



GOVERNMENT OF KENYA THROUGH THE PARLIAMENTARY SERVICE COMMISSION
INDEPENDENT AUDITOR'S REPORT
OFFICE OF THE AUDITOR GENERAL (KENYA NATIONAL AUDIT OFFICE) - KENAO

25TH OCTOBER 2013

FINANCIAL AUDIT OF
THE OFFICE OF THE AUDITOR GENERAL KENYA NATIONAL AUDIT OFFICE (KENAO)
FOR THE PERIOD FROM 1ST JULY 2011 TO 30TH JUNE 2012

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Executive summary

Background of the Office of the Auditor General and The Kenya National Audit Office

The Office of Auditor General (OAG) in Kenya is an independent constitutional office and is the Country's Supreme Audit Institution (SAI). The OAG is a constitutional office established under the Laws of Kenya and it draws its mandate from the Constitution of Kenya, 2010. The Office is established under Chapter 12, Part 6, and Article 229 of the Constitution of Kenya and is one of the independent offices as established by the Constitution. The OAG is headed by the Auditor-General (AG) who is appointed by the President after approved by the National Assembly. It is not subject to direction or control by any person or authority.

The Auditor General (AG) and the Office of the Auditor General (OAG) is enshrined in the Constitution of Kenya 2010 and the Public Audit Act 2003. Article 229 (4), of the Constitution of Kenya 2010 outlines the mandate of the Office of the Auditor General (OAG). It stipulates that the Auditor General (AG) shall audit and report, in respect of that financial year, on the accounts of:-

- The National and County governments;
- All funds and authorities of the National and County governments;
- All courts;
- Every commission and independent office established by the Constitution;
- The National Assembly, the Senate and the county assemblies;
- Political parties funded from public funds;
- The public debt; and
- Any other entity that legislation requires the Auditor-General to audit.

The core mandate is to carry out audits and report to Parliament and the relevant Country Assemblies within statutory timelines. It includes carrying out performance audits in addition to audit of accounts referred to above under Article 229 (4) of the Constitution of Kenya 2010.

The Auditor General is required to audit and report on all the accounts of any entity that is funded from public funds.

Objectives and scope of the audit

Objectives

The objective of the assignment is to carry out the annual audit of Office of Auditor General (OAG) for the years ended 30th June 2012 and to:

- i. Ensure that the audits are in accordance with the International Standards on Auditing (ISA).
- ii. Check whether the financial statements have been prepared in accordance with the Government Financial Regulations and Procedures.
- iii. Express a professional opinion on the Auditor General's Office on the financial position at the end of each financial year and on funds received and expenditures incurred for the relevant accounting period.
- iv. Prepare an audit report in line with pertinent constitutional provisions by Parliament.
- v. To carry out the audit in accordance with The International Standards on Auditing (ISA) and as per the provisions of the provisions of The International Federation of Accountants (IFAC).
- vi. Undertake internal controls testing to ensure that all funds received are used as per its purpose.
- vii. Conduct thorough internal controls systems (ICS) testing to ensure that controls are existing and are used effectively.
- viii. Conduct tests to ensure that books of account are kept as per The Government of Kenya (GoK) Financial Regulations and are consistent with the statements of assets and liabilities and the Appropriations In Aid (AIA) accounts.
- ix. Conduct an exhaustive review of the internal control system to have sufficient knowledge procedures underpinning the systems, as contained in the various manuals of procedures or Government Guidelines and agreements signed by GoK.
- x. Report the audit findings in a management letter.

Scope

The scope of the audit assignment was to ensure that;

- i. All necessary supporting documents, records and accounts have been kept in respect of all project activities with clear linkages between the books of account and reports to ensure that KENAO has maintained adequate supporting documentation to support claims for reimbursement of expenditures incurred.
- ii. Goods and works services financed have been procured in accordance with the financing agreements including specific provisions of Government of Kenya Procurement Policies and Procedures
- iii. All necessary supporting documents, records and accounts have been maintained in respect of all activities, including expenditures reported using financial statements and to verify that respective reports issued during the period were in agreement with the underlying books of account.
- iv. National laws and regulations have been complied with and that the financial and accounting procedures (Government Financial Regulations and procedures) were followed.
- v. Financial performance of the Office of The Auditor General is satisfactory.
- vi. Assets procured from funds disbursed to the Office exist and there is verifiable ownership by the Office of the Auditor General or beneficiaries in line with financing agreements.
- vii. The OAG procedures and sound and adequate and consistent with the normal course of operations.

In order to execute its mandate, the OAG receives funding from the GoK through the Recurrent Exchequer receipts, Appropriations In Aid (AIA) and other miscellaneous receipts from sale of tender documents or sale of assets. The OAG had approved estimate net of supplementary budget of Kshs.861,794,855, Kshs. 207,331,151 and Kshs.351,533,994 in the respective expenditure vote heads of 280101 Central Government, vote 280102 Local Government and vote 280202 Statutory Boards and Corporations i.e. a total approved estimate amount of Kshs.1,420,660,000 for the year beginning 1st July 2011 to 30th June 2012. The total gross expenditures under the three vote heads during the year amounted to Kshs.1, 340,148,583. The OAG currently uses the IFMIS accounting software on a cash basis as recommended by The Treasury but is in the process of changing to accruals basis International Public Sector Accounting Standards (ISAS). A draft form of the IPSAS accruals based financial statements for the year ended 30th June 2012 was provided to us at the end of our audit.

This report relates to the audit of the period from 1st July 2011 to 30th June 2012 for the Kenya National Audit Office.



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INDEPENDENT AUDITOR'S REPORT

Parliamentary Service Commission (PSC)
P. O. Box 41842 - 00100
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Report on the statements of assets and liabilities and the Appropriations In Aid Accounts

We have audited the accompanying Statement of Assets and liabilities and the Appropriation In Aid accounts of the OAG in accordance with the terms of reference and the requirements of Article 226 (4) of the Constitution of Kenya 2010 for the period from 1st July 2011 to 30th June 2012. The Statement of Assets and Liabilities and the Appropriation In Aid are prepared by the OAG on cash basis and does not provide any further details on receipts and expenditure activities either earned but not yet received or incurred but not yet paid. Expenses are recognized when paid rather than when incurred.

Respective responsibility of the OAG and the auditors

The statement of assets and Liabilities and the Appropriations In Aid are the responsibility of the OAG. The Office of The OAG is responsible for the preparation and fair presentation of these Statement of Assets and Liabilities and The Appropriations Account in accordance with International Financial Reporting Standards and the requirements of the Constitution of Kenya 2010. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Statements of Assets and Liabilities that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an independent opinion on the Statement of Assets and Liabilities and the Appropriation In Aid based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA's). These standards require that we plan and perform the audit to obtain reasonable assurance that the Statements of Assets and Liabilities and the Appropriation In Aid are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements of Assets and Liabilities and the Appropriation In Aid. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statements of Assets and Liabilities and the Appropriation In Aid, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the OAG preparation and fair presentation of the Statements of Assets and Liabilities and the Appropriation In Aid in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the OAG as well as evaluating the overall presentation of the Statements of Assets and Liabilities.

We believe that our audit provides a reasonable basis for our opinion. We have highlighted our audit Findings and Recommendations in Section 4 of this Report.

Baker Tilly Merali's CPA

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Emphasis of matter

Our audit involved a review of transactions for the OAG for the period from 1st July 2011 to 30th June 2012 with a summary of findings attached in section 1.

We noted a suspense account balance of Kshs. 21, 456,538 as detailed in finding number 1. The existence of a suspense account presents significant doubt on the correctness of the assets and liabilities for the years 2011 / 2012 and prior years. The opening balances and comparative figures were obtained from the statements of assets and liabilities were not audited by us.

Opinion

In our opinion, except for the possible effect of the matter described in the emphasis of matter paragraph, the Statements of Assets and Liabilities presents fairly, in all material respects, the funds received from the Government (Treasury) through the Exchequer issues, Appropriations In Aid and miscellaneous receipts and the expenses incurred by the OAG during the period under audit from 1st July 2011 to 30th June 2012 in accordance with Public Audit Act 2003, Public Financial Management Act (PFMA) and The Constitution of Kenya 2010.

This report is solely, intended for the information and use by The Office of The Auditor General (Kenya National Audit Office) and Parliamentary Service Commission.



CPA Madhav Bhandari

Practicing Certificate No. 2603

Baker Tilly Meralli's

Certified Public Accountants

Date:

21.1.14

1. Summary of Findings

In accordance with our terms of reference, we present our audit findings as summarised below. Details of these audit findings are contained in section 4 of this report. The audit findings have been ranked as high, medium or low using the criteria described below:

High

This indicates a weakness we consider high risk and is critical. Management should pay particular attention to this area to ensure that the weakness is given high priority to be addressed and resolved as soon as possible.

Medium

This indicates a medium level of risk, where we felt there is some scope of a material misstatement in this area and therefore the responsible staff should review it carefully.

Low

Any weakness in this area is regarded as having a low level of risk. Whilst not critical, the responsible staff should be aware of this weakness and monitor it to ensure it does not become medium or high risk.

Finding N°.	Title	Ranking	Entity Comments
1	Unresolved suspense account balance in the financial statements	High	
2	Shortcomings of IFMIS accounting system and cash book	High	
3	Staff imprest balance include irrecoverable amounts	High	
4	Reporting systems finding - Incomplete statements of assets and liabilities	High	
5	Transactions Posted on wrong Budget lines.	High	
6	Multiple expenditure on fuel	High	
7	Inappropriate fleet management and adherence to procurement rules	High	
8	Non-compliance with Procurement guidelines	High	
9	Non-compliance with Government Regulations and Procedures relating to temporary imprest	High	
10	Reporting systems finding - Inadequate recording of receivables	High	
11	Unsupported / inadequately supported payments	High	
12	Weaknesses noted in the internal audit department	High	
13	Asset registers not in agreement with the physically verified assets.	High	
14	Incomplete asset registers in the Central / Nyeri hub offices	Medium	
15	Organisation assets were not tagged	High	
16	Incorrectly calculated staff PAYE	High	
17	Inconsistency in Taxi Charges / transport reimbursement claims paid	Medium	
18	Excessive cash purchase of fuel	High	
19	Expenditure completely not supported.	High	
20	Inadequate Support procurement transactions.	High	
21	Late applications for leave	Medium	
22	Movement of assets not recorded	Medium	
23	Inadequacies in staff management	Medium	

2. The OAG accounting, internal controls and financial reporting arrangements

Accounting

The OAG uses The Government Accounting arrangement run under the IFMIS system in which the receipts and expenditure activities of the OAG are maintained. The following key accounts are maintained in the Statements of Assets and Liabilities;

(i). The Recurrent Exchequer.

This Recurrent Exchequer represents the budgeted amounts receipts net of supplementary budgets; the amounts received through the Exchequer issues and budgeted Appropriations In Aid. The net amount represents the amounts due from the Treasury to the OAG hence shown as an asset in the Statement of Assets and Liabilities.

(ii). The General Account of Vote (GAV).

The General Account of Vote (GAV) represents surplus of gross approved expenditure estimates and actual gross expenditure. The approved expenditure estimates are usually less than the actual expenditure. Surpluses or deficiencies in Appropriations In Aid accounts are also either added or deducted from the GAV account.

(iii). Remittance to the Exchequer

This account represents the Appropriations In Aid received and the Applied (utilised) Appropriations In Aid. The balance is payable separately to the Exchequer.

The difference between the Recurrent Exchequer and The General Account of Vote is payable to the Exchequer if the General Account of Vote balance is greater than the Recurrent Exchequer and claimable from the Exchequer if the Recurrent Exchequer is greater than the General Account of Vote.

Internal Control Systems (ICS)

The OAG has a budgetary system in which the budgeting process begins from the individual staff (requisitions) which are then combined to form a department budget. The various department budgets are then combined to form the organisational budget in this purely bottom-up budgetary process. We noted that all payments for expenses or procurement of goods and services were only done after the necessary approvals were obtained as per the OAG organogram which embraced proper segregation controls. Moreover, general compliance with policies, laws, regulations and procedures were noted and the OAG staff had clearly defined duties and responsibilities in their letters of appointment.

Financial reporting

The organisation maintained a cash book, cash account and general ledger run under the IFMIS software on a cash basis in which the OAG staff has the ability to post transactions but have no ability to amend / change transactions once posted. While this can be credited as a control mechanism in the system, it impaired the OAG staff data processing and reporting abilities. The cash basis system of reporting excluded a number of key statements of financial position / statements of assets and liabilities items such as non-current assets, stores / inventory items, receivables and more fundamentally disclosed the closing bank balance at Kshs.197,099,229 instead of the correct / reconciled balance of Kshs. 6,159,633. We were informed that the bank balance of Kshs.197,099,229 is a cumulative balance of current and prior year balances. We based our audit on the manual / reconciled cash book after comparing and agreeing the revenue and receipts in the manual cash book to the entries in the Appropriations account.

We commenced our audit field work on 22nd April 2013 and concluded on 22nd July 2013. We met with the OAG staff on several occasions to resolve audit queries and prepared a report in October 2013. The OAG prepared and presented an IPSAS accruals based financial statements on 9th October 2013. The IPSAS accruals based financial statements differed with the IFMIS cash based Appropriations / expenditure accounts audited by us on a number of budget lines with an overall gross expenditure difference as shown below:

	Kshs
Gross expenditures as per the IPSAS accruals based financial statements	1,373,183,484
Gross expenditures as per the IFMIS cash based Appropriations account	1,340,148,568
Difference	33,034,916

The difference of Kshs. 33,034,916 was not supported / reconciled with a possible accruals in the IPSAS accruals based financial statements which did not show current or long term liabilities instead of the current liability (provision) for audit fees of Kshs.5,524,920 and retention money of Kshs.50,516. Consequently we could not base our report for the year 2011 / 2012 on the IFMIS accruals based financial statements and highlight again that this was provided after our audit.

Audit Procedures

2.1.1 Obtaining an understanding of the engagement context

In advance of the audit fieldwork, we reviewed the terms of reference, including annexes. The audit manager prepared a 'tailor made' work programme to be completed during the site visits and held a briefing meeting with the key audit staff and prepared comprehensive briefing notes to assist all team members.

We prepared an audit fieldwork schedule containing our time schedule at the head office and field work visits to the regional hub offices and shared it with the Management of OAG / KENAO.. We also worked in close collaboration with finance and administration department, the managers of other key departments such as procurement, human resource, transport, ICT and accounts.

Our overall audit methodology principally comprised of the following steps and procedures:

An opening meeting was held on 22nd April 2013 at the premises of the OAG / KENAO in Nairobi, Kenya. The purpose of the opening meeting was to clarify the objectives of the audit, discuss the background of the contracted activities and discuss any initial issues raised by the auditor or contractor relating to the organization and scope of the audit. Our strategy included having bi-weekly meetings with OAG staff to discuss and resolve audit issues.

2.1.2 Risk assessment

We assessed the risks of material errors or misstatements in the expenditure, revenue and the statements of assets and liabilities, whether caused by error or fraud. Where necessary, we designed and performed further audit procedures to address risks identified. This work involved an assessment of the risks that:

- the Statements of assets and liabilities of the OAG / KENAO are not reliable i.e. that they do not present, in all material respects, the actual expenditure incurred and the revenue received from the Treasury in conformity with applicable laws and regulations;
- the Exchequer issues provided by the Government through the Treasury have not, in all material respects, been used in conformity with applicable laws and regulations;
- fraud and irregularities can occur or have occurred which have an impact on OAG / KENAO expenditure and revenue and which are not detected and corrected in a timely manner; and
- the relevant laws and regulations for the OAG / KENAO are not complied with.

2.1.3 Obtaining Evidence regarding Design of Controls and Tests of controls

We performed procedures to obtain evidence regarding the design of controls and perform tests of controls, insofar as this was considered appropriate for the purpose of this financial and systems audit which is a contractual compliance audit.

2.1.4 Substantive procedures

We performed substantive procedures to be responsive to our assessment of the risks of material errors or misstatements in the expenditure and revenue stated in the Appropriations Account, whether caused by error or fraud. Specifically, the work carried out included the following:

- a) Verified a sample of 70% of all the operations in the OAG / KENAO accounts from 1st July 2011 to 30th June 2012 in regards to eligibility and content. The initial Approved estimates was Kshs 1,530,660,000. This estimate was allocated to the 3 Vote heads of the OAG / KENAO according to the respective Vote head original estimates.
- b) Verified the quality, accuracy, completeness and efficiency of supporting documents and information provided.;
- c) Verified whether the commitment to national procedures regarding the bids and the management of public funds were adhered to;
- d) Verified the control system of the revenue management procedures put in place by the OAG, analyzed and assessed possible risks and made suggestions for effective improvement.
- e) Assessed commitment by the OAG to financial management procedures as defined by the Public Financial Management Act and the OAG internal rules, circulars and procedures and gave recommendations for the improvement where necessary.
- f) Assessed the reporting and archiving system giving recommendations for improvement.

2.1.5 Analytical procedures

We performed analytical procedures through a review of actual expenditure incurred compared to the OAG approved estimates. We also used our professional scepticism and reviewed the accounting records for any unusual transactions.

Our audit fieldwork was completed on 22nd July 2013 and an initial debriefing meeting with the auditee was held on 26th August 2013.

We held another closing meeting at the OAG / KENAO offices in Nairobi, Kenya on 26th August 2013. The purpose of the meeting was to brief the OAG / KENAO on the audit findings noted during the audit. We also met separately with the OAG officers to resolve audit findings.

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3. Statement of assets and liabilities

For the period from 1st July 2011 to 30th June 2012

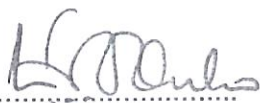
	Appendix	30.06.2012
Assets		Kshs
Recurrent exchequer	(iii)	229,897,425
Hospital deposits		2,500,000
Advance accounts		898,773
Imprest accounts		12,182,882
Suspense account		21,456,538
Cash in hand		2,011,001
Bank balance	(iv)	197,099,229
Total assets		466,045,847
Liabilities		
General Accounts of Vote	(v)	333,622,035
Contractors' retention money		50,516
Withholding VAT		-
Remittance to Exchequer	(ii)	132,373,296
Total liabilities		466,045,847

Notes to the statement of assets and liabilities

¹The opening balances and comparatives figures were obtained from the statements of assets and liabilities not audited by us.

This report has been approved and signed by:

Auditor General:



Date..... 20/12/2013

4. Findings and Recommendations

4.1 Follow up of prior period audit issues raised by The Treasury

We did not audit the OAG in the year ended 30 June 2011, but noted the following issue in the Treasury audit report.

No	Title	Description Of Prior Period Audit Finding	Current Status	Comments From KENAO
1	Unresolved suspense account balance in the Statement of Assets and Liabilities	Noted that the OAG / KENAO Statements of Assets and Liabilities had a suspense account balance of Kshs. 38,579,759 as at 30 th June 2011.	An amount of Kshs.17, 123,222 relating to PAYE erroneously deducted twice from KENAO bank accounts in the Central Bank was reversed. We traced the reversal to the bank statement.	

4.2 Current Audit findings

Finding N°: 1	Title: Unresolved suspense account balance in the financial statements								
Description of the finding:									
We noted that the financial statements provided to us as requested had an unresolved suspense account balance brought forward as at 1 July 2011 and carried forward as at 30 June 2012 as shown below;									
<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right;">Balance (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Balance brought forward as at 1 July 2011</td> <td style="text-align: right;">38,579,759.00</td> </tr> <tr> <td>Less PAYE incorrectly paid twice in the prior year bank statement refunded by KRA in year 2011 / 2012</td> <td style="text-align: right;">(17,123,221.85)</td> </tr> <tr> <td>Unresolved suspense account balance as at 30 June 2012</td> <td style="text-align: right;">21,456,537.15</td> </tr> </tbody> </table>			Balance (Kshs)	Balance brought forward as at 1 July 2011	38,579,759.00	Less PAYE incorrectly paid twice in the prior year bank statement refunded by KRA in year 2011 / 2012	(17,123,221.85)	Unresolved suspense account balance as at 30 June 2012	21,456,537.15
	Balance (Kshs)								
Balance brought forward as at 1 July 2011	38,579,759.00								
Less PAYE incorrectly paid twice in the prior year bank statement refunded by KRA in year 2011 / 2012	(17,123,221.85)								
Unresolved suspense account balance as at 30 June 2012	21,456,537.15								
Implications:									
There existed inadequacies in the accounting and record keeping aspects of the organization which allowed errors and inaccuracies to persist in the books of KENAO for so long.									
Recommendations:									
We recommend that KENAO undertakes a major cash book clean up exercise with a view to finding out what the balance of the suspense account of Kshs. 21,456,537.15 relate to and allocating the suspense account balances once identified to the correct accounts.									
Recommendation Priority: High									
Comments from KENAO:									
The change in the suspense balance during the year amounting to Kshs.17, 123,221.85 relates to a Pay As You Earn (PAYE) Tax which was double paid in June 2010 and therefore included in the opening balance of Kshs.38, 579,759.44. The amount was refunded by KRA during the financial year 2011 / 2012 and hence the reductions of the suspense account balance by the same amount during the financial year.									

Finding n°: 2	Title: Shortcomings of IFMIS accounting system and cash book
<p>Description of the finding:</p> <p>We noted the following shortcomings in relation to the IFMIS cash book provided for the year ended 30th June 2012;</p> <p>(i). Although the IFMIS cash book correctly captured The Exchequer receipts into the bank column, it omitted the opening balance as at 1 July 2011 of Kshs. 64,586,057, incorrectly posted into the cash column instead of the bank column the Appropriations In Aid (AIA) or audit fees receipts of Kshs. 98,284,411 received during the year and more fundamentally mis-posted the exchequer receipt of Kshs. 188,000,000 on the cash column instead of the bank column of the IFMIS cash book. Also incorrectly posted into the cash column was a total expenditure of Kshs. 281,957,963 which should have been posted in the bank column. The omission of the opening balance and the mis-posting of receipts and expenses in the resulted into the incorrect IFMIS cash book balance of Kshs. 995,950,241 (negative).</p> <p>(ii). There lacked the vital audit trail between the incomplete IFMIS cash book provided, the IFMIS general ledger and the IFMIS Recurrent Appropriations Account as at 30 June 2012. We obtained assurances that the figures contained in the Recurrent Appropriations Account which we subjected to audit were correct. Transactions and balances contained in IFMIS general ledger also lacked the vital link to the Recurrent Appropriations Account. We conducted our audit by picking samples from the incomplete IFMIS cash book provided and partly from the available supporting payment vouchers with attached invoices, receipts, warrants and payee lists. With this, we feel that the samples picked were able to provide us with sufficient audit to draw our opinion therefrom as there was no other way to do the audit.</p> <p>(iii). No attempts were made to reconcile the Government Reporting IFMIS cash book balance as at 30 June 2012, instead, efforts were directed to reconciling the manual cash book which had reconciliation differences for all the twelve months to 30 June 2012.</p>	
<p>Implications:</p> <p>(i).The lack an IFMIS operating mechanism in KENAO accounting and financial management that allowed IFMIS cash book to be operated in such a way that complete and accurate cash book could not be generated and a link between the cash book, general ledger and the Recurrent Appropriations Account could not be established led loss of audit trail between IFMIS cash book, general ledger and Recurrent Appropriations Account.</p> <p>(ii). Omissions of the opening balance, mis-postings of receipts and expenditures into the cash column signify inadequate user training in the operations of IFMIS system.</p> <p>(iii). Failure to reconcile the IFMIS cash book balance with the bank statement balance as at 30 June 2012 indicates a weakness in the accounting function and financial management system in relation to the IFMIS cash book.</p>	
<p>Recommendations:</p> <p>(i). We recommend that KENAO in conjunction with Treasury undertakes a thorough staff training on the use of IFMIS so that staff can be able to understand and operate IFMIS and generate the desired accurate reports from the system.</p>	
<p>Recommendation Priority: High</p>	
<p>Comments from KENAO:</p> <p>The IFMIS Cash Book omitted the opening balance of Kshs. 64,586,057.00.</p> <p>During the roll out of the IFMIS system, the Opening balance of the manual cashbook was not captured by the IFMIS System and hence the balances of the two cash books have always been different. The bank reconciliations were based on the manual cash book which has the correct balances.</p>	

Finding n°: 3	Title: Staff imprest balance include irrecoverable amounts					
Description of the finding:						
We noted that the imprest balance of Kshs. 12,388,429 included irrecoverable balances amounting to Kshs.1,539,039 relating to deceased staff and incorrectly recorded imprest amounts as follows;						
	Name	Imprest No.	Date Issued	Date To Surrender	Amount Kshs	Remarks
	Raphael Chiwaya	0856678	26/07/2010	18/09/2010	88,000	Deceased
	James M. Kiilu	Not recorded in the imprest schedule	18/01/2008	30/03/2008	289,539	Deceased
	Francis A. Gethi	Not recorded in the imprest schedule	15/05/2008	30/06/2008	142,000	Deceased
	Ambrose N. Mutua	Not recorded in the imprest schedule	16/12/2009	31/01/2010	52,000	Deceased
	Total				571,539	
Implications:						
The imprest balance of Kshs. 12,182,882 as included in the statement of assets and liabilities is not fully recoverable hence is overstated. The statements of assets and liabilities as at 30 June 2012 do not show the correct picture of the assets (imprest balance).						
Recommendations:						
(i). We recommend that KENAO adopts a policy of identifying irrecoverable imprest balances especially for the departed staff and proposing them for write offs as and when it they have been discovered to be irrecoverable.						
(ii). We also recommend that KENAO responsible official, counter checks the imprest records and balances so as to ensure that errors in the imprest records are corrected as soon as possible.						
Recommendation Priority: High						
Comments from KENAO:						
(i) KENAO concurs with the observation. Indeed the office is in the process of coming up with a policy on how to deal with such staff debts as may be unrecoverable. A paper has already been prepared for presentation to the executive with a view to having the amounts written off.						
(ii) An officer will be tasked with checking imprest records and balances to ensure errors in the imprest records are corrected as soon as possible.						
Further, the office, in the year 2012/2013 installed an Access Imprest Control program that produces accurate ad-hoc reports unlike the manual registers that made extraction of such data extremely difficult and the risk of human error high.						

Finding n°: 4	Title: Reporting systems finding - Incomplete statements of assets and liabilities
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Description of the finding:

The statements of assets and liabilities provided for the year ended 30 June 2012 included the following current assets and as shown in the table below;

Assets	Kshs
Hospital deposits	2,500,000
Advance accounts	898,773
Imprest accounts	12,388,429
Cash in hand	2,011,001
Bank balances	6,159,633
Liabilities	
Contractor's retention money	50,516

The statements of assets and liabilities however did not show the following assets as at 30 June 2012;

Assets	Kshs
Furniture, fittings and equipment (No Values)	-
Inventories	3,320,132
Receivables – debtors(No value)	-

Implications:

Incomplete statement of assets and liabilities does not reflect the correct picture of the assets and liabilities of the organization as at 30 June 2012

Recommendations:

We recommend that KENAO undertakes an update of its assets schedules to include all the assets either at cost or at valuation for accounting purposes.

Recommendation Priority: High

Comments from KENAO:

Government Cash based accounting does not recognize the conventional non-current assets and some current assets in the preparation of Statements of Assets and Liabilities. These will however be taken into account when the IPSAS accrual based accounts are prepared.

The office expects to adopt the accrual basis of accounting in the near future- IPSAS format of reporting. All the assets will then be included in the financial statements.

Finding n°: 5	Title: Transactions Posted on wrong Budget lines.
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Description of the finding:

According to the Government Financial Regulations and Procedures chapter 15, sec 15.4, one of the functions of a budget is to provide basis for budgetary control. Kenya National Audit Office prepares annual budgets every financial year to determine financial resources required to carry out their audit plans for that particular year. The budget is broken down into various accounts where various types of expenditure should be charged.

Sec 15(12) further stipulates that the expenditure on voted services is definitely limited and arranged by the estimates and no expenditure for which no provision has been included therein may be incurred. Accounting officer must ensure that the requirements of services are planned on such a scale that the existing provision for expenditure shall not be exceeded.

We noted instances whereby expenditure, despite having been broken down to various components of different accounts, were charged to one particular account and not the various accounts affected by that expenditure as shown in the payment vouchers as shown in the table below;

Date	PVC No	Amount Kshs	Correct Account	Posted To Incorrect Account
28/03/2012	3718	380,619	Repairs	Refined fuel and lubricants

We noted further instances of non – compliance with budget lines as shown in the table below;

Date	Account No.	PV No.	Description	Amount Kshs
02/03/2012	2210303	PV3675	Elijah Karongo Kimani Purchase of new tyres charged to Daily Subsistence Allowance Account.	38,200.00
24/04/2012	2220209	PV 4180	Knight Frank Kenya Ltd	31,335.00
24/04/2012		PV4181	Payments for electricity charged to the minor alterations of buildings and other civil works account.	40,452.00
24/04/2012		PV3762		91,633.65
18/06/2012	2220209	PV3944	Shiloah Investment Rent payment charged to minor alterations of buildings and other civil works account. Payment for rent of KENAO offices at Mega City mezzanine floor	333,945.00
19/06/2012	2220209	PV4778	Rent payment for the Kakamega audit office for the period	129,921.00
26/02/2012	2220209	PV5565	Edward Kamau Mbugua Expenditure on catering, cleaning services, postage charged on minor alterations account	83,001.00

Implications:

(i). The misclassification of expenditures into the incorrect budget lines indicate that budget lines are not adhered to for accounting purposes and the expenditure budget lines reported in the Appropriations Account may not show the correct picture of the amounts actually incurred in the respective budget lines.

(ii). Charging expenditures to incorrect budget lines could indicate that a lack of budgetary control system as part of the internal control system.

Recommendations:

We recommend that budget lines be strictly adhered to since these expenditure budget lines against actual expenditures inform the subsequent years budgetary estimates submitted to the Treasury.

Comments from KENAO:

Incorrectly charged service charge went up drastically during the year, forcing the office to charge rent to Minor Alterations to Building and Civil Works. Also, the amounts were so paid after the relevant budget lines were exhausted.

Finding n°: 6	Title: Multiple expenditure on fuel		
Description of the finding:			
<p>KENAO uses both cash payment and credit card payment (Bon Voyage) for purchase of fuel. Credit card mode of payment is what should be used at all times with cash payments being used only when and where credit card payment is not possible, e.g. in places where there are no Total petrol station outlets and when the credit card has not been replenished.</p> <p>We noted instances whereby on the same date, a car appears as having been fueled using the credit card and cash.</p>			
Date	Account No.	PV No.	Description
01/02/2012	2210303	PV3078	<p>Patrick Mungai Ndung'u</p> <p>The work ticket indicate that the car used in this mission registration number (GK A671Q) travelled to Kerugoya on 29 September 2011 returning on 4 October 2011 while Bon Voyage fuel consumption statement indicate that the car fueled in Kimathi Street Total Kenya petrol station drawing 51.78 liters of fuel amounting to Kshs.6, 094 on 30 September 2011 via receipt number 0519.</p>
Implications:			
There is a high risk of multiple fuel expenditure claims being made as staff could fuel on the Bon Voyage arrangement and claim the expenditure as cash expense			
Recommendations:			
We recommend that only credit cards are used to fuel vehicles and use cash only when credit cards cannot be used, e.g. in places where there is no Total Kenya Petrol station outlets.			
Recommendation Priority: High			
Comments from KENAO:			
Mr. Ndung'u travelled to Kerugoya on 29 September, 2011 using GK A671Q. He left Kerugoya on 4 October, 2011.			

Finding n°: 7	Title: Inappropriate fleet management and adherence to procurement rules																																														
Description of the finding:																																															
<p>We noted lapse in fleet management and adherence to procurement guidelines. Procurement in KENAO is guided by 'The Public Procurement and Disposal Act, 2005' and 'The Public Procurement and Disposal Regulations, 2006'. Part II of The Public Procurement and Disposal Regulations 2006. Section 8 sub-section 1 of the Regulations state that a procuring entity shall establish a procurement unit in accordance with this regulation. The procurement unit handles all procurement business of KENAO. We however noted instances whereby staffs, while out on audit assignment, incurred expenditure on vehicle repairs and purchase of car tyres; expenditure activities which should have been carried out by the procurement unit as shown below;</p>																																															
<table border="1"> <thead> <tr> <th>Staff Name</th> <th>Date</th> <th>Account No</th> <th>PV No.</th> <th>Description</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Linet K Bosire</td> <td>25/07/2011</td> <td>2210303</td> <td>PV0067</td> <td>Purchase of a tyre</td> <td>16,100.00</td> </tr> <tr> <td>Rachael Wambui Githiaka</td> <td>15/09/2011</td> <td>2210303</td> <td>PV0845</td> <td>Purchase of 2 new tyres and 1 tube</td> <td>33,143.00</td> </tr> <tr> <td>Tom Marindi Ratemo</td> <td>06/02/2012</td> <td>2210303</td> <td>PV3240</td> <td>Purchase of Lubricants</td> <td>28,124.00</td> </tr> <tr> <td>G K Njumbi</td> <td>24/01/2012</td> <td>2210303</td> <td>PV2435</td> <td>Purchase of a new tube and hand tyres</td> <td>10,500.00</td> </tr> <tr> <td>James K Mwangangi</td> <td>13/01/2012</td> <td>2210403</td> <td>PV2921</td> <td>Vehicle repairs</td> <td>11,620.00</td> </tr> <tr> <td>Elijah Karongo Kimani</td> <td>02/03/2012</td> <td>2210303</td> <td>PV3675</td> <td>Purchase of new tyres</td> <td>38,200.00</td> </tr> </tbody> </table>						Staff Name	Date	Account No	PV No.	Description	Amount (Kshs)	Linet K Bosire	25/07/2011	2210303	PV0067	Purchase of a tyre	16,100.00	Rachael Wambui Githiaka	15/09/2011	2210303	PV0845	Purchase of 2 new tyres and 1 tube	33,143.00	Tom Marindi Ratemo	06/02/2012	2210303	PV3240	Purchase of Lubricants	28,124.00	G K Njumbi	24/01/2012	2210303	PV2435	Purchase of a new tube and hand tyres	10,500.00	James K Mwangangi	13/01/2012	2210403	PV2921	Vehicle repairs	11,620.00	Elijah Karongo Kimani	02/03/2012	2210303	PV3675	Purchase of new tyres	38,200.00
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<p>There is a risk of inefficient procurement on tyres and repairs undertaken by staff while in the field and a breach of procurement regulations. This also implies that OAG / KENAO fleet of motor vehicles are not properly managed as they are not properly inspected before the audit missions.</p>																																															
Recommendations:																																															
<p>We recommend that Part II of The Public Procurement and Disposal Regulations, 2006. Section 8 sub-section 1 be strictly adhered to and that only KENAO procurement unit undertakes procurement as stated by the regulations.</p> <p>Each car should have an activity book showing what went on it.</p>																																															
Recommendation Priority: High																																															
Comments from KENAO:																																															
<p>It is true that some vehicle tyres and repairs were procured by the officers listed in the finding. However, the procurements were done by KENAO staff while on official assignments in the field. This was done as a matter of urgency with express authority from the Headquarters to enable the officers complete their assignments within the time approved for the field work.</p>																																															

Finding n°: 8	Title: Non-compliance with Procurement guidelines
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Description of the findings:

We noted the following cases of non-compliance with procurement regulations in which procurement transactions were not adequately supported and suppliers not selected from the pre-qualified list of suppliers as follows;

- i. Inappropriately supported procurement transactions.

Date	Account No.	Description	Payment Voucher Number	Amount (Kshs)	Comments
16/02/2012	280202	Pan African Focus – For the supply of computers	H1250B	590,700	Not supported with invoices or receipts. Only payment voucher seen
16/02/2012	280202	Greater Heights Enterprises – Purchase of uniforms	01283	667,500	Not supported with invoices or receipts. Only payment voucher seen

- ii. Procurement transactions not from the pre-qualified list of suppliers

Date	Account No.	Description	Payment Voucher Number	Amount (Kshs)	Comments
16/06/2012	280101	Express Automation Ltd - Supply of plastic color card printer as per LPO No.1061825 & invoice No. 16417.	5456	334,848	Express Automation Ltd not in the list of pre-qualified suppliers of Computers, laptops, UPS units, Printers & \scanners as per category A2 of the pre-qualified list of suppliers.

Section 24 of The Public Procurement and Disposals Regulations 2006 provides for issuing sourcing for goods and services from the list of prequalified suppliers.

Implications:

It would be difficult to verify whether the requirement of efficiency, cost effectiveness and value for money were realized inadequately supported procurement processes.

Recommendation:

We recommend that procurement transactions be appropriately supported actual invoices and quotations be attached to the procurement transactions.

We also recommend that KENAO strictly follows the procurement regulations as per the Public Procurement and Disposals Act of 2005.

Recommendation Priority: High

Comments from KENAO: None provided

Finding n°: 9	Title: Non-compliance with Government Regulations and Procedures relating to temporary imprest
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Description of the findings:

Chapter 5(6)(5) of The Government Regulations and Procedures relating to temporary imprest require that the holder of the temporary imprest account for the imprest within 48 hours after returning to duty station. We however noted many cases of non-compliance with the Government Procedures relating to imprest surrender as follows; as at 21 July 2013.

Name	Imprest Warrant Number	Amount (Kshs)	Date To Be Surrendered	Date Surrendered	Delay In Days / Weeks / Months
Teresia Nderi	1284682	90,000	15/05/2012	05/07/2012	3 weeks
Paul Ndegwa Ndung'u	12805048	126,000	31/01/2012	29/08/2012	7 months
John M. Njoroge	1286875	160,000	15/03/2012	06/07/2012	3 months
Murithi W. W.	10870919	79,000	15/10/2010	21/01/2013	27 months
Mukiti W.W	1284680	97,000	15/05/2012	07/06/2012	10 months
Wilson P. Maina	1284502	161,830	30/06/2012	13/07/2012	2 weeks
Benson Wanjau	1284503	163,810	30/06/2012	13/07/2012	2 weeks
Simon Ndivo Muli	1084130	47,000	30/09/2011	Not yet surrendered	21 months
Philip Ndegwa	1284512	183,300	19/06/2012	10/05/2012	
James Rongoei	1280801	107,500	20/12/2011	11/05/2012	6 months
K. O. Ogunda	1280632	90,000	20/04/2012	18/05/2012	1 months
Kennedy Mwaniki Mwangi	1280659	200,000	20/12/2012	20/06/2013	6 months
Margaret Matheka	1084112	165,000	15/10/2011	29/06/2012	7 months
Fouris Matheka	1280941	36,000	15/02/2012	25/06/2012	4 months
George Moyale	1280772	67,500	20/12/2011	Not yet surrendered	19 months
B. N. Mbogo	1084065	122,000	15/10/2011	04/11/2011	1 month
Waiganjo Karanja	1280658	305,000	20/12/2011	11/06/2012	6 months

Implications: Failure to surrender imprest within 48 hours after returning to duty station is a non-compliance with Chapter 5(6) (5) of The Government Regulations and Procedures relating to temporary imprest.
Recommendations: (i). We recommend that managements ensures that the imprest surrender regulations are strictly adhered to. (ii). We also recommend that KENAO adopts other imprest recovery policies measures i.e. deducting the long overdue and un-surrendered imprest from staff salaries until such amounts are surrendered or are fully recovered.
Recommendation Priority: High
Comments from KENAO: Delays noted action to be taken to ensure compliance in future.

Finding n°: 10	Title: Reporting systems finding - Inadequate recording of receivables																		
Description of the findings:																			
<p>We requested for the receivables listing and balances as at 30 June 2012 but were only provided with the listing without balances as at 30 June 2012. KENAO accounting and record keeping system either manually or through using IFMIS did not keep proper and up to date records relating to the receivables. We performed independent blind circularization of 22 organisations believed to be of high values and have obtained replies from seven (7) organisations as follows;</p>																			
<table border="1"> <thead> <tr> <th>Organization</th> <th>Receivable Balance As At 30th June 2012 (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Kenya National Examinations Council (KNEC)</td> <td>2,000,000</td> </tr> <tr> <td>Dedan Kimathi University of Technology</td> <td>870,000</td> </tr> <tr> <td>Kenya Roads Board (KRB)</td> <td>2,500,000</td> </tr> <tr> <td>N.I.B.</td> <td>2,284,591</td> </tr> <tr> <td>Youth Enterprise Development Fund</td> <td>1,342,000</td> </tr> <tr> <td>Nyayo Tea Zone Development Corporation</td> <td>NIL</td> </tr> <tr> <td>Communications Commission of Kenya (CCK)</td> <td>NIL</td> </tr> <tr> <td>Total confirmation received</td> <td>8,996,591</td> </tr> </tbody> </table>		Organization	Receivable Balance As At 30 th June 2012 (Kshs)	Kenya National Examinations Council (KNEC)	2,000,000	Dedan Kimathi University of Technology	870,000	Kenya Roads Board (KRB)	2,500,000	N.I.B.	2,284,591	Youth Enterprise Development Fund	1,342,000	Nyayo Tea Zone Development Corporation	NIL	Communications Commission of Kenya (CCK)	NIL	Total confirmation received	8,996,591
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<p>Also noted that an amount refundable to KENAO from Kenya Revenue Authority (KRA) of Kshs.531,784 towards the WCPS was not disclosed in the statement of assets and liabilities as at 30 June 2012. We were informed that the bank had erroneously debited the accounts of KENAO twice with the same payment in the prior year and that a letter demanding for the refund from KRA had been sent.</p>																			
Implications:																			
<p>The organization could lose money from receivables due to the inability to determine the balances on a timely basis due to absence of a good system of accounting for the receivables.</p>																			
Recommendation:																			
<p>We recommend that KENAO obtains a programme / computer package that can help in accounting for the receivables or finds a way of using IFMIS in such a way that it can be used to track the receivable balances on a timely basis.</p> <p>The fees charged to clients should be based on time spent.</p>																			
Recommendation Priority: High																			
Comments from KENAO:																			
<p>The Office concurs with the observation.</p> <p>Government Cash based accounting does not accrue receivables when preparing financial statements since receipts are accounted for in the period in which they are received and not when they become receivable.</p> <p>As earlier stated this will be addressed when the Office adopts IPSAS accrual based accounting.</p>																			

Finding n°: 11	Title: Unsupported / inadequately supported payments			
Description of the finding:				
We noted that the organization had incurred expenditure which was inadequately supported under the following categories:				
Date	Description	Payee	Amount (Kshs)	Comment
21/9/2011	Telephone, Telex, Facsimile	Telkom Kenya Limited	1,406,160	Only a Pro-forma invoice has been traced. Original invoice was not traced. No proofs of payment since no receipts were available.
Implications:				
There was a weakness in the control mechanisms which allowed payments to be made based on inadequate supporting documents. Thus, the lack of supporting documents for payment implies that there is a lesser assurance that the reasons for making payment were equally approved and were for official purposes.				
Recommendations:				
We recommend that all payments are supported by a payment vouchers attached to actual supporting invoices or receipts, which should be verified and approved before any payment is made. This would further enhance effective review of the authorization procedures for payment transactions. A payment checklist should be used.				
Recommendation Priority: High				
Comments from KENAO				
Invoice and the signed original contract are being traced and will be availed.				
Telkom Kenya. It has been the practice in Government to pay on pro-forma invoice as goods cannot be supplied before payment is made. Receipts are filed separately once obtained.				

Finding n°: 12	Title: Weaknesses noted in the internal audit department
<p>Description of the finding:</p> <p>We reviewed the internal audit reports for the regional hub offices and noted the following weaknesses;</p> <p>(i). The department did not conduct the regional hub audits with sufficient regularity. We particularly noted that the Nyeri regional hub offices were last audited in the financial year ended 30 June 2009.</p> <p>(ii). The internal audit department did not conduct a risk based audit and the internal audit files and reports reviewed, did not show any evidence of risk assessment prior to conducting such audits.</p> <p>(iii). The internal audit committee has not met since its formation to date of finalizing our audit 21 July 2013 to deliberate on the internal audit reports and take actions where necessary. Consequently, no minutes from the committee could be verified.</p>	
<p>Implications</p> <p>(i). Errors and irregularities would not be detected and corrected on a timely basis if audits are not conducted with sufficient regularity.</p> <p>(ii). Performance of non-risk based audits could imply that key inherent risks in the hub offices and in the headquarters have not been detected and prioritized.</p> <p>(iii). The fact the internal audit committee has not met indicate that no actions / steps have been taken to rectify errors noted by the internal audit function. Also, it implies that the internal audit department has been left on its own without the necessary guidance from the committee.</p>	
<p>Recommendations:</p> <p>(i). We recommend that the internal audit department conducts regular audits in the regional hub offices. This could be achieved by drawing up audit timetables at the beginning of the year and ensuring that the timetable is adhered to.</p> <p>(ii). We also recommend that the department adopts a risk based audit to make the audits more efficient.</p>	
<p>Recommendation Priority: High</p>	
<p>Comments from KENAO:</p> <p>The office is strengthening the internal audit function in all aspects.</p>	

Finding n°: 13	Title: Asset registers not in agreement with the physically verified assets.	
Description of the finding:		
We carried out verifications and field visits to determine the correctness of the assets register against the physically verifiable assets and noted that;		
i. The following assets in the asset register could not be physically verified as shown below;		
Office	Asset	Comment
ADA-Corps V (8 th Floor)	Fabric Chairs	Records indicating 4 pieces but only 1 was traced
Main registry (8th Floor)	Computer table	Records indicate that there are 2, but only 1 traced.
Main registry 8th Floor	Back chair	Records indicate that there are 6, but only 4 traced.
Main registry 8th Floor	Wooden chair	Records indicate that there are 7, but only 5 traced
Main registry 8th Floor	Letter steel tray	Records indicates that there are 5, but only 4 traced
Main registry 8th Floor	Letter steels tray	Records indicate that there are 5, but only 3 traced
Main registry 8th Floor	Letter steels	Records indicate that there are 4, but none traced
Main registry 8th Floor	(fabric) chair	Records indicate that there are 2, but only 1 traced
Human Resource Secretary office 8th Floor	Computer table	Records indicate that there are 2, but only 1 traced
HR/Medical office 8th Floor	1 In/out Wooden tray	Records indicate that there is 1, but none traced
Human Resource Medical office 8th Floor	coffee table wooden	Records indicate that there is 1, but none traced
Human Resource General office 8th Floor	Low back chair with arms	Records indicate that there is 1, but none traced
Human Resource Salary office 8th Floor	Secretarial chair	Records indicate that there is 1, but none traced
4th floor Board Room office	Fridge guard	Records indicate that there is 1, but none traced
10th floor Room 1015	Velvet Sofa set	Records indicate that there is 4, but only 3 traced
Room 1021 & 1022	Library chairs	Records indicate that there are 17 but 20 traced
Room 1017	Stools	Records indicate that there are 2 but none traced
Room 1015	Velvet Sofa set	Records indicate that there are 4 but only 3traced
Communication Branch 8th Floor	secretarial chair	Records indicate that there are 2, but only 1 traced
ii. Also, the following assets were physically verifiable but could not be traced in the assets register.		

Room	Asset	
Room 1020 (10th Floor)	<ul style="list-style-type: none"> • Water Dispenser • Book shelf • Cabinet 	
Room 1018 (10th Floor)	<ul style="list-style-type: none"> • Cabinets (2) • Coat Hanger • Computer Shredder 	
DAG CG/Secretary	<ul style="list-style-type: none"> • Cabinets (3) • Coat Hanger • Computer and Printer • One chair • Fridge • Shredder • Printer • Dispenser • Fan • Fireproof Cabinet 	
ADA-Corps IV	Velvet visitor's sofa	records indicate 4 while the physical inspection indicate that there are 6
Admin I/HR ADA-Corps	Velvet visitor's sofa	records indicate 1 while the physical inspection indicate that there are 2
HR Medical	office desk	the records indicate 2 while the physical inspection indicate that there are 4
HR/Medical office 8th Floor	Wooden office desk	2 Wooden office desk in the while the physical inspection indicate that they are 4
Implications:		
i. Incomplete asset register could indicate that assets may get lost through theft or unauthorized disposal without being noticed.		
Recommendations:		
We recommend that KENAO undertakes an asset audit and updates / agrees the asset register to the physical assets for accounting purposes.		
Recommendation Priority: High		
Comments from KENAO: None provided		

Finding n^o: 14	Title: Incomplete asset registers in the Central / Nyeri hub offices		
Description of the findings:			
<p>We conducted an assets verification exercise at the Central hub offices in Nyeri between 4 July 2013 and 5 July 2013. The central hub comprises of two offices, Team 1 and Team 2. Team 1 is made up of what was previously Central branch and Local branch. We noted that the asset registers for both offices were incomplete. There were more assets in the offices, i.e. chairs, office tables, IT equipment, than were recorded in the assets registers. Team 1, having resulted from a merge of Central and Local branches, is yet to consolidate its assets registers. See table below:</p>			
Nyeri branch – Local Government			
	Item	No. as per assets register	No. as per physical count
	Printers	3	4
	Monitors	3	8
	CPUs	3	8
	Filing cabinets	12	10
	High back chairs	3	9
	Low back chairs	-	1
	Book shelves	1	2
	Ordinary / office desks	4	10
	Water Dispenser	-	1
	Scanner	-	1
	Book Shelves	1	2
	Digital Camera	-	1
Nyeri Branch – Central Government			
	Item	No. as per assets register	No. as per physical count
	Monitors	4	10
	CPUs	5	9
	Printers	4	6
	Office desks / tables	6	11
Implications:			
<p>Incomplete assets register arising from failure to update the register with new purchases or disposals of assets from time to time can lead to possibilities of assets especially the high value – easily portable assets like computers, cameras, printers and scanners getting lost / stolen without being noticed.</p>			

Recommendation

We recommend that asset registers be updated from time to time with purchases, disposals or relocation of the assets to other regions to ensure its completeness.

Recommendation priority: Medium

Comments from KENAO

The records of the assets transferred to the hub region are in the process of being updated.

Finding n°: 15	Title: Organisation assets were not tagged
<p>Description of the findings:</p> <p>It is best internal control practice on assets require that an organization embeds an insignia on all its assets as an internal control procedure. We noted that majority of the assets at the Nyeri hub were not tagged despite asset codes having been designed and recorded in the books. Only some few old assets bore KENAO's insignia.</p>	
<p>Implications:</p> <p>Without asset tagging or marking with KENAO insignia, it would be difficult to agree / trace the assets from the register to the physical assets as some assets were similar in make and physical appearances</p> <p>There is a risk that untagged assets especially laptops and desk top computers get lost through theft without being noticed.</p>	
<p>Recommendation:</p> <p>We recommend that KENAO tags all its assets in Nairobi and regional offices for ease of identification and asset security.</p>	
<p>Recommendation Priority: High</p>	
<p>Comments from KENAO:</p> <p>The office is in the process of acquiring tags for equipment that will be readable by the ERP to be acquired. Once this is done all assets shall be fully tagged.</p>	

Finding n°: 16	Title: Incorrectly calculated staff PAYE
<p>Description of the finding:</p> <ul style="list-style-type: none"> i. We noted that KENAO did not give tax credit to staff for the life insurance policy premium paid by staff thereby overcharging PAYE to staff. ii. We also noted that the IPPD payroll used by the organization did not classify the insurance premiums paid by staff into the various insurance categories thereby making it impossible to quantify the amount of tax overcharged to the staff. 	
<p>Implications:</p> <p>Failure classify the insurance paid into the various categories and giving tax credit to life insurance premiums paid amounted to overtaxing the employees.</p>	
<p>Recommendations:</p> <p>We recommend that KENAO payroll system (IPPD) be programmed to separate life insurance premiums from other types of insurance and to be able to pick up and give tax credit to staff against the PAYE charged so as to obtain the tax credit benefit.</p>	
<p>Recommendation Priority: High</p>	
<p>Comments from KENAO:</p> <p>As observed, KENAO did not give tax credit to staff for the insurance policy premium.</p> <p>It is also true that the IPPD payroll does not classify the insurance premium paid by staff into the various insurance categories.</p> <p>The reason for the above position is that up to May 2013 KENAO was using IPPD system to process the payroll. The system is owned and controlled by the Department of Personnel Management (DPM). This system did not have provision for tax credit to staff and we encourage our staff to claim the tax credit from KRA.</p> <p>Currently, the office has procured a Memory Soft Payroll System and we are in the process of addressing these problems.</p>	

Finding N^o: 17	Title: Inconsistency in Taxi Charges / transport reimbursement claims paid				
Description of the findings:					
(i). We noted that KENAO did not have consistent policies in taxi charged between destinations and that materially different amounts were charged for the same destination by staff during the same period as shown below;					
Staff Name	Date	Account No.	Pv No.	Kahawa Sukari To Jkia (Kshs)	Jkia To Kahawa Sukari (Kshs)
Alex N Rugera	28/06/2012	2210403	PV 5183	7,000.00	5,000.00
Alex N Rugera	30/06/2012	2210403	PV 0501	4,500.00	4,000.00
(ii). We also noted incorrect claim on the distance by a staff (James Githaiga Muriithi) PF Number 2005058927 on transfer from Kakamega to Nyeri hub office as follows.					
The staff was transferred from Kakamega to Nyeri office on 16 July 2009 and claimed luggage allowance on extremely exaggerated distances of 800 kilometers from Kakamega to Nairobi and 314 kilometers from Nairobi to Nyeri i.e. the total 1,114 kilometers at Kshs.65 per kilometer totaling to an inflated claim of Kshs.72, 410 . We believe that the actual distance between Kakamega and Nairobi is 360 kilometers while Nairobi and Nyeri are 164 kilometers apart. Had the correct distances been claimed, the amount payable to staff would have been Kshs. 34,060 based on a total distance of 524 kilometers at a claim rate of Kshs.65 per kilometer. This resulted to overpayment to the staff amounting to Kshs. 38,350 .					
Implications:					
(i). The lack of policies or guidelines on taxi expenditure claims can make the system be susceptible to abuse.					
(ii). KENAO may be paying for more than actual taxi / luggage expenditure claims incurred by staff while going out on audit assignment or on luggage transport claims while on transfer.					
Recommendations:					
(i). We recommend that KENAO develops a policy on taxi expenditure for their staff while on external assignments or when moving from one place to another during audit assignments or other official duties. This will ensure consistency in amounts claimed for taxi expenditure.					
(ii). Alternatively, KENAO can contract a taxi company for purposes of ferrying KENAO staff during audit assignments and other official duties at agreed rates. This will ensure that KENAO does not pay for more than incurred as taxi charges.					
Recommendation Priority: Medium					
Comments from KENAO:					
It is true that the office does not have a policy on taxi charges. The office is however in the process of coming up with the same. The Kshs 7,000 was charged for Kahawa Sukari OAG office to collect files then to JKIA for the travel. The claim by Mr. James Githaiga Muriithi was for both ways i.e. from Kakamega to Nyeri and return.					
Further comments from the auditor					
Explanations received and considered though the documents in the file did not contain the details as explained verbally.					

Finding n°: 18	Title: Excessive cash purchase of fuel																																																
Description of the finding																																																	
<p>We noted that KENAO entered into an agreement with Total Kenya in which every KENAO vehicle is allocated a certain amount of money for fuel per month which should not be exceeded and that if a car breaks down and is therefore not in operation, the card for the particular vehicle is stopped from usage. The fuelling contract excluded Embu and Garissa areas in which the services were not available and staffs with assignments in those areas were given a float of Kshs.25, 000 per vehicle per month for fuelling.</p> <p>Despite the existence of the fuelling contract, we noted rampant use of cash for purchase of fuel in areas outside Embu and Garissa as detailed in the table below;</p>																																																	
<table border="1"> <thead> <tr> <th>Date</th> <th>Account No.</th> <th>PV No.</th> <th>Description (Fuel Costs Charged On Imprest Issued)</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>13/01/2012</td> <td>2210403</td> <td>PV2921</td> <td>James K Mwangangi</td> <td>52,640.00</td> </tr> <tr> <td>15/05/2012</td> <td>2210303</td> <td>PV4823</td> <td>Simon Chibole</td> <td>42,455.00</td> </tr> <tr> <td>09/09/2011</td> <td>2210303</td> <td>PV0750</td> <td>Gerald I Maina</td> <td>54,741.00</td> </tr> <tr> <td>26/03/2012</td> <td>2210303</td> <td>PV4003</td> <td>Harrison T Mwangi</td> <td>30,743.00</td> </tr> <tr> <td>18/04/2012</td> <td>2210303</td> <td>PV4337</td> <td>Benson E W Wanjau</td> <td>20,075.00</td> </tr> <tr> <td>02/04/2012</td> <td>2210303</td> <td>PV3945</td> <td>Samuel O Owana</td> <td>42,765.00</td> </tr> <tr> <td>28/05/2012</td> <td>2210303</td> <td>PV5021</td> <td>Kenneth K Biegon</td> <td>50,300.00</td> </tr> <tr> <td>23/01/2012</td> <td>2210303</td> <td>PV2552</td> <td>Elizabeth Tieng</td> <td>109,871.00</td> </tr> </tbody> </table>					Date	Account No.	PV No.	Description (Fuel Costs Charged On Imprest Issued)	Amount (Kshs)	13/01/2012	2210403	PV2921	James K Mwangangi	52,640.00	15/05/2012	2210303	PV4823	Simon Chibole	42,455.00	09/09/2011	2210303	PV0750	Gerald I Maina	54,741.00	26/03/2012	2210303	PV4003	Harrison T Mwangi	30,743.00	18/04/2012	2210303	PV4337	Benson E W Wanjau	20,075.00	02/04/2012	2210303	PV3945	Samuel O Owana	42,765.00	28/05/2012	2210303	PV5021	Kenneth K Biegon	50,300.00	23/01/2012	2210303	PV2552	Elizabeth Tieng	109,871.00
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Implications:																																																	
<p>There is a high inherent risk of manipulation of the fuel expenditure claims and possibilities of fuelling the car through the agreement with Total Kenya and claiming the expense as a cash purchase at the same time. This would be possible through collusion between KENAO staff and the Total Kenya fuel pump attendants.</p>																																																	
Recommendations:																																																	
<p>We recommend that KENAO insists on fuelling through the agreement with Total Kenya unless a valid reason is given before commencement of the audit mission as credit card system which is a computerized purchase method may not be easily altered compared to cash purchase method. Cash payment should only be used when the credit card cannot be used, e.g. in places where Total petrol station has no outlet. KENAO should also ensure that the credit card is at all times paid to avoid disconnection.</p> <p>Alternatively, we recommend that KENAO uses either cash or card system.</p>																																																	
Recommendation Priority: High																																																	
Comments from KENAO: None Provided																																																	

Finding n°: 19	Title: Expenditure completely not supported.				
Description of the findings:					
It is a requirement of sound internal control system practice that expenditures be supported with approved payment vouchers, invoices, receipts and payee lists where applicable. We noted that the following expenditures completely lacked support.					
Date	Account No.	INV / PV No.	Description	Details	Amount (Kshs)
30/04/2012	2220209	12540	Greater Heights Enterprises	Minor alterations to buildings	737,524.00
24/11/2011	3111002	60619	Pan African Focus	Purchase of computers	682,475.00
16/02/2012	3111002	62145	Pan African Focus	Purchase of computers	590,700.00
Total					2,010,699
Implications:					
The unsupported costs of Kshs. 2,010,699 could be treated as ineligible expenditure hence a refund of the money to The Treasury could be sought.					
Recommendation:					
We recommend that KENAO supports all its expenditure using approved payment vouchers, invoices, receipts, payee lists and other relevant support documents.					
Recommendation Priority: High					
Comments from KENAO: None provided					

Finding n°: 20	Title: Inadequate Support procurement transactions.			
Description of the findings:				
We noted although quotation analysis were attached, the following procurement transactions were effected without supplier quotations attached to the transactions;				
Date	Account No.	PV No.	Description	Amount (Kshs)
07/05/2012	3111001	248	Leja Media Services	63,000.00
12/03/2012	3111001	1134/1138	Tusker Mattresses Ltd	448,890.00
11/01/2012	3111001	10463	Fast Choice	98,000.00
06/12/2011	3111001	33995	Victoria furniture	140,000.00
06/10/2011	2210801	PV1073	Ivy Outside Caterers Services	107,400.00
Implications:				
Failure to attach the quotations from the suppliers is a breach of the procurement regulations. .				
Recommendation:				
Original copies of quotations obtained from suppliers should be attached as support documents for every procurement transaction.				
Recommendation Priority: High				
Comments from KENAO: None provided				

Finding n°: 21	Title: Late applications for leave																						
Description of the findings:																							
<p>It is KENAO's policy that a member of staff wishing to be on leave should fill in a leave form one month in advance. We however noted instances whereby members of staff filled in leave forms just days before starting their leave. See table below:</p>																							
<table border="1"> <thead> <tr> <th>Staff Name</th> <th>Date When Applied For Leave</th> <th>Date When Started Leave</th> </tr> </thead> <tbody> <tr> <td>Mungai Dominic Muriithi</td> <td>13/06/2013</td> <td>02/07/2013</td> </tr> <tr> <td>Waithaka Veronicah Wangui</td> <td>01/07/2013</td> <td>01/07/2013</td> </tr> <tr> <td>Mwangi Catherine Wanjiku</td> <td>01/07/2013</td> <td>01/07/2013</td> </tr> <tr> <td>Gitu Peter King'ori</td> <td>27/06/2013</td> <td>28/06/2013</td> </tr> <tr> <td>Gakonya Patriciah Njambi</td> <td>27/06/2013</td> <td>28/06/2013</td> </tr> <tr> <td>Jane Rahab Wabiri</td> <td>27/06/2013</td> <td>01/07/2013</td> </tr> </tbody> </table>			Staff Name	Date When Applied For Leave	Date When Started Leave	Mungai Dominic Muriithi	13/06/2013	02/07/2013	Waithaka Veronicah Wangui	01/07/2013	01/07/2013	Mwangi Catherine Wanjiku	01/07/2013	01/07/2013	Gitu Peter King'ori	27/06/2013	28/06/2013	Gakonya Patriciah Njambi	27/06/2013	28/06/2013	Jane Rahab Wabiri	27/06/2013	01/07/2013
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Jane Rahab Wabiri	27/06/2013	01/07/2013																					
Implications:																							
Members of staff proceed for leave even before approval.																							
Recommendation:																							
We recommend that members of staff wishing to proceed on leave fill in leave forms well in advance, that is one month in advance.																							
Recommendation Priority: Medium																							
Comments from KENAO:																							
<p>As you have stated, KENAO policy on leave is that a member of staff wishing to go on leave should fill a leave form. However, at times due to exigencies of duty it becomes difficult to be very clear when an officer will be allowed to take their leave. This gives rise to situations where the chance to proceed on leave appears suddenly and staff are allowed to proceed for leave as long as their personal programs agree. In the cases quoted in your letter, even though the Team had planned work to do, it turned out that there was no Imprest from the head office so they were allowed to proceed for leave.</p>																							

Finding n°: 22	Title: Movement of assets not recorded
<p>Description of the findings:</p> <p>According to the Government Finance Regulations and Procedures, Chapter 19 Section 19.5, transfer of small quantities of allocated stores between departments may be authorized by the accounting officer concerned. We however noted unauthorized transfer of assets from Team 1 to Team 2 at the central hub. Office desks and office chairs had been transferred but there was no written authority to that effect.</p>	
<p>Implications:</p> <p>Failure to seek authority before transferring assets from one office to another is breach of the above stated regulation</p> <p>In addition, accounting for assets/stores may not be accurate as it is not clear what has been moved where. This makes it hard to update the assets inventory.</p>	
<p>Recommendation:</p> <p>We recommend that authority is sought before transferring assets/stores and that the assets inventory records are consequently updated.</p>	
<p>Recommendation Priority: Medium</p>	
<p>Comments from KENAO:</p> <p>The two teams in the Central hub are located on the same floor and the offices are adjacent to each other. The assets issued to the two teams are considered in totality and any movement of assets between them may not necessarily require authority. However, the office is going through reorganization and once this is complete, all assets issued to Teams 1 and 2 at the Central Hub will be deemed to have been issued to the hub.</p>	

10. Appendix (vi): Persons contacted or involved in the audit

The Auditor – Baker Tilly Merali's Certified Public Accountants	
Madhav Bhandari	Partner
John Mucheru	Manager
Erastus Ochieng	Audit Supervisor
Beth Wambui	Audit Senior
Eric Shikanda	Audit Senior

The Entity subject to audit – Office of The Auditor General (OAG)	
Edward Ouko	Auditor General
Stanley Mugo Mwangi	Director of Audit
S. N. Kinuthia	Deputy Auditor General (Corporate Services)
Meshak Onyango	Ag. Director (Finance)
Martha Wanjiru Mbau	Manager (Accounts)
Evans Koina Mogere	Internal Audit Manager (Hubs)
Vincent Fidelis Mboya Mulwa	Manager (HR Governance)
Isaac Nzioka Makau	Senior Supervisor Audit (Procurement Administration)
Samuel Muguchia Muchiri	Ag. Manager (Budgeting and Planning)

Parliamentary Service Commission (PSC)	
Justin N. Bundi	Clerk of The National Assembly

9. Appendix (v) - General Accounts of Vote (GAV)

	Balance (Kshs)
Opening balance	143,110,604
Surplus of gross estimates over expenditure to be surrendered to Exchequer	190,511,432
	333,622,036

8. Appendix (iv) – Bank balances

	Balance (Kshs)
Opening balance as at 1 st July 2011	190,939,596
Central Bank of Kenya Account balance	5,898,348
Kenya Commercial Bank account balance	261,284
Total bank balances	197,099,228

7. Appendix (iii) - Recurrent exchequer

Amount (Kshs)	
7,237,425	Opening balance as at 1 st July 2011
1,547,660,000	Budget
(17,000,000)	Supplementary budget-reduction
1,530,660,000	Net budgeted amount
(1,198,000,000)	Exchequer issues (receipts)
(110,000,000)	Applied Appropriations In Aid
229,897,425	

6. Appendix (ii) - Details of Appropriations in Aid (AIA) / Remittance to Exchequer

Recurrent Appropriations summary from 1st July 2011 to 30th June 2012

Vote	Details	Approved Estimates (Kshs)	Actual Receipts (Kshs)	Excess Receipts Payable To The Exchequer (Kshs)
	Opening balance as at 1 st July 2011			111,833,507
2801	Audit services	19,400,000	13,051,034	(6,348,966)
2802	Audit services (Corporations)	90,600,000	117,488,755	26,888,755
Total / net change in 2011 / 2012		110,000,000	130,539,789	20,539,789
Balance carried forwards				132,373,296

Item	Title and detail	Central Government - 280101	Local Government - 280102	Statutory Boards & Corporation - 280202	Total expenditure
		Kshs	Kshs	Kshs	Kshs
	campaigns				
2210708	Trainer allowances	878,995	-	-	878,995
2211301	Bank services, commissions & charges	3,000	100	-	3,100
3111003	Purchase of air conditioners, fans & heating appliances	174,236	-	-	174,236
2110302	Honoraria	2,406,548	-	-	2,406,548
2210503	Subscription to newspapers, magazines & periodicals	3,721,126	800,279	987,410	5,508,815
2210801	Catering services (receptions), accommodation, gifts, food & drinks	1,705,686	528,934	1,019,203	3,253,823
2211016	Purchase of uniforms & clothing - staff	1,257,785	378,560	240,000	1,876,345
2211101	General office supplies (paper, pencils, small office equipment e.t.c)	7,812,168	378,980	1,653,428	9,844,576
2220101	Maintenance expenses – motor vehicles	11,250,579	3,708,968	5,905,564	20,865,111
2220202	Maintenance of office furniture & equipment	649,546	-	174,555	824,101
2210799	Training expenses – other budget	(181,050)	-	-	(181,050)
Gross expenditure		822,040,567	177,463,428	340,644,588	1,340,148,583
Appropriations In Aid					
3520304	Sale of goods & fees for services	(2,000)	-	-	(2,000)
1420601	Sale of tender documents	(82,000)	-	-	(82,000)
1420344	Audit fees	-	(12,967,034)	(117,488,755)	(130,455,789)
Total Appropriations In Aid		(84,000)	(12,967,034)	(117,488,755)	(130,539,789)
Total Expenditure Head		821,956,567	164,496,394	223,155,833	1,209,608,794

Item	Title and detail	Central Government - 280101	Local Government - 280102	Statutory Boards & Corporation - 280202	Total expenditure
		Kshs	Kshs	Kshs	Kshs
	phone	18,808,364	2,669,022	12,863,083	34,340,469
2210303	Daily subsistence allowance	53,065,766	45,637,643	43,504,135	142,207,544
2211305	Contracted guards & cleaning services	1,049,440	442,479	683,210	2,175,129
2211308	Legal dues, arbitration & compensation payments	4,174,147	-	-	4,174,147
2220209	Minor alterations to buildings & civil works	2,696,528	-	1,338,129	4,034,657
2220210	Maintenance of computer, software, network & communication equipment	3,289,162	-	1,169,606	4,458,768
2210604	Hire of transport equipment	613,885	112,600	180,000	906,485
2211201	Refined fuel & lubricants for transport	9,462,023	3,365,688	6,947,917	19,775,628
3111001	Purchase of office furniture & fittings	1,194,341	-	41,790	1,236,131
3111002	Purchase of computers, printers & other IT equipment	457,017	-	600,467	1,057,484
2110311	Transfer allowance	318,055	106,390	57,081	481,526
2210101	Electricity	169,925	51,741	61,688	283,354
2210102	Water & sewerage charges	172,898	57,035	42,575	272,508
2210301	Travel costs (airline, bus, railway, mileage allowances etc)	754,418	403,139	406,456	1,564,013
2210304	Sundry items (airport tax, taxis etc)	135,779	133,280	215,045	484,104
2210502	Publishing & printing services	5,480,177	-	62,323	5,542,500
2210504	Advertisement, awareness & public	245,015	-	-	245,015

Item	Title and detail	Central Government - 280101	Local Government - 280102	Statutory Boards & Corporation - 280202	Total expenditure
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Item	Title and detail	Central Government - 280101	Local Government - 280102	Statutory Boards & Corporation - 280202	Total expenditure
		Kshs	Kshs	Kshs	Kshs
2211102	Supplies & accessories for computers & services	5,101,188	383,744	996,000	6,480,932
2211103	Sanitary & cleaning materials, supplies and services	628,463	126,138	219,957	974,558
2710102	Gratuity – civil servants	900,000	-	-	900,000
2110301	House allowance	90,504,580	16,980,886	41,856,122	149,341,588
2110308	Medical allowance	9,051,152	1,610,091	3,153,581	13,814,824
2110317	Domestic servants allowance	1,521,000	624,000	702,000	2,847,000
2210302	Accommodation - domestic travel	580,859	388,277	367,840	1,336,976
2210404	Sundry items (airport tax, taxi etc)	130,551	104,500	37,416	272,467
2210603	Rents & rates – non-residential	59,106,038	7,912,001	23,802,717	90,820,756
2210704	Hire of training facilities & equipment	4,342,333	-	-	4,342,333
2210910	Medical insurance	72,875,227	-	-	72,875,227
2220201	Maintenance of plant, machinery & equipment including lifts	342,923	-	242,109	585,032
2620162	International Organisation of Supreme Audit Institutions	519,500	-	-	519,500
3110801	Overhaul of vehicles	1,620,455	742,877	556,889	2,920,221
2110104	Basic salaries – external auditors	300,637,331	61,376,241	137,358,934	499,372,506
2110313	Entertainment allowance	1,750,000	900,000	900,000	3,550,000
2110314	Transport allowance	15,400,000	4,032,000	9,159,999	28,591,999
2210201	Telephone, telex, facsimile & mobile				

Item	Title and detail	Central Government - 280101	Local Government - 280102	Statutory Boards & Corporation - 280202	Total expenditure
		Kshs	Kshs	Kshs	Kshs
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2110301	House allowance	90,504,580	16,980,886	41,856,122	149,341,588
2110308	Medical allowance	9,051,152	1,610,091	3,153,581	13,814,824
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2210704	Hire of training facilities & equipment	4,342,333	-	-	4,342,333
2210910	Medical insurance	72,875,227	-	-	72,875,227
2220201	Maintenance of plant, machinery & equipment including lifts	342,923	-	242,109	585,032
2620162	International Organisation of Supreme Audit Institutions	519,500	-	-	519,500
3110801	Overhaul of vehicles	1,620,455	742,877	556,889	2,920,221
2110104	Basic salaries – external auditors	300,637,331	61,376,241	137,358,934	499,372,506
2110313	Entertainment allowance	1,750,000	900,000	900,000	3,550,000
2110314	Transport allowance	15,400,000	4,032,000	9,159,999	28,591,999
2210201	Telephone, telex, facsimile & mobile				

5. Appendix (i) – Recurrent Appropriations In Aid for the period 1st July 2011 to 30th June 2012

Item	Title and detail	Central Government - 280101	Local Government - 280102	Statutory Boards & Corporation - 280202	Total expenditure
		Kshs	Kshs	Kshs	Kshs
2110307	Hardship allowance	113,400	37,800	-	151,200
2110315	Extraneous Allowance	45,048	-	-	45,048
2110320	Leave allowance	29,259,564	7,003,054	11,387,783	47,650,401
2210203	Courier & postal services	613,502	143,069	220,519	977,090
2210701	Travel allowance	7,446,839	-	-	7,446,839
2210703	Production & printing of training materials	1,369,520	-	-	1,369,520
2210712	Trainee allowance	1,350,912	-	-	1,350,912
2210802	Boards, committees, conferences & seminars	128,335	-	56,132	184,467
2210808	Purchase of coffin	218,110	-	-	218,110
3111009	Purchase of other office equipment	431,000	-	260,000	691,000
2110312	Responsibility allowance	74,858,086	14,845,643	28,591,158	118,294,887
2210403	Daily subsistence allowance	4,131,216	1,196,024	1,869,593	7,196,833
2211310	Contracted professional services	338,322	-	-	338,322
3111004	Purchase of exchanges and others	240,999	-	531,951	772,950
3111005	Purchase of photocopiers & other office equipment	307,895	-	-	307,895
2210202	Internet connections	687,685	-	300	687,985
2210401	Travel costs (airlines, bus, railway etc)	2,034,246	282,245	219,923	2,536,414
2210710	Accommodation allowance	1,688,729	-	-	1,688,729

Finding n°: 23	Title: Inadequacies in staff management
<p>Description of the findings:</p> <p>We reviewed a sample of KENAO's external audit files and other aspects of the organization's operational efficiency and noted that;</p> <ul style="list-style-type: none"> i. The organization did not maintain time sheets for its entire staff. ii. There were no mission reports for the external audits conducted by KENAO staff for the Parastatals, Local Authorities, Government Ministries and other audits conducted by KENAO. iii. Despite paying members subscription fees for staff who are members of The Institute of Certified Public Accountants (ICPAK), the staff files did not contain the ICPAK CPD updates 	
<p>Implications:</p> <p>Without staff time sheets, it would be impossible to verify whether staff worked for the organization during the mission duration.</p>	
<p>Recommendation:</p> <p>We recommend that KENAO adopts the use of time sheets as a basis of staff time management and a way of determining the individual staff efficiency during the year.</p>	
<p>Recommendation Priority: Medium</p>	
<p>Comments from KENAO:</p> <p>Most branches within KENAO have not been using time sheets. However as from July 2013, the Office adopted the risk based methodology approach to Audit work which requires that a time sheet be maintained. The office is now in the process of implementing the use of time sheets.</p> <p>KENAO auditors on any field assignment are required to produce audit report(s). The reports are available for your confirmation.</p> <p>The office pays for ICPAK subscriptions for senior managers (Manager Level and above). However, it is the officer's responsibility to ensure that they maintain their CPD updates since the office does not sponsor the same.</p>	

