



OFFICE OF THE AUDITOR GENERAL
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019



**PREPARED IN ACCORDANCE WITH THE CASH BASIS OF ACCOUNTING METHOD
UNDER THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
(IPSAS)**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Office of the Auditor-General was first established as the office of the Controller and Auditor General in 1955. The Public Audit Act, on 9th January 2004, formed Kenya National Audit Office by merging the Office of the Auditor –General (Corporations) and the Office of the Controller and Auditor General.

At cabinet level, the Office of the Auditor-General is represented by the Auditor-General who is responsible for the general policy and strategic direction of the Office.

CONSTITUTIONAL MANDATE AND FUNCTIONS

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

1. Article 229 of the Constitution of Kenya mandates the Auditor-General to audit all accounts of the Government including:
 - a) The accounts of the national and county governments;
 - b) The accounts of all funds and authorities of the national and county governments;
 - c) The accounts of all courts;
 - d) The accounts of every commission and independent office established by the Constitution of Kenya;
 - e) The accounts of the National Assembly, the Senate and the County assemblies;
 - f) The accounts of political parties funded from public funds;
 - g) The public debt; and
 - h) The accounts of any other entity that legislation requires the Auditor-General to audit.
2. Article 229(6) requires the Auditor-General to confirm whether or not public money has been applied lawfully and in an effective way. This requires the Auditor-General:
 - a) to conduct compliance audits;
 - b) to perform work that addresses the economy, efficiency and effectiveness with which public resources have been applied and utilized; and
 - c) to evaluate the impact of government funded programs on the lives of citizens.
3. The Public Audit Act Section 7(1) a-g, 2015 states that the Auditor General shall:
 - a) give assurance on the effectiveness of internal controls, risk management and overall governance at national and county government
 - b) undertake audit activities in state organs and public entities to confirm whether or not public money has been applied lawfully and in an effective way
 - c) satisfy himself or herself that all public money has been used and applied to the purposes intended and that the expenditure conforms to the authority for such expenditure
 - d) confirm that— (i) all reasonable precautions have been taken to safeguard the collection of revenue and the acquisition, receipt, issuance and proper use of assets and liabilities; and (ii) collection of revenue and acquisition, receipt, issuance and proper use of assets and liabilities conforms to the authority
 - e) issue an audit report in accordance with Article 229 of the Constitution
 - f) provide any other reports as may be required under Article 254 of the Constitution
 - g) perform any other function as may be prescribed by any other written Legislation.

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4. As an Independent Office, the Office of the Auditor General is expected to meet the objectives or goals of the Commissions and the Independent Offices as stipulated in article 249(1) of 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

Vision

Accountability and effective management of Public Resources.

Mission

To Audit and report on the management of public resources for improved service delivery to the Kenyan people

Core values

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

Objectivity: Our professional judgment is fair and is not unduly influenced by personal bias, conflict of interest or influence by others.

Professional Competency: Our work is based on appropriate professional knowledge, skills, experience, up-to-date techniques and leading practices.

Innovation: We strive to continually improve on our delivery of services by being open to new ideas that are responsive to a rapidly changing operating environment.

Team spirit: We have a strong sense of mutual commitment which creates the synergy needed to achieve our goal.

(b) Key Management

The office of the Auditor General's day-to-day management is under the following key organs:

- ✓ Auditor General,
- ✓ Executive Committee comprising of the Auditor General and the Deputy Auditor Generals

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer/Auditor General	FCPA Edward R.O. Ouko, CBS
2.	Deputy Auditor General-Corporate Services	Ms. Agnes Mita
3.	Director Finance	CPA Charles Mwitari

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(d) Fiduciary Oversight Arrangements

Fiduciary Oversight Arrangements in the Office of the Auditor General covers:

Executive Committee

It comprises of;

No.	Designation	Name
1.	Auditor General	FCPA Edward Ouko
2.	Deputy Auditor General Corporate Services	Agnes Mita
3.	Deputy Auditor General – Regularity Audit	James Gichana
4.	Deputy Auditor General – Regularity Audit	Sylvester Kiini
5.	Deputy Auditor General – Regularity Audit	Alex Rugera
6.	Deputy Auditor General – Regularity Audit	David Njoka
7.	Deputy Auditor General – Specialized Audit	Fredrick Odhiambo

EXECUTIVE MANAGEMENT

FCPA EDWARD R. O. OUKO, CBS AUDITOR-GENERAL



FCPA Edward Ouko is the Auditor-General of the Republic of Kenya. He was appointed on 27 August 2011 following a competitive recruitment process. He is a Fellow Member of the Institute of Chartered Accountants of England and Wales (FCA) and is a co-opted Council Member of the Institute representing Africa.

He is also a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) and holds a Bachelor of Commerce (Hons) in Finance and Accounting from the University of Nairobi. Before his appointment, he was the Auditor-General at the African Development Bank where he directed the audit function and was also in charge of the Anticorruption and Fraud function up to June 2010. He was with the African Development Bank (AfDB) for over twenty-four years in various capacities. He has over thirty years' experience in matters of auditing, accounting and investigations. FCPA Ouko is a former member of Audit Committees in a number of UN agencies. He is the immediate former Chairman of the Audit Committee of Food and Agriculture Organisation (FAO). A position he held for five years. He served as an external member of the Audit Committee of United Nations Relief and Works Agency for the Palestinian Refugees

As the Auditor-General of the Republic of Kenya, FCPA Ouko has realigned the Office to focus on its wider mandate of assuring that public funds have been used lawfully and effectively. He has championed an assurance framework, involving fiscal accountability; managerial accountability through continuous audit presence and accountability for service delivery. As a result, the Office has gained higher public recognition.

FCPA Ouko has a wide range of academic and professional achievements as well as various awards and recognitions to his name. Most recent is FCPA Ouko's election as the Vice-President of the African Organisation of Supreme Audit Institutions (AFROSAI) General Assembly and President of the Technical Committee on Knowledge Sharing and Management during the 13th General Assembly of AFROSAI held in Sharm El Sheik in Egypt in 2015.

Ms. AGNES MITA DEPUTY AUDITOR-GENERAL-CORPORATE SERVICES

A holder of a Master of Science in Auditing Management and Consultancy degree from the University of Central England and a B. Com (Accounting Option) degree, Ms. Mita is the Deputy Auditor General in charge of Corporate Services Department.

She has a wide experience in Public Sector Auditing with a span of more than twenty-nine years in the Public Sector. Among her responsibilities in Corporate Services is overseeing the general operations in Finance, Human Resource, Information Technology, Administration, Public Relations & Communication, Legal Affairs and Procurement.

MR. ALEX RUGERA DEPUTY AUDITOR-GENERAL

Mr. Rugera holds a Bachelor in Commerce (Accounting Option) from University of Nairobi and is a Certified Public Accountant of Kenya (CPA-K) holder. He has a vast experience in audit, finance, taxation and consultancy. He has worked as a Senior Audit Manager in Deloitte & Touche, Githongo and Company; and Waithaka Kiarie Mbaya and Company respectively.

He is in charge of auditing The National Treasury, Ministry of Transport and Infrastructure, South Rift Hub and Central Kenya Hub. He also oversees consolidation of annual reports for both National and County Governments.

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MR. DAVID GICHANA, DEPUTY AUDITOR-GENERAL

Mr. Gichana has an MBA in Finance and a Bachelor of Science (International Business Administration- Accounting Option) degree. He has vast experience of more than twenty- five years in public sector having worked as Chief Internal Auditor and Accountant before joining the Office of the Auditor-General in 2006.

Mr. Gichana oversees the audit of Social Protection, Culture and Recreation, General Economic and Commercial Affairs, Governance, Justice, Law and Order and Environmental Protection, Water and Natural Resources Sectors. He is also in charge of all the National Government, County Governments and public entities in the Garissa, Embu and Kakamega regional hubs.

MR. DAVID NJOKA –DEPUTY AUDITOR-GENERAL

Mr. Njoka holds a Master of Business Administration (Strategic Management) from the University of Nairobi and a Bachelor in Business Administration from the United States International University (Africa) –USIU. He is also a Certified Public Accountant (K) holder.

Mr Njoka has more than 28 years' experience in the public sector having served as Chief Accountant and Senior Accountant in Tana & Athi Rivers Development Authority and Kenya Electricity Generating Company Limited (KenGen) respectively.

He is in charge of audits of Ministries of Energy & Petroleum, Mining, Industry, Trade & Cooperatives as well as Tourism in addition to overseeing audit functions of all publicly funded entities in Kisumu and Kakamega regional hubs.

MR. FREDRICK ODHIAMBO – DEPUTY AUDITOR-GENERAL

Mr. Odhiambo holds an MBA from the Warwick Business School – University of Warwick and a Bachelor's Degree from Jomo Kenyatta University of Agriculture and Technology. He is a Certified Public Accountant of Kenya (CPA-K), Certified Fraud Examiner (CFE-US), and Certified Financial Services Auditor (CFSA-US). Mr. Odhiambo has vast experience in audit, advisory and consultancy. He previously served as Director of Audit, Senior Audit Manager in other Supreme Audit Institutions in the British Overseas Territories, Deloitte & Touche LLP, KPMG East Africa before joining the Office of the Auditor-General, Kenya in 2013.

He is in charge of Specialised Audits function which include; Performance (VfM) Audits, Forensic Audits, Procurement Audits, Information Systems/Technology (IT) Audits and Public Debt Audits. He also oversees other emerging audits such as the Extractive Industries.

MR. SYLVESTER KIINI - DEPUTY AUDITOR-GENERAL

Mr. Kiini holds MBA in Strategic Management and a Bachelor of Commerce (Accounting Option). He has a vast experience in auditing and has served as Director of Audit in the Office of the Auditor-General since 2008 before being appointed as Deputy Auditor-General in 2014 as the Office strives to enhance its capacity in service delivery.

He oversees the audit function of Ministries of Education, Science and Technology, Health, Communication and Information Technology, Lands, Housing and Urban Development. Mr. Kiini is also in charge of audit functions of all public entities under Mombasa and Eldoret regional hubs.

MR. WILLIAM AGUNDA –DEPUTY AUDITOR-GENERAL

Mr Agunda holds a Bachelor of Commerce (Accounting Option) degree from the University of Nairobi and is a Certified Public Accountant of Kenya.

He has an extensive experience of more than 30 years in Public Sector Auditing. He has held various positions in the former Office of the Controller & Auditor-General, Kenya National Audit Office and Office of the Auditor General since January 1987.

Mr Agunda is currently responsible for the audit of Agriculture, Planning, Devolution and National Security Sectors; County Governments of Nairobi, Kajiado, Machakos and Makueni; and all Public Entities in these Counties.

Fiduciary Oversight Arrangements

The executive periodically issues an update on the policy changes, and future plans to senior management for cascading within their departments. This update is done on a regular basis as the executive may determine.

Information, decisions and plans that affect the operations, policies or activities of the entire organization are shared with the Directors and Senior Managers for consumption and cascading to staff.

The executive may consider engaging employees in the hubs and other staff through focus group discussions or conventions as may be appropriate in a scheduled manner or as circumstances may dictate. Moreover, it is desirable that there be an annual open day/ convention where majority of the employees (if not all) can meet and interact.

The DAGs in charge of various hubs and sectors hold regular meetings with senior management in their sectors/ hubs to discuss policy and strategic issues; minutes are taken and forwarded to the Auditor General for consumption.

General staff escalate issues that require to be addressed by the executive through their Heads of department / sectors/ hubs which are forwarded to the Executive for deliberation and feedback provided through the senior management. The head of Public Relations & Communications has developed a procedure to enable this communication take place.

The executive come up with timelines within which correspondence (both internal and external) are acknowledged, acted upon and feedback provided. It could be considered that acknowledgement is in 72 hours and detailed feedback in 21 days (as executive may determine).

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The Public Audit Act, 2015 provides for the functions and powers of the Office of the Auditor-General in accordance with the Constitution, and for connected purposes enacted by Parliament of Kenya, as follows—

1. the accounting officer of the office of the auditor-general shall submit accounts of the office to the appointed auditor under section 41, within three months after the end of the financial year to which the accounts relate.
2. The appointed auditor shall examine and audit the submitted accounts of the office of the Auditor General within six months after the end of the financial year in accordance with the provisions of Part IV of this Act, express an opinion and certify the result of that examination and audit.
3. The appointed auditor shall examine whether or not public money has been applied lawfully and in an effective way.
4. The appointed auditor shall prepare a report on the examination and audit and submit the report to each relevant Clerk of Parliament, with a copy to the Cabinet Secretary responsible for finance and the Auditor-General.

(e) Entity Headquarters

P.O. Box 30084-00100
Anniversary Towers'
University Way
Nairobi, KENYA

Entity Contacts

Telephone: (254) 020-3411904/342330
E-mail: info@oagkenya.go.ke
Website: www.oagkenyago.ke

(f) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000, City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
P.O Box 48400-00100
Nairobi.

(g) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112, City Square 00200
Nairobi, Kenya.

FOREWORD BY THE EXECUTIVE MANAGEMENT

This Annual Corporate Report 2018/2019 gives a peak at the activities of the Office. During the period under review, the Office of the Auditor-General made great strides in enhancing service delivery to the people of Kenya. The Office has increased its partnerships with other Supreme Audit Institutions (SAIs) and various organizations as we strive to increase the impact of audits through learning, knowledge sharing and innovation.

We continue to devolve our services closer to the people, constructing regional offices to cater or the audit needs at the county level. We have so far constructed regional offices in Garissa and Kakamega while construction works are ongoing in Eldoret and Embu, as the office strives to enhance its presence in the counties. Plans for the construction of our headquarters on a one and half acre plot we own in Upper Hill area of Nairobi, are still on though hampered by lack of funding by the National Treasury following the collapse of the PPP model.

The Office is charged with enhancing accountability of public resources, under the provisions of Article 229 of the Constitution. In order to discharge its mandate, the office continued to be innovative in-order to meet the public expectations on accountability. During the FY 2018-19 the office continued to perfect the automation of the audit process by ensuring that all the audits and all the auditors used the Teammate Version 12 that was launched during the previous Financial Year. The Teammate Version 12 has the ability to manage the audit process right from planning, execution to reporting the modules in use include Team Store, Team Schedule, Team Electronic Working Paper (EWP), Team Tech, Team Central and team Analytics. The automation bore fruits by reducing the reporting timelines substantially.

And to buttress the role of citizens in our work, we have developed a framework, with the support of World Bank, that outlines citizens' role in our audits. The citizens, will play a key role in our citizen accountability audits, that we have already rolled out. During the year the Office launched the Citizen Accountability Audit (CAA) framework. The CAA is aimed at involving the citizen in the audit by collaborating with them through Community Based Organizations (CBOs) who report the accountability gaps that they have come across in their different jurisdictions. The Citizen Accountability Audit also referred as Social Accountability Audit has been successfully used in Brazil, South Korea and India Among other countries.

OAG launched its 2018-2021 strategic plan and this being the first year of its operationalization. The strategic plan came up with only two strategic priorities which are intertwined with the first aiming at enhancing professional excellence in the delivery of OAG mandate while the second aims at continually transforming the organization for efficient and effective delivery of Audit Services.

OAG team is grateful for the continued support of the National Assembly, The National Treasury and donors which has enabled OAG to accomplish its mission during the year. We are also grateful for the invaluable support of the National Government, constitutional commissions, parliament and affiliate supreme audit institutions in helping us to achieve our goals in 2018-19.

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EXECUTIVE COMMITTEE
MANAGEMENT OUTLOOK

A Budget execution Historical Performance and Outlook:

FY 2018/19 operating environment was characterized by a weakened global economic recovery. The Global output was estimated to have grown by 3.0% in 2018 from 2.9% in 2017. This growth momentum is expected to reach 3.9% in 2019, supported by higher commodity prices and improved market access. Domestically the economy has remained strong and resilient. The economy is projected grow by 7.0% percent in 2019/20 compared to 5.9% in 2018/19, the growth is premised on (i) the favorable weather conditions, strong service sector, stable macroeconomic environment and ongoing public infrastructural investments and (ii) investments in strategic areas under the "Big Four" Agenda.

During the year 2018/19, the Office of the Auditor General had an approved Net recurrent budget allocation of **Kshs.5.316 Billion** and a development budget allocation of **Kshs. 462 million**. The office experienced good support from exchequer and had an actual absorption of **99%** for Recurrent budget and **82%** for the development budget, resulting into an average absorption of 96%. In 2019/20 the office got an overall reduced allocation of **Kshs.5.339 Billion** and **Kshs. 224 million** for Recurrent and Development respectively.

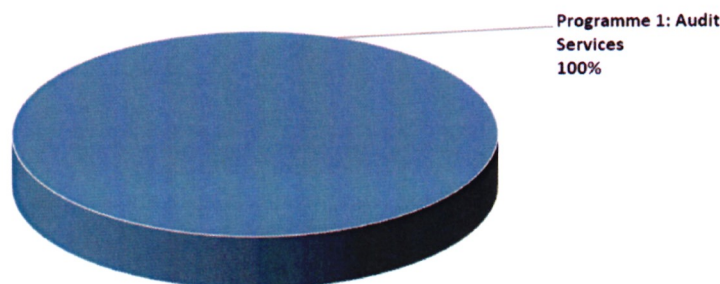
During the past three years in an effort to create a conducive working environment for its staff, OAG has utilized its limited development to build its regional offices in Garissa and Kakamega. Also nearing completion is Eldoret regional offices while Construction of Embu regional Offices is ongoing. In the FY 2019/20 the office plans to commence on Mombasa Regional offices while the Head office at Bishops Road whose land was acquired in FY 2013/14 awaits funding. The office has also been allocated land in Kisumu and Bungoma.

The 2010 Constitution expanded OAG mandate to include the audit of the 47 county governments, the national government, the state corporations, donor funded projects and all other entities funded by public funds which it has successfully executed for the past 5 years. Due to the expanded mandate, the Office continues to seek support from the National Treasury and Parliament in order to enhance its budget to aid in expanding its technical capacity, increase its presence in the counties, out-source some of the audit services and motivate its staff.

BUDGET UTILISATION AS PER ECONOMIC ITEMS

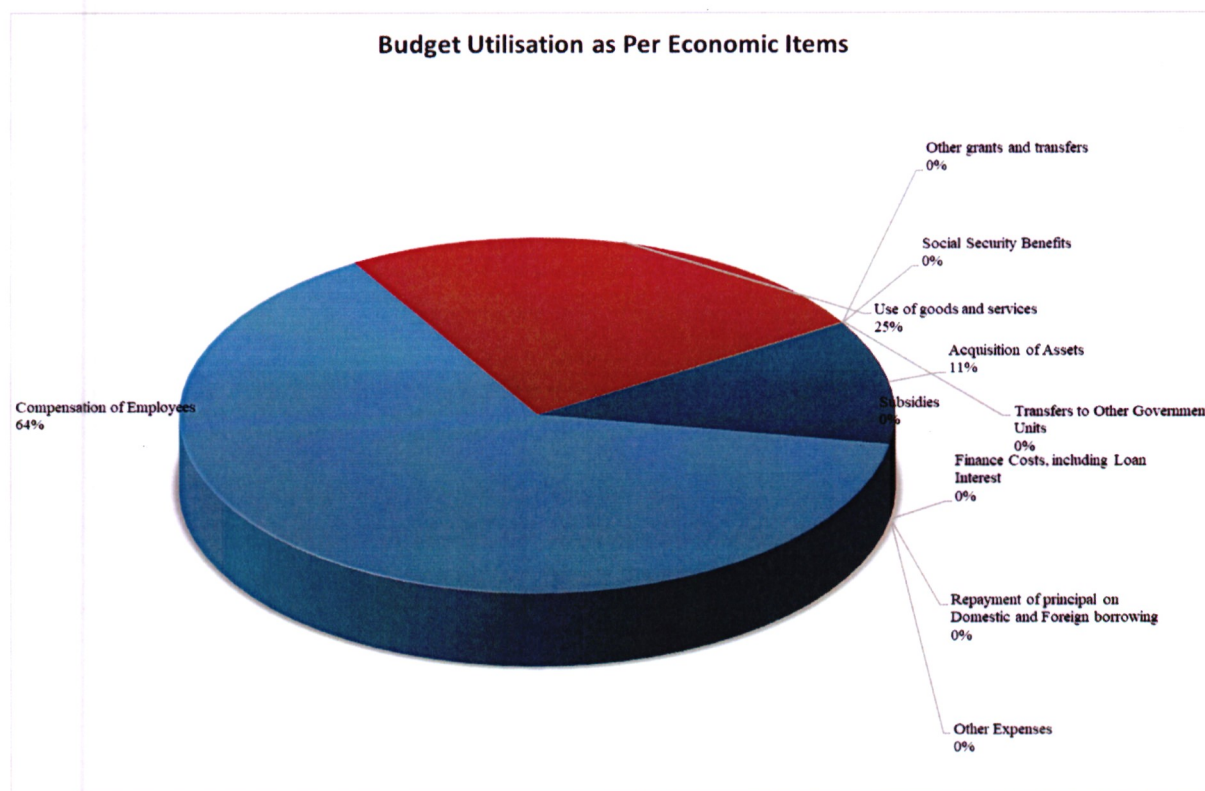
BUDGET PROGRAMME BY ALLOCATIONS					
Programme	Approved budget Allocation	Actual payments	Variance		
	Kshs.	Kshs.	Kshs.		
Priogramme 1-Audit Services	5,881,908,925	5,795,549,246	86,359,679	99%	
Total	5,881,908,925	5,795,549,246	86,359,679	99%	

BUDGET ALLOCATION BY PROGRAMMES



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	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	3,343,980,000	3,342,760,987	66,369
Use of goods and services	1,844,023,415	1,820,337,276	22,910,885
Subsidies			
Transfers to Other Government Units			
Other grants and transfers			
Social Security Benefits	5,394,900	5,394,706	194
Acquisition of Assets	688,510,610	624,952,861	63,382,231
Finance Costs, including Loan Interest	-	-	-
Repayment of principal on Domestic and Foreign Borrowing	-	-	-
Other Expenses	-	-	-
Total Payments	5,881,908,925	5,793,445,830	86,359,679



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PROGRAMME PERFORMANCE REVIEW REPORT: FY 2016/17 – FY 2018/19

VOTE NO: 2111

VOTE NAME: OFFICE OF THE AUDITOR GENERAL

SECTION 1: DELIVERY OF PLANNED OUTPUTS

- The office conducted 100% of the statutory audits and donor-funded projects within the statutory deadline.
- The office conducted 13 special audits out of a planned 20 on various public organizations and transactions of special interest including the Kenya Bureau of Standards, KRA, NTSA, NCA, among others.
- The Office released both the 2017/18 National and County Governments Audit Reports by January 2019

SECTION 2: EFFICIENCY SAVINGS

- The Office continued to optimize on the use of the Audit Management Software in order to enhance efficiency and transparency of the audit process thereby improving timelines.
- The Office commenced the implementation of ISO 27000 in order to ensure there is enhanced security, confidentiality, integrity and availability of information for decision making purposes
- The adoption of a risk-based audit methodology is meant to direct the limited resources on the very high risk audit areas. The adoption of a continuous presence approach is also aimed at preventing and deterring any would be misuse of resources.
- The Office has adopted analytical methods to help extract useful information from data and thus improve on the quality of OAG's reports
- The Office after completing the construction of the regional offices in Garissa and Kakamega has continued with construction of other regional offices including Eldoret which is nearing completion and Embu. It has further plans to build Mombasa, Kisumu and its head office at Bishops Road. These will provide conducive and secure working environments for OAG staff and save on rent expenses.

SECTION 3: INFORMATION ON PROGRAMMES

PROGRAMME TITLE & CODE: Audit Services and 07290

PROGRAMME OUTCOME: Good Governance

Output	Key Performance Indicators			Actual Achievement			Remarks
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	
National Government Audit Reports	693 reports	693 reports	693 reports	693 reports	693 reports	693 reports	100% delivered but not within statutory date
County Government Audit Reports	47 reports	47 reports	47 reports	47 reports	47 reports	47 reports	100% delivered but not within statutory date
CDF Audit Reports	290 reports	290 reports	290 reports	290 reports	290 reports	290 reports	100% delivered but not within statutory date
Specialized Audit Reports	20 reports	20 reports	20 reports	20 reports	18 reports	13 reports	Not bound by statutory deadline

SECTION 4: PROGRAMME MONITORING

The Audit Services Programme is monitored against the requirements of the constitution. The Auditor General is required to audit and report on the accounts of every institution that receives public funding. The statutory deadline for the report is 31st December of every year. This is currently unattainable because the office still faces a shortage of staff. The Audit Services Programme has continued to produce reports that highlight issues to do with management of public resources and therefore greatly improving on good governance.

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SECTION 5: CAPITAL PROJECTS AS AT 30TH JUNE 2019	
PROJECT 1: Construction of OAG Kakamega Office Block Location: Kakamega Status: Completed	
The project is meant to solve the problem of having OAG staff located in leased premises. It will also help in saving on the huge amounts of rent the office is currently incurring. The project has received enough budget allocation in FY 2018/19 and is expected to be completed in October 2019	
PROJECT 2: Construction of OAG Eldoret Office Block Location: Eldoret Status: 93% complete	
The project is meant to solve the problem of having OAG staff located in leased premises. It will also help in saving on the huge amounts of rent the office is currently incurring. The project requires Kshs. 70m in FY 2019/20 and is expected to be completed by December 2019.	
PROJECT 3: Construction of OAG Embu Office Block Location: Embu	
The project is meant to solve the problem of having OAG staff located in leased premises. It will also help in saving on the huge amounts of rent the office is currently incurring. Other than the Kshs. 90m provided for this project in FY 2018/19 and Ksh.74m in 2019/20, the project will require a further Kshs. 168m and is expected to be completed in 2020/21.	
PROJECT 4: Construction of OAG Headquarters at Bishops Road Location: Nairobi	
The project is meant to solve the problem of having OAG staff in Nairobi located in leased premises. It will also help in saving on the huge amounts of rent the office is currently incurring. The Office intended to use the PPP model to construct this block but if failed at the evaluation stage. The office has budgeted Ksh.10m in FY 2019/20 for preliminary activities.	

CAPITAL PROJECTS REVIEW

The office undertook various capital projects to improve the working environment of its staff in line with the strategic plan. The projects that are complete are Garissa and Kakamega regional offices. While construction of regional offices in Eldoret and Embu are ongoing with plans to launch the Mombasa, Bishops Road and Kisumu being in the pipeline. Below is a pictorial representation of the projects:



COMPLETED GARISSA REGIONAL OFFICES



COMPLETED KAKAMEGA REGIONAL OFFICES



ELDORET REGIONAL OFFICES NEARING COMPLETION



ELDORET REGIONAL OFFICES WORK IN PROGRESS



EMBU REGIONAL OFFICES UNDER CONSTRUCTION



EMBU REGIONAL OFFICES UNDER CONSTRUCTION

OFFICE OF THE AUDITOR GENERAL**Audited Financial Statements****For the year ended June 30, 2019****Regional spread**

OAG has 11 regional offices spread across the country to decentralise its services. The establishment of the regional offices is aimed at attaining a continuous audit presence down to the county level. It also enables audit staff to understand the audit dynamics of the client and creates a strong rapport with key stakeholders. The regional offices are as listed below:

Embu Regional Office <i>Location: Regional Commissioner's offices (Former PC's offices), Embu. (New regional office building currently under construction)</i>	Embu, Isiolo, Marsabit Meru, Kirinyaga
Mombasa Regional Office <i>Location: KPA Headquarters, Mombasa</i>	Mombasa, Kilifi Kwale, Taita Taveta
Garissa Regional Office <i>Location: Office of the Auditor-General, Garissa</i>	Garissa, Wajir, Mandera, Tana River, Lamu
Nairobi Regional Office <i>Location: Anniversary Towers, Nairobi</i>	Nairobi, Narok Kajiado
Machakos Regional Office	Machakos, Kitui, Makeni Tharaka-Nithi
Kakamega Regional Office <i>Location: Office of the Auditor-General, Kakamega</i>	Kakamega, Bungoma Busia, Trans Nzoia
Kisumu Regional Office <i>Location: Regional Commissioner's offices (Former PC's offices)</i>	Kisumu, Kericho Siaya, Vihiga
Nyeri Regional Office <i>Location: Regional Commissioner's offices (Former PC's offices), Nyeri</i>	Kiambu, Nyeri Laikipia, Murang'a
Nakuru Regional Office <i>Location: Kenya National Library Services Building, Nakuru.</i>	Samburu, Nyandarua Nakuru, Bomet, Baringo
Eldoret Regional Office <i>Location: KVDA Plaza (New regional office building under construction)</i>	Turkana, West Pokot Uasin Gishu, Nandi Elgeyo Marakwet
Kisii Regional Office	Homa Bay, Kisii Nyamira, Migori

THE STRATEGIC PLAN OVERVIEW.

The office during the year under review continued to focus on implementation of the strategic plan 2018-2021. The Office focused on two Strategic priorities to deliver on its mandate.

- 1) Strategic priority 1: To enhance professional excellence in the delivery of the office's mandate
- 2) Strategic priority 2: To continually transform the organization for efficient and effective delivery of audit services.

Below are some of the key achievements in the year.

KEY ACHIEVEMENTS
Goal 1: To enhance the quality and timeliness of audit reports
<ul style="list-style-type: none"> • Auditors have been trained on Data Analytics, PFM and Risk Based Audit Methodology and this has contributed to improved quality of Audit reports. • The Information Systems Audit function is well established and is now being integrated into financial audit. • An Audit Management System has been launched and this is expected to significantly improve the timeliness of Audit reports.
Goal 2: To Promote and Support Good Governance and Accountability in the Public Sector
<ul style="list-style-type: none"> • The office launched the citizen engagement framework • Continuous audits are being carried out alongside financial audits. • A Financial and Compliance Audit Manual is being finalized. This will contribute to improved quality of work. • The Fraud policy manual has been reviewed and implemented thus contributing to good governance and accountability in the public sector.
Goal 3: To Promote Effective Delivery of Quality Services to the Public and Sustainable Management of Resources
<ul style="list-style-type: none"> • 24 Performance Audit reports have been issued. 18 of these have been tabled in Parliament. • The Office was the recipient of the AFROSAI -E Best Performance Audit Prize ,2017 for the report on '<i>The Provision of Mental Healthcare Services in Kenya.</i>' • The Office is looking into ways of building capacity in the responsible Committees of Parliament to help them deliberate on these reports. • Environmental audits continue to be carried out as part of performance audit. • The Office is emphasizing on the use of the budget as a control tool to improve the Audit process.
Goal 4: To Transform the Organisation for Efficient and Effective Delivery of Audit Services
<ul style="list-style-type: none"> • The Auditor General continues to discharge his responsibilities independently as provided for in the Constitution. • The Office has restructured in response to its current constitutional mandate. One Sub -Hub office have been established and staffed. OAG office blocks have been constructed in two hubs. • A Job Evaluation report and staff welfare programs have been implemented with the objective of improving staff morale and retention. • The Office is in the process of developing a Performance Management System. • A strong Communications unit has helped strengthen the OAG brand and has worked with the media in publicizing the Auditor General's reports.

Goal 5: To Enhance Information and Communication Technology (ICT) Capacity and Systems for Efficient Operations

- The desired laptop ratio of 1:1 for audit staff is approximately 75% achieved.
- There are on-going efforts to develop and implement a Management Information System so that all OAG business processes are carried out on this platform.
- Improved infrastructure for the automation of the Audit process.

OFFICE OF THE AUDITOR GENERAL
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ANNUAL OPERATIONAL PLAN

This is a planning tool for audit purposes. It profiles the clients, identifies the resources required for timely and successful execution of an audit, using a risk-based audit approach. The audit plan uses a “drill-down” approach which focuses on “tracing the shilling to the ground” by ensuring that final project where the funds will be spent are audited.

The AOP reflects OAG’s adherence to International Standards of Supreme Audit Institutions (ISSAIs) and International Organisation of Supreme Audit Institutions Governance (INTOSAI GOV) framework regarding audit planning, quality control, auditor’s response to risk assessment and entity risk management.

Article 229(4) of the Constitution of Kenya outlines the various accounts which the Auditor-General is expected to audit and report on. Furthermore, Article 229(6) stipulates that the Auditor-General should confirm whether public money has been applied lawfully and in an effective manner. This means that apart from certification audits, the Auditor-General should also focus on performance audits.

Certification Audits

The mandate of the Auditor-General is to certify accounts of public entities. These funds include public debt, recurrent expenditure, development expenditure and consolidated funds. The tables below show certification audits for 2015/16, 2016/17 and 2017/18:

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2015/2016	290
Central Government	2015/2016	110
County Government	2015/2016	47
County Assembly Financial Statements	2015/2016	47
County Funds (Car loans, Mortgages, etc.)	2015/2016	35
State Corporations	2015/2016	251
Donor Funded Projects	2015/2016	160
Water Companies and Boards	2015/2016	80
Political Parties	2015/2016	3

Table 1: Certification audits for 2015/2016 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2016/2017	290
Central Government	2016/2017	109
County Government	2016/2017	47
County Assemblies	2016/2017	47
County Funds (Car loans, Mortgages, etc.)	2016/2017	55
State Corporations	2016/2017	246
Donor Funded Projects	2016/2017	164
Water Companies and Boards	2016/2017	83
Political Parties	2016/2017	5

Table 2: Certification audits for 2016/2017 FY

ENTITY	FINANCIAL YEAR	NO. OF STATEMENTS
CDF	2017/2018	290
Central Government	2017/2018	144
County Government	2017/2018	47
County Assembly Financial Statements	2017/2018	47
County Funds (Car loans, Mortgages, etc.)	2017/2018	121
State Corporations	2017/2018	257
Donor Funded Projects	2017/2018	183
Water Companies and Boards	2017/2018	85
Political Parties	2017/2018	6

Table 3: Certification audits for 2017/2018 FY

Specialised Audits

Apart from financial audits, the Office also conducts specialised audits, which focus on lawful and effective use of public resources, and the detection of fraud. They include Performance Audits that address Value for Money concerns, IT Audits and Forensic Audit.

Performance Audit

During the financial year under review, the division published and submitted 26 Performance Audit reports to Parliament, as required by law.

The Office has staff from various disciplines which include; engineering, environment, finance, Communications, amongst other professions.

IT Audit

We are charged with the responsibility of auditing government systems. During the year in review, we had an inaugural use of Teammate audit systems in audit. This has made work easier and consistent in terms of documentation.

The Office has completed the following IT Audits; -

- ✓ Revenue Audit of the Judiciary
- ✓ Special Audit of the Kenya Forest Services
- ✓ Special Audit of National Social Security Fund (NSSF)
- ✓ Special Audit of National Hospital Insurance Fund (NHIF)
- ✓ Technical Audit in Supreme Audit Institution (SAI) Sierra Leone

IT Audit staff were also part of a team of auditors who conducted a technical audit in Sierra Leone. They were joined by auditors from Ghana, Tanzania and Sierra Leone.

Forensic and Procurement Audits

OAG is currently working on 13 Forensic and Procurement Audit projects. This consists of one proactive audit project, initiated by the offices Fraud Risk Assessment criteria, and 12 reactive audit projects triggered by requests from various stakeholders.

There was also automation of Forensic and Procurement Audit process through the adoption of Teammate Audit Management Software. This involved development of the Team Store content inform of audit procedures and working papers and development of a Fraud Risk Assessment criteria for operationalization in Teammate.

We continue to collaborate with other investigative government entities in conducting Joint Forensic Audits. Additionally, the Office has made proposals to development partners on procurement fraud risk mitigation mechanisms in Kenya and also presented Forensic Audit reports before the Parliamentary Watchdog Committees.

We intend to leverage on Data Analytics tools and techniques in planning and executing Forensic Audit Assignments in the short term. In the long term, we intend to incorporate other digital forensic techniques and evidence management kits such as encase forensic audit software so as to efficiently and effectively respond to complex forensic audit assignments.

Citizen Accountability Audit

This is a new audit approach that transfers accountability to the people and gives them a voice in the auditing process.

It purposes to involve the Citizens in some of its audit processes that may include sharing information for planning, field verification of projects and follow-up of audit recommendations.

Citizen Accountability Audit is founded on the premise that enhancing accountability in the utilization of public resources can prosper only with a vigilant and involved citizenry. The overall objective is to proactively a make difference in the lives of citizens through promoting efficiency and effectiveness in the utilization of public resources.

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CORPORATE SERVICES

At the Corporate Services Department, we offer professional services to support the audit function. Our focus in this area is as outlined below;

Human Capital

Deploying people in the right numbers, with the right skills and attitude in the right place is fundamental to organisational success. In this regard, the Office has collapsed the silos in the organisation and replaced them with an organisation structure that will expose all staff in equal measure to all auditable entities prescribed in the Constitution.

Below is a general outline of the staff status.

Status	2018/2019
Recruited	110
Resigned	2
Retired – normal	16
Retired - 50 year rule	2
Died	4

Capacity-Building

The Office has conducted numerous training forums for OAG staff. All auditors have been trained on the Audit Management Tool anchored on TeamMate. So far, the Office has trained 800 members of staff in TeamMate data analytics with an increased number set to be trained in the next financial year.

The training programmes are geared towards improving the audit process, equipping all staff with prerequisite skills to enable them improve their productivity, as well as enhance the quality of audit reports.

Financial Resources

OAG has ensured that the financial resources are efficiently utilised by ensuring strict adherence to internal controls, processes and procedures as well as the Public Finance Management Act (PFM Act 2012), Public Procurement and Assets Disposal Act 2015 and ensuring that other relevant regulations are duly followed. This was despite having challenges in the allocation of funds.

The new constitutional dispensation with two levels of government and the expanded mandate of the Office of the Auditor-General has meant that the Auditor-General has to audit the National Government and 47 County Governments. The financial resources required to enable us undertake effective audits and meet the constitutional deadline are huge.

OAG also desires to establish Offices at the Counties in-order to execute efficient audits and enhance independence. A huge development budget is required to execute these capital projects.

Supply Chain Management

OAG has achieved a major milestone in regards to the implementation of the E-Procurement system which has progressively heightened transparency and efficiency in each step of the procurement process. The system has led to quick and timely requisition of goods and services. Though the system has experienced some malfunctions leading to major delays, there is hope that it will scale the organization to higher levels in terms of speed and down time in the purchase of items.

Through sound procurement processes, OAG has been able to deliver three regional Offices; Garissa, Kakamega and Eldoret (almost complete).

Office Space

The Office has made great strides in providing accommodation to officers at county level. OAG's Kakamega regional office was officially opened on 15th March 2019. This is the second regional office to be opened after the Garissa hub which was opened on 17th December 2017. Not only will it give the staff a better working environment but it will also ensure that there is continuity in service delivery to the people as well as providing quality and timely audit reports.

The construction of the Eldoret and Embu regional offices are still ongoing. Plans are underway to construct OAG Headquarters in Upper hill area in Nairobi. Future projects include the construction of regional offices in Kisumu and Mombasa.

Logistics

The Office, in its quest to provide quality and timely audit reports in line with its constitutional mandate, has embarked on modernising its fleet of vehicles. The upgrade of vehicles has been necessitated by the high costs involved in the repair work. Modernizing the office fleet will enhance service delivery and better facilitation of staff to and from various clients across the country.

Out of the 104 vehicles which make up the office fleet, 13 boarded vehicles were disposed of leaving a total fleet of 91 vehicles. The availability of vehicles at the regional offices currently stands at 83% up from 72% in the financial year 2017/18.

CORPORATE GOVERNANCE

Overview

Sound corporate governance is critical to our professional integrity and to maintaining the public's trust in us. Responsibility for good governance lies with the Executive Management. This section describes the way corporate governance is enshrined in the operations of OAG.

Governance – the manner in which power is exercised in the management and control of organisations – has assumed critical importance in these days of political pluralism. OAG recognizes that governance is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, protection of public interest, efficiency in operations, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.

Good Corporate Governance seeks to promote:

- ✓ Efficient, effective and sustainable Office that contribute to the welfare of society by creating wealth, employment and solutions to emerging challenges.
- ✓ Responsive and accountable Office
- ✓ A legitimate Office that is managed with integrity, probity and transparency
- ✓ Recognition and protection of stakeholder rights
- ✓ An inclusive approach based on democratic ideals, legitimate representation and participation

To embrace good governance, the Office requires that all its staff conform to a code of ethics. We also expect our staff to comply with our Code of Conduct. We strive to continuously improve the effectiveness of our audit and we undertake annual reviews to assess our performance. The review for the 2017/18 financial year is described in this report.

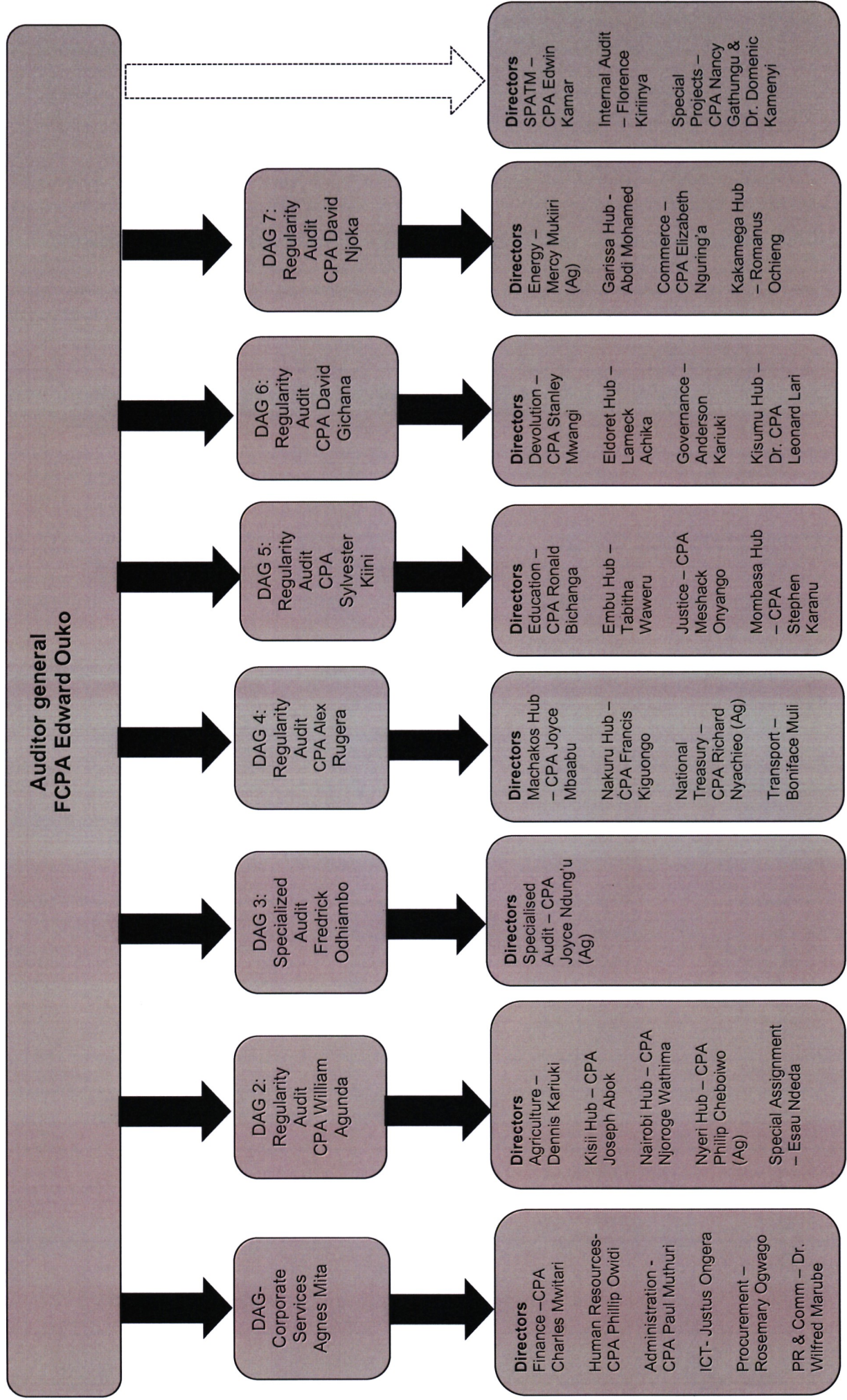
The office acknowledges the importance of diversity, including gender, to the effective functioning of the office and commits to supporting diversity in the Office

Looking ahead, we will strive to maintain our high standard of corporate governance as it is central to our continuing success. We will continue to balance the use of our time in Executive Committee meetings between discussion of strategy, review of financial and operational performance, oversight of risk management and internal controls, ensuring the safeguarding our assets, and keeping succession plans refreshed.

Our key mandate is audit of usage of public resources, public interest protection and advocating for sound accountability and governance in all sectors of the economy. In this regard we are committed to best practice and continuously seek to promote best corporate governance practice. In 2018/19 we continued to entrench good governance in everything we did at all levels of the Office and operated in such a manner as to be Credible, Professional and Accountable.

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Organisation Structure



Code of Ethics

The Office is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. The Office adheres to the code of corporate governance as well as its own stringent standards of governance and control. A formal code of ethics has been approved by the Executive and is fully implemented to guide staff. Additionally, staff are expected to comply with the ethical pronouncements as enshrined in the Public Audit Act, 2005, Public Officers Ethics Act, 2003 and Leadership and Integrity Act, 2012.

Risk Management

The OAG's activities expose it to a variety of operational and financial risks. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Managing risk is core to the office's business and the operational risks are an inevitable consequence of being in business. The Office's aim is therefore to achieve an appropriate balance between risk and minimization of potential adverse effects on its financial performance. Among the key risks are the financial and operational risks. Financial risks include the credit and liquidity risks while operational risks are the political and environmental risks.

The Office's financial risk management policies are designed to identify and analyse these risks, to set appropriate risk limits, controls, and to monitor the risks and at the same time ensuring adherence to laid down limits. This is achieved by means of reliable and up-to-date information systems. OAG regularly reviews its financial risk management policies and systems to reflect changes in markets and emerging best practices. In addition, OAG has an independent internal audit department. This Department is responsible for assessing the risk faced by the Office on an ongoing basis, evaluate and test the design and effectiveness of its financial and operational controls that address these risks.

I. Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Office. The Office has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient assurance, where appropriate, as a means of mitigating the risk of financial loss from defaults. The OAG is exposed to this risk in several areas including trade and other receivables and cash and cash equivalents.

II. Liquidity risk management

This is the risk that the Office will encounter difficulties in meeting its financial commitments. Prudent liquidity risk management includes maintaining sufficient cash to meet the Office's obligations when they fall due, under both normal and demanding conditions, without incurring unacceptable losses or at the risk of damaging the OAG's reputation. Ultimate responsibility for liquidity risk management rests with the DAG Corporate Services, who has developed and put in place an appropriate liquidity risk management framework for the management of the office's short and long-term funding and liquidity management requirements.

The Office manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and any liabilities.

STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the *Office of the Auditor General* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the *Office of the Auditor General* accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer in charge of the *Office of Auditor General* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *Office of Auditor General* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The *Auditor General's* financial statements were approved and signed by the below officers representing the office on 22/4/2022.



Auditor General



**Deputy Auditor General -
Corporate services**

**REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS OF THE
OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2019****Qualified Opinion**

We have audited the accompanying financial statements of the Office of the Auditor General set out on pages 32 to 50, which comprise the statement of assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and the summary statement of appropriation: recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of Office of the Auditor General as at June 30, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis of Qualified Opinion**Material discrepancies between the financial statements and Integrated Financial Management Information System balances (IFMIS)**

The OAG's use of IFMIS has represented a significant risk and complexity in the audit due to the material variances observed between the IFMIS and the Financial Statements availed for audit. There were discrepancies of Kshs. 212,855,838 between the Integrated Financial Management Information System (IFMIS) and the financial statements. Due to this level of discrepancies, we were unable to certify ourselves to the nature, extent, accuracy and completeness of the financial statements presented for audit. The financial statements are not in agreement with the trial balance.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of the report.

We are independent of the Office of the Auditor General in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis to our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Report (Cont'd)

Key audit matters (Cont'd)

Besides the matters described in the Basis for Qualified Opinion, the following are other key audit matters to report;

Key audit matter	How the matter was addressed
<p>Fixed Assets</p> <p>The Organization has a fixed asset net book value of Kshs 1,881,775,098.</p> <p>Given that IPSAS cash basis accounting does not require reporting and amortization for the same, there was a significant complexity in determination of the existence, valuation, accuracy and completeness of these assets in the financial statements and disclosures therein.</p>	<p>We analysed the Organization's disclosures of the assets against the asset register and supporting documentation of the same.</p> <p>We also did a physical verification exercise to satisfy ourselves that all the Organization's assets exist and are properly safeguarded.</p>
<p>Ownership of land</p> <p>Included in the fixed assets is a land purchased during the year worth 110,000,000. Ownership of this land was not clear thus presented a significant complexity in verifying the existence, occurrence and valuation of the same.</p>	<p>We obtained surveyor and valuation report outlining the parameters used in the valuation of land and confirmation from the lawyer to ascertain the ownership of land belongs to the Office of the Auditor General.</p> <p>We also relied on management representation with regards to the same.</p>

Other information

The Accounting Officer is responsible for the other information, which comprises key entity information and management, forward by the cabinet secretary and the statement of entity management responsibilities. The other information does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Report (Cont'd)

Responsibilities of the Accounting Officer and those charged with governance for the Financial Statements

The Accounting Officer and those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis), comply with Public Finance Management Act, 2012. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements 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.

In preparing the financial statements, the Accounting Officer and those charged with governance are responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management is aware of the intention to dissolve the Office or to cease operations.

Auditors' Responsibility

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer and those charged with governance.
- Conclude on the appropriateness of the Accounting Officer and those charged with governance's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Office to cease as a going concern.



Report (Cont'd)

Auditors' Responsibility (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Accounting Officer and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on other legal requirements

As required by the Public Finance Management Act, 2012 we report to you, based on our audit that except for the possible effect of the matters described in the Basis for Qualified Opinion of our report;

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion proper books have been kept by the Office, so far as appears from our examination of those books;
- c. The Office's financial statements are in agreement with the accounting records.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Ronald N. Bwosi – P/No. 1865.



Ronalds LLP
Certified Public Accountants (Kenya)
Nairobi, Kenya



C.P.A Ronald N. Bwosi
Practising No. P/1865



OFFICE OF THE AUDITOR GENERAL
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STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019 Kshs	2017-2018 Kshs
RECEIPTS			
Transfers from National Treasury	1	5,566,294,760	4,578,446,059
Other Revenues	2	206,109,956	186,360,165
TOTAL REVENUES		5,772,404,716	4,764,806,224
PAYMENTS			
Compensation of Employees	3	3,342,760,987	3,003,680,583
Use of goods and services	4	1,820,337,276	1,195,564,508
Other grants and transfers	5	-	1,028,919
Social Security Benefits	6	5,394,706	1,222,400
Acquisition of Assets	7	624,952,861	533,541,875
TOTAL PAYMENTS		5,793,445,830	4,735,038,285
(DEFICIT)/SURPLUS		(21,041,114)	29,767,938

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity's financial statements were approved on 22/4/2022 and signed by:



Auditor General



Deputy Auditor General -Corporate services

OFFICE OF THE AUDITOR GENERAL
Audited Financial Statements
For the year ended June 30, 2019

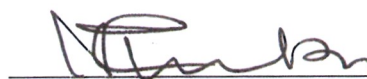
STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	103,227,579	15,543,678
Cash Balances	8B	1,494,809	3,988,896
Total Cash And Cash Equivalents		104,722,388	19,532,574
Accounts Receivables - Outstanding Imprest & Clearance Accounts	9	38,118,560	68,418,673
TOTAL FINANCIAL ASSETS		142,840,948	87,951,247
LESS: FINANCIAL LIABILITIES			
Accounts Payables – Deposits	10	113,958,621	38,027,806
NET FINANCIAL ASSETS		28,882,327	49,923,441
REPRESENTED BY			
Fund balance brought forward	11	49,923,441	20,155,502
(Deficit)/Surplus for the year		(21,041,114)	29,767,939
NET FINANCIAL POSITION		28,882,327	49,923,441

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/4/2022 and signed by:



Auditor General



Deputy Auditor General—Corporate services

OFFICE OF THE AUDITOR GENERAL
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STATEMENT OF CASH FLOWS

	Note	2018-2019	2017-2018
CASH FLOW FROM OPERATING ACTIVITIES		Kshs	Kshs
Receipts for operating income			
Transfers from National Treasury	1	5,566,294,760	4,578,446,059
Other Revenues	2	206,109,956	186,360,165
		5,772,404,716	4,764,806,224
Payments for operating expenses			
Compensation of Employees	3	3,342,760,987	3,003,680,583
Use of goods and services	4	1,820,337,276	1,195,564,508
Other grants and transfers	5	-	1,028,919
Social Security Benefits	6	5,394,706	1,222,400
		5,168,492,969	4,201,683,380
Adjusted for:			
Changes in receivables	9	30,300,113	(27,743,215)
Changes in payables	10	75,930,815	(69,740,007)
Adjustments during the year			
Net cashflow from operating activities		710,142,675	465,639,620
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	(624,952,861)	(533,541,875)
Net cash flows from Investing Activities		(624,952,861)	(533,541,875)
NET INCREASE IN CASH AND CASH EQUIVALENT		85,189,814	(67,902,255)
Cash and cash equivalent at the BEGINNING of the year		19,532,574	87,434,829
Cash and cash equivalent at END of the year		104,722,388	19,532,574

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/4/2022 and signed by:



Auditor General



Deputy Auditor General- Corporate services

OFFICE OF THE AUDITOR GENERAL
 Audited Financial Statements
 For the year ended June 30, 2019

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	6,451,147,300	(759,238,375)	5,691,908,925	5,566,294,760	125,614,165	98%
Other Receipts -AIA	150,000,000	40,000,000	190,000,000	206,109,956	(16,109,956)	108%
Total Receipts	6,601,147,300	(719,238,375)	5,881,908,925	5,772,404,716	109,504,209	98%
Payments						
Compensation of Employees	3,363,980,000	(20,000,000)	3,343,980,000	3,342,760,987	1,219,013	100%
Use of goods and services	2,176,958,600	(332,935,185)	1,844,023,415	1,820,337,276	23,686,139	99%
Social Security Benefits	7,384,900	(1,990,000)	5,394,900	5,394,706	194	100%
Acquisition of Assets	1,052,823,800	(364,313,190)	688,510,610	624,952,861	63,382,759	91%
Grand Total	6,601,147,300	(719,238,375)	5,881,908,925	5,793,445,830	88,463,095	98%
Surplus/Deficit	-	-	-	(21,041,114)	23,144,531	

i. The changes between original and final budget were as a result of reductions in the final budget amounts by the National Treasury through Supplementary Budgets.

The entity financial statements were approved on 22/14/2022 and signed by:



Auditor General



Deputy Auditor General- Corporate services

OFFICE OF THE AUDITOR GENERAL
 Audited Financial Statements
 For the year ended June 30, 2019

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	RECEIPTS						
	Exchequer releases	5,768,917,300	(539,238,375)	5,229,678,925	5,188,294,760	41,384,165	99%
	Other Receipts-AIA	150,000,000	40,000,000	190,000,000	206,109,956	(16,109,956)	108%
	Total Receipts	5,918,917,300	(499,238,375)	5,419,678,925	5,394,404,716	25,274,209	100%
	PAYMENTS						
21	Compensation of Employees	3,363,980,000	(20,000,000)	3,343,980,000	3,342,760,987	1,219,013	100%
22	Use of goods and services	1,896,958,600	(72,935,185)	1,824,023,415	1,820,337,276	3,686,139	100%
27	Social Security Benefits	7,384,900	(1,990,000)	5,394,900	5,394,706	194	100%
31	Acquisition of Assets	650,593,800	(404,313,190)	246,280,610	245,625,125	655,485	100%
	Grand Total	5,918,917,300	(499,238,375)	5,419,678,925	5,414,118,094	5,560,831	100%
	Surplus/Deficit	-	-	-	(19,713,378)	19,713,378	

i. The changes between original and final budget were as a result of reductions in the final budget amounts by the National Treasury through Supplementary Budgets.

The entity financial statements were approved on 22/4/2022 and signed by:



Auditor General



Deputy Auditor General-Corporate services

OFFICE OF THE AUDITOR GENERAL
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SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
		a	b	c=a+b	d	e=c-d	f=d/c %
	RECEIPTS						
	Exchequer releases	682,230,000	(220,000,000)	462,230,000	378,000,000	84,230,000	82%
	Other Receipts						
	Total Receipts	682,230,000	(220,000,000)	462,230,000	378,000,000	84,230,000	82%
	Payments						
22	Use of goods and services	280,000,000	(260,000,000)	20,000,000	-	20,000,000	0%
31	Acquisition of Assets	402,230,000	40,000,000	442,230,000	379,327,733	62,902,267	86%
	Grand Total	682,230,000	(220,000,000)	462,230,000	379,327,733	82,902,267	82%
	Surplus/Deficit	-	-	-	(1,327,733)	1,327,733	

The entity financial statements were approved on 22/14 2022 and signed by:



Auditor General



Deputy Auditor General-Corporate services

OFFICE OF THE AUDITOR GENERAL
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BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2019		2019	2019	
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme					
Sub-programme 1-Audit Services	6,601,147,300	(719,238,375)	5,881,908,925	5,795,549,246	86,359,679
TOTAL	6,601,147,300	(719,238,375)	5,881,908,925	5,795,549,246	86,359,679

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)

SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the *Office of the Auditor General*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- (i) Kakamega Office Complex
- (ii) Garissa Office Complex
- (iii) Eldoret Office Complex

3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

- **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2019, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) Recognition of payments

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

- **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

SIGNIFICANT ACCOUNTING POLICIES

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2019, this amounted to Kshs 113 Million compared to Kshs 38 Million in prior period as indicated on note 10.

There were no other restrictions on cash during the year.

8. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

SIGNIFICANT ACCOUNTING POLICIES

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2019.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

OFFICE OF THE AUDITOR GENERAL
Audited Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

1- EXCHEQUER RELEASES

Description	2018-2019	2017-2018
	Kshs	Kshs
Total Exchequer Releases for quarter 1	1,218,189,000	780,257,159
Total Exchequer Releases for quarter 2	1,280,806,400	1,165,325,300
Total Exchequer Releases for quarter 3	1,454,598,500	1,047,163,600
Total Exchequer Releases for quarter 4	1,612,700,860	1,585,700,000
TOTAL	5,566,294,760	4,578,446,059

Budgeted exchequer was Kshs 5.7 Billion while received exchequer was Kshs 5.56 Billion. The variance being as a result variation in expenditure as explained under the statement of Appropriation as explained above.

2-OTHER REVENUES

	2018-2019	2017-2018
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	206,109,956	186,360,165
TOTAL	206,109,956	186,360,165

3-COMPENSATION OF EMPLOYEES

	2018-2019	2017-2018
	Kshs	Kshs
Basic salaries of permanent employees	1,987,196,074	1,864,640,222
Basic wages of temporary employees	33,885,600	40,665,600
Personal allowances paid as part of salary	1,112,590,142	1,042,998,352
Pension and other social security contributions (NSSF Included)	209,089,171	55,376,410
TOTAL	3,342,760,987	3,003,680,583

OFFICE OF THE AUDITOR GENERAL
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4-USE OF GOODS AND SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Utilities, supplies and services	6,417,267	2,731,999
Communication supplies and services	102,105,454	44,506,678
Domestic travel and subsistence	471,344,827	396,470,474
Foreign travel and subsistence	27,790,902	29,300,733
Printing, advertising and information supplies & services	17,723,442	15,090,389
Rentals of produced assets	248,654,222	238,192,084
Training expenses	80,464,357	62,876,491
Hospitality supplies and services	14,635,035	12,060,604
Insurance costs	260,239,196	218,819,335
Specialized materials and services	5,364,940	3,683,200
Office and general supplies and services	45,095,677	33,994,670
Other operating expenses	474,977,209	81,472,954
Routine maintenance – vehicles and other transport equipment	29,488,742	22,614,146
Routine maintenance – other assets	12,994,244	11,409,803
Fuel Oil and Lubricants	23,041,760	22,340,949
Exchange Rate Losses		
TOTAL	1,820,337,276	1,195,564,508

5-OTHER GRANTS AND TRANSFERS

	2018-2019	2017-2018
	Kshs	Kshs
Membership dues and subscriptions to international organizations	-	1,028,919
Total	-	1,028,919

In 2018-19 the international subscriptions were budgeted and paid by National Treasury.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SOCIAL SECURITY BENEFITS

	2018-2019	2017-2018
	Kshs	Kshs
Government pension and retirement benefits	5,394,706	1,222,400
TOTAL	5,394,706	1,222,400

The amounts are staff gratuity paid to staff serving on contract basis.

7-ACQUISITION OF ASSETS

	2018-2019	2017-2018
Non-Financial Assets	Kshs	Kshs
Purchase of Buildings		
Construction of Buildings	269,327,733	100,000,010
Refurbishment of Buildings		
Construction and Civil Works		0
Purchase of Vehicles and Other Transport Equipment	38,505,318	50,328,769
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Office Furniture and General Equipment	32,343,010	26,526,882
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialized Plant, Equipment and Machinery	-	73,147,014
Acquisition of Land	110,000,000	
Acquisition of Intangible Assets		
Sub Total	450,176,061	250,002,675
Financial Assets		
Domestic Public Financial Institutions	174,776,800	283,539,200
Sub Total	174,776,800	283,539,200
TOTAL	624,952,861	533,541,875

The Financial Assets relate to payments for the Staff Mortgage and Car Schemes managed by Housing Finance Group.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit	2018-19	2017-2018
				Kshs
Central Bank of Kenya, 1000181327	Kes	RECURRENT	(10,731,964)	(22,484,128)
Central Bank of Kenya, 1000182218	Kes	DEVELOPMENT	922	-
Kenya Commercial Bank, 1107839173	Kes	DEPOSIT	106,717,716	38,027,806
Central Bank of Kenya, 1000182358	Kes	DEPOSIT	7,240,905	
Central Bank of Kenya, 1000182598	Kes	CBK 165		-
Total			103,227,579	19,532,574

8B: CASH IN HAND

	2018-2019	2017-2018
	Kshs	Kshs
Cash in Hand – Held in domestic currency	1,494,809	3,988,896
Cash in Hand – Held in foreign currency		
TOTAL	1,494,809	3,988,896

9: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2018-2019	2017-2018
	Kshs	Kshs
Government Imprests	19,144,941	44,422,121
Salary advances	9,502,997	23,996,552
Medical Recoveries	9,470,622	-
TOTAL	38,118,560	68,418,673

Breakdown of the outstanding imprest provided as an annex to the notes

OFFICE OF THE AUDITOR GENERAL
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. ACCOUNTS PAYABLE

	2018-2019	2017-2018
	Kshs	Kshs
Deposits	113,958,621	38,027,806
Other Payables		
TOTAL	113,958,621	38,027,806

This relate to retention money on contracts for construction of office complexes transferred to CBK Deposit and KCB Bank.

11. FUND BALANCE BROUGHT FORWARD

	2018-2019	2017-2018
	Kshs	Kshs
Bank accounts	15,543,678	82,461,113
Cash in hand	3,988,896	4,973,716
Receivables - Outstanding Imprests	68,418,673	40,488,486
Payables - Deposits	(38,024,066)	(107,767,813)
TOTAL	49,923,441	20,155,502

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The following comprise of related parties to the Office of the Auditor General

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2018-2019	2017-2018
	Kshs	Kshs
Key Management Compensation*	-	-
Transfers to related parties		
Transfers to other MDAs	-	-
Transfers to SCs and SAGAs	-	-
Transfers to Development Project	-	-
Transfers to County Governments	-	-
Transfers to non-reporting secondary and primary Schools	-	-
Total Transfers to related parties	-	-
Transfers from related parties		
Transfers from the Exchequer	-	-
Transfers from other MDAs	-	-
Transfers from Ministry of ICT	86,600,000	-
Total Transfers from related parties	86,600,000	-

*The Auditor General is funded from the consolidated fund as a State Officer

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OTHER IMPORTANT DISCLOSURES

13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2018-2019	2017-2018
	Kshs	Kshs
Construction of buildings	-	2,703,531
Supply of services	21,758,840	124,200,936
TOTAL	21,758,840	126,904,467

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS-N/A

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Not issued yet					

Note: Last audit done in 2017/2018. Parliament has now appointed Ronalds LLP to audit 2018/19 to 2019/20

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

APPENDIX

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
	A	B	C	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services	21,758,840		NIL	21,758,840		Pending Bills fully paid in 19/20
10.						
11.						
12.						
Sub-Total	21,758,840			21,758,840		
Grand Total	21,758,840			21,758,840		

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2017/2018	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2018/2019
Land	585,000,000.00	110,000,000.00	0.00	695,000,000
Buildings and structures	280,572,049.00	269,327,733.00	0.00	549,899,782
Transport equipment	382,659,873.40	38,505,318.00	0.00	421,165,191
Office equipment, furniture and fittings	85,836,818.64	32,343,010.00	0.00	118,179,829
ICT Equipment, Software and Other ICT Assets	97,530,296.00	0.00	0.00	97,530,296
Total	1,431,599,037	450,176,061	0.00	1,881,775,098

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 7 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets

ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY (*Office of Auditor General*)

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Garissa Regional Offices	Construction	Auditor General	YES
2.	Kakamega Regional Offices	Construction	Auditor General	YES
3.	Eldoret Regional Offices	Construction	Auditor General	YES
4.	Embu Regional Offices	Construction	Auditor General	YES

ANNEX 4- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes