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**OFFICE OF THE AUDITOR GENERAL
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**



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

OFFICE OF THE AUDITOR GENERAL
Audited Financial Statements
For the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

CONSTITUTIONAL MANDATE AND FUNCTIONS

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

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

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

- (a) protect the sovereignty of the people;
- (b) secure the observance by all State organs of democratic values and principles; and
- (c) promote constitutionalism

Vision

Accountability and effective management of Public Resources.

Mission

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

Core values

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

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

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

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

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

(b) Key Management

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

- (a) Auditor General,
- (b) Executive Committee comprising of the Auditor-General and the Deputy Auditor - Generals

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer/Auditor-General	CPA Nancy Gathungu
2.	Deputy Auditor General-Corporate Services	CPA Joyce Mbaabu
3.	Director Finance	CPA Charles Mwitari

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(d) Fiduciary Oversight Arrangements

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

Executive Committee

It comprises of;

No.	Designation	Name
1.	Auditor-General	Nancy Gathungu
2.	Deputy Auditor General Corporate Services	Joyce Mbaabu
3.	Deputy Auditor General – Regularity Audit	Sylvester Kiini
4.	Deputy Auditor General – Regularity Audit	William Agunda
5.	Deputy Auditor General – Regularity Audit	Edwin Kamar
6.	Deputy Auditor General – Regularity Audit	David Njoka
7.	Deputy Auditor General – Specialized Audit	Fredrick Odhiambo

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EXECUTIVE MANAGEMENT

CPA NANCY GATHUNGU, AUDITOR-GENERAL

CPA Nancy Gathungu is the Auditor-General of the Republic of Kenya. She was appointed to the position on 17 July, 2020. A holder of a Master's Degree in Business Administration (Strategic Management) and Bachelor's Degree in Commerce (Accounting), from the University of Nairobi. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), a Certified Information Systems Auditor (CISA) and a member of the Association of Women Accountants of Kenya (AWAK).

She has more than 25 years of experience in public sector auditing, governance and risk management. Prior to her appointment she served as the Director of Quality Assurance at the Office of the Auditor General. She has also previously served as the Head of Forensic Audit, Information Systems Audit and Learning & Development. Ms Gathungu also worked as the Chief Internal Auditor at Kenyatta National Hospital (KNH). Before joining the Hospital, she worked at the Ministry of Education where she was in charge of the audit of all public sector education institutions in the former Central Province of Kenya.

CPA JOYCE MBAABU (MRS), DEPUTY AUDITOR-GENERAL- CORPORATE SERVICES

A holder of Bachelor of Commerce Degree (accounting Option) from university of Nairobi and is a Certified Public Accountant of Kenya (CPA-K), and a member of ICPAK.

She has a wide experience in Public Sector with a span of over thirty-one years with the Office of the Auditor General-Corporations and later with the Office of the Auditor general. She served as a public sector auditor for thirty years rising through the ranks to a Director of Audit. On 1st July 2019, she was appointed Deputy Auditor General in charge of Corporate services where her responsibilities include overseeing the general operations in Finance, Human Resource, Information Technology, Administration, Public Relations & Communication, Legal Affairs and Procurement.

CPA DAVID NJOKA – DEPUTY AUDITOR-GENERAL

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

Mr Njoka has more than 28 years' experience in the public sector having served as Chief Accountant and Senior Accountant in Tana & Athi Rivers Development Authority and Kenya Electricity Generating Company Limited (KenGen) respectively. He is in charge of audits of Ministries of Energy & Petroleum, Mining, Industry, Trade & Cooperatives as well as Tourism in addition to overseeing audit functions of all publicly funded entities in Kisumu and Kakamega regional offices.

CPA FREDRICK ODHIAMBO – DEPUTY AUDITOR-GENERAL

CPA Odhiambo holds an MBA from the Warwick Business School – University of Warwick and a Bachelor's Degree from Jomo Kenyatta University of Agriculture and Technology. He is a Certified Public Accountant of Kenya (CPA-K), Certified Fraud Examiner (CFE-US), and Certified Financial Services Auditor (CFSA-US).

CPA Odhiambo has vast experience in audit, advisory and consultancy. He previously served as Director of Audit, Senior Audit Manager in other Supreme Audit Institutions in the British Overseas Territories, Deloitte & Touche LLP, KPMG East Africa before joining the Office of the Auditor-General, Kenya in 2013. He is in charge of Specialised Audits function which include; Performance (VfM) Audits, Forensic Audits, Procurement Audits, Information Systems/Technology (IT) Audits and Public Debt Audits. He also oversees other emerging audits such as the Extractive Industries.

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CPA SYLVESTER KIINI - DEPUTY AUDITOR-GENERAL

CPA Kiini holds MBA in Strategic Management and a Bachelor of Commerce (Accounting Option). He is a Certified Public Accountant (K) and a member of ICPAK.

He has a vast experience in auditing and has served as Director of Audit in the Office of the Auditor-General since 2008 before being appointed as Deputy Auditor-General in 2014 as the Office strives to enhance its capacity in service delivery. He oversees the audit function of Ministries of Education, Science and Technology, Health, Communication and Information Technology, Lands, Housing and Urban Development. Mr. Kiini is also in charge of audit functions of all public entities under Mombasa and Eldoret regional hubs.

CPA WILLIAM AGUNDA –DEPUTY AUDITOR-GENERAL

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

He has an extensive experience of more than 30 years in Public Sector Auditing. He has held various positions in the former Office of the Controller & Auditor-General, Kenya National Audit Office and Office of the Auditor General since January 1987. CPA Agunda is currently responsible for the audit of Agriculture, Planning, Devolution and National Security Sectors; County Governments of Nairobi, Kajiado, Machakos and Makeni; and all Public Entities in these Counties.

CPA EDWIN KAMAR –DEPUTY AUDITOR-GENERAL

CPA Edwin holds a Bachelor's degree in Commerce from Kenyatta University and the following professional certifications: Certified Public Accountant of Kenya (CPA K); Certified Information Systems Auditor (CISA); Certified Internal Auditor (CIA), and Certified Fraud Examiner (CFE). He is also a member in good standing in the respective professional bodies.

Edwin is currently serving with the Office of the Auditor-General (OAG) in the role of Deputy Auditor-General where he is responsible for financial audits at the County and National Government levels. He is experienced in leading teams on internal and external audit engagements as well as systems audit with cumulative years of experience of 20 years in Public and Private Sectors. Edwin is passionate with the automation of audit processes having led in it at; Safaricom PLC, The Alliance for a Green Revolution in Africa (AGRA) and OAG Kenya.

Fiduciary Oversight Arrangements

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

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

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

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

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

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

(e) Entity Headquarters

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

Entity Contacts

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

(f) Entity Bankers

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

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

(g) Principal Legal Adviser

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

FOREWORD BY THE AUDITOR GENERAL

As an Office charged with enhancing accountability of public resources, under the provision of Article 229 of the Constitution, we continue to be innovative and professional in discharging our mandate. In an environment of increased public expectation on accountability, the Office is anchoring its operations on four pillars of Independence, Credibility, Relevance and Accountability to adequately address the needs of the citizens.

These pillars feed into the legal framework that establishes the Office and outlines its mandate, and are therefore very critical in our work. The pillars will be catalysts for revamped operations that will ensure we execute our work with an independent mind and produce credible audit reports that stand the test of time. We will also continue adhering to the principle of timeliness so that our reports remain relevant to stakeholders, not only on timeliness but also by addressing issues that resonate to their needs. We hold this Office in public trust and we must be accountable for our actions as well as being open and transparent for scrutiny.

The Office is also focusing on audit work that responds directly to the bill of rights and social rights of citizens that will be impacted by the development and implementation of programmes addressing issues of health, clean and safe water, education, housing and social security. It is our hope that these interventions will meet the expanding expectations of the citizens in the management of public resources.

In order to execute our mandate effectively and professionally, we continue to equip our staff with the relevant skills and knowledge, while tapping into the advancement of technology to automate our processes. In 2019/2020 we offered opportunities to enhance knowledge and skills through seminars and in-house trainings. Our priority in 2019/20 was staff development and retention.

In the coming year, the Office will focus primarily on implementing the key areas of focus identified in our strategic plan to effectively deliver on its mandate. We cannot do much without support from our stakeholders. On this score, we are grateful for the continued support from Parliament, National Treasury and development partners for the financial and technical assistance they have accorded the Office. We are also grateful for the invaluable support of the National Government, constitutional commissions, parliament and affiliate supreme audit institutions in helping us to achieve our goals in 2020.

NANCY GATHUNGU
Auditor-General, Kenya.

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MANAGEMENT DISCUSSION AND ANALYSIS

A Budget execution Historical Performance and Outlook:

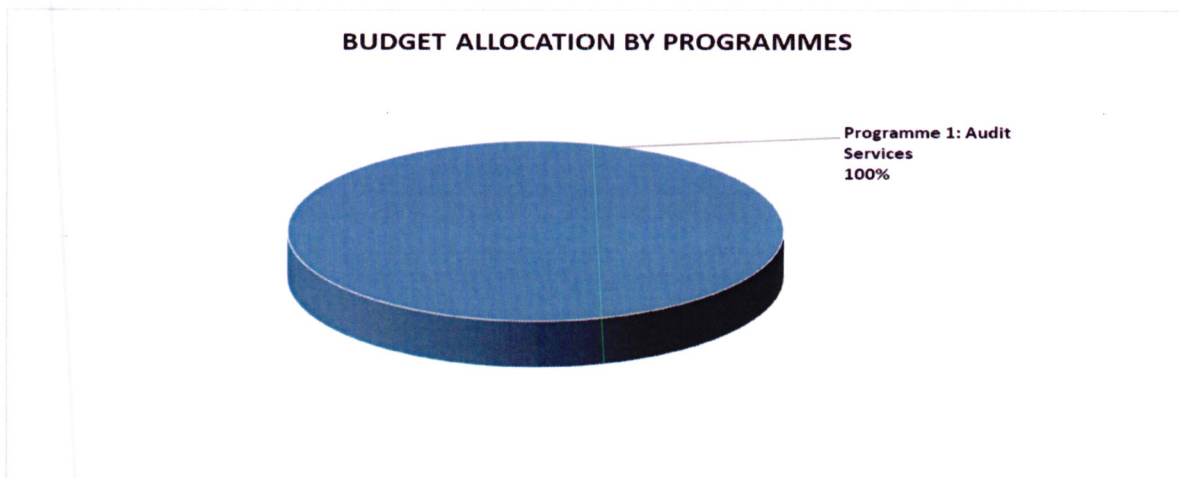
In the FY 2019/20 we operated in the context of a moderate global economic recovery. The Global output was estimated to have grown by 3.7% in 2019 from 3.2% in 2018. This growth momentum is expected to reach 3.9% in 2019, reflecting a recovery in investment, trade and industrial production.

During the year 2019/2020, the Office of the Auditor General had an approved recurrent budget allocation of Kshs.5.3 Billion and a development budget allocation of Kshs. 142 million. Actual exchequer received was in the year was Kshs 5.2 Billion, translating to an overall 99% absorption for the full year.

The Auditor-General as mandated by the Constitution continued to audit the 47 county governments, the national government, the state corporations, donor funded projects and all other entities funded by public funds. This called for strengthening of the Office, human capital enhancement and development, improvement of the working environment and ICT mainstreaming were some of the activities undertaken. Due to the expanded mandate, the Office continues to seek support from the National Treasury and Parliament in order to enhance its budget, to hire more technical staff, expand its presence in the counties, out-source some of the audit services, as well as motivate its staff.

BUDGET UTILISATION AS PER ECONOMIC ITEMS

BUDGET ALLOCATION BY PROGRAMMES			
Programmes	Approved Budget Allocation (KES)	Actual Payments (KES)	Variance (KES)
Programme 1 Audit Services	5,505,379,217	5,403,226,754	106,211,102

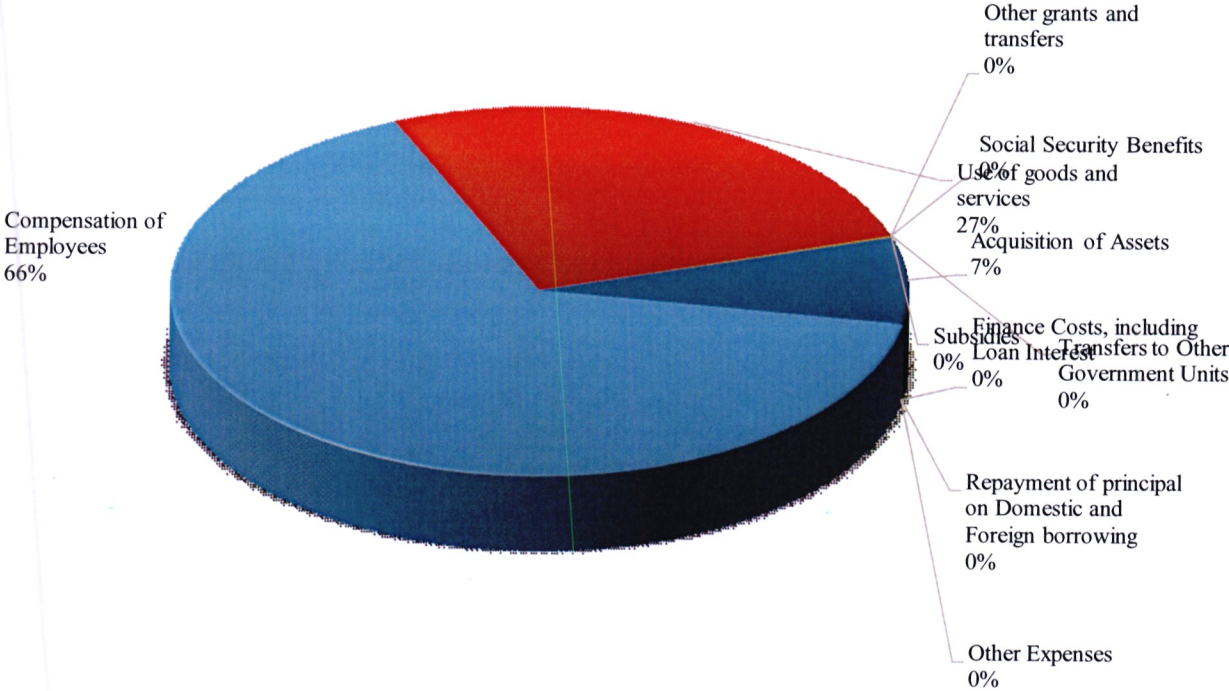


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	Approved Budget Allocation
Compensation of Employees	3,543,900,000
Use of goods and services	1,546,254,847
Subsidies	-
Transfers to Other Government Units	-
Other grants and transfers	-
Social Security Benefits	6,042,100
Acquisition of Assets	409,182,270
Finance Costs, including Loan Interest	-
Repayment of principal on Domestic and Foreign	-
Other Expenses	-
Total Payments	5,505,379,217

	Actual Payments	
Compensation of Employees	3,537,009,011	65%
Use of goods and services	1,453,464,460	27%
Subsidies	-	
Transfers to Other Government Units	-	
Other grants and transfers	-	
Social Security Benefits	5,718,552	0%
Acquisition of Assets	407,034,731	8%
Finance Costs, including Loan Interest	-	
Repayment of principal on Domestic and Foreign borrowing	-	
Other Expenses	-	
Total Payments	5,403,226,754	100%

Budget Utilisation as Per Economic Items



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PROGRAMME PERFORMANCE REVIEW REPORT: FY 2015/16 – FY 2019/20

VOTE NO: 2111

VOTE NAME: OFFICE OF THE AUDITOR GENERAL

SECTION 1: DELIVERY OF PLANNED OUTPUTS

- There was a delay in issue of Audit Reports due to the delay in appointment of the Auditor General.

SECTION 2: EFFICIENCY SAVINGS

- The Office has acquired 200 TeamMate licenses in order to automate the audit process thereby improving timelines.
- The Office has signed various ICT contracts in order to ensure there is confidentiality, integrity and availability of information for decision making purposes
- The adoption of a risk-based audit methodology is meant to direct the limited resources on the very high risk audit areas. The adoption of a continuous presence approach is also aimed at preventing and deterring any would be misuse of resources.
- The Office has adopted analytical methods to help extract useful information from data and thus improve on the quality of OAG's reports
- The Office has constructed Office blocks in Garissa, Eldoret and Kakamega. These will provide conducive and secure working environments for OAG staff and save on rent

SECTION 3: INFORMATION ON PROGRAMMES

PROGRAMME TITLE & CODE: Audit Services

PROGRAMME OUTCOME: Good Governance

Output	Key Performance Indicators			Actual Achievement			Remarks
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
National Government Audit Reports	606 reports	693 reports	693 reports	593 reports	693 reports	0 reports	
County Government Audit Reports	129 reports	141 reports	253 reports	124 reports	253 reports	0 reports	
CDF Audit Reports	290 reports	290 reports	290 reports	287 reports	290 reports	0 reports	
Specialized Audit Reports	20 reports	40 reports	40 reports	21 reports	25 reports	0 reports	

SECTION 4: PROGRAMME MONITORING

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

THE STRATEGIC PLAN OVERVIEW.

The office during the year under review continued to focus on implementation of the strategic plan 2015-2018 and below are some of the key achievements in the year.

KEY ACHIEVEMENTS	
Goal 1: To enhance the quality and timeliness of audit reports	<ul style="list-style-type: none"> • Auditors have been trained on Risk Based Audit Methodology and this has contributed to improved quality of Audit reports. • The Information Systems Audit function is well established and is now being integrated into financial audit. • An Audit Management System has been launched and this is expected to significantly improve the timeliness of Audit reports.
Goal 2: To Promote and Support Good Governance and Accountability in the Public Sector	<ul style="list-style-type: none"> • Continuous audits are being carried out alongside financial audits. • A Financial and Compliance Audit Manual is being finalized. This will contribute to improved quality of work. • The Fraud policy manual has been reviewed and implemented thus contributing to good governance and accountability in the public sector.
Goal 3: To Promote Effective Delivery of Quality Services to the Public and Sustainable Management of Resources	<ul style="list-style-type: none"> • The Office was the recipient of the AFROSAI -E Best Performance Audit Prize ,2017 for the report on '<i>The Provision of Mental Healthcare Services in Kenya.</i>' • The Office is looking into ways of building capacity in the responsible Committees of Parliament to help them deliberate on these reports. • Environmental audits continue to be carried out as part of performance audit. • The Office is emphasizing on the use of the budget as a control tool to improve the Audit process.
Goal 4: To Transform the Organisation for Efficient and Effective Delivery of Audit Services	<ul style="list-style-type: none"> • The Auditor General continues to discharge his responsibilities independently as provided for in the Constitution. • The Office has restructured in response to its current constitutional mandate. One Sub - Hub office have been established and staffed. OAG office blocks have been constructed in two hubs. • A Job Evaluation report and staff welfare programs have been implemented with the objective of improving staff morale and retention. • The Office is in the process of developing a Performance Management System. • A strong Communications unit has helped strengthen the OAG brand and has worked with the media in publicizing the Auditor General's reports.
Goal 5: To Enhance Information and Communication Technology (ICT)Capacity and Systems for Efficient Operations	<ul style="list-style-type: none"> • The desired laptop ratio of 1:1 for audit staff is approximately 75% achieved. • There are on-going efforts to develop and implement a Management Information System so that all OAG business processes are carried out on this platform. • Improved infrastructure for the automation of the Audit process.

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CORPORATE GOVERNANCE

Overview

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

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

Good Corporate Governance seeks to promote:

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

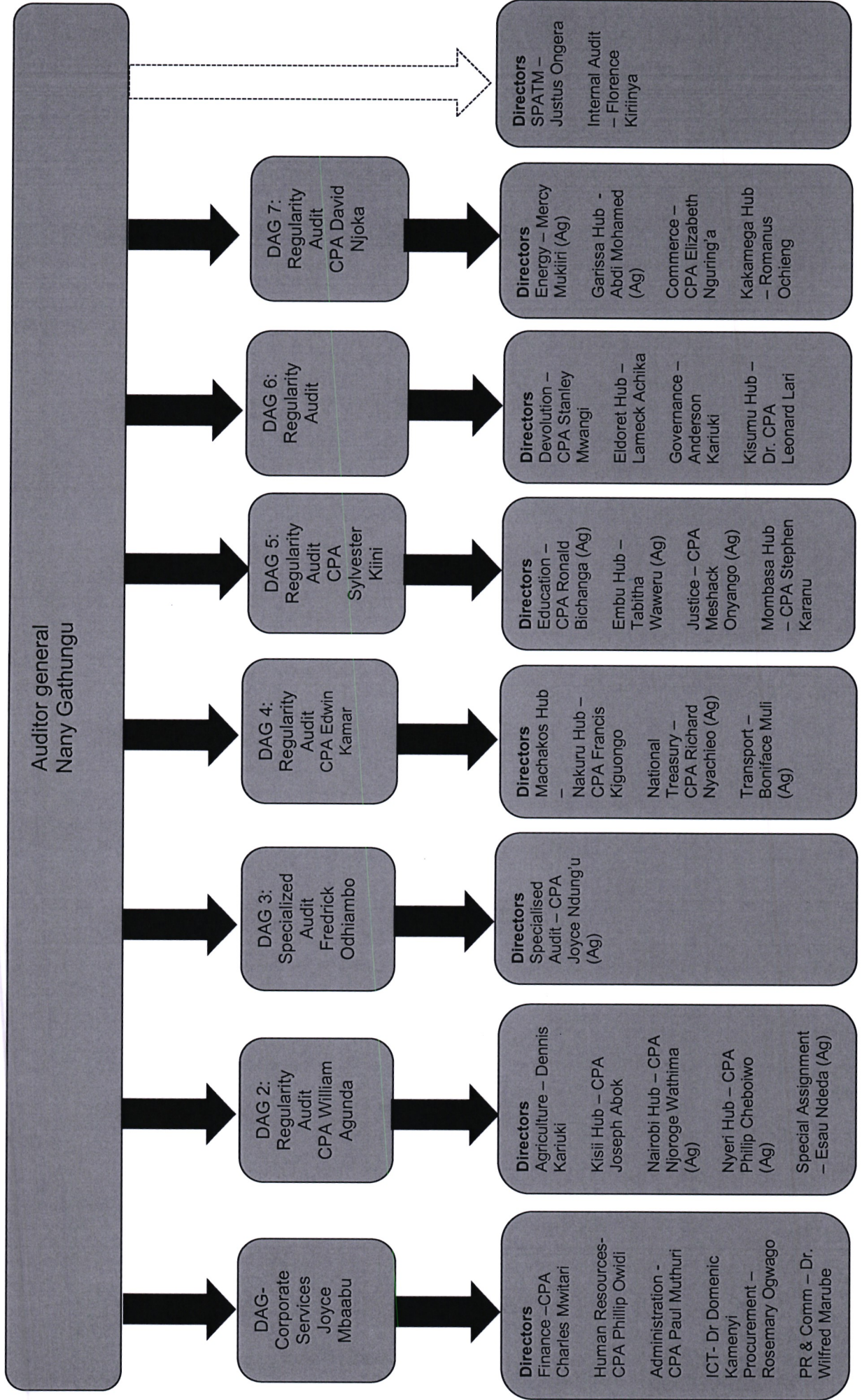
To embrace good governance, the Office requires that all its staff conform to a code of ethics. We also expect our staff to comply with our Code of Conduct. We strive to continuously improve the effectiveness of our audit and we undertake annual reviews to assess our performance. The review for the 2019/20 financial year is described in this report. The office acknowledges the importance of diversity, including gender, to the effective functioning of the office and commits to supporting diversity in the Office

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

Our key mandate is audit of usage of public resources, public interest protection and advocating for sound accountability and governance in all sectors of the economy. In this regard we are committed to best practice and continuously seek to promote best corporate governance practice. In 2019/20 we continued to entrench good governance in everything we did at all levels of the Office and operated in such a manner as to be Credible, Professional and Accountable.

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Organisation Structure



Code of Ethics

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

Risk Management

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

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

I. Credit risk management

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

II. Liquidity risk management

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

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

STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Office of the Auditor General is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

The Office of the Auditor-General's financial statements were approved and signed by the Accounting Officer on22/4/.....2022.



Auditor General



Deputy Auditor General-Corporate services

REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS OF THE OFFICE OF THE AUDITOR GENERAL FOR THE YEAR ENDED 30 JUNE 2020**Qualified Opinion**

We have audited the accompanying financial statements of the Office of the Auditor General set out on pages 21 to 37, which comprise the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the summary statement of appropriation: recurrent and development combined for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of Office of the Auditor General as at June 30, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

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

The OAG's use of IFMIS has represented a significant risk and complexity in the audit due to the material variances observed between the IFMIS and the Financial Statements availed for audit. There were discrepancies of Kshs. 212,855,865 between the Integrated Financial Management Information System (IFMIS) and the financial statements. Due to this level of discrepancies, we were unable to certify ourselves to the nature, extent, accuracy and completeness of the financial statements presented for audit. The financial statements are not in agreement with the trial balance.

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

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

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

Key audit matters

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

Report (Cont'd)

Key audit matters (Cont'd)

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

Key Audit Matter	How the matter was addressed
Fixed Assets The Organization has a fixed asset net book value of Kshs 2,460,916,029. Given that IPSAS cash basis accounting does not require reporting and amortization for the same, there was a significant complexity in determination of the existence, valuation, accuracy and completeness of these assets in the financial statements and disclosures therein.	 We analysed the Organization's disclosures of the assets against the asset register and supporting documentation of the same. We also did a physical verification exercise to satisfy ourselves that all the Organization's assets exist and are properly safeguarded.

Other information

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

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

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

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

The Accounting Officer and those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis), comply with Public Finance Management Act, 2012. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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



Report (Cont'd)

Auditors' Responsibility

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

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

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

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

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



Report (Cont'd)

Report on other legal requirements

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

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

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

Ronalds LLP

Ronalds LLP
Certified Public Accountants (Kenya)
Nairobi,



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



OFFICE OF THE AUDITOR GENERAL
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For the year ended June 30, 2020

STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2019-2020	2018-2019
		Kshs	Kshs
RECEIPTS			
Transfers from National Treasury	1	5,295,379,217	5,566,294,760
Proceeds from Sale of Assets	2	600,000	-
Other Revenues	3	145,566,662	206,109,956
TOTAL REVENUES		5,441,545,879	5,772,404,716
PAYMENTS			
Compensation of Employees	4	3,537,009,011	3,342,760,987
Use of goods and services	5	1,453,464,460	1,820,337,276
		5,718,552	5,394,706
Social Security Benefits	6		
Acquisition of Assets	7	407,034,731	624,952,861
TOTAL PAYMENTS		5,403,226,754	5,793,445,829
SURPLUS/(DEFICIT)		38,319,125	(21,041,114)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/14/2022 and signed by:



Auditor General



Deputy Auditor General-Corporate service

OFFICE OF THE AUDITOR GENERAL
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STATEMENT OF ASSETS AND LIABILITIES

	Note	2019-2020	2018-2019
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	131,002,390	103,227,579
Cash Balances	8B	971,981	1,494,809
Total Cash And Cash Equivalents		131,974,371	104,722,388
Accounts Receivables-Outstanding Imprest & Clearance Accounts	9	61,783,525	38,118,560
TOTAL FINANCIAL ASSETS		193,757,896	142,840,948
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	10	(126,556,444)	(113,958,621)
NET FINANCIAL ASSETS		67,201,452	28,882,327
REPRESENTED BY			
Fund balance brought forward	11	28,882,327	49,923,441
Surplus/(Deficit) for the year		38,319,125	(21,041,114)
NET FINANCIAL POSSITION		67,201,452	28,882,327

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



Auditor General




Deputy Auditor General-Corporate services

OFFICE OF THE AUDITOR GENERAL
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STATEMENT OF CASH FLOWS

	Note	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	5,295,379,217	5,566,294,760
Other Revenues	3	145,566,662	206,109,956
		5,440,945,879	5,772,404,716
Payments for operating expenses			
Compensation of Employees	4	3,537,009,011	3,342,760,987
Use of goods and services	5	1,453,464,460	1,820,337,276
Social Security Benefits	6	5,718,552	5,394,706
		4,996,192,023	5,168,492,969
Adjusted for:			
Changes in receivables		(23,664,995)	30,300,113
Changes in payables		12,597,823	75,930,815
Adjustments during the year		30	39,065,148
Net cashflow from operating activities		433,686,714	749,207,823
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	600,000	-
Acquisition of Assets	7	(407,034,731)	(624,952,861)
Net cash flows from Investing Activities		(406,434,731)	(624,952,861)
NET INCREASE IN CASH AND CASH EQUIVALENT		27,251,983	124,254,962
Cash and cash equivalent at BEGINNING of the year		104,722,388	19,532,574
Cash and cash equivalent at END of the year		131,974,371	104,722,388

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



Auditor General



Deputy Auditor General-Corporate services

OFFICE OF THE AUDITOR GENERAL
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SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	6,451,147,300	(1,155,768,083)	5,295,379,217	5,295,379,217	-	100%
Proceeds from Sale of Assets	-	-	-	600,000	(600,000)	100%
Other Receipts –AIA	150,000,000	60,000,000	210,000,000	145,566,662	64,433,338	69%
Total Receipts	6,601,147,300	(1,095,768,083)	5,505,379,217	5,441,545,879	63,833,338	99%
Payments						
Compensation of Employees	3,666,900,000	(123,000,000)	3,543,900,000	3,537,031,456	6,868,544	100%
Use of goods and services	2,253,564,800	(707,309,953)	1,546,254,847	1,453,464,460	92,790,387	94%
Social Security Benefits	6,042,100	-	6,042,100	5,718,552	323,548	95%
Acquisition of Assets	686,172,300	(276,990,030)	409,182,270	407,034,731	2,147,539	99%
Grand Total	6,612,679,200	(1,107,299,983)	5,505,379,217	5,403,249,199	102,130,018	98%
Surplus/Deficit			-	38,296,680	38,296,680	

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

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



Auditor General



Deputy Auditor General-Corporate services

OFFICE OF THE AUDITOR GENERAL
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SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	RECEIPTS						
	Exchequer releases	4,410,326,294	742,176,453	5,152,502,747.00	5,152,502,747.00	-	100%
	Proceeds from Sale of Assets	-	-	-	600,000	(600,000)	100%
	Other Receipts –AIA	150,000,000	60,000,000	210,000,000	145,566,662	64,433,338	69%
	Total Receipts	4,560,326,294	742,176,453	5,362,502,747.00	5,298,669,409.10	63,833,338	99%
	PAYMENTS						
21	Compensation of Employees	3,420,900,000.00	123,000,000	3,543,900,000.00	3,537,031,456	6,868,369	100%
22	Use of goods and services	858,944,894.00	687,309,953	1,546,254,847.00	1,449,383,377	96,871,470	94%
27	Social Security Benefits	6,042,100.00	-	6,042,100.00	5,718,552	323,548	95%
31	Acquisition of Assets	274,439,300.00	(8,133,500)	266,305,800.00	264,158,261	2,147,539	99%
	Grand Total	4,560,326,294.00	802,176,453	5,362,502,747.00	5,256,291,646	106,210,926	98%
	Surplus/Deficit			-	42,377,763	(42,377,588)	

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

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



Auditor General



Deputy Auditor General-Corporate services

OFFICE OF THE AUDITOR GENERAL
Reports and Financial Statements
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SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
		a	b	c=a+b	d	e=c-d	f=d/c %
	RECEIPTS						
	Exchequer releases	224,000,000	(81,123,530)	142,876,470	142,876,470	-	100%
	Other Receipts						
	Total Receipts	224,000,000	(81,123,530)	142,876,470	142,876,470	-	100%
	Payments						
22	Use of goods and services	10,000,000	(10,000,000)	-	-	-	-
31	Acquisition of Assets	214,000,000	(71,123,530)	142,876,470	142,876,470	-	100%
	Finance Costs, including Loan Interest						
	Grand Total	224,000,000	(81,123,530)	142,876,470	142,876,470	-	100%
	Surplus/Deficit						

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



Auditor General



Deputy Auditor General-Corporate services

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

Programme/Sub-programme	Original Budget 2020 Kshs	Adjustments Kshs	Final Budget 2020 Kshs	Actual on comparable basis 2020 Kshs	Budget utilization difference Kshs
Programme					
Sub-programme 1-Audit Services	6,612,679,200	(1,107,299,983)	5,505,379,217	5,387,359,736	118,019,481
TOTAL	6,612,679,200	(1,107,299,983)	5,505,379,217	5,387,359,736	118,019,481

SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and Basis of Preparation

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

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

2. Reporting Entity

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

1. *Kakamega Office Complex*
2. *Garissa Office Complex*
3. *Eldoret Office Complex*

3. Reporting Currency

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

4. Significant Accounting Policies

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

a. Recognition of Receipts

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

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

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

During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

SIGNIFICANT ACCOUNTING POLICIES

- **Other receipts**

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

b. Recognition of payments

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

- **Compensation of Employees**

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

- **Use of Goods and Services**

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

- **Acquisition of Fixed Assets**

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

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

5. In-kind contributions

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

6. Third Party Payments

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

SIGNIFICANT ACCOUNTING POLICIES

7. Cash and Cash Equivalents

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

Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits.

There were no other restrictions on cash during the year.

8. Accounts Receivable

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

9. Accounts Payable

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

10. Pending Bills

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements.

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

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

SIGNIFICANT ACCOUNTING POLICIES

12. Comparative Figures

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

13. Subsequent Events

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

14. Errors

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

15. Related Party Transactions

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

NOTES TO THE FINANCIAL STATEMENTS

1- EXCHEQUER RELEASES

Description	2019-2020 Kshs	2018-2019 Kshs
Total Exchequer Releases for quarter 1	1,360,568,162	1,218,189,000
Total Exchequer Releases for quarter 2	1,138,656,219	1,280,806,400
Total Exchequer Releases for quarter 3	1,215,580,006	1,454,598,500
Total Exchequer Releases for quarter 4	1,580,574,830	1,612,700,860
TOTAL	5,295,379,217	5,566,294,760

Budgeted exchequer was Kshs 5.5 Billion while received exchequer was Kshs 5.2 Billion. The variance being as a result variation in expenditure as explained under the statement of Appropriation as explained above.

2- PROCEEDS FROM SALE OF ASSETS

	2019-2020 Kshs	2018-2019 Kshs
Receipts from the Sale of Vehicles and Transport Equipment	600,000	-
TOTAL	600,000	-

3- OTHER REVENUES

	2019-2020 Kshs	2018-2019 Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	145,488,584	206,109,956
Other Receipts Not Classified Elsewhere	78,078	-
TOTAL	145,566,662	206,109,956

4- COMPENSATION OF EMPLOYEES

	2019-2020 Kshs	2018-2019 Kshs
Basic salaries of permanent employees	1,992,691,528	1,987,196,074
Basic wages of temporary employees	34,971,846	33,885,600
Personal allowances paid as part of salary	1,183,280,237	1,112,590,142
Pension and other social security contributions	326,065,400	209,089,171
TOTAL	3,537,009,011	3,342,760,987

OFFICE OF THE AUDITOR GENERAL
Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5- USE OF GOODS AND SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Utilities, supplies and services	4,492,044	6,417,267
Communication supplies and services	88,653,050	102,105,454
Domestic travel and subsistence	511,888,447	471,344,827
Foreign travel and subsistence	24,826,514	27,790,902
Printing, advertising and information supplies & services	15,767,572	17,723,442
Rentals of produced assets	218,331,993	248,654,222
Training expenses	28,577,579	80,464,357
Hospitality supplies and services	24,360,523	14,635,035
Insurance costs	291,265,182	260,239,196
Specialized materials and services	4,699,880	5,364,940
Office and general supplies and services	38,675,161	45,095,677
Other operating expenses	97,756,965	23,041,760
Routine maintenance – vehicles and other transport equipment	28,850,100	474,977,209
Routine maintenance – other assets	50,486,426	29,488,742
Fuel Oil and Lubricants	24,833,024	12,994,244
TOTAL	1,453,464,460	1,820,337,276

6 SOCIAL SECURITY BENEFITS

	2019-2020	2018-2019
	Kshs	Kshs
Government pension and retirement benefits	5,718,552	5,394,706
TOTAL	5,718,552	5,394,706

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7-ACQUISITION OF ASSETS

	2019-2020	2018-2019
Non-Financial Assets	Kshs	Kshs
Construction of Buildings	142,876,470	269,327,733
Purchase of Vehicles and Other Transport Equipment	81,903,686	38,505,318
Purchase of Office Furniture and General Equipment	10,148,375	32,343,010
Acquisition of Land	-	110,000,000
Sub Total	234,928,531	450,176,061
Financial Assets		
Domestic Public Financial Institutions	172,106,200	174,776,800
Sub Total	172,106,200	174,776,800
TOTAL	407,034,731	624,952,861

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

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	2019-2020	2018-2019
			Kshs	Kshs
Central Bank of Kenya, 1000181327	Kshs	RECURRENT	4,445,946	(10,731,964)
Central Bank of Kenya, 1000182218	Kshs	DEVELOPMENT	-	922
Kenya Commercial Bank, 1107839173	Kshs	Deposit	111,644,772	106,717,716
Central Bank of Kenya, 1000182358	Kshs	Deposit	14,911,672	7,240,905
Total	-		131,002,390	103,227,579

8B: CASH IN HAND

	2019-2020	2018-2019
	Kshs	Kshs
Cash in Hand – Held in domestic currency	971,981	1,494,809
TOTAL	971,981	1,494,809

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2019-2020	2018-2019
	Kshs	Kshs
Government Imprests	43,570,065	19,144,941
Salary advances	7,970,455	9,502,997
Medical Recoveries	10,243,035	9,470,622
TOTAL	61,783,555	38,118,560

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

10. ACCOUNTS PAYABLE

	2019-2020	2018-2019
	Kshs	Kshs
Deposits	126,556,444	113,958,621
TOTAL	126,556,444	113,958,621

This relates to retention money on contracts for construction of office complexes transferred to KCB Bank.

11. FUND BALANCE BROUGHT FORWARD

	2019-2020	2018-2019
	Kshs	Kshs
Bank accounts	116,011,639	15,543,678
Cash in hand	1,494,809	3,988,896
Receivables - Outstanding Imprests	25,334,500	68,418,673
Payables - Deposits	(113,958,621)	(38,027,806)
TOTAL	28,882,327	49,923,441

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Office of the Auditor General

- Key management personnel that include the Deputy Auditor Generals
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2019-2020	2018-2019
	Kshs	Kshs
Key Management Compensation	-	-
<u>Transfers to related parties</u>		
Transfers to other MDAs	-	-
Transfers to SCs and SAGAs	-	-
Transfers to Development Project	-	-
Transfers to County Governments	-	-
Transfers to non-reporting secondary and primary Schools	-	-
Total Transfers to related parties	-	-
<u>Transfers from related parties</u>		
Transfers from the Exchequer	-	-
Transfers from other MDAs	-	-
(Insert any other transfers received)	-	-
Total Transfers from related parties	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OTHER IMPORTANT DISCLOSURES

13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2019-2020	2018-2019
	Kshs	Kshs
Supply of services	31,059,373	-
TOTAL	31,059,373	-

13.2: PENDING STAFF PAYABLES (See Annex 2)

	2019-2020	2018-2019
	Kshs	Kshs
Middle management	44,100	-

13.3: OTHER PENDING PAYABLES (See Annex 3)

	2019-2020	2018-2019
	Kshs	Kshs
Amounts due to third parties	31,059,373	-

14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

Guidance Notes:

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
	A	B	c	d=a-c		
Supply of services						
1.	31,059,373	2019/2020		31,059,373		
Sub-Total				31,059,373		
Grand Total				31,059,373		

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

ASSET CLASS	HISTORICAL COST-2018/2019	Additional during the year	Disposal during the year	HISTORICAL COST-2019/20
Land	695,000,000.00	0.00	0.00	695,000,000
Buildings and structures	549,899,782.00	142,876,470.00	0.00	692,776,252
Transport equipment	421,165,191.40	81,903,685.60	0.00	503,068,877
Office equipment, furniture and fittings	118,179,828.64	10,148,375.00	0.00	128,328,204
ICT Equipment, Software and Other ICT Assets	97,530,296.00	0.00	0.00	97,530,296
Financial Asset	172,106,200.00	172,106,200.00	0.00	344,212,400
Total	1,881,775,098	407,034,731	0.00	2,460,916,029

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

ANNEX 3- REPORTS GENERATED FROM IFMIS

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

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