



OFFICE OF THE AUDITOR GENERAL
MANAGEMENT LETTER
 FOR THE YEAR ENDED
JUNE 30, 2020



THE NATIONAL ASSEMBLY

DATE: 10 MAY 2022

Day: TUESDAY

TABLED BY: MAJORITY LEADER

CLERK-AT-THE-TABLE:

DSP
 For Tabling
 and
 6/5/22

21st February 2022

The Management,
Office of the Auditor General,
P.O Box 30084-00100,
Nairobi, Kenya.

Dear Madam,

RE: OFFICE OF THE AUDITOR-GENERAL MANAGEMENT LETTER FOR THE PERIOD ENDED 30TH JUNE 2020

We hereby enclose the management letter of our audit findings for the period ended 30th June 2020 conducted on Office of the Auditor-General.

In accordance with our firm's normal practice, we report to you matters that came to our attention during our audit for the period ended 30th June 2020. The Management of the organization is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the letter of engagement, we performed the audit in accordance with International Standards on Auditing. Our audit procedures are conducted on a test basis and are designed primarily to support our opinion on the financial statements.

Our audit should not be relied upon to disclose all irregularities although their disclosure if they exist, may well have resulted from the audit procedures. This report, therefore, does not include all possible improvements in internal controls, which a more extensive special examination may disclose.

We are grateful for the opportunity of partnering with Office of the Auditor-General in this engagement and wish to thank your team for their support and cooperation during our audit.

Should you require any clarification or further information relating to any issue contained in this report, please contact the undersigned of our office.

Yours faithfully,






**CPA Ronald N Bwosi
Group Managing Partner**





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RISK RATING MATRIX


Category	Symbol	Remarks
High Priority		These are matters that can seriously compromise the finance processes and efficiency and should therefore be addressed immediately by the management (within the next 3 months).
Medium Priority		These are matters that do not represent good practice and may compromise the finance processes by reducing data integrity. They should be addressed in the short term by the management (within the next 3 to 6 months).
Low Priority		These are matters that do not directly affect the finance processes and can be addressed within the medium term (the next 6 to 12 months). However, while categorized as low at this time, it should be noted that if left unattended, matters in this category could become more severe with the passage of time.

FINANCIAL FINDINGS 2019/20



Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
<p>Financial statement variances</p> <p>There exists a material discrepancy of Kshs. 212,855,865 between Integrated Financial Management Information System (IFMIS) and the financial statements presented for audit. The accuracy and completeness of the balances in the financial statements cannot be ascertained due to the variances highlighted in Appendix I.</p> <p>Implications</p> <p>We cannot ascertain the reliability of the data extracted from IFMIS since it does not give accurate data.</p> <p>Instead of IFMIS automating the accounting process, more manual tasks e.g., bank reconciliations are conducted to be a back up to IFMIS which is a disadvantage that consumes time and is prone to errors and manipulation.</p>	<p>Section 109 (1) of the Public Finance Management Act 2012, states that for efficient and effective utilization of electronic systems in processing financial data the National Treasury shall develop and regularly issue standard operating procedures and instructions on the automated integrated financial management system operations, use and maintenance.</p>		<p>The management should initiate a review and reconciliation of financial statements on a quarterly basis to eliminate the discrepancies.</p>	<p>A detailed explanation is as per the appendix attached.</p>  <p>Final responses TB vs Financial statements v</p>



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<p>Cash and Cash Equivalents</p> <p>Non-compliance with Finance policy and procedures manual</p> <p>In the audit of cash and cash equivalent, we observed the following;</p> <ul style="list-style-type: none"> Bank reconciliations were not done on a real time basis and management did not provide signed bank reconciliations. Based on our analysis, we established discrepancies in the recurrent bank reconciliations of Kshs 12,886,895.00 presented as uncleared receipts yet the same had cleared in the bank before the year-end as shown in appendix II. Payments in bank statement not in cash book amounting to Kshs 235,331.50 Contrary to the policy that demands that all payments be approved in the cashbook (IFMIS) before being paid and cleared in the bank. A breakdown is shown in appendix III. The management confirmed that this was as a result of erroneous voiding of the payments in the system. <p>Implications</p> <p>This implies that there is non-compliance with the finance policy manual.</p> <p>It also implies that the cutoff of the Cash and cash equivalents is not considered especially for items not cleared more than 3 months after year end.</p>	<p>According to Public Finance Management Act 2012, Chapter 90 (1) Accounting Officer shall ensure bank accounts reconciliations are completed for each bank account every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor General. Chapter 97 (1) demands the accounts of national government entities shall record transactions which take place during a financial year running from the 1st July to the 30th June.</p> <p>Chapter 97 (4) states that an actual cash transaction taking place after the 30th June shall not, however, be treated as pertaining to the previous financial year.</p> <p>Section 4.2.7. Of the finance and procedure manual posits that "The Director Finance shall ensure bank accounts reconciliations are completed for each bank account, every month not later than the end of the subsequent month.</p>		<p>We recommend that bank reconciliations be done monthly and that all payments done at the year-end be duly approved citing and attaching the requisite supporting documents.</p> <p>We also recommend that a copy of the monthly bank reconciliations is sent to the Treasury to ensure compliance with the provisions of Public Finance Management Act.</p> <p>The office should also initiate reconciliations and quarterly review of the financial statements in collaboration with Treasury in order to iron out any</p>	<ul style="list-style-type: none"> The IFMIS bank reconciliations were done on monthly basis. Since we could not rely on IFMIS cash book balances, we provided signed Excel reconciliations. Receipts are captured in the IFMIS cashbook individually. They are banked using VT81 as a batch and the total amount captured by CBK in the bank statement. The individual amounts were cleared in the same months as they were banked as shown in appendix 1.  <p>Receipts in CB not in BS 1920 Appendix 1.x</p> <ul style="list-style-type: none"> Payments in Bank Statement not in cash book amounting Kshs.6,000 and 50,568 were invoiced in June 2018 and paid in July 2018. Therefore, they were captured in June 2018 cashbook. Amounts of 171,708.50 and 7,055 were voided with consultation with NT so that it could


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<p>It also implies that bulk payments done at the year-end are not fully reviewed for anomalies as well as failure to follow policies on requisite documentation needed before clearing a transaction.</p>	<p>The Offices' policy posits that cash and cash equivalents be comprised of: '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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.'</p>		<p>discrepancies in the system on real time.</p>	<p>appear in IB for payment. NT are yet to advise us on how to reintroduce the PV in the IFMIS cashbook. Appendix Also attached see follow up letters to NT.</p>  <p>Payments in Bank Statement not in Cash</p>
<p>Irregular charge of expenditure to vote heads Findings</p> <p>There are irregular charges of expenditure amounting to Kshs 15,000,000 which are not valid charges to specific vote heads and sub heads as highlighted in Appendix IV. The transactions posted in the stated budget lines do not give a true position</p>	<p>According to Public Finance Management Act 2012, Section 38 (2) Accounting officers shall make necessary entries in their books in respect of the amount of the vote on account approved. Section 99. (1) As a general rule, the classification of</p>		<p>The management should align the expenditure with the approved budget to ensure adherence to the specified provisions of the Public Finance Management Act</p>	<p>This has been noted and as indicated, most of the transactions were in June 2020 where the economic items balances had been exhausted. The expenditure was therefore charged in the related Budget economic items under the same vote</p>


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<p>of the status of expenditure. The management did not obtain authorization from the national assembly on alternative charges to the budget lines.</p> <p>Implications</p> <p>Non-compliance with Section 99 (1) of the Public Finance Management Act 2012.</p> <p>Non-compliance with Section 113 (1) of the Public Finance Management Act 2012.</p> <p>The risk involved in classification is concealing expenditure in other vote heads to use funds allocated for a different economic item.</p> <p>The transactions are not properly recorded in the accounting records therefore displaying false information with regards to expenditure incurred.</p>	<p>financial transactions in national government entity's accounts shall be based on the standard chart of accounts approved by the National Treasury.</p> <p>Section 113 (1) If an Accounting Officer finds, after Appropriation Accounts are completed, that he or she has spent more than the total vote, that Accounting Officer shall seek Parliamentary approval of the National Assembly through the Cabinet Secretary for that Excess Vote.</p> <p>Section 43</p> <p>(1) An accounting officer may reallocate funds from the authorized use but may not reallocate funds where-</p> <p>(a) The funds are appropriated for transfer to another government entity or person;</p> <p>(b) the funds are appropriated for capital expenditure except to defray other capital expenditure;</p> <p>(c) the reallocation of funds is from wages to non-wages expenditure; or</p>		<p>2012 by obtaining approval from the National Treasury for any excessive expenditure applied to vote heads.</p>	<p>head. Detailed explanation is attached</p>  <p>19-20 Misposting of Payments(384).xlsx</p>


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	<p>(d) the transfer of funds may result in contravention of fiscal responsibility principles.</p> <p>(2) An accounting officer for national government entity, other than a state corporation, may reallocate funds between programs, or between sub-votes, in the budget for a financial year if-</p> <p>(a) there are provisions in the budget of a program or sub-vote which are unlikely to be utilized;</p> <p>(b) a request for the reallocation has been made to the National Treasury explaining the reasons for the reallocation and the National Treasury has approved the request; and</p> <p>(c) the total sum of all reallocations made to or from a program or sub-vote does not exceed ten percent of the total expenditure approved for that program or sub-vote for that financial year.</p>			

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<p>Asset Register</p> <p>Accuracy and completeness</p> <p>We were unable to verify the accuracy and completeness of the asset register summary in the financial statement to the actual fixed asset for the year ended 30 June 2019 as the management has not provided a signed asset register by the Auditor General despite several requests from the start of audit process.</p> <p>An incomplete soft copy asset register was provided for audit. Upon an in-depth analysis of the register, we noted the following issues;</p> <ul style="list-style-type: none"> i. There were 68 Motor vehicles in the asset register that had no value attached nor acquisition documents as shown in appendix V. We could not establish the valuation of these assets due to lack of Invoices and figures to support the balances. <p>The management has not provided explanations with regards to the issue above.</p> <p>Implications</p> <p>The asset register is understated by an unknown amount due to lack of valuation criteria on all the</p>	<p>(3) Regulations made under this Act may provide for the reallocation of funds within sub-votes or programs.</p> <p>The finance policy manual section 8.2.1 states that: The OAG shall maintain an updated Fixed Assets Register. The register should contain a detailed description of the item and a record of where it is located and the total quantity held or who is responsible for the item. The register should include further information, such as serial numbers and maintenance records, the date and other details of the voucher or other document on which the items were received or issued;</p>		<p>The asset register should be updated by ensuring all the fixed assets are captured at the correct amount and year of purchase.</p>	<p>The management will progressively comply with the National Treasury guidelines on Fixed asset management.</p>  <p>Motor Vehicles Queries-1[456].docx</p>

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
<p>motor vehicle without the cost element. This signifies that the assets captured in the financial statements are understated.</p> <p>Finance policy on Fixed asset register</p> <p>There was no evidence of annual inspection of assets as stipulated in the Finance policy manual. Therefore, tracking of assets is minimal and this can lead to loss of assets.</p> <p>The finance manual provides that All property, plant and equipment are stated at historical cost less accumulated depreciation or impairment. Furthermore, Buildings, land improvement and furniture and fittings are subsequently shown at market value, based on periodic valuations carried out by external independent valuers, less subsequent depreciation.</p> <p>Implications</p> <p>Non-compliance with the fixed asset register maintenance guidelines will pose challenges when the institution shifts to accruals basis of accounting since all the assets will be required to be valued at the net book value and some information required like the cost and year of purchase is missing.</p>	<p>Applicable law</p> <p>The finance policy in section 3.5.11 states that; In order to effectively and efficiently manage and control the issue of temporary imprest, the</p>		<p>The management should put measures in place to ensure compliance with the policies and the PFM Act by performing inspections and doing the requisite reports.</p>	
<p>Issue of imprest before surrender of outstanding amounts</p> <p>We observed that there were employees who were issued imprest more than once before surrendering outstanding imprest documentation contrary to the policies amounting to Kshs 5,369,481 as shown in Appendix VI. Some of the imprests issued have an</p>	<p>Applicable law</p> <p>The finance policy in section 3.5.11 states that; In order to effectively and efficiently manage and control the issue of temporary imprest, the</p>		<p>We recommend that management adheres to the finance policy and procedures regarding imprest</p>	<p>Due to nature of audit activities, an officer may be called to undertake training, senate meeting and other audit related activities at the middle of Audit. This leads</p>

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<p>interval of more than six months as shown in appendix VI.</p> <p>Implication</p> <p>This implies that there is non-compliance with the finance policy manual procedures on imprest management.</p> <p>This will encourage lack of accountability and misappropriation of funds when the outlined procedures are not followed.</p> <p>Classification of imprest</p> <p>From our examination of the long outstanding staff imprest, we established that there are staff who had not surrendered their imprest forms more than three months past the year end and more than six months from the date of issue amounting to Kshs. 5,908,397. Despite there being a subsequent recovery of the same from the employees' payroll, the amount was not reclassified in the financial statements as provided for in the Finance policy.</p> <p>Implication</p> <p>This implies that there is a misclassification of the amount above and thus ensuing an overstatement of the imprest receivable.</p> <p>Deposits</p> <p>The Organization reported deposits of Kshs 126,556,444. Out of these, 111,674,166.89 were</p>	<p>Director Finance or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.</p> <p>The finance policy in section 3.5.13. States that; If an imprest is to be recovered from any public officer by instalments, the Accounting Officer shall authorize such recovery and such moneys shall no longer be an imprest but an unauthorized advance from Government Funds.</p>		<p>management and follow the same to the letter.</p> <p>Management should reclassify the amounts to depict the true picture of the imprest receivable.</p>	<p>to double issue of imprest which are later surrendered immediately after completion of said activities.</p>
			<p>We recommend that the clients' deposits be reconciled and accurate</p>	

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<p>held in KCB bank. Included in the 111,674,166.89 is an amount of Kshs 47,242,790.00 without specifications of the contractors owed. Besides, the amounts are named as 'recurrent budget funds.'</p> <p>Furthermore, we established a variance between the contractor's deposits disclosed in the books and the breakdown issued of Kshs 673,126.49. The total as per breakdown given is Kshs 125,883,317.51 whereas the financial statements have a balance of Kshs 126,556,444. We are yet to receive explanations by management with regard to the variance. The breakdown given is shown on below.</p> <table border="1" data-bbox="715 1368 951 1995"> <thead> <tr> <th colspan="2">Breakdown</th> </tr> </thead> <tbody> <tr> <td>KCB deposits</td> <td>111,644,772.01</td> </tr> <tr> <td>CBK deposits</td> <td>14,238,545.50</td> </tr> <tr> <td>Total</td> <td>125,883,317.51</td> </tr> <tr> <td>Financials</td> <td>126,556,444</td> </tr> <tr> <td>Variance</td> <td>673,126.49</td> </tr> </tbody> </table> <p>Implication This casts doubt to the accuracy of the accounts payables disclosure made in the financial statements.</p> <p>Mombasa Land Purchase</p> <p>Ownership From our examination of the land documents, we noted that the Land purchased within Makande area in Mombasa lacked a Title deed to show ownership. The management has not provided the new Title</p>	Breakdown		KCB deposits	111,644,772.01	CBK deposits	14,238,545.50	Total	125,883,317.51	Financials	126,556,444	Variance	673,126.49	<p>Applicable law</p> <p>Section 143 (2) of the Public Finance Management Act 2012 and 2015 regulation</p>		<p>disclosures be made on the same of the same done.</p>	<p>1. The office disputes lack of ownership of Mombasa Plot. OAG legally owns one-acre plot at Makande area in Mombasa with title deed no Mombasa/Block/1/2261</p>
Breakdown																
KCB deposits	111,644,772.01															
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Total	125,883,317.51															
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<p>deed relating to the purchase of Land from Kenya ports authority pension scheme as at the conclusion of audit despite reminders of the same. However, we obtained a letter dated 12th November 2021 from Director of Survey Kenya to Chief Land Registrar requesting Rectification of titles for the parcel No 2260 and 2261 (M/BLOCK 1).</p> <p>The registered leasehold number of the Land is MOMBASA/BLOCK 1/491 and a total of 1.02 Hectares (2.980 Acres) is the subject property as shown in the valuation. The subject property was subdivided into parcel No. Mombasa/Block 1/2260 and Mombasa/Block/2261. The office of the auditor general was issued with the latter.</p> <p>Implication</p> <p>The ownership of the land cannot be ascertained due to lack of a valid Title deed of the specified parcel of land.</p>	<p>states that the register of land and buildings shall record each parcel of land and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and the other pertinent management details.</p>		<p>and ensure all the land rates have been duly cleared.</p>	<p>approx. 0.4058 HA which was purchased from KPA pension scheme. See attached copy of the title.</p> <p>2. Upon request from Director of survey via a letter dated 12th November 2021 (copy attached), the office surrendered the title for numbering rectification.</p>
FIELD WORK FINDINGS				
CONSTRUCTION PROJECTS				
<p>We conducted field visits to the constructed building in the following hubs; Garissa, Embu, Eldoret and Kakamega.</p> <p>Lack of value for money in the construction projects</p> <p>In our assessment, we noted instances of substandard construction works as highlighted in individual construction project below. We could not</p>	<p>Clause 31.1 of Contract for the proposed construction of regional offices for the office of the Auditor General- Embu states "The intended completion date for the whole of the works shall be Seventy-</p>		<p>The management should assess the capability of the contractor to determine if it is feasible to terminate the contractor and issue the contract</p>	<p>Construction of Kakamega Regional office.</p> <p>1. Value for money (Substandard Roofing).</p> <ul style="list-style-type: none"> Kakamega office leaking roof was noted during normal joint inspection meetings carried out by the project manager.




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<p>quantify the extent to which value for money was achieved due to the nature of the construction undertakings.</p> <p>However, substandard roofing was installed in the Kakamega office resulting in rain leakages. The total loss from this undertaking is Kshs. 5,722,790 which was the total cost quoted in the bills of quantity for installation of the roof as the replacement of the roof is the only remedy. The additional costs should be covered by the retention money. We are yet to receive documented minutes.</p> <p>Non-deduction of Liquidated Damages</p> <p>In our assessment, Embu project has not yet been completed 71 weeks after the intended completion date. We have not obtained any letter from the contractor requesting for extension of completion date. This results in liquidated damages of 71 weeks at the rate of Kshs. 100,000 per week as highlighted in the agreement.</p> <p>We are yet to obtain evidence ascertaining deduction of liquidated damages from payments due to the contractor approximated at a total of Kshs. 7,100,000. The professionalism and expertise of the contractor is in doubt and this should be penalized to avoid substandard construction work.</p> <p>Lack of Defect follow up</p> <p>We were unable to obtain evidence ascertaining whether the project manager inspects and notify the contractor of any defects that are found in the</p>	<p>eight (78) weeks after commencement date.</p> <p>Clause 27 of Contract for the proposed construction of regional offices for the office of the Auditor General- Embu states 'The contractor shall pay liquidated damages to the Employer of Kshs. 100,000 per week for each day that the actual completion date is later than the intended completion date.</p>		<p>an able contractor to complete the project. The management should conduct an audit of the project by engaging a professional to check the Bills of quantity and the actual materials used. The professional should also check the strength of the constructed building structure.</p>	<p>contractor and client (OAG) upon which contractor was requested to rectify.</p> <ul style="list-style-type: none"> The contractor failed to make good the defects. The item was included in the schedule of defects recorded during final inspection. (See attached minutes and schedule dated 29th January 2020). Recovery of roof repair costs from contractor retention monies was agreed during project committee meeting held on 8th June 2020 (See attached minutes) Retention monies held by OAG is Kes 5,747,000/ against billed defects of Kes 5,722,000/ and therefore there is no additional costs/loss of money to be incurred by OAG. OAG followed lawful procurement process to award this tender. <p>2. Lack of defects follow up</p>

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
<p>building structure. Lack of controls is evidenced by the lapses highlighted in the hubs. The cost of replacing Kakamega roof should have been incurred by the contractor but there is no evidence of any follow up by the management and project manager. Other defects highlighted in the hubs should be rectified by the contractor so long as the defect liability period of 6 months has not lapsed.</p> <p>The cost of all the repairs as a result of defects shows lack of value for money which leads to additional expenditure by the office. These highlights lapse in Ministry of public works which issues completion certificates without follow ups on any defects within 6 months of the project completion. We did not see any steps the management is taking to recover the payments made to the contractor after quantify the cost of the defects.</p>				<ul style="list-style-type: none"> Regular joint inspection meetings were held to inspect the project progress and meetings minute. Attendance for the meetings included contractor, project manager and client (OAG) (See attached minutes of inspections meetings)
<p>We have highlighted detailed findings evidencing lack of value for money in the hubs:</p> <p>Embu Hub construction</p> <p>Contravention of the construction agreement</p> <p>The construction of Embu hub has not been completed 149 weeks since the signing of the contract agreement on 12th February 2019. The agreed construction period was 78 weeks from the commencement date of the project. The project is yet</p>				<p>Construction of Embu Regional office.</p> <ol style="list-style-type: none"> Delay in project completion <ul style="list-style-type: none"> The project commenced in February 2019 was supposed to be completed by September 2020. The contract was further extended twice, the last expiry date being 16th June 2021 upon which

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<p>to be completed 71 weeks after the contract agreement signing. This shows a lapse in adherence to the set contract terms by the contractor. The completion rate can be seen in the pictures attached in Appendix IX.</p> <p>Poor workmanship</p> <p>The state of the roofing shows poor workmanship as some of the roofing sheets are dismantled as evidenced in Appendix X. The nails used for the roofing have rust coat and this outlines that the right nails were not used as evidenced in Appendix X.</p> <p>We also noted that the piping has not been embedded in the construction columns and sealed with concrete. This is evident in Appendix XI.</p> <p>Safety</p> <p>The construction site lacked safety equipment like helmets and reflectors as evidenced in Appendix XII. The worker could be seen working without helmets, reflectors and good footwear gear that can protect them in case of any accidents.</p> <p>Interview feedback</p> <p>The site supervisor narrated that the reason for prolonged time on the construction project was the</p>				<p>liquidation damages has been applicable. The project has been affected by Cov-19 challenges like other projects in the Country. This includes extensive period of lockdown, logistics delays and increase of material cost.</p> <ul style="list-style-type: none"> • After much deliberation by the project committee and management, it was noted the best viable option is to push the contractor to finish the project with close supervision and monitoring on weekly basis. 2. Liquidation damages <ul style="list-style-type: none"> • The office is implementing liquidation damages clause of the contract by charging Kes100,000/= per week for every certificate paid. (Attached is a copy of paid certificate showing recovery of liquidation damages. 3. Professionalism and workman ship of the contractor

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<p>lack of enough funds disbursed from the construction company directors. This is also backed up by worker remarks that they are not paid weekly and the wages are in arrears. This has led to the few workers in the construction site due to non-payment of dues.</p>				<ul style="list-style-type: none"> • The contractor meets professional and technical criteria as per requirement of the tender process which was carried out in accordance with the law. where the project manager and projects committee has noted substandard work, the contractor has been urged to make good and ensure quality work. (See attached inspection minutes dated---- • The project is ongoing and any defects noted during inspection by the committee and project manager, the contractor is immediately notified the contractor. (Attached inspections minutes) <p>4. Safety equipment's</p> <ul style="list-style-type: none"> • From the joint inspection visits by project committee, it was noted that the contractor had working safety equipment's and workers were wearing helmet and reflectors as

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<p>Eldoret Hub construction</p> <p>Incomplete construction works</p> <p>The Eldoret building was completed and handed over in 2020. However, in our assessment of the building, we noted incomplete works highlighted below;</p> <ul style="list-style-type: none"> • The ceiling had gaps as evidenced in Appendix XIII. • The plumbing system had deficiencies as we noted leakages in the washrooms as evidenced in Appendix XIV. The management has locked some of the washrooms due to the plumbing problems due to blockage. • Lack of glass fitting in one of the office partitions (two lower sections) as highlighted in Appendix XV. • The fire horses have not been connected to a water source therefore not operational. A sample of the Fire horse is highlighted in Appendix XVI. • An air conditioner has not been fitted in the server room despite the high temperature in the room. This is evident in Appendix XVII. • We observed that the water purifier had not been connected to the underground water. The water purifier is stored in the open parking area as highlighted in Appendix XVIII. In our assessment, we noted that the 				<p>shown by attached photos which were annexes for inspection meeting minutes held.</p> <p>Eldoret Hub construction</p> <ul style="list-style-type: none"> • -Incomplete works for Eldoret hub was recorded in the schedule of defects to be addressed during defects liability period failure to which the cost will be recovered from the contractor's retention monies. (See attached minutes for joint inspection meeting and letter to contractor from the project manager) • The contractor requested to be extended time to complete outstanding works. • The office holds Kes 6.8million as retention monies balance for the contractor which will be utilized to complete outstanding works. Final accounts for the project are being finalized by the project manager

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<p>underground water is not connected to any overhead tanks therefore it is underutilized.</p>				<p>upon which incomplete works will be outsourced to other contractors.</p>
<p>Kakamega hub construction</p> <p>Poor workmanship</p> <ul style="list-style-type: none"> • We observed dismantled tiles in some parts of the building as highlighted in Appendix XIX. • The ceiling was destroyed by leaking rain water and this shows poor job quality when installing the roof. The extent of the damages can be seen in Appendix XX. • The building is barely 3 years yet we noted numerous cracks in the walls of the building as evidenced by Appendix XXI. • There are limited parking spaces since the front part of the office is preserved for occupants of the office. A snapshot can be seen in Appendix XXII. <p>Implication on construction project</p> <p>Poor workmanship and incomplete work increase the repair expenses which encroaches on the approved budget unnecessarily. Public funds are therefore wasted to repair building structures that should have been constructed with the required standards.</p> <p>Shortages of Motor vehicle</p> <p>In our assessment, the office of the Auditor lacks adequate motor vehicle to help in the day-to-day</p>			<p>The management should quantify the damages resulting from the construction work and pursue the contractor for reimbursement due to negligence. The management should pursue patent defect liability period which is a minimum of 12 month, therefore any defect during this period after issuance of certificate of completion shall be a liability to the contractor.</p>	 <p>Retention.xlsx</p>
<p>Shortages of Motor vehicle</p> <p>In our assessment, the office of the Auditor lacks adequate motor vehicle to help in the day-to-day</p>			<p>The budget for purchase of Motor vehicle should be increased to ensure</p>	

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
<p>operations of the office. Detailed analysis of the Motor vehicle per hub is narrated below;</p> <ul style="list-style-type: none"> • Nyeri hub has 5 Vehicles but out of those, two vehicles are faulty. The remaining vehicles are serving a total of 60 staff, 6 audit teams. • Nakuru Hub has two working Motor vehicles serving a total of 50 staff which comprise of 6 audit teams. • Eldoret hub has 4 operational vehicles out of 5. One has been grounded for more than a year. These vehicles are serving a team of 7 audit teams. • Kisumu has 4 Motor vehicles serving 7 audit teams. <p>Implication</p> <p>The number of operational Motor vehicles cannot handle the capacity of staff in all the hubs of the office of the Auditor General. This causes some vehicles to be over used leading to high wear and tear thereby increasing maintenance cost for the Motor vehicles.</p>			<p>all the hubs have enough operational Motor vehicles.</p>	

HUMAN RESOURCE FINDINGS

Weakness Noted

Non – Compliance with the Public Finance Management Act

The audit established that employee basic salaries amounting to Kshs 32,751,936.30/- were expensed under contractual services as below;

Year	Amount
FY 2019/2020	32,751,936.30/-
TOTAL	32,751,936.30/-

See appendix 1

There was no evidence to show that the officer had made a request to the National Treasury for the reallocation, and no evidence to show that the OAG received approval for the reallocation as per the requirements of the Public Finance Management Act.

Implications

Non- compliance with Section 43 of the Public Finance Management Act for the reallocation of funds.

Applicable law

Section 43(2) of the Public Finance Management Act states that;

An accounting officer for a national government entity other than a state corporation, may reallocate funds between programs, or between sub votes in the budget for a financial year if

- a) A request for the reallocation has been made to the national treasury explaining the reasons for the reallocation and the national treasury has approved the request and;
- b) The total sum of all reallocations made to or from a program or sub vote does not exceed ten percent of the total expenditure approved for that program of sub vote in that financial year

Risk Rating




Recommendations


There is need to ensure that future budget allocations for personnel emoluments are aligned to the actual needs of the office.

The Office of the Auditor General should seek approval from the National Treasury when reallocating expenses; as provided by the Public Finance Management Act


Management response

We are guided by the budget allocation on the vote-book itemized budget line of contractual employees as long as its payroll related.


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response																																		
<p><u>Employee emoluments calculated and paid outside payroll</u> <u>Kshs 5,070,824/- employee emoluments calculated and paid outside payroll for the year 2019/2020</u></p> <p>The audit established, from an analysis of the payment vouchers provided that employee emoluments amounting to Kshs 5,070,824/- were calculated and paid to employee individual bank accounts, outside the approved payroll as below;</p> <table border="1" data-bbox="587 1348 1145 1993"> <thead> <tr> <th>Expenditure</th> <th>FY 2019 - 2020</th> </tr> </thead> <tbody> <tr> <td>Leave Commutation</td> <td>0</td> </tr> <tr> <td>Top Up Allowance</td> <td>1,295,476</td> </tr> <tr> <td>Baggage Allowance</td> <td>31,050</td> </tr> <tr> <td>Death and Gratuity</td> <td>17,690</td> </tr> <tr> <td>Salary Arrears</td> <td>221,524</td> </tr> <tr> <td>Temporary Appointments</td> <td>676,968</td> </tr> <tr> <td>WC Contributions</td> <td>2,060,049</td> </tr> <tr> <td>Leave Allowance</td> <td>410,047</td> </tr> <tr> <td>Commuter Allowance</td> <td>0</td> </tr> <tr> <td>Pension Contribution</td> <td>0</td> </tr> <tr> <td>P.A.Y.E</td> <td>356,320</td> </tr> <tr> <td>N.H.I.F</td> <td>1700</td> </tr> <tr> <td>Premium Recoveries</td> <td>0</td> </tr> <tr> <td>HELB Loan Deductions</td> <td>0</td> </tr> <tr> <td>Imperest Surrender</td> <td>0</td> </tr> <tr> <td></td> <td>5,070,824.00</td> </tr> </tbody> </table> <p><u>Implications</u></p> <p>Payments made outside payroll could lead to variations between the payroll and the ledger; causing a misrepresentation of accounts</p>	Expenditure	FY 2019 - 2020	Leave Commutation	0	Top Up Allowance	1,295,476	Baggage Allowance	31,050	Death and Gratuity	17,690	Salary Arrears	221,524	Temporary Appointments	676,968	WC Contributions	2,060,049	Leave Allowance	410,047	Commuter Allowance	0	Pension Contribution	0	P.A.Y.E	356,320	N.H.I.F	1700	Premium Recoveries	0	HELB Loan Deductions	0	Imperest Surrender	0		5,070,824.00	<p>Section 5.2.3 of The Finance Policy Manual; The Finance Department shall ensure that the Personnel Emoluments are properly captured in the General ledger as per the payroll summaries.</p> <p>Section 5.1 of the Finance Policy Manual states that;</p> <p>The purpose of the payroll system is to ensure complete and accurate data capture and payroll processing</p> <p>Section 5 (4) of the Finance Policy Manual; The purpose of the payroll system is to ensure that there is adequate security over all payroll data.</p>		<p>Management needs to ensure that all payments are processed through payroll to ensure proper representation of accounts.</p>	<p>We provided an analysis of the payroll and general ledger and reconciled the difference that was as a results payment made outside payroll.</p> <p>There is no material difference between the ledger and the payroll. We extracted payment vouchers of the payments that are yet to be confirmed by the auditor.</p> <p>We have also attached the employee compensation budget to show how the funds are itemized/distributed on vote book which relates to employee compensation.</p>
Expenditure	FY 2019 - 2020																																					
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Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response																																																							
<p><u>Variance of Kshs 26,625 in PAYE remittance</u></p> <p>The audit established that there were variances between PAYE calculated on the payroll and PAYE remitted on I tax.</p> <p>In the FY 2019/2020, variances of 26,625 are highlighted in the table below;</p> <table border="1" data-bbox="526 1220 997 2004"> <thead> <tr> <th>PAYE as per payroll</th> <th>PAYE as per return</th> <th>Diff</th> <th>DATE</th> </tr> </thead> <tbody> <tr> <td>69,019,525</td> <td>69,035,398</td> <td>(15,873)</td> <td>7/8/2019</td> </tr> <tr> <td>63,609,071</td> <td>63,619,796</td> <td>(10,724)</td> <td>5/9/2019</td> </tr> <tr> <td>62,846,456</td> <td>62,846,459</td> <td>(2)</td> <td>4/10/2019</td> </tr> <tr> <td>60,013,119</td> <td>60,013,121</td> <td>(2)</td> <td>7/11/2019</td> </tr> <tr> <td>60,654,239</td> <td>60,654,241</td> <td>(2)</td> <td>6/12/2019</td> </tr> <tr> <td>61,291,886</td> <td>61,291,888</td> <td>(2)</td> <td>7/1/2020</td> </tr> <tr> <td>60,857,980</td> <td>60,857,984</td> <td>(4)</td> <td>4/2/2020</td> </tr> <tr> <td>61,667,832</td> <td>61,667,834</td> <td>(2)</td> <td>9/3/2020</td> </tr> <tr> <td>62,809,249</td> <td>62,809,251</td> <td>(3)</td> <td>7/4/2020</td> </tr> <tr> <td>57,520,880</td> <td>57,520,883</td> <td>(3)</td> <td>5/5/2020</td> </tr> <tr> <td>49,036,392</td> <td>49,036,395</td> <td>(3)</td> <td>4/6/2020</td> </tr> <tr> <td>47,150,931</td> <td>47,150,934</td> <td>(3)</td> <td>2/7/2020</td> </tr> <tr> <td>716,477,559</td> <td>716,504,183</td> <td>(26,625)</td> <td></td> </tr> </tbody> </table> <p><u>Implications</u> Failure to remit PAYE by the due date results in crystallization of a penalty of 5% and interest at 1% per month or part thereof of the unpaid tax. There is also risk of wasting public funds in paying penalties and interest for the unpaid tax.</p>	PAYE as per payroll	PAYE as per return	Diff	DATE	69,019,525	69,035,398	(15,873)	7/8/2019	63,609,071	63,619,796	(10,724)	5/9/2019	62,846,456	62,846,459	(2)	4/10/2019	60,013,119	60,013,121	(2)	7/11/2019	60,654,239	60,654,241	(2)	6/12/2019	61,291,886	61,291,888	(2)	7/1/2020	60,857,980	60,857,984	(4)	4/2/2020	61,667,832	61,667,834	(2)	9/3/2020	62,809,249	62,809,251	(3)	7/4/2020	57,520,880	57,520,883	(3)	5/5/2020	49,036,392	49,036,395	(3)	4/6/2020	47,150,931	47,150,934	(3)	2/7/2020	716,477,559	716,504,183	(26,625)		<p>The Income Act Tax Chapter Section 3(1)</p> <p>Subject to, and in accordance with, this Act, a tax to be known as income tax shall be charged for each year of income upon all the income of a person, whether resident or non-resident, which accrued in or was derived from Kenya</p> <p>The Income Act Tax Chapter Section 3(1)</p> <p>Subject to, and in accordance with, this Act, a tax to be known as income tax shall be charged for each year of income upon all the income of a person, whether resident or non-resident, which accrued in or was derived from Kenya</p> <p>Subject to, and in accordance with, this Act, a tax to be known as income tax shall be charged for each year of</p>	 <p>The management needs to pay the penalties and interests that have accrued on the amount yet to be remitted</p>	<p>This is a case of PAYE reconciliation which is ongoing.</p>
PAYE as per payroll	PAYE as per return	Diff	DATE																																																								
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Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
	<p>income upon all the income of a person, whether resident or non-resident, which accrued in or was derived from Kenya</p> <p>Section 16(6) of the National Hospital Insurance Fund states that</p> <p>Any person who— (a) fails without lawful excuse to pay, within the time and in the manner prescribed by this Act in relation to him, any standard contribution which he is liable as an employer to pay under this Act; or (b) knowingly makes any deductions from the salary or other remuneration of any person employed by him, purporting to be a deduction in respect of any standard contribution, other than a deduction which he is authorized to make by this Act, commits an offence and is liable on conviction to a fine not exceeding fifty thousand shillings</p>			



Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
<p>Lack of evidence of a proper performance management system</p> <p>The report also indicated, in the Financial year 2019/2020 that 198 officers out of 1,608 were not appraised. This is 11% of the total number of staff.</p> <p>Implication</p> <p>There is non-compliance with the Human Resources Policy Manual.</p> <p>There is a possibility of bias and lack of objectivity in staff promotions; employees may be demotivated as a result.</p>	<p>1. Performance Management</p> <p>Chapter 8.1.2 states that the office of the auditor general will implement a Performance Management System which ensures that employees' performance supports the office strategic aims. This will involve an integrated process that consolidates goal setting, performance appraisal and development into a single common system.</p>		<p>Management should ensure that there is an effective appraisal system in place.</p> <p>The Human Resources department should have documented evidence to show that monitoring, evaluation and reviewing of appraisal results.</p>	<p>The Office is in the process of reviewing the Performance Management System to make it more objective. Further, staff promotion is not based entirely on performance appraisal but several other factors are considered.</p>



GOVERNANCE


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<p>The Audit Committee</p> <p>The Auditor General established the audit committee in August 2020.</p> <p>Implications</p> <p>Non-compliance with the Public Finance Management Regulations 2015.</p>	<p>Regulation 174 of the Public Finance Management regulations, 2015 requires all public entities to establish audit committees with the core mandate of supporting the relevant government entity in their responsibilities in issues of risk control and governance as well as to follow up on the implementation of recommendations of internal and external auditors.</p> <p>Regulation 174(5) provisions that the Audit Committee shall comprise a minimum of three (3) members excluding a person who shall be appointed to represent the National Treasury in each audit committee and a maximum of five (5).</p> <p>Regulation 174(5) provisions that the Chairperson of an audit committee shall be independent of the national government entities, be knowledgeable of the</p>		<p>The Audit Committee within the Office of the Auditor General comply with the Public Finance Management Regulations 2015.</p>	<p>The Office of the Auditor General is established by the Constitution as an independent Office. Having National Treasury in the Audit Committee curtails the Auditor General's independence. PFM Regulations are subordinate to the constitution. A court judgement also confirmed that the auditor general should not be under any direction. Its however clarified that the audit committee was constituted after 30 June 2020 and operationalized under the 2020/2021 financial year.</p>


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
	<p>organization and have requisite business and leadership skills and shall not be a political office holder.</p> <p>Regulation 174(6) provisions that majority of members appointed to the audit committee shall not be past or present employees of the entity.</p>			
<p>Lack of a binding Audit Committee Charter</p> <p>The draft Audit, Risk and Compliance Committee Charter is yet to be approved and signed.</p> <p>The draft charter provides that the Auditor General shall appoint at least three members to serve in the Audit, Risk and Compliance committee and a Chairperson from among the nominated members.</p> <p><u>Implications</u></p> <p>The guidelines of the audit committee are not binding to the entity.</p> <p>The draft charter is non-compliant to the Public Finance Management Regulations 2015. The draft charter is silent on appointment of independent members within the committee.</p> <p>The audit commit has prepared an updated draft audit committee charter for approval.</p>	<p>The draft Audit, Risk and Compliance Committee Charter committee charter provides a documented framework of the audit committee purpose, mandate and responsibilities.</p>		<p>The Audit, Risk and Compliance Charter be approved adopted and signed to facilitate seamless operations within the committee.</p> <p>The draft Audit, Risk and Compliance charter to be amended to comply with the Public Finance Management Regulations 2015.</p>	<p>There was an oversight at the time of drafting the Audit Committee Charter in that the independent members were not explicitly mentioned.</p> <p>However, para. 10.0 (d) i. alludes to these members.</p> <p>This has now been corrected. The draft charter now amended accordingly.</p>


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<p>Lack of Proper Change Management in the position of the Auditor General</p> <p>There was interruption of functions in the Office of the Auditor General once the former Auditor General, Mr. Edward Ouko retired from office in August 2019 at the end of the eight-year non-renewable term up to the appointment of the current Auditor General in July 2020.</p> <p>The Director Auditor General Corporate Services was appointed by Treasury as the accounting officer to facilitate operational functionalities within the Office of the Auditor General.</p> <p>It is notable that the officer lacked the mandate to discharge the responsibilities of the Auditor General for instance scrutinize and approve financial books, sanction new audits and recruitments as well as approve expenditures above Kenya Shillings One Hundred Million (Kshs. 100,000,000).</p> <p>Implications</p> <p>The Office of the Auditor General did not discharge its mandate as per the Constitution of Kenya due to the absence of the mandated official to scrutinize and approve financial books for the period 2018/2019.</p> <p>Additionally, the office could not sanction new audits, approve expenditures above Kenya Shillings One Hundred Million (Kshs. 100,000,000 nor undertake any recruitments within the organization.</p>	<p>The Public Audit (Amendment) Bill 2021 proposes that the Auditor General shall be appointed six months before the end of the term of the serving officeholder</p>		<p>We recommend that the Public Audit (Amendment) Bill 2021 be passed to facilitate seamless transition in the position of the Auditor General in the event of a vacancy.</p> <p>Additionally, all parties involved in the recruitment of the Auditor General should adhere to the timelines prescribed in the Public Audit Amendment Bill to ensure there are no operational challenges in the Office of the Auditor General due to the vacancy in the position of the Auditor General.</p>	<p>This is beyond management control however the Auditor General has been raising this issue with the relevant authorities in an endeavor to prevent this from happening again.</p>

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<p>Unauthenticated Audit Committee Minutes</p> <p>The minutes of the audit committee meetings held on 10th November 2020, 13th October 2020, 3rd December 2020, 10th February 2021, 14th April 2021, 29th April 2021 were unsigned by the Chairperson of the Committee.</p> <p>The minutes were signed subject to our recommendations.</p> <p>Implications Lack of authentication of the minutes as a true copy of the proceedings of the meeting.</p>	<p>Regulation 179 of the Public Finance Management Regulations provisions that the audit committee shall meet at least once in every three (3) months</p>		<p>Minutes of meeting should be signed at the preceding audit committee meeting for ratification and confirmation as a true and correct record of the proceedings of the meeting. The adoption of e-signatures is legally acceptable for virtual meetings.</p>	<p>Minutes now authenticated. Please note that the minutes were always confirmed in the subsequent meetings. The secretary will ensure minutes are signed immediately after they are confirmed.</p>
<p>Non-Functional Whistle Blowing Functionality</p> <p>We tested the whistle blowing functionality placed on the Office of the Auditor General website https://www.oagkenya.go.ke/connect-with-us/ via an alias profile on the 9th November 2021. We are yet to receive feedback from the office up to date.</p> <p>Implications</p> <p>Whistle blowers reports to the office are not actively managed and responded to through the website functionality.</p>	<p>Clause 27 of the Ethics and Conduct Policy 2019 provisions that if an officer considers that anything of them is in contravention of the Code or is otherwise improper or unethical, the officer shall report the matter to the Auditor General.</p>		<p>The Ethics and Integrity Committee to actively monitor the whistle blowing functionality to ensure that all reports to the office are documented and actioned</p>	<p>The Office is in the process of updating the website to ensure all reports are documented and actioned. We have a telephone line for this purpose as well. There are corruption reporting boxes where the public can drop such letters. The emails received do not comply with the requirement to report on staff or utilization of resources.</p>




Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<p><u>Conflict of Interest Register</u></p> <p>The conflict-of-interest register which had no entries from 2016 to date was issued to us. The register is maintained by the secretary at the office of the Deputy Auditor General corporate service. The entity is comprised of over 1500 employees who are based in different geographical locations in Kenya, hence, the placement of the register may not accord an opportunity for employees to declare any impending conflict of interest.</p> <p>The Office has established clear procedures for employees to identify instances of conflict of interest and provisions for adequate mitigation measures, the office has also placed boxed at its offices to enable employees report instances of conflict of interest.</p>	<p>Clause 10 of the Ethics and Conduct Policy 2019 within the Office of the Auditor General prescribes each employee of the Office shall use the best efforts to avoid being in a situation whether personal interest conflict or appear to conflict with his or her official duties.</p> <p>Additionally, any officer whose personal interests' conflict with their official duties shall declare the personal interests to the Office.</p>		<p>All staff to sign conflict of interest declarations annually.</p>	<p>Work plan approved on 10/09/2021 Sensitization of staff and contracted entities to be prioritized. All new staff have been sensitized during their induction. Other staff to be sensitized soon.</p>
<p><u>Lack of oversight in the Internal Audit Department</u></p> <p>The internal audit department conducted four (4) reviews with respect to the General Staff Car Loan/Housing Mortgage Scheme, KENATCO Expenses, Registry Operations and Human Resource Function.</p> <p>We note that key review areas were not addressed by the internal audit function for instance Finance, Supply Chain Management and ICT and Systems.</p> <p>The management cited that the Finance and Supply Chain departments have been reviewed, however, we are yet to be issued with the subject signed internal audit reports.</p> <p><u>Implications</u></p>	<p>The Internal Audit Charter of the Office of the Auditor General clause 3 stipulates the mission of the Internal Audit Unit being to provide reasonable assurance to improve the OAG's operations and internal control systems.</p> <p>Regulation 175(a) of the Public Finance Management Regulations provides that the function of the audit committee shall be to support the Accounting Officer with regard to their responsibilities for issues of risk, control and</p>		<p>The internal audit department highlight the high-risk review areas to conduct timely internal audit review.</p>	<p>KENATCO Finance and Supply chain audits are underway. They are now at finalization stage. ICT audit is now at planning stage.</p>


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<p>Lack of oversight with respect to the financial function within the Office of the Auditor General which is equipped with a 3.5 billion budget.</p>	<p>governance and associated assurance.</p>			
<p>Lack of Implementation Programs of Internal and External Audit Report Recommendations</p> <p>The internal audit unit has not established procedures governing follow ups and tracking of recommendations which poses a risk of non-implementation of recommendations.</p> <p>Internal and external audit recommendations are handled independently by each department that is concerned with the findings.</p> <p>The management cited that the internal audit department monitors the implementation of the internal and external audit report recommendations, however, the same were not availed to us. Additionally, during the audit exercise, the management cited that the department does not have implementation programmes in place.</p> <p><u>Implication.</u></p> <p>Lack of a unified implementation tracker/committee to track implementation of internal and external audit recommendations</p>	<p>Lack of Implementation Programs of Internal and External Audit Report Recommendations</p> <p>Regulation 175 (b) of the Public Finance Management Regulations 2015 provisions that the function of the audit committee shall be to follow up on the implementation of the recommendations of the internal and external auditors.</p> <p>Clause 12(i) of the Internal Audit Charter provisions that the internal unit shall establish procedures governing proper follow ups of audit reports which shall involve the requirement for either a written or verbal confirmation from the auditee(s) that significant internal audit recommendations have been addressed.</p> <p>Clause 12 (ii) of the Charter provisions that the Internal Audit Unit shall establish and</p>		<p>The internal audit department spearhead follows up and tracking the implementation of internal and external audit reports by the departments within the Office of the Auditor General.</p>	<p>This has been noted. The office is currently putting in place a system to do follow up in AMS. This will be rolled out within the next two months.</p>


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
	<p>maintain an action tracking system to identify and monitor the status of internal audit recommendations and corrective action.</p> <p>Clause 12(iii) of the Charter provisions that the Director, Internal Audit shall be responsible for advising the management on implementation status of internal audit recommendations and of risks associates with non-implementation of recommendations.</p>			
<p>Outdated Internal Audit Charter</p> <p>We ascertained that the internal audit unit has a documented Internal Audit Charter. The charter was approved in 2014 and is applicable to date. The reporting structure in the charter is outdated which indicates that the Internal Audit Unit shall report directly to the Auditor General and administratively to the Deputy Auditor General Corporate Services.</p> <p><u>Implication</u></p>	<p>The Internal Audit charter serves as a guide in the performance of the unit's mandate and functions. It defines the purpose authority and responsibilities as well as a basis of evaluating its operation. It outlines the independence, scope, duties, responsibilities and the reporting relationship of the internal audit unit.</p>		<p>The Internal Audit Charter to be amended to mirror Clause 162(1) that the Head of Internal Audit shall enjoy operational independence through the reporting structure by reporting administratively to the Auditor General and functionally to the Audit Committee.</p>	<p>The Draft internal Audit Charter is ready for approval. HIA was awaiting the ARCC to approve and start actioning their workplan to table the draft before it.</p>


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<p>Interference with independence of the Internal Audit Unit. The charter in non-compliant with the Public Finance Management Regulations (2015).</p> <p>Financial Reporting by the Auditor General</p> <p>The auditee audit status for the period 2019-2020 issued to us on 14th December 2021 confirmed that 810 audits were in progress beyond the prescribed timeline of 6 months (30th June 2021).</p> <p>Implication</p> <p>The financial information of the auditees for the period is yet to be reviewed by the auditor. The status of the financial affairs of the auditees whose audits are pending cannot be established.</p>	<p>Clause 48 of the Public Audit Act provisions that within six months after the end of each financial year, the Auditor General shall audit and report, in respect of that financial year, on the accounts specified in Article 229 of the Constitution.</p>		<p>The Office of the Auditor General collaborate with the auditees to complete pending audits within six months at the end of a financial year.</p>	<p>The backlog in reporting was occasioned by the delay in appointment of the Auditor General. The current position is that the backlog has practically been cleared-up to 99%. The office is now working to clear with 2020/2021. Reports on Donor funded projects were prioritized and issued before 31/12/2021</p>

INFORMATION AND COMMUNICATIONS TECHNOLOGY


Weakness Noted	Applicable Law	Risk Rating	Recommendations	Management Response
<p>Inadequate tracking of ICT vendor performance.</p> <p>The ICT division maintains a list of vendors for which critical ICT services have been outsourced. The most updated list, effective November 2021, had 13 vendors.</p> <p>The OAG has signed service level agreements with the vendors. However, the mechanism for monitoring the performance of vendors to the SLAs is not documented. Additionally, no documentation is maintained to verify vendor performance prior to renewing service level agreements.</p> <p>Implications</p> <p>Poor performance of critical IT services might not be promptly identified and discussed with the vendor resulting in loss of value for money.</p>			<p>We recommend that the performance of vendors providing critical IT services be periodically (at least annually) evaluated.</p>	<p>ICT vendor monitoring was unstructured and relying on communication (email and phone) follow up with vendors.</p> <p>2. ICT Directorate has currently initiated procurement of a Service Desk Management system with Service Level Management and Contracts and Purchase Management functionalities (approved Requisition is attached).</p>  <p>Requisition for Server and Helpdesk/</p>
<p>Inadequate IT continuity management.</p> <p>The OAG's response to adverse conditions such as natural disasters, cyber-attacks, or other disruptions (e.g., pandemic) is ineffective because:</p> <ul style="list-style-type: none"> No IT continuity framework or plan is in place that documents overall IT continuity objectives, approaches, and expectations. Though a backup policy exists, backup is rudimentary and backup tapes are stored by individual IT staff making it hard to perform restore or rely on backed up data for all critical systems. Only one server room/data center exists within the OAG without replication of data to secondary sites. No arrangements have been 			<p>We recommend that:</p> <ol style="list-style-type: none"> Business impact assessments (BIAs) of the IT environment and mission- 	<ol style="list-style-type: none"> In the period under review, the Back-up policy was developed and approved as noted by the auditor. There was however no Business Continuity Plan for the period under review.


Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response									
<p>made to replicate critical OAG data to safer secondary locations to support the overall continuity objectives of the OAG.</p> <p>In addition, business impact assessments (BIAs) that predict the consequences of disruption of a business process or function and gather information needed to develop recovery strategies have not been conducted for all mission-critical applications and IT processes.</p> <p>Implications</p> <p>The OAG's operations could be disrupted for unknown or significant periods of time in the event of a natural disaster, sabotage, or a cyber-attack.</p>			<p>critical resources be conducted.</p> <p>2. A formal IT business continuity plan (BCP) be implemented and approved by the Auditor-General.</p>	<p>2. Development of Business Continuity Plan (BCP) and Business Impact Assessment (BIA) has since begun and the draft plan is undergoing review and approval process.</p> <p>3. An offsite Disaster Recovery site is urgently needed. The Office awaits the funding for this site.</p>									
<p>Application controls findings</p> <p>IFMIS system</p> <p>Missing purchase orders.</p> <p>All purchase orders for goods and services procured are generated from the National Government's IFMIS system. The system provides for the sequential numbering of purchase orders per entity.</p> <p>The review of POs raised by the OAG in the fiscal periods 2018-2019 and 2019-2020 noted the below number of missing POs and PO sequence gaps:</p> <table border="1" data-bbox="1137 1223 1337 1917"> <thead> <tr> <th>Fiscal period</th> <th>Number of missing POs</th> <th>Number of PO gaps</th> </tr> </thead> <tbody> <tr> <td>2018-2019</td> <td>209</td> <td>112</td> </tr> <tr> <td>2019-2020</td> <td>137</td> <td>68</td> </tr> </tbody> </table>	Fiscal period	Number of missing POs	Number of PO gaps	2018-2019	209	112	2019-2020	137	68			<p>We recommend that the OAG uses, exclusively, as the financial system of record, and all transaction details translating into financial statements such as supplier commitments (POs) and payments (invoices) be recorded in the IFMIS system.</p>	
Fiscal period	Number of missing POs	Number of PO gaps											
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<p>Implications</p> <p>PO commitments may not be traced in the system affecting budgeting and payments and eventually, financial reports generated from the IFMIS system.</p> <p>Reliance on manually generated financial statements due to missing data in the system of record.</p>																																																									
<p>Memory Soft Payroll Software Review</p> <p>Lack of segregation of duties in HR master data management.</p> <p>The OAG payroll is managed from the Memory Soft system. The system allows the set-up of users and input of staff details.</p> <p>All current users of the system have been granted roles to create, edit and delete payroll master data and process payroll. All users can individually, set up rights for a new user, create an employee, assign a bank account, create timesheets and imprest, and process payroll without requiring a second level of validation. See the table below:</p>			<p>We recommend that:</p> <ol style="list-style-type: none"> 1 Workflow be defined in Memory Soft to require the creation, validation, and approval of master data and payroll changes (creation and edit). 2 Current defined roles in the Memory Soft be reviewed to ensure effective segregation of employee master data 																																																						
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<p>Implications</p> <p>It is possible to create a fictitious employee or change the master data of an existing employee without requiring validation/approval by a second level of staff. This may lead to inadvertent modification of existing payroll data or malicious payroll change that results in the misstatement of payroll and financial statements.</p>																																																																								
<p>Lack of review of payroll system audit log exceptions.</p> <p>Due to the sensitivity of employee master data and payroll, coupled with inadequately defined roles, activities performed by users in the payroll system</p>																																																																								
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Weakness Noted	Applicable Law	Risk Rating	Recommendations	Management Response
<p>need to be adequately monitored to flag any unauthorized and inadvertent changes.</p> <p>The system maintains a log of all user activities including updates, edits, and creation of new entries to all master tables in the application. A process to identify and review exceptions from this log has not been defined. No log reviews were done in the period under review.</p> <p>Due to the system design, we noted that it is possible to inadvertently change the bank details of an existing employee without the employee requesting such a change. Given that the change does not require verification and approval in the system, it can only be traced from the audit log, which is currently not reviewed.</p> <p>An inadvertent change to the bank account details of an existing employee resulted in the double payment of an employee for the months of April and May in 2019.</p> <p>Implications</p> <p>Improper changes made to employee master data and payroll may not be timely identified and resolved, resulting in inaccurate payroll and financial statement data.</p>			<ol style="list-style-type: none"> 1. A framework for identifying exceptional user activities be documented for all critical systems at the OAG. 2. The OAG invests in a log monitoring solution to capture all logs from critical systems including the payroll system. 3. Exception reports generated by the log monitoring solution be reviewed periodically by an independent staff for suggested follow-up. 	

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<p>Inappropriately defined password settings in the payroll system.</p> <p>The ease of impersonation of a user account increases relative to the ease of password change if a laptop or desktop is left unattended and the defined password settings are not robust. Memory Soft payroll is provided as a standalone application accessed by users through desktops without requiring 2-step authentication into the application.</p> <p>The password settings defined in the payroll application are not robust and do not align with the documented settings defined in the OAG password policy and defined in the OAG active directory. See the summary below.</p> <table border="1" data-bbox="667 1064 1228 1993"> <thead> <tr> <th>Parameter</th> <th>Units</th> <th>Recommended password settings</th> <th>ICT policy</th> <th>Domain</th> <th>Memory Soft</th> </tr> </thead> <tbody> <tr> <td>Account lockout duration</td> <td>Minutes</td> <td>Until Admin Unlocks</td> <td>2 mins</td> <td>2 mins</td> <td>Not defined*</td> </tr> <tr> <td>Account lockout threshold</td> <td>Attempts</td> <td>3</td> <td>20 failed attempts</td> <td>15 attempts</td> <td>0*</td> </tr> <tr> <td>Password Complexity</td> <td>Alphanumeric & special Characters</td> <td>Enabled</td> <td>Alphanumeric & special Characters</td> <td>Enabled</td> <td>Not defined*</td> </tr> <tr> <td>Password history</td> <td>Passwords</td> <td>6 or greater</td> <td>5</td> <td>5 remembered</td> <td>0*</td> </tr> <tr> <td>Maximum password age</td> <td>Days</td> <td>30</td> <td>90 days</td> <td>90 days</td> <td>0*</td> </tr> <tr> <td>Password length</td> <td>characters</td> <td>6 or greater</td> <td>8 chars</td> <td>8 chars</td> <td>Not defined*</td> </tr> </tbody> </table> <p>* No defined setting/setting not robust.</p> <p>Implications</p>	Parameter	Units	Recommended password settings	ICT policy	Domain	Memory Soft	Account lockout duration	Minutes	Until Admin Unlocks	2 mins	2 mins	Not defined*	Account lockout threshold	Attempts	3	20 failed attempts	15 attempts	0*	Password Complexity	Alphanumeric & special Characters	Enabled	Alphanumeric & special Characters	Enabled	Not defined*	Password history	Passwords	6 or greater	5	5 remembered	0*	Maximum password age	Days	30	90 days	90 days	0*	Password length	characters	6 or greater	8 chars	8 chars	Not defined*			<p>We recommend that the password settings currently defined in the payroll system be updated to align with those defined in the Password Policy and implemented in the AD.</p>	<p>We have engaged the vendor Memory soft to reset passwords accordingly and give admin rights to OAG Authorized staff. This activity should be completed by 11 March 2022</p>
Parameter	Units	Recommended password settings	ICT policy	Domain	Memory Soft																																									
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<p>1. Ease of change of a password not robustly defined may provide unauthorized users access to the system.</p> <p>2. Given that all current accounts have elevated permissions, an inadvertent impersonation of any of the accounts may be used to create fictitious entries into the payroll that if not noticed during payroll review may end up in financial statements.</p>																								
<p>Active Directory (AD)</p> <p>Active directory accounts whose passwords are incorrectly configured to not expire.</p> <p>All user-type accounts configured on the active directory require a password change every 90 days. We however noted that this rule is not applicable to all AD accounts. For instance, the following accounts used by ICT and other divisions were set such that their passwords do not expire. The accounts have not been used over a long period of time.</p>			<p>We recommend that where possible, all user-type accounts be set up to require password change as defined in the AD password rule. Identified accounts be reviewed if still needed by the OAG.</p>	<p>1. The Password reset was managed manually in the period under review for the accounts noted.</p> <p>2. The administrator and Mtumishi Accounts passwords have since been configured to expire every 90 Days as per Appendix I attached while SOP@oagkenya.go.ke and transport@oagkenya.go.ke have been deactivated. Screenshots are attached in Appendix I.</p>																				
<table border="1"> <thead> <tr> <th>Display name</th> <th>User name</th> <th>User principal name</th> <th>Purpose of account</th> </tr> </thead> <tbody> <tr> <td>Administrator</td> <td>Administrator</td> <td>administrator@oagkenya.go.ke</td> <td>Admin account used in the initial setup of OAG.</td> </tr> <tr> <td>Mtumishi</td> <td>Mtumishi</td> <td>mtumishi@oagkenya.go.ke</td> <td>Admin account used in the initial setup of OAG.</td> </tr> <tr> <td>Director-Strategies and Operational Planning.</td> <td>S&OP</td> <td>SOP@oagkenya.go.ke</td> <td>Requested by Strategies Department</td> </tr> <tr> <td>Transport</td> <td>transport</td> <td>transport@oagkenya.go.ke</td> <td>Requested during transport workflow implementation. The SharePoint system</td> </tr> </tbody> </table>	Display name	User name	User principal name	Purpose of account	Administrator	Administrator	administrator@oagkenya.go.ke	Admin account used in the initial setup of OAG.	Mtumishi	Mtumishi	mtumishi@oagkenya.go.ke	Admin account used in the initial setup of OAG.	Director-Strategies and Operational Planning.	S&OP	SOP@oagkenya.go.ke	Requested by Strategies Department	Transport	transport	transport@oagkenya.go.ke	Requested during transport workflow implementation. The SharePoint system				
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Transport	transport	transport@oagkenya.go.ke	Requested during transport workflow implementation. The SharePoint system																					

Weakness Noted	Applicable Law	Risk Rating	Recommendations	Management Response
<div data-bbox="316 1064 400 1310" style="border: 1px solid black; padding: 2px;">though was not successfully implemented.</div> <p data-bbox="416 1832 443 1995">Implications</p> <p data-bbox="459 1064 523 1995">Potential impersonation and misuse of the noted accounts may result in AD access and potentially access to the entire core network and systems.</p>			<p data-bbox="560 555 639 779">We recommend that a backup solution be prioritized. The implementation of the solution should consider all current data sources, the need to securely store backup information (server and cloud), restoration capability or replication to a secondary storage location (cloud or physical).</p>	<p data-bbox="544 219 794 533">1. Backup management in the period under review was done automatically on the production server for the core system and a copy saved in external hard drive.</p> <p data-bbox="799 219 1050 533">2. An off-site server for backup has since been requested in the 2021-2022 Procurement Plan and is in the process of being procured (approved Requisition is attached).</p>
<p data-bbox="560 1839 587 1995">All systems</p> <p data-bbox="603 1570 630 1995">Ineffective backup management.</p> <p data-bbox="646 1064 742 1995">The OAG's ICT division does not have a backup management solution (system). Information backup for critical data (teammate and payroll) is rudimentary and done on hard disks maintained by ICT staff.</p> <p data-bbox="758 1064 821 1995">Data backed up in hard disks cannot be tested to verify reliability for restoring operations in the event of an incident affecting the core systems.</p> <p data-bbox="837 1832 865 1995">Implications</p> <p data-bbox="880 1064 912 1995">Inability to recover core systems timely due to untested backed-up information.</p>				

APPENDICES

Appendix I
Variances between Financial statement and IFMIS balances

ACCOUNT DESCRIPTION	TRIAL BALANCE	DRAFT ACCOUNTS	VARIANCE
Exchequer releases	0.00	-5,295,379,217.00	5,295,379,217.00
Deposit Bank Account	0.00	111,644,772.00	-111,644,772.00
Medical recoveries	0.00	10,243,035.00	-10,243,035.00
General Deposits	-111,644,772.00	-126,556,444.00	14,911,672.00
Salary Control Account	-18,144,000.00	0.00	-18,144,000.00
Contractors Retention Money	7,237,425.00	0.00	7,237,425.00
Exchequer Releases/ Provisioning Account	-25,885,341,729.20	0.00	-25,885,341,729.20
Remittances to Exchequer Miscellaneous Revenue	18,245,000.00	0.00	18,245,000.00
Opening Balance Bank	-8,196,788.90	-116,011,639.00	107,814,850.10
Cash in hand	0.00	-1,494,809.00	1,494,809.00
Opening Balance Receivables - Imprest and Clearance Accounts	106,955,354.90	-25,334,500.00	132,289,854.90
Payables-Deposit	0.00	113,958,621.00	-113,958,621.00
Consolidated Fund	20,349,103,463.70	0.00	20,349,103,463.70
Total variance	-5,541,786,046.50	-5,328,930,181.00	-212,855,865.50

Appendix II --Cleared receipts presented as uncleared in the bank reconciliations.

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS			
Date	Receiver	Receipt	Bank
14-MAY-20	JournalImport59454917:		98,100.00
14-MAY-20	JournalImport59456975:		66,854.00
14-MAY-20	JournalImport59460022:		22,320.00
14-MAY-20	JournalImport59460166:		18,100.00
14-MAY-20	JournalImport59464476:		126,000.00

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS

Date	Receiver	Receipt	Bank
15-MAY-20	JournalImport59540614:		11,340.00
15-MAY-20	JournalImport59540878:		34,591.00
15-MAY-20	JournalImport59548412:		23,500.00
21-MAY-20	Journal Import 59822428:		73,360.00
21-MAY-20	Journal Import 59823200:		2,200.00
22-MAY-20	JournalImport59810061:		8,400.00
22-MAY-20	JournalImport59811310:		50,400.00
22-MAY-20	JournalImport59813161:		159,900.00
27-MAY-20	JournalImport60026517:		56,000.00
27-MAY-20	JournalImport60028091:		21,000.00
29-MAY-20	Journal Import 60073651:		22,300.00
29-MAY-20	Journal Import 60078789:		15,200.00
29-MAY-20	Journal Import 60079372:		147.00
31-MAY-20	JournalImport61827898:	113900	3,780.00
31-MAY-20	JournalImport61827898:	13852	210,000.00
31-MAY-20	JournalImport61827898:	2197	8,400.00
31-MAY-20	JournalImport61827898:	2228	58,800.00
31-MAY-20	JournalImport61827898:	26072	2,000.00
31-MAY-20	JournalImport61827898:	3801	292,320.00
31-MAY-20	JournalImport61827898:	60798	1,400.00
31-MAY-20	JournalImport61827898:	60798	42,135.00
31-MAY-20	JournalImport61827898:	61177	23,100.00
31-MAY-20	JournalImport61827898:	61182	47,600.00
31-MAY-20	JournalImport61827898:	796857	33,600.00
11-APR-20	JournalImport58606033:		159,600.00
14-APR-20	Journal Import 58640876:		3,643.00
17-APR-20	Journal Import 58734907:		11,291.00
17-APR-20	Journal Import 58736110:		161,865.00
17-APR-20	Journal Import 58744794:		40,202.00
17-APR-20	Journal Import 62450358:		44,310.00

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS

Date	Receiver	Receipt	Bank
21-APR-20	JournallImport58839620:		58,800.00
21-APR-20	JournallImport58841934:		70,000.00
21-APR-20	JournallImport58852943:		34,591.00
21-APR-20	JournallImport58853432:		40,002.00
21-APR-20	JournallImport58854292:		161,865.00
21-APR-20	JournallImport58855831:		11,340.00
21-APR-20	JournallImport58856488:		27,000.00
21-APR-20	JournallImport58856583:		65,850.00
21-APR-20	JournallImport58857207:		45,472.00
21-APR-20	JournallImport59229301:		30,000.00
30-APR-20	JournallImport61159195:	115013	44,310.00
30-APR-20	JournallImport61159195:	216459	56,000.00
30-APR-20	JournallImport61159195:	2194	21,000.00
30-APR-20	JournallImport61159195:	25957	100,000.00
30-APR-20	JournallImport61159195:	25957	126,000.00
30-APR-20	JournallImport61159195:	26058	18,100.00
30-APR-20	JournallImport61159195:	26059	7,030.00
30-APR-20	JournallImport61159195:	26059	59,900.00
30-APR-20	JournallImport61159195:	429040	22,320.00
30-APR-20	JournallImport61159195:	69463	1,300.00
30-APR-20	JournallImport61159195:	69463	644,828.00
30-APR-20	JournallImport61159195:	8236	40,202.00
30-APR-20	JournallImport61159195:	98625	16,800.00
30-APR-20	JournallImport61159195:	98625	22,300.00
31-MAR-20	JournallImport58497165:	298	6,300.00
31-MAR-20	JournallImport58497165:	3221	81,000.00
31-MAR-20	JournallImport58497165:	3496	312,931.00
31-MAR-20	JournallImport58497165:	4027	200,000.00
31-MAR-20	JournallImport58497165:	4288	536,894.00
31-MAR-20	JournallImport58497165:	5046	348,000.00

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS

Date	Receiver	Receipt	Bank
31-MAR-20	JournalImport58497165:	5426	87,920.00
31-MAR-20	JournalImport58497165:	8235	161,865.00
31-MAR-20	JournalImport58497165:	10345	340,625.00
31-MAR-20	JournalImport58497165:	12509	73,666.00
31-MAR-20	JournalImport58497165:	17102	580,000.00
31-MAR-20	JournalImport58497165:	46998	6,000.00
31-MAR-20	JournalImport58497165:	62824	45,472.00
31-MAR-20	JournalImport58497165:	68247	65,850.00
31-MAR-20	JournalImport58497165:	114979	27,000.00
31-MAR-20	JournalImport58497165:	114990	66,854.00
31-MAR-20	JournalImport58497165:	115004	30,000.00
31-MAR-20	JournalImport58497165:	115012	11,340.00
31-MAR-20	JournalImport58497165:	115037	11,438.00
31-MAR-20	JournalImport58497165:	115051	34,591.00
31-MAR-20	JournalImport58497165:	115077	3,643.00
31-MAR-20	JournalImport58497165:	115086	12,382.00
31-MAR-20	JournalImport58497165:	388025	58,800.00
10-MAR-20	JournalImport57583608:		70,646.00
10-MAR-20	JournalImport57586675:		67,200.00
24-MAR-20	Journal Import 58284562:		42,000.00
24-MAR-20	Journal Import 58286848:		87,920.00
31-JAN-20	JournalImport56882748:	2601	464,000.00
31-JAN-20	JournalImport56882748:	11135	8,400.00
29-FEB-20	JournalImport58497165:	12548	519,655.00
29-FEB-20	JournalImport58497165:	14798	250,000.00
31-JAN-20	JournalImport56882748:	16527	633,620.00
31-JAN-20	JournalImport56882748:	25889	34,300.00
31-JAN-20	JournalImport56882748:	25890	9,545.00
29-FEB-20	JournalImport58497165:	46960	17,500.00
31-JAN-20	JournalImport56882748:	77271	218,000.00

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS

Date	Receiver	Receipt	Bank
29-FEB-20	Journallmport58497165:	362240	10,500.00
29-FEB-20	Journallmport58497165:	366991	100,800.00
31-JAN-20	Journallmport56882748:	388090	62,160.00
29-FEB-20	Journallmport58497165:	413708	204,980.00
29-FEB-20	Journallmport58497165:	419404	43,408.00
31-JAN-20	Journallmport56882748:	803449	64,130.00
31-JAN-20	Journallmport56882748:	809442	24,500.00
31-JAN-20	Journallmport56882748:	FT192961QQJ6	105,300.00
10-FEB-20	Journallmport56423226:		83,300.00
10-FEB-20	Journallmport56423922:		2,810.00
10-FEB-20	Journallmport56424149:		9,545.00
10-FEB-20	Journallmport56424260:		42,466.00
10-FEB-20	Journallmport56424529:		21,000.00
10-FEB-20	Journallmport56457281:		34,300.00
12-FEB-20	Journallmport56463709:		48,000.00
12-FEB-20	Journallmport56463891:		35,000.00
12-FEB-20	Journallmport56664085:		39,200.00
13-FEB-20	Journal Import 56517604:		159,600.00
13-FEB-20	Journal Import 56660955:		27,300.00
14-FEB-20	Journallmport56739221:		43,408.00
14-FEB-20	Journallmport56805767:		3,360.00
14-FEB-20	Journallmport56805944:		100,800.00
14-FEB-20	Journallmport56936169:		24,500.00
17-FEB-20	Journallmport56803719:		62,160.00
24-FEB-20	Journallmport56944136:		81,000.00
24-FEB-20	Journallmport57014454:		2,100.00
25-FEB-20	Journallmport56985772:		16,300.00
25-FEB-20	Journallmport56998694:		49,138.00
25-FEB-20	Journallmport57019161:		5,000.00
26-FEB-20	Journal Import 57091206:		16,800.00

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS

Date	Receiver	Receipt	Bank
26-FEB-20	Journal Import 57096350:		67,500.00
26-FEB-20	Journal Import 57118164:		65,100.00
27-FEB-20	Journal Import 57128042:		92,400.00
27-FEB-20	Journal Import 57132795:		10,500.00
06-JAN-20	Journal Import 55259432:		9,800.00
07-JAN-20	Journal Import 55282408:		57,743.00
07-JAN-20	Journal Import 55284246:		6,300.00
09-JAN-20	Journal Import 55248861:		1,231.00
09-JAN-20	Journal Import 55249310:		37,948.00
09-JAN-20	Journal Import 55293898:		450.00
10-JAN-20	Journal Import 55237802:		31,500.00
10-JAN-20	Journal Import 55243906:		40,320.00
15-JAN-20	Journal Import 55380614:		21,000.00
15-JAN-20	Journal Import 55383888:		64,130.00
15-JAN-20	Journal Import 55443442:		14,000.00
16-JAN-20	Journal Import 55473208:		176,400.00
17-JAN-20	Journal Import 55462629:		114,720.00
09-DEC-19	Journal Import 54219749:		13,000.00
09-DEC-19	Journal Import 54228346:		1,530.00
09-DEC-19	Journal Import 54240401:		16,300.00
09-DEC-19	Journal Import 54240623:		9,400.00
09-DEC-19	Journal Import 54240716:		4,130.00
09-DEC-19	Journal Import 54241192:		18,000.00
09-DEC-19	Journal Import 54241945:		1,300.00
09-DEC-19	Journal Import 54272272:		21,500.00
10-DEC-19	Journal Import 54361266:		44,100.00
10-DEC-19	Journal Import 54361533:		142,200.00
10-DEC-19	Journal Import 54362989:		16,183.00
11-DEC-19	Journal Import 54480402:		73,500.00
16-DEC-19	Journal Import 54488698:		19,600.00

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEAR IN THE RECONCILIATIONS

Date	Receiver	Receipt	Bank
16-DEC-19	Journal Import 54496182:		63,700.00
16-DEC-19	Journal Import 55257221:		33,970.00
18-DEC-19	Journal Import 54571402:		142,200.00
19-DEC-19	Journal Import 54720859:		175,000.00
04-NOV-19	Journal Import 53028172:		4,200.00
04-NOV-19	Journal Import 53039057:		4,200.00
04-NOV-19	Journal Import 53039322:		4,200.00
04-NOV-19	Journal Import 53040297:		4,200.00
04-NOV-19	Journal Import 53043546:		4,200.00
05-NOV-19	Journal Import 53006278:		12,600.00
05-NOV-19	Journal Import 53006761:		4,200.00
05-NOV-19	Journal Import 53009399:		34,300.00
07-NOV-19	Journal Import 53088582:		4,200.00
07-NOV-19	Journal Import 53088647:		4,200.00
07-NOV-19	Journal Import 53088988:		2,100.00
14-NOV-19	Journal Import 53599807:		28,000.00
03-OCT-19	Journal Import 51927497:		41,715.00
22-OCT-19	Journal Import 52544047:		67,645.00
28-OCT-19	Journal Import 52705579:		94,500.00
30-OCT-19	Journal Import 52811319:		178,808.00
30-OCT-19	Journal Import 52812631:		7,700.00
30-SEP-19	Journal Import 51807537:		14,700.00
19-SEP-19	Journal Import 51507095:		25,200.00
Total			12,886,895.00

Appendix III- PAYMENTS IN BANK STATEMENT NOT IN CASH BOOK

Date	PAYEE	PAYMENT NUMBER	AMOUNT
2020/06/02	Imara Mediplus Limited	1053054	7,055.00
2020/06/30	Outward RTGS Payment MT 102	1053641	171,708.50
2019/07/02	MILCAH ALOO OLUOCH	1044891	6,000.00
2019/07/25	Withholding Tax	1035530	50,568.00
			235,331.50

Appendix IV

Irregular charge of expenditure to the vote heads

Vote Heads/Sub heads	Sub vote head Narration	Description	Amount
2210903	Insurance- Plant & Equipment	GOVERNMENT AUDITING SERVICES	15,000,000.00
TOTAL IRREGULAR CLASSIFICATION			15,000,000.00

Appendix V - Motor vehicle without Valuation.

REG	DESCRIPTION	YEAR OF PURCHASE	CATEGORY	LOCATION	ASSET USER	COST	VEHICLE CONDITION
GK B891J	Toyota	2013	Motor Vehicle	Eldoret	Hub		Operational
GK B889J	Toyota	2013	Motor Vehicle	Embu	Hub		Operational
GK B890J	Toyota	2013	Motor Vehicle	Garrissa	Hub		Operational
GK B892J	Toyota	2013	Motor Vehicle	Kakamega	Hub		Operational
GK B888J	Toyota	2013	Motor Vehicle	Mombasa	Hub		Operational
GK B755J	Nissan	2013	Motor Vehicle	Nairobi	Hub		Operational
KCE 358Y	Toyota	2013	Motor Vehicle	Nairobi	AG		Operational
GK B756J	Mercedes Benz	2013	Motor Vehicle	Nairobi	AG		Operational

REG	DESCRIPTION	YEAR OF PURCHASE	CATEGORY	LOCATION	ASSET USER	COST	VEHICLE CONDITION
GK B893J	Toyota	2013	Motor Vehicle	Nakuru	Hub		Operational
GK B754J	Nissan	2013	Motor Vehicle	Nyeri	Hub		Operational
GK A460P	Landrover	2013	Motor Vehicle	Eldoret	Hub		Operational
GK A534G	Landrover	2013	Motor Vehicle	Embu	Hub		Operational
GK A060L	Landrover	2013	Motor Vehicle	Kakamega	Hub		Operational
GK A770S	Nissan	2013	Motor Vehicle	Kisumu	Hub		Operational
GK F610	Landrover	2013	Motor Vehicle	Mombasa	Hub		Operational
GK A578E	Landrover	2013	Motor Vehicle	Mombasa	Hub		Operational
GK A993J	Landrover	2013	Motor Vehicle	Mombasa	Hub		Operational
GK A994J	Landrover	2013	Motor Vehicle	Mombasa	Hub		Operational
GK A043L	Landrover	2013	Motor Vehicle	Mombasa	Hub		Operational
GK A059L	Landrover	2013	Motor Vehicle	Nairobi	Hub		Operational
GK A535G	Landrover	2013	Motor Vehicle	Nairobi	Hub		Operational
GK A46AF	Landrover	2013	Motor Vehicle	Nairobi	Hub		Operational
GK M628	Volvo	2013	Motor Vehicle	Nairobi	Hub		Operational
GK AO11A	Volvo	2013	Motor Vehicle	Nairobi	Hub		Operational
GK A291Q	Peugeot 307	2013	Motor Vehicle	Nairobi	Hub		Operational
GK A308G	Toyota Hiance	2013	Motor Vehicle	Nairobi	Hub		Operational
2018/19							
GK A771S	Nissan	2005	Motor Vehicle				Operational
GKA994J	Landrover 110	2005	Motor Vehicle				Operational
GK A172G	Toyota	2003	Motor Vehicle				Operational
GK A463F	Landrover	2004	Motor Vehicle				Operational
GK A400N	Nissan Urvan	2006	Motor Vehicle				Operational
GK A942A	Toyota Hiace	1998	Motor Vehicle				Operational
GK A398N	Nissan Urvan	2005	Motor Vehicle				Operational
GK A399N	Nissan Urvan	2006	Motor Vehicle				Operational
GK A365E	Nissan Urvan	2006	Motor Vehicle				Operational
GK A633H	Nissan	2004	Motor Vehicle				Operational
GK A407K	Mercedes Benz	2004	Motor Vehicle				Operational
GK A311N	Mits Pajero	2006	Motor Vehicle				Operational
GK A146R	Toyota Hiace	2008	Motor Vehicle				Operational
GK A705Q	Mits Pajero	2007	Motor Vehicle				Operational

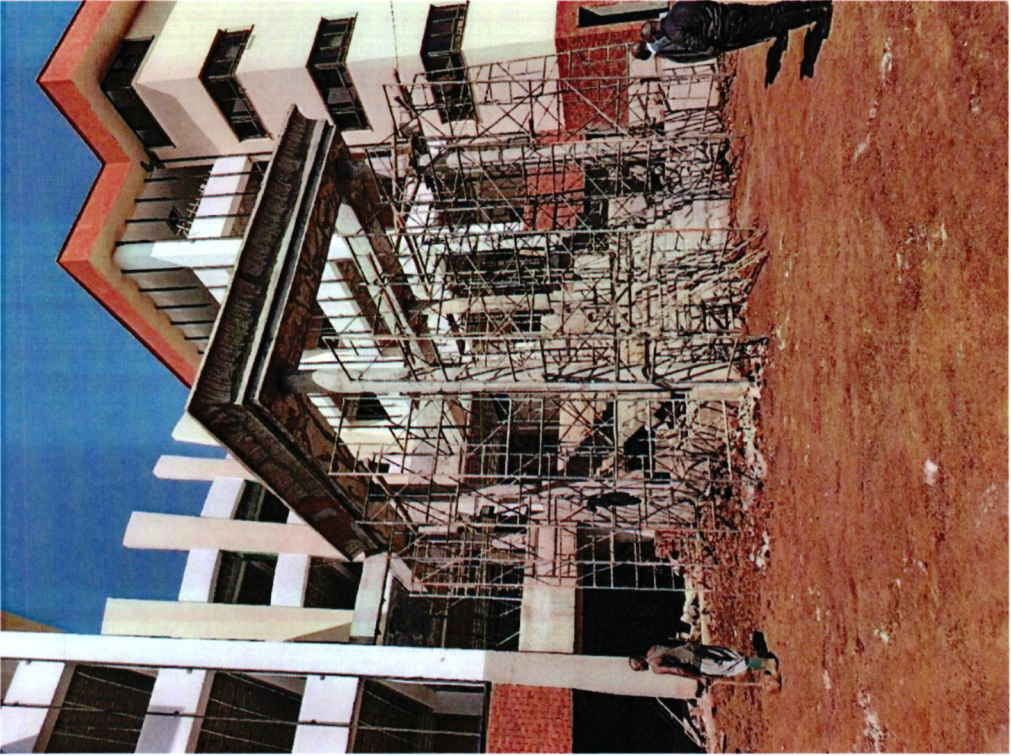
REG	DESCRIPTION	YEAR OF PURCHASE	CATEGORY	LOCATION	ASSET USER	COST	VEHICLE CONDITION
GK A706Q	Mits Pajero	2007	Motor Vehicle				Operational
GK A772S	Nissan	2008	Motor Vehicle				Operational
GK A774S	Nissan	2008	Motor Vehicle				Operational
GK A775S	Nissan	2008	Motor Vehicle				Operational
GK A861E	Isuzu M. Bus	2000	Motor Vehicle				Operational
GK A181U	Volkswagen	2009	Motor Vehicle				Operational
GK A672Q	Toyota Corolla	2007	Motor Vehicle				Operational
GK A674Q	Toyota Corolla	2007	Motor Vehicle				Operational
GK A920N	Toyota Corolla	2007	Motor Vehicle				Operational
GK A712Q	Omnibus-Maruti	2007	Motor Vehicle				Operational
GK A970N	Nissan Urvan	2004	Motor Vehicle				Operational
GK A560H	Nissan	2004	Motor Vehicle				Operational
GK B518W	Isuzu DMax	2020	Motor Vehicle				Operational
GK B635W	Isuzu DMax	2020	Motor Vehicle				Operational
GK B354W	Toyota	2020	Motor Vehicle				Operational
GK B668W	Isuu MuX	2020	Motor Vehicle				Operational
GK B670W	Isuzu MuX	2020	Motor Vehicle				Operational
GK B368V	Nissan	2017	Motor Vehicle				Operational
GK B367V	Toyota	2019	Motor Vehicle				Operational
GK B200V	Toyota	2019	Motor Vehicle				Operational
GK B270V	Isuzu	2019	Motor Vehicle				Operational
GK B810V	Isuzu	2020	Motor Vehicle				Operational
GK A232S	Landrover	2008	Motor Vehicle				Operational
GK B803V	Isuzu	2020	Motor Vehicle				Operational
GK A533H	Isuzu	2006	Motor Vehicle				Operational
GK A776S	Nissan	2008	Motor Vehicle				Operational
GK A459P	Landrover	2007	Motor Vehicle				Operational
GK B804V	Isuzu	2020	Motor Vehicle				Operational
GK A 770S	Nissan	2008	Motor Vehicle				Operational

Appendix VI- Double issue of imprest before surrender of outstanding amount.

S.No	Per.No.	FullName	ImprestDate	Department	WarrantNo	AmtOutstanding
5	1992030407	James Peter Kamau Wanjiru	9-Sep-19	DAG 7	3678838	258,400
6	1992030407	James Peter Kamau Wanjiru	27-Jan-20	DAG 7	3932126	134,400
7	1992030407	James Peter Kamau Wanjiru	15-Jun-20	DAG 7	3998969	115,900
8	1992050588	Henry Nyabuto Nyandwaki	18-Sep-19	DAG 4	3807119	354,000
9	1992050588	Henry Nyabuto Nyandwaki	17-Mar-20	DAG 4	3998727	106,400
22	2005059004	Isaiah Kariuki Kanithi	24-Sep-19	DAG 5	3807374	87,500
23	2005059004	Isaiah Kariuki Kanithi	6-Jan-20	DAG 5	3865306	102,480
24	2005059004	Isaiah Kariuki Kanithi	12-Mar-20	DAG 5	3998689	52,500
34	2015283129	Nelson Oneal Otemba	12-Feb-20	DAG 1 - CS	3932494	29,400
38	2019283642	Caleb Otieno Oduor	28-Oct-19	DAG 2	3811642	32,200
39	2019283642	Caleb Otieno Oduor	10-Mar-20	DAG 2	3998654	24,800
49	2015283129	Nelson Oneal Otemba	10-Mar-20		3998655	9,800
84	2015283042	Rosemary Ogwago	17-Jun-20		3998647	63,000
85	2015283042	Rosemary Ogwago	12-Jun-20		3998627	21,000
86	2015283042	Rosemary Ogwago	25-Feb-20		3998555	182,340
146	2015282996	Agnes Kambura Kauna	23-Jun-20		3998801	279,600
147	2015282996	Agnes Kambura Kauna	9-Jun-20		3998620	279,600
165	2014282934	Ben Otieno Muok	17-Jun-20		3998637	63,000
166	2014282934	Ben Otieno Muok	25-Feb-20		3998554	182,340
176	2000001145	Bonface Oluoch Ong'wen	2-Mar-20		3998574	42,000
177	2000001145	Bonface Oluoch Ong'wen	24-Feb-20		3998535	52,500
181	2017283200	Caleb Iratiri Gimode	15-Jun-20		3998959	147,000
182	2017283200	Caleb Iratiri Gimode	15-Jun-20		3998977	100,800
198	1997035842	Cyprian Muthuri Kinoti	24-Feb-20		3998519	31,500

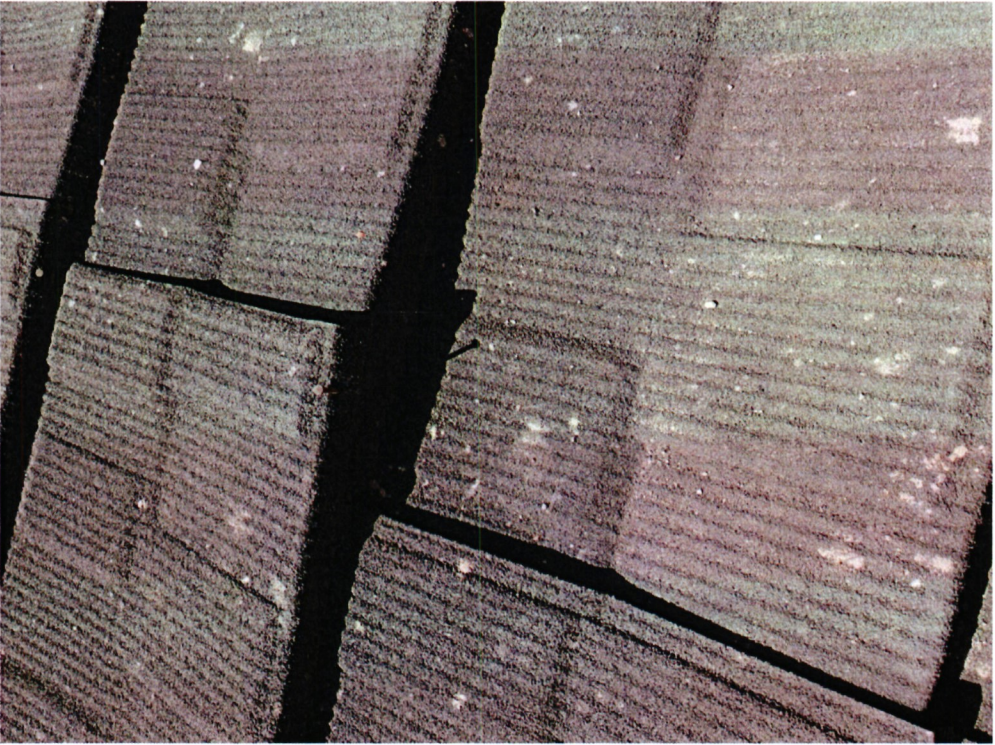
S.No	Per.No.	FullName	ImpresDate	Department	WarrantNo	AmtOutstanding
213	1997034812	Domenic Mutiria Kamenyi	23-Jun-20		3998803	25,200
214	1997034812	Domenic Mutiria Kamenyi	17-Jun-20		3998639	75,600
215	1997034812	Domenic Mutiria Kamenyi	12-Jun-20		3998628	272,400
216	1997034812	Domenic Mutiria Kamenyi	9-Jun-20		3998623	75,600
217	1997034812	Domenic Mutiria Kamenyi	11-May-20		3998698	205,200
218	1986037857	Dominic Mureithi Mungai	26-Jun-20		3998812	74,200
261	2018283531	Isaac Renson Ayoyi	17-Jun-20		3998648	472,400
262	2018283531	Isaac Renson Ayoyi	21-May-20		3998696	200,000
263	2018283531	Isaac Renson Ayoyi	21-May-20		3998697	662,021
300	2015283040	Kilonzo Kevin Mutua	23-Jun-20		3998805	277,200
301	2015283040	Kilonzo Kevin Mutua	9-Jun-20		3998622	277,200
						5,369,481

Appendix IX





Appendix X



Appendix XI

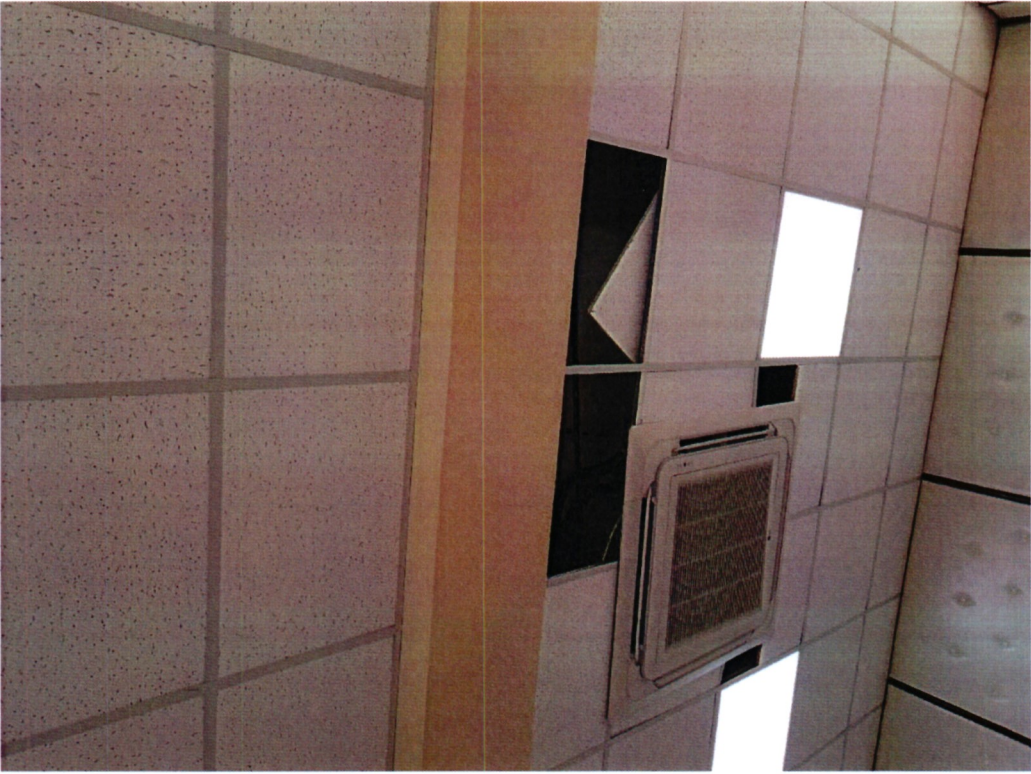




Appendix XII

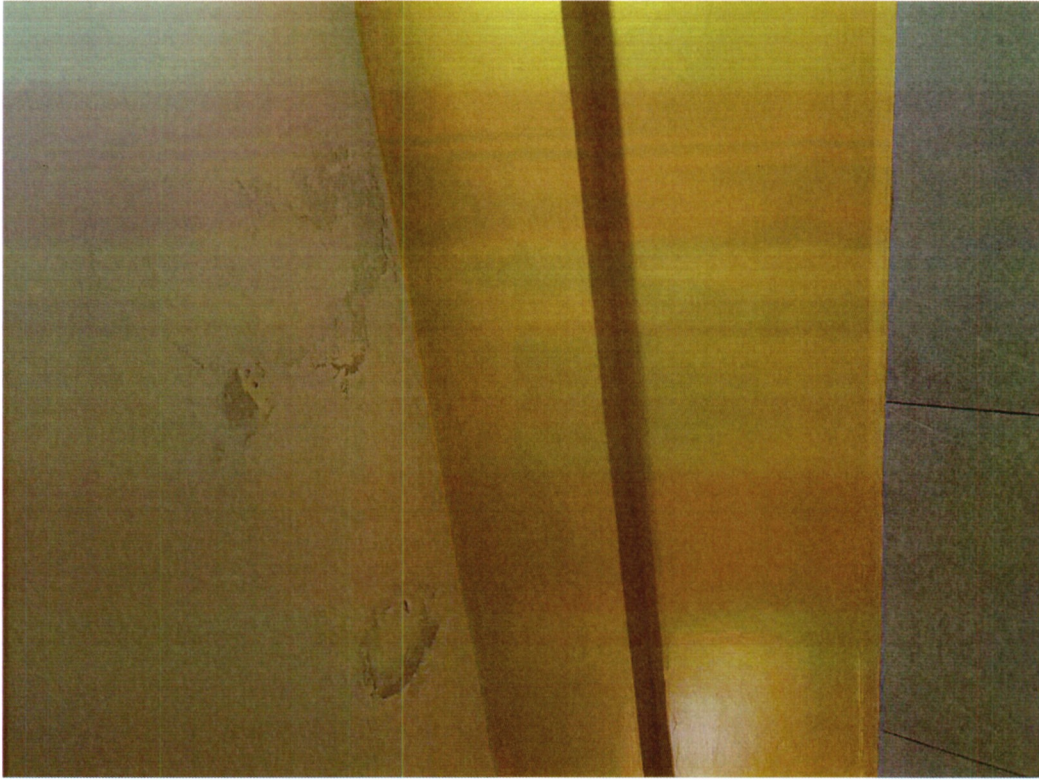


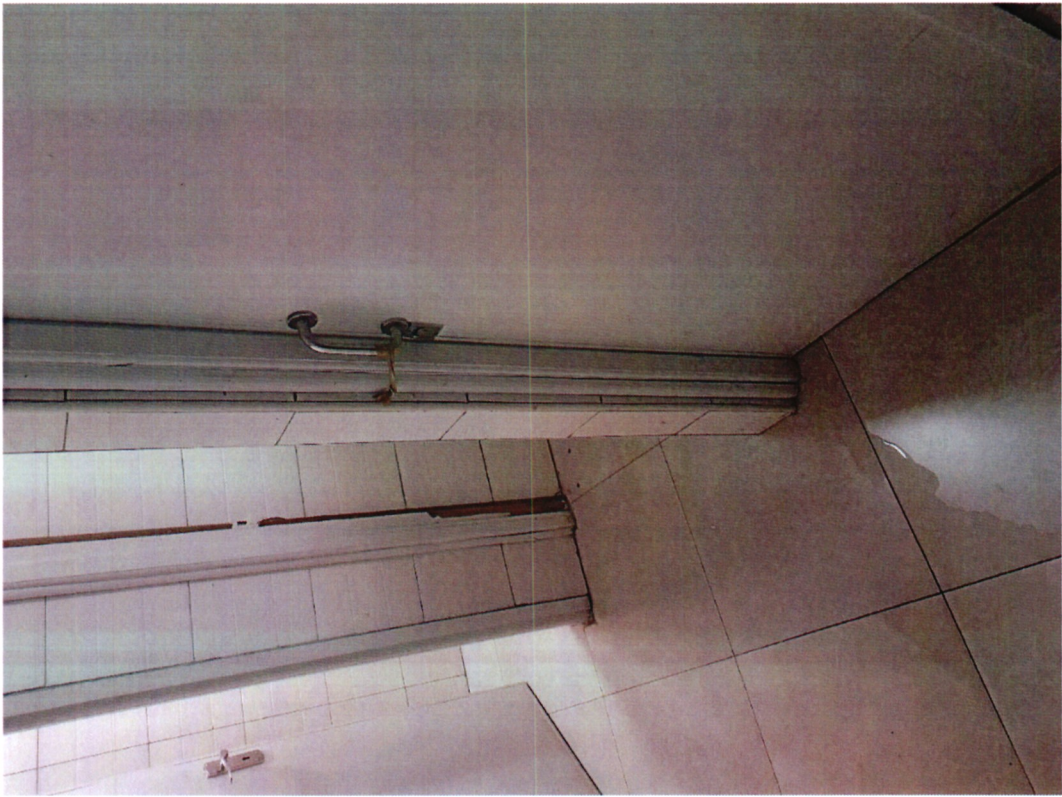
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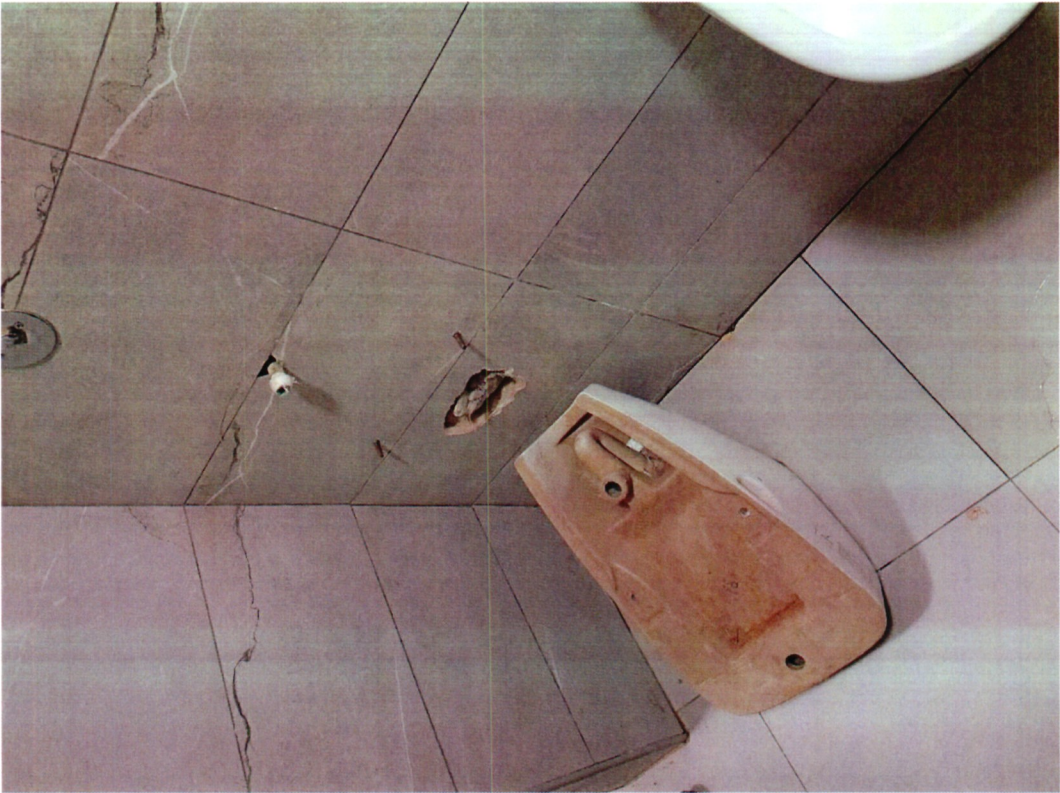




Appendix XIV







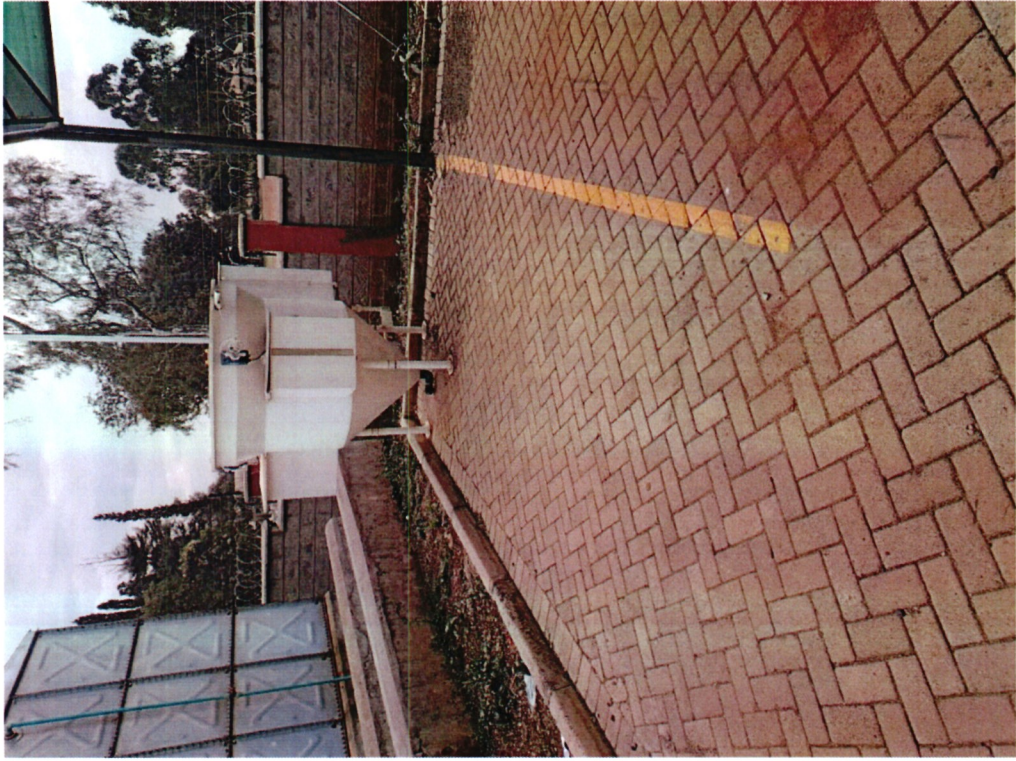
Appendix XV



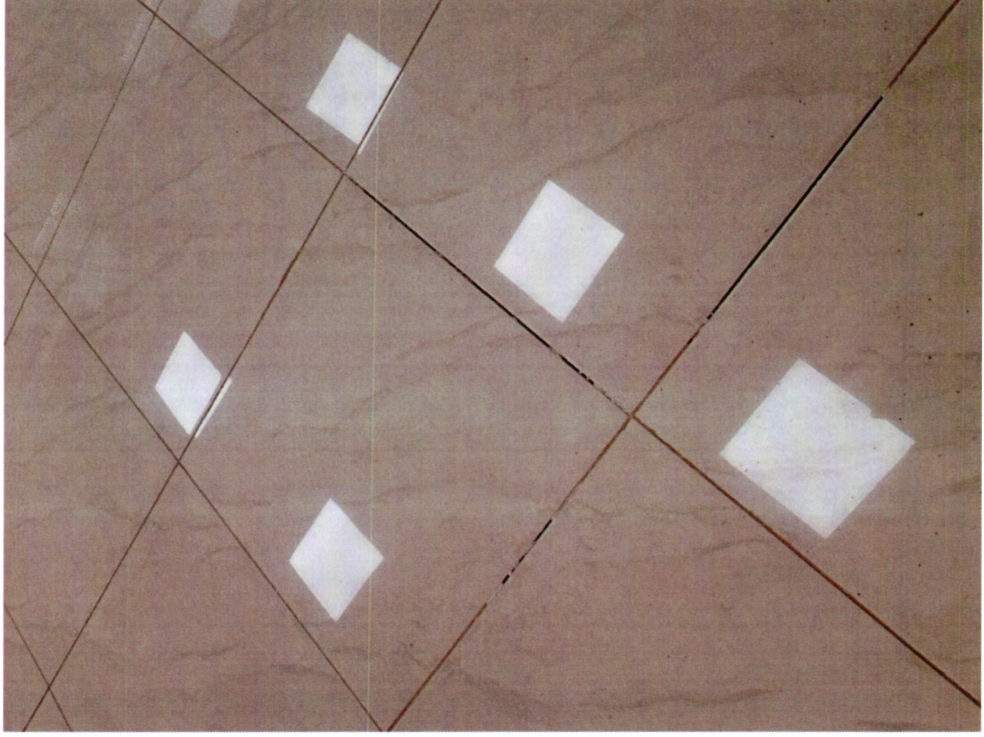
Appendix XVI



Appendix XVII



Appendix XVIII





Appendix XIX





Appendix XX



Appendix XXI



Appendix XX



HUMAN RESOURCE FINDINGS

APPENDIX 1

PAYROLL TEST 19 - 20	Total Gross Salary as per ledger	Total Gross Salary as per payroll	Difference	Management Comment
July	290,499,415	286,861,390	3,638,026	Overstated basic sal with kshs.3,638,025.80 employee salaries paid outside payroll
August	265,936,544	268,891,869	(2,955,325)	Had excluded basic salary of 3,440,002.75 and included paid out of Leave allowances of kshs 4,836.30 paid outside payroll but didn'
September	259,190,740	266,898,057	(7,707,317)	Had missed kshs.8,023,781.00 Contractual employees on national government basic salaries
Oct	258,010,077	257,602,184	407,893	
november	260,591,904	259,620,660	971,244	Overstated basic salary with kshs 5,472,51.60and kshs.448,992.60 employee salaries paid outside payroll
Dec	253,660,835	261,662,846	(8,002,011)	Had missed kshs.7969138.30 Contractual employees on national government basic salaries
Jan	260,360,841	260,360,841	-	
Feb	263,337,591	263,337,591	-	
March	258,864,958	267,044,481	(8,179,523)	Had missed kshs.8,,265,017 Contractual employees on national government basic salaries
April	302,714,557	302,714,557	0	
May	268,410,969	268,410,969	(0)	
June	229,885,683	260,754,883	(30,869,200)	Had missed kshs.2,888,577+8,494,000+19,839,486.45 / Contractual amounts, Non practising allowances and pension a on national government basic salaries
	3,171,464,112	3,224,160,325	(52,696,213)	Includes kshs. 254,158+98,706 allowances paid outside payroll 32,751,936
	1,182,212,587		Contractual Employees	
			Payment outside payroll	19,944,277