**. Out of the **2,051** in-post staff, **1,629** are auditors and this number is not sufficient to effectively deliver on the Audit Services Programme considering the increased audit scope and complexity of the audit environment. Although the Office plans to recruit additional staff in the coming financial year, the projected numbers remain inadequate relative to the workload. Nonetheless, the Office remains optimistic that the staffing gap will be progressively addressed over the medium term.

To meet the demands for the Financial and Specialized Audits and within the constitutional timelines, the Office requires sustained investment in human capital, ICT infrastructure, and adequate operational resources. Strengthening OAG institutional capacity is essential to ensure delivery of high audit quality, responsiveness to stakeholder expectations, and continued relevance in a dynamic Public Financial Management environment.

CHAPTER SIX

6.0 RECOMMENDATION

In view of the foregoing, there is an urgent need to continue building staff capacity and developing specialized skills and competencies that will enable the Office of the Auditor-General (OAG) to effectively respond to its expanded and evolving mandate. This includes strengthening capabilities in emerging audit areas such as Environmental, Social, and Governance (ESG) audits, public debt sustainability assessments, and other specialized audits increasingly requested by Parliament and stakeholders.

To remain relevant and impactful, OAG must embrace transformation anchored on the principles of independence, credibility, relevance, and accountability. This calls for a structured re-engineering of operations, including the adoption of data-driven audit methodologies and the integration of technology across all audit processes. Leveraging on ICT will enhance efficiency in scrutinizing the use of public resources and ensure timely, evidence-based reporting that supports improved service delivery to the Kenyan people.

Adequate resourcing of the Office is therefore critical to achieving these objectives. Further, investment in human capital, ICT infrastructure, and operational tools will enable the Office to address current challenges and meet the growing expectations of citizens, Parliament, and development partners. Enhanced funding is also necessary to support the implementation of competency-based training programs aligned with the INTOSAI Framework for Professional Pronouncements (IFPP) and ensuring that auditors are equipped to conduct complex audits in compliance with the International Standards of Supreme Audit Institutions (ISSAI).

Given the enhanced mandate of the Auditor-General as espoused in the Constitution of Kenya, 2010, and the exponential growth in audit requests particularly in ESG, public debt and governance reforms, adequate and predictable funding to OAG is essential to safeguard the Office's independence and effectiveness.

The expanded scope of work and strategic priorities outlined in the Strategic Plan form the basis for the 2027/2028 to 2029/2030 Medium-Term Expenditure Framework (MTEF) budgets. These budgets reflect the Office's commitment to delivering high quality audit services that promote accountability, transparency, and value for money in the management of public resources.

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