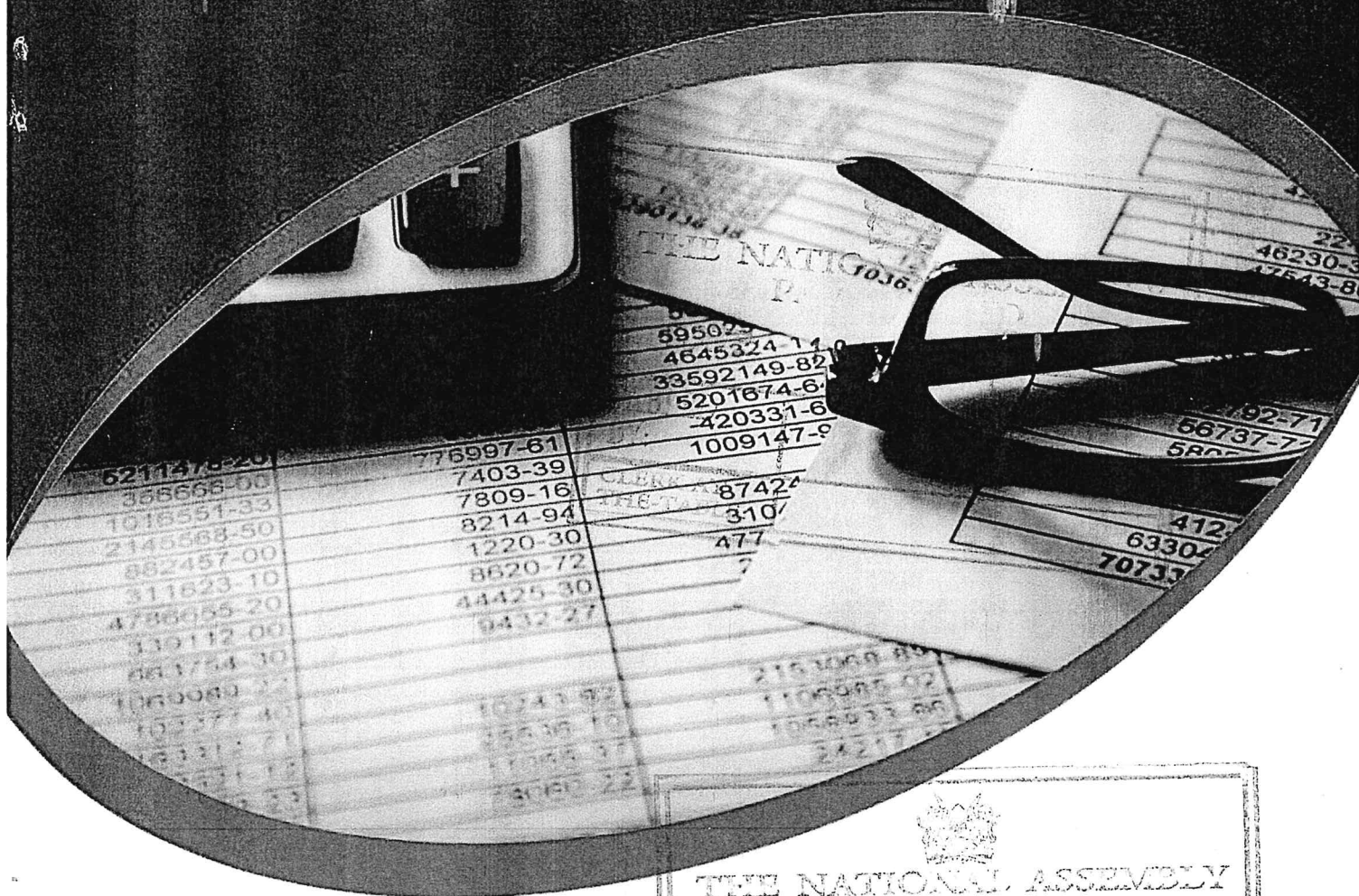


Ronalds

**OFFICE OF THE AUDITOR GENERAL
MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2019**



 THE NATIONAL ASSEMBLY P.O. Box 1000, Harare	
DATE: 10 MAY 2022	DAY: TUESDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT-THE-TABLE:	

12th April 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 YEAR ENDED 30TH JUNE 2019

We hereby enclose the management letter of our audit findings for the year ended 30th June 2019 conducted on the 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 year ended 30th June 2019. The Management of the Organization is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

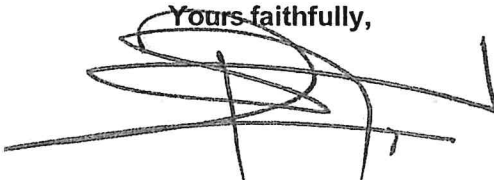
In accordance with the letter of engagement, we performed the audit in accordance with International Standards on Auditing. Our audit procedures are conducted on a test basis and are designed primarily to support our opinion on the financial statements.

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.

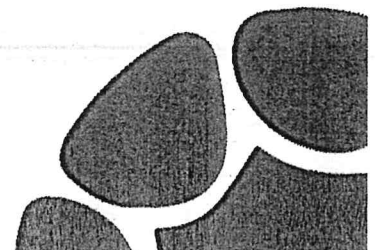
We are grateful for the opportunity of partnering with the Office of the Auditor-General in this engagement and wish to thank your team for their support and cooperation during our audit.

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 2018/19

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
Financial statement variances There exists a material discrepancy of Kshs. 212,855,838 between Integrated Financial Management Information System (IFMIS) and the presented financial statements for audit. The accuracy and completeness of the balances in the financial statements cannot be ascertained due to the variances highlighted in Appendix I. Implications We cannot ascertain the reliability of the data extracted from IFMIS since it does not give accurate data. Instead of IFMIS automating the accounting process, more manual tasks e.g., bank reconciliations are conducted to be a backup to IFMIS. Cash and Cash Equivalents Non-compliance with Finance policy and procedures manual In the audit of cash and cash equivalent, we observed the following; - 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	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.		The management should initiate a review and reconciliation of financial statements on a quarterly basis to eliminate the discrepancies.	Trial balance is generated from IFMIS and as users of the system we have little interventions when it comes to balancing of the same, we are in consultation with IFMIS department on addressing the credits and debits are not balancing in IFMIS. We have provided breakdown for the all the below the line accounts which can be supported as per Financial Reporting Unit.
	According to PFM 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.		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.	Bank reconciliations were provided fully signed for the two financial years however they were not finalized on time due to challenges posed by IFMIS. The receipts refer to cheques collected in relation to audit fees from our clients. The Bank

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
reconciliations of Kshs 9,631,174.35 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 4,093,237.65. 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. - We observed that the Office had reported that the KCB deposit bank account had Kshs 106,717,716 whereas the development bank had Kshs 922. A review of the bank statements of Development bank had Kshs 86,300,921 while the KCB had Kshs 20,417,713. A transfer was done after the year-end for the contractor's retainer fees. Implications This implies that there is non-compliance with the finance policy manual. 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.	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. 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. 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.		We also recommend that the office ensures that a copy of the monthly bank reconciliations is sent to the Treasury to ensure compliance with the provisions of Public Finance Management Act. The office should also initiate reconciliations and quarterly review of the financial statements in collaboration with Treasury in order to iron out any discrepancies in the system on real time. Management should also ensure that transactions in current year are captured correctly with proper cut offs to avoid inconsistencies with the law and the	statement contained lumpsum amounts deposited in the bank with a detailed listing of the cheque (VT81 or cheque stamp) issued by CBK, However the cashbook reflects the individual cheque receipts, additional they were cleared in the bank within the same month as shown in the annex.  APPENDIX 1[277].docx  Payment not in Cash book-June 2019.docx These payments were voided in consultation with National Treasury IFMIS. The National Treasury has not guided on how to reinstate the transactions on cashbook despite several follow-ups (see letter).

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
			reporting framework.	 APPENDIX 3.docx The figure was reported as a consolidated balance.
Irregular charge of expenditure to vote heads Findings There are irregular charges of expenditure amounting to Kshs 34,375,009.65 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 of the status of expenditure. The management did not obtain authorization from the national assembly on alternative charges to the budget lines.	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 financial transactions in national government entity's accounts shall be based on the standard chart of accounts approved by the National Treasury. 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.		The management should align the expenditure with the approved budget to ensure adherence to the specified provisions of the Public Finance Management Act 2012 by obtaining approval from the National Treasury for any excessive expenditure applied to vote heads.	This has been noted and as indicated, most of the transactions were in June 2019 where the economic items balances had been exhausted. The expenditure was therefore charged in the related Budget economic items under the same vote head. Detailed explanation is attached.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
Implications Non-compliance with Section 99 (1) of the Public Finance Management Act 2012. Non-compliance with Section 113 (1) of the Public Finance Management Act 2012. The risk involved in classification is concealing expenditure in other vote heads to use funds allocated for a different economic item. The transactions are not properly recorded in the accounting records therefore displaying false information with regards to expenditure incurred.	Section 43 (1) An accounting officer may reallocate funds from the authorized use but may not reallocate funds where- (a) The funds are appropriated for transfer to another government entity or person; (b) the funds are appropriated for capital expenditure except to defray other capital expenditure; (c) the reallocation of funds is from wages to non-wages expenditure; or (d) the transfer of funds may result in contravention of fiscal responsibility principles. (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-			

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
	a) there are provisions in the budget of a program or sub-vote which are unlikely to be utilized; 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 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. (3) Regulations made under this Act may provide for the reallocation of funds within sub-votes or programs.			
Asset Register In the conduct of the audit, we established that the asset registers are not updated on real time basis and signed off on time. This is evidenced by the fact that the 2018/2019 asset register preparation was	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			The management will progressively comply with the National Treasury guidelines on Fixed asset management.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
finalized at the end of the audit process in early 2022. Accuracy and completeness of the register i. There were 68 Motor vehicles in the asset register that had no value attached nor acquisition documents as shown in appendix IV. We could not establish the valuation of these assets due to lack of Invoices and figures to support the balances. The management has not provided explanations with regards to the issues above. Implications The asset register is understated by an unknown amount due to lack of valuation criteria on all the motor vehicle without the cost element. This signifies that the assets captured in the financial statements are understated. Finance policy on Fixed asset register 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. 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	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.		The asset register should be updated by ensuring all the fixed assets are captured at the correct amount and year of purchase as well as include other details as specified by the finance policy.	

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
furniture and fittings are subsequently shown at market value, based on periodic valuations carried out by external independent valuers, less subsequent depreciation. In the conduct of audit, we observed that the PPE and intangible assets disclosures were based on cost, no depreciation was factored in. There was also no evidence of revaluation of land and buildings. The management has not provided an explanation on why the stipulations of the manual are not followed. Implications Non-compliance with the fixed asset register will pose challenges when the institution shifts to accrual 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.			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.	We carried out annual fixed asset tagging exercise for the financial year under review. Fixed asset register provided-2018/19. In our current workplan we have factored annual asset verification exercise.
Contract Agreements Lack of key procurement documents for supply of fuel The management did not provide the following procurement documents for the contract of supply of fuel awarded to Total; - The procedure used in procurement of supply of fuel and the reason for the same. - A copy of advertisement as it appeared in the newspaper or publication. - Proposal or quotation that was submitted	Under Section 68 (1) of the public procurement and asset disposal act, 2015, An accounting officer of a procuring entity shall keep records for each procurement for at least six years after the resulting contract has been completed or, if no contract resulted, after the procurement proceedings were terminated. (2) The records for a procurement shall include:		The management should ensure compliance with Section 135 (1) which states 'The existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties	The cited documents may not be easily accessible given that the contract was signed in 2007, which is about 14 years ago. The signed contract is however available. It may further be noted that: i. PPADA, 2015 cannot govern what was in operation prior to its commencement.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
A summary of the evaluation and comparison of the tenders, including the evaluation criteria used. The contract agreement does not highlight the contract period and this has extended the supply timeline to 14 years (Application form was signed on 15th November 2007). This does not demonstrate fairness, equitability, transparency, cost-effectiveness and competition as highlighted under public procurement and asset disposal act, 2015 as outlined in section 58 (2)(1). Payments made to the entity for this financial year surpassed Kshs. 13,272,424. Implications Non-compliance with Section 68 (1) of the public procurement and asset disposal act 2015.	(a) a brief description of the goods, works or services being procured; (b) if a procedure other than open tendering was used, the reasons for doing so; (c) if, as part of the procurement procedure, anything was advertised in a newspaper or other publication, a copy of that advertisement as it appeared in that newspaper or publication; (d) for each tender, proposal or quotation that was submitted; the name and address of the person making the submission; the price, or basis of determining the price, and a summary of the other principal terms and conditions of the tender, proposal or quotation; and a summary of the proceedings of the opening of tenders, evaluation and comparison of the tenders, proposals or quotations, including the evaluation criteria used as prescribed;		and such contract shall be signed by the accounting officer or an officer authorized in writing by the accounting officer of the procuring entity and the successful tenderer. The individuals who awarded the contract should be held accountable for lack of relevant documentations as required by the Act.	ii. The law does not regulate the maximum period within which a contract should last unless it is a framework contract. The Office will consider initiating fresh procurement in line with the recommendation given.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response						
Transactions without narration in the General ledger The audit established that Kshs 13,400,878.90/- expenditure charged under the Daily Subsistence allowance vote head without any narration. <table><tr><th>Year</th><th>Amount</th></tr><tr><td>FY 2018/2019</td><td>13,400,878.90/-</td></tr><tr><td>TOTAL</td><td>13,400,878.90/-</td></tr></table> See appendix VII <u>Implications</u> There is lack of consistency in recording of accounting data thus challenge in identify the nature of transactions due to lack of narration.	Year	Amount	FY 2018/2019	13,400,878.90/-	TOTAL	13,400,878.90/-	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.		There is need for an audit of the payment vouchers that informed the daily subsistence allowance expenditure to ascertain that the expense is justified. There is need for review of the budget and annual estimates of expenditure given for Daily subsistence allowance.	The economic item under review does not relate to human resource expenditure. It relates to use of goods under daily subsistence allowance (2210303) ledger adjustments were merely correction of erroneously posted transaction in the daily subsistence allowances
Year	Amount									
FY 2018/2019	13,400,878.90/-									
TOTAL	13,400,878.90/-									

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
Mombasa Land Purchase Findings 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 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 (MI/BLOCK 1). 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. Implication The ownership of the land cannot be ascertained due to lack of a valid Title deed of the specified parcel of land.	Section 143 (2) of the Public Finance Management Act 2012 and 2015 regulation 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.		The management should obtain a valid Title deed from the ministry of lands and ensure all the land rates have been duly cleared.	As per the letter dated 12th November 2021 from Director of survey Kenya to Chief Land registrar requesting rectification of titles for parcel no 2260 and 2261 (MI/BLOCK 1). The management is making a follow-up of the title for the new plot after surrendering the previous one.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
Issue of imprest before surrender of outstanding amounts 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 713,600 as shown in Appendix VIII. Some of the imprest captured above have an interval of more than six months. Implication This implies that there is non-compliance with the finance policy manual procedures on imprest management. This will encourage lack of accountability and misappropriation of funds when the outlined procedures are not followed.	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 Director Finance or A/E 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.		We recommend that management adheres to the finance and policy procedures regarding imprest management and follow the same to the latter.	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 to double issue of imprest which are later surrendered immediately after completion of said activities.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management response
Double taxation Findings Upon recalculation of the withholding tax charged on professional fees and contractual services, we noted a wrong basis of calculation being applied. The tax percentage was charged on the gross amount of the invoice which leads to double taxation. The total variance for the sampled transactions is Kshs. 193,732 as highlighted in Appendix IX. The wrong calculations have mainly been applied on the consultancy service invoices. Implications The suppliers are underpaid by the amount of the double taxation.			The management should ensure Withholding tax is computed on the net amount to avoid double taxation. A staff training on tax matters should be facilitated to improve the capacity of employees.	The Office uses Integrated Financial Management Information System (IFMIS) to process all its financial transactions. The system is managed and maintained by National Treasury and therefore the Office of the Auditor General has no direct control over the system. Currently IFMIS is configured to automatically withhold all general taxes at gross amount (inclusive of VAT) thus the variances.

HUMAN RESOURCE FINDINGS

Weakness Noted+	Applicable law	Risk Rating	Recommendations	Management Response					
<u>Non – Compliance with the Public Finance Management Act</u> The audit established that employee basic salaries amounting to Kshs 22,818,391/- were expensed under contractual services without proper approval; <table><tr><th>Year</th><th>Amount</th></tr><tr><td>FY 2019/2020</td><td>22, 818,391.00/-</td></tr><tr><td>TOTAL</td><td>22, 818,391.00/-</td></tr></table> See appendix 1 There was no evidence to show that the office 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. <u>Implications</u> Non- compliance with Section 43 of the Public Finance Management Act for the reallocation of funds. There is a possibility that the annual estimates of expenditures that inform the budgetary allocation for contractual workers are inflated.	Year	Amount	FY 2019/2020	22, 818,391.00/-	TOTAL	22, 818,391.00/-	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 require 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	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	Vote-book provided, Basic charged under contractual employee's costs which is part of payroll costs for both permanent and contractual employee's compensations as itemized on the vote. Refer to the vote-book line 2
Year	Amount								
FY 2019/2020	22, 818,391.00/-								
TOTAL	22, 818,391.00/-								

Weakness Noted+	Applicable law	Risk Rating	Recommendations	Management Response																																				
<u>Employee emoluments calculated and paid outside payroll</u> <u>Kshs 48,798,199/- employee emoluments calculated and paid outside payroll for the year 2018/2019</u> The audit established that employee emoluments amounting to Kshs 48,798,199/- were calculated and paid to employee individual bank accounts, outside the approved payroll. <table><tr><th colspan="2">PAYMENTS MADE OUTSIDE PAYROLL</th></tr><tr><th>Expenditure</th><th>FY 2018 - 2019</th></tr><tr><td>Leave Commutation</td><td>10,915,936</td></tr><tr><td>Top Up Allowance</td><td>488,588</td></tr><tr><td>Baggage Allowance</td><td>342,170</td></tr><tr><td>Death and Gratuity</td><td>76,215</td></tr><tr><td>Salary Arrears</td><td>90,960</td></tr><tr><td>Temporary Appointments</td><td>1,814,789</td></tr><tr><td>WC Contributions</td><td>0</td></tr><tr><td>Leave Allowance</td><td>774,858</td></tr><tr><td>Commuter Allowance</td><td>67,200</td></tr><tr><td>Pension Contribution</td><td>31,955,737</td></tr><tr><td>P.A.Y.E</td><td>1,630,191</td></tr><tr><td>N.H.I.F</td><td>8500</td></tr><tr><td>Premium Recoveries</td><td>152,107</td></tr><tr><td>HELB Loan Deductions</td><td>453,948</td></tr><tr><td>Imperest Surrender</td><td>27,000</td></tr><tr><td></td><td>48,798,199</td></tr></table>	PAYMENTS MADE OUTSIDE PAYROLL		Expenditure	FY 2018 - 2019	Leave Commutation	10,915,936	Top Up Allowance	488,588	Baggage Allowance	342,170	Death and Gratuity	76,215	Salary Arrears	90,960	Temporary Appointments	1,814,789	WC Contributions	0	Leave Allowance	774,858	Commuter Allowance	67,200	Pension Contribution	31,955,737	P.A.Y.E	1,630,191	N.H.I.F	8500	Premium Recoveries	152,107	HELB Loan Deductions	453,948	Imperest Surrender	27,000		48,798,199	expenditure approved for that program of sub vote in that financial year Section 5.2.3 of The Finance Policy Manual; The Department shall ensure that the Personnel Emoluments are properly captured in the General ledger as per the payroll summaries. Section 5.1 of the Finance Policy Manual states that; The purpose of the payroll system is to ensure complete and accurate data capture and payroll processing. 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.		Management needs to ensure that all payments are processed through payroll to ensure proper representation of accounts.	There was no difference between the ledger and the payroll. We extracted payment vouchers of the payments made outside the payroll that are yet to be confirmed by the auditor. List of payment vouchers of Employees payments made outside payroll provided, Breakdown also provided.
PAYMENTS MADE OUTSIDE PAYROLL																																								
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See appendix 2

Weakness Noted+	Applicable law	Risk Rating	Recommendations	Management Response
<u>Implications</u> Payments made outside payroll could lead to variations between the payroll and the ledger; causing a misrepresentation of accounts				
<u>Payment of Kshs 121,330 to the same bank account in April 2019.</u> A review of the bank remittance report for the month of April 2019 indicates that two officers shared the same bank and bank account number. The audit ascertained that the error was made when a new employee was joining the organization in March 2019. The error was corrected at the end of April 2020 and recoveries were made. See Appendix 3 <u>Implications</u> The occurrence raises doubt on the security of the payroll information, since information from previous months are imported on the system when preparing payroll for a new month. There is a high risk that information on the payroll can be manipulated by officers who have rights to the system. There is a susceptibility of payroll to duplication of employee bank account numbers.	Section 5.2.3 of The Finance Policy Manual; The Department shall ensure that the Personnel Emoluments are properly captured in the General ledger as per the payroll summaries. Section 5.1 of the Finance Policy Manual states that; The purpose of the payroll system is to ensure complete and accurate data capture and payroll processing Section 5 (4) of the Finance Policy Manual; The purpose of the payroll system is to ensure that there is		Management needs to review the effectiveness of the internal controls used by the payroll function of HR in ensuring security over payroll data and accuracy of the payroll processed There is need for a review of the effectiveness of the internal controls over the payroll function at the Office of the Auditor General	Variances reconciled, Pv no.18190444 duplicated and we acknowledge the error This was purely a human error which was detected and subsequently corrected. The system has since been up graded to detect such errors and to prompt the users accordingly. All the staff working in the payroll will be continuously trained on the various aspects of the system to avoid any recurrence of such errors.

Weakness Noted+	Applicable law	Risk Rating	Recommendations	Management Response
<u>Lack of an approved Standard Operating Procedure – Payroll Function</u> The audit established that the departmental guide for the payroll function was signed on the date of the audit. See <i>appendix 4</i> <u>Implications</u> There is non-compliance with Section 5.2.1 of the Finance Policy Manual.	adequate security over all payroll data. Section 5.1 of the Finance Policy Manual states that; The purpose of the payroll system is to ensure complete and accurate data capture and payroll processing 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. Section 5.2.2 of the Finance Policy Manual; All salaries shall be paid through individual bank accounts.			The HR Directorate is in the process of developing standard operating procedures for the various HR functional areas and these will be incorporated in the revised HR Policies and Procedures Manual.

Weakness Noted+	Applicable law	Risk Rating	Recommendations	Management Response
<u>Late induction of newly recruited staff</u> The audit established that 283 employees were recruited in January 2018. Their induction was done after four months and not within the three months as stipulated by the human resources policy manual. <u>Implications</u> Without proper induction, recruited employees may prove inefficient and ineffective. There is a possibility of the OAG losing money in the form of unproductive employees for every 3 months after recruitment is done.	Induction of newly recruited staff. HR Policy manual Chapter 9.4.1 All newly appointed staff shall undergo an induction programme conducted by the office to familiarize themselves with the structure, functions and operations of the office. The programme will be undertaken upon reporting for duty but not later than three months thereafter		List of all staff recruited and properly inducted in 2018 and 2019 should be updated. Management should conduct induction training for all employees who are yet to be inducted and should keep a proper record of all inducted staff	
<u>Lack of evidence of a proper performance management system</u> The audit established that out of a possible 1608 appraisal forms expected from all staff, in the financial year 2018/2109, 743 employees were not appraised. This is 46% of the total number of staff. The audit also established that employees with the following employment numbers were promoted without evidence of proper monitoring and evaluation of performance; 2000004509 - Audit Examiner 1992030407 - Audit Examiner	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		Management should ensure that there is an effective appraisal system in place. The Human Resources department should have documented evidence to show that monitoring, evaluation and reviewing of appraisal results.	The Office is in the process of reviewing the Performance Management System to make its more objective. Further, staff promotion is not based entirely on performance appraisal but several other factors are considered

Weakness Noted+	Applicable law	Risk Rating	Recommendations	Management Response
3. 1996053009- Principal Assistant Office Administrator 4. 1982107511 - Assistant Office Administrator II 5. 1988062468 -Supervisor Audit 6. 1989009099- Deputy Director of Audit 7. 1994006496- Assistant Office Admin I 8. 1999006205 - Assistant Office Admin I 9. 2000004753- Audit Associate II Further breakdown is shown in Appendix 5. <u>Implication</u> There is non- compliance with the Human Resources Policy Manual. There is a possibility of bias and lack of objectivity in staff promotions; employees may be demotivated as a result.	appraisal and development into a single common system.			

GOVERNANCE

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
Absence of the Audit Committee During the period, the Office of the Auditor General had not established the audit committee. The office had established the Executive Committee comprising the Auditor General and all the Deputy Auditor Generals. From our review of the Executive Committee minutes of meeting, the committee focused majorly on administrative and operational matters within the Office of the Auditor General for instance status of audits, allocation of motor vehicles to Deputy Auditor Generals and staffing matters. Notably, in August 2020, the audit committee was established. <u>Implications</u> Non-compliance with the Public Finance Management Regulations 2015. Lack of independent oversight within the Office of the Auditor General.	Improperly Constituted Audit Committee 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. 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). Regulation 174(5) provisions that the Chairperson of an audit committee shall be independent of the national		The Audit Committee within the Office of the Auditor General comply with the Public Finance Management Regulations 2015.	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.

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

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
The audit commit has prepared an updated draft audit committee charter for approval. Lack of Proper Change Management in the position of the Auditor General 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. 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. 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). Implications 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. 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.	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		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. 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.	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.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
Unauthenticated Audit Committee Minutes 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. The minutes were signed subject to our recommendations. Implications Lack of authentication of the minutes as a true copy of the proceedings of the meeting. Non-Functional Whistle Blowing Functionality 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. Implications Whistle blowers reports to the office are not actively managed and responded to through the website functionality.	Regulation 179 of the Public Finance Management Regulations provisions that the audit committee shall meet at least once in every three (3) months Clause 27 of the Ethics and Conduct Policy 2019 provisions that if an officer considers that anything required of them is in contravention of the Code or is otherwise improper or unethical, the officer shall report the matter to the Auditor General.	 	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. The Ethics and Integrity Committee to actively monitor the whistle blowing functionality to ensure that all reports to the office are documented and actioned	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. 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.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<u>Conflict of Interest Register</u> The conflict-of-interest register which had no entries from 2016 was issued to us. The register is maintained at the secretary at the office of the Deputy Auditor General. The entity is comprised of over 1500 employees who are based in difference geographical locations in Kenya, hence, the placement of the register may not accord an opportunity for employees to declare any impending conflict of interest. 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.	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. Additionally, any officer whose personal interests' conflict with their official duties shall declare the personal interests to the Office.		The office to maintain and ensure staff sign a conflict declaration annually or bi-annually.	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.
<u>Lack of oversight in the Internal Audit Department</u> 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. We note that key review areas were not addressed by the internal audit function for instance Finance, Supply Chain Management and ICT and Systems. 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.	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. 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		The internal audit department highlight the high-risk review areas to conduct timely internal audit review.	KENATCO Finance and Supply chain audits are underway. They are now at finalization stage. ICT audit is now at planning stage.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<u>Implications</u> 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. Lack of Implementation Programs of Internal and External Audit Report Recommendations The internal audit unit has not established procedures governing follow ups and tracking of recommendations which poses a risk of non-implementation of recommendations. Internal and external audit recommendations are handled independently by each department that is concerned with the findings. 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. <u>Implication.</u> Lack of a unified implementation tracker/committee to track implementation of internal and external audit recommendations	governance and associated assurance. Lack of Implementation Programs of Internal and External Audit Report Recommendations 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. Clause 12(j) 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. Clause 12 (ii) of the Charter provisions that the Internal		The internal audit department follows up and tracking the implementation of internal and external audit reports by the departments within the Office of the Auditor General.	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.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
	Audit Unit shall establish and maintain an action tracking system to identify and monitor the status of internal audit recommendations and corrective action. Clause 12(iii) of the Charter provisions that the Director, Internal Audit shall be responsible for advising the management on implementation status of internal recommendations and of risks associated with non-implementation of recommendations.			
Outdated Internal Audit Charter 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.	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		The Internal Audit Charter to be amended to mirror Clause 162(1) of the PFM Regulations that the Head of Internal Audit shall enjoy operational independence through the reporting structure by administratively reporting to the Auditor General and functionally to	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.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
<u>Implication</u> Interference with independence of the Internal Audit Unit. The charter in non-compliant with the Public Finance Management Regulations (2015).	reporting relationship of the internal audit unit.		the Audit Committee.	
Financial Reporting by the Auditor General The auditee audit status for the period 2018-2019 issued to us on 14th December 2021 confirmed that 234 audits were incomplete beyond the prescribed timeline of 6 months (30th June 2021). Implication 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.	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.		The Office of the Auditor General collaborate with the auditees to complete pending audits within six months at the end of a financial year.	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
Gaps in cash basis accounting Method During the audit, we established various shortcomings with respect to the cash basis of accounting. These include: i. Financial transparency. Under cash accounting, transactions are recognized only when the associated cash is received or paid and economic events are not reported if there is no immediate exchange of cash. For instance, we	Basis of Accounting The office uses IPSAS Cash basis in reporting its financial statements as provided for by the Finance manual and Public Finance Management Act.		IPSAS accrual has been fully adopted by 41 governments in the world and 16 governments in the process of transition in accordance with the International Monetary Fund research.	IPSAS Cash basis of accounting is currently the prescribed financial accounting system for OAG and therefore we are waiting for the direction on the migration of financial reporting framework to the IPSAS accrual basis.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
observed that the Office had reported that the KCB deposit bank account had Kshs 106,717,716 whereas the development bank had Kshs 922. A review of the bank statements showed that the Development bank had Kshs 86,300,921 while the KCB had Kshs 20,417,713. A transfer was done after the year end to avoid a recoup of the same by the Treasury. ii. Accountability. Entities that follow cash accounting tend to not maintain comprehensive and up-to-date records of the value of their assets and liabilities. We observed that the Office had inventory in its stores for instance tires stationary and other assets that are not disclosed in the books. Furthermore, the asset register received was provisional, that is, the last updated signed register was done in the year 2017/2018. iii. Asset management Given that fixed assets are not amortized and recognized in the books in cash basis accounting, follow up on the value of assets and timely decision-making regarding disposal is difficult. We observed motor vehicles that were grounded and unusable but yet to be disposed despite being loaded for disposal in 2016. There were also obsolete assets disposed in the boardroom in Coast regional office. Implications This implies that there is difficulty in timely management and valuation of assets and liabilities			We recommend that the Office of the Auditor General Advocates and champions for adoption of the Accrual Basis of Accounting among Government entities to encourage Accountability. The IPSAS accrual basis has the following advantages: Under accrual accounting, governments recognize all assets and liabilities including financial assets (such as equities), non-financial assets (such as land and buildings), and liabilities other than debt securities and bonds (such as payment arrears and pension obligations). These	A breakdown of the same was earlier provided

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
since the same are not prioritized given that the same are not recognized in the books.			stocks are usually recorded at their current market value, their value in use, or some approximation, and regularly revalued to ensure the balance sheet reflects the government's true financial position at a given point in time. Enhanced monitoring of liabilities and contingent liabilities. Liabilities such as employee entitlements, environmental obligations, insurance claim obligations, expected losses under guarantee schemes which are not typically recognized in a cash accounting environment receive much more attention once	

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management Response
			recognized under accruals. Accrual accounting can help focus greater attention on the part of policymakers and the public on the acquisition, disposal, and management of government assets, liabilities, and contingent liabilities.	

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Weakness Noted	Applicable Law	Risk Rating	Recommendations	Management responses
Inadequate tracking of ICT vendor performance. 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. 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. Implications Poor performance of critical IT services might not be promptly identified and discussed with the vendor resulting in loss of value for money.			We recommend that the performance of vendors providing critical IT services be periodically (at least annually) evaluated.	ICT vendor monitoring was unstructured and relying on communication (email and phone) follow up with vendors. 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).  Requisition for Server and Helpdesk
Inadequate IT continuity management. The OAG's response to adverse conditions such as natural disasters, cyber-attacks, or other disruptions (e.g., pandemic) is ineffective because: - 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			We recommend that: Business impact assessments (BIAs) of the IT environment and mission-critical resources be conducted. A formal IT business continuity plan	1. In the period under review, the Backup policy was developed and approved as noted by the auditor. There was however no Business Continuity Plan for the period under review. 2. Development of Business Continuity Plan

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management responses									
made to replicate critical OAG data to safer secondary locations to support the overall continuity objectives of the OAG. 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. Implications 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. Application controls findings IFMIS system Missing purchase orders. 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. 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: <table><tr><th>Fiscal period</th><th>Number of missing POs</th><th>Number of PO gaps</th></tr><tr><td>2018-2019</td><td>209</td><td>112</td></tr><tr><td>2019-2020</td><td>137</td><td>68</td></tr></table>	Fiscal period	Number of missing POs	Number of PO gaps	2018-2019	209	112	2019-2020	137	68			(BCP) be implemented and approved by the Auditor-General. 3. An offsite Disaster Recovery site is urgently needed. The Office awaits the funding for this site.	
Fiscal period	Number of missing POs	Number of PO gaps											
2018-2019	209	112											
2019-2020	137	68											
			We recommend that the OAG uses, exclusively, IFMIS 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.										

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management responses																																																				
Implications PO commitments may not be traced in the system affecting budgeting and payments and eventually, financial reports generated from the IFMIS system. Reliance on manually generated financial statements due to missing data in the system of record.																																																								
Memory Soft Payroll Software Review Lack of segregation of duties in HR master data management. The OAG payroll is managed from the Memory Soft system. The system allows the set-up of users and input of staff details. 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:			We recommend that: Workflow be defined in Memory Soft to require the creation, validation, and approval of master data and payroll changes (creation and edit). Current defined roles in the Memory Soft be reviewed to ensure effective segregation of employee master data and payroll management.	Whereas it is true all the users can create and edit the master payroll, none of them can entirely delete the master payroll data. However, this was meant to ensure continuity of work during the Covid-19 pandemic when staff were working on rotational basis.																																																				
<table border="1"> <thead> <tr> <th>Role</th><th>User</th><th>Edit</th><th>New</th><th>Delete</th></tr> </thead> <tbody> <tr> <td rowspan="4">Employee Master</td><td>COWINO</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>KAREN 201528317</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>PERIS</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>ROMAN</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td rowspan="4">Employee banks</td><td>COWINO</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>KAREN 201528317</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>PERIS</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>ROMAN</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td rowspan="3">Employee timesheets</td><td>COWINO</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>KAREN 201528317</td><td>☐</td><td>☐</td><td>☐</td></tr> <tr> <td>PERIS</td><td>☐</td><td>☐</td><td>☐</td></tr> </tbody> </table>					Role	User	Edit	New	Delete	Employee Master	COWINO	☐	☐	☐	KAREN 201528317	☐	☐	☐	PERIS	☐	☐	☐	ROMAN	☐	☐	☐	Employee banks	COWINO	☐	☐	☐	KAREN 201528317	☐	☐	☐	PERIS	☐	☐	☐	ROMAN	☐	☐	☐	Employee timesheets	COWINO	☐	☐	☐	KAREN 201528317	☐	☐	☐	PERIS	☐	☐	☐
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Weakness Noted		Applicable law	Risk Rating	Recommendations	Management responses
Employee pay change advice	ROMAN	☐	☐	☐	
	COWINO	☐	☐	☐	
	KAREN 201528317	☐	☐	☐	
	PERIS	☐	☐	☐	
	ROMAN	☐	☐	☐	
Employee imprest master	COWINO	☐	☐	☐	
	KAREN 201528317	☐	☐	☐	
	PERIS	☐	☐	☐	
	ROMAN	☐	☐	☐	
Payroll processing	COWINO	☐	☐	☐	
	KAREN 201528317	☐	☐	☐	
	PERIS	☐	☐	☐	
	ROMAN	☐	☐	☐	
Setup rights	COWINO	☐	☐	☐	
	KAREN 201528317	☐	☐	☐	
	PERIS	☐	☐	☐	
	ROMAN	☐	☐	☐	
Implications 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 result in the misstatement of payroll and financial statements.					
Lack of review of payroll system audit log exceptions. Due to the sensitivity of employee master data and payroll, coupled with inadequately defined roles, activities performed by users in the payroll system need to be adequately monitored to flag any unauthorized and inadvertent changes.				We recommend that: A framework for identifying exceptional user activities be	The Office will undertake periodic review of the payroll audit log exceptions.

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management responses
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. 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. 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. Implications Improper changes made to employee master data and payroll may not be timely identified and resolved, resulting in inaccurate payroll and financial statement data.			documented for all critical systems at the OAG. The OAG invests in a log monitoring solution to capture all logs from critical systems including the payroll system. Exception reports generated by the log monitoring solution be reviewed periodically by an independent staff for suggested follow-up.	
Inappropriately defined password settings in the payroll system. 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. 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.			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.	This has been noted and remedial action will be taken. 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

Weakness Noted						Applicable law	Risk Rating	Recommendations	Management responses
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*				
* No defined setting/setting not robust. Implications Ease of change of a password not robustly defined may provide unauthorized users access to the system. 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.									

Weakness Noted	Applicable law	Risk Rating	Recommendations	Management responses																				
Active Directory (AD) Active directory accounts whose passwords are incorrectly configured to not expire. 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. <table><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 SharePoint transport workflow implementation. The SharePoint system though was not successfully implemented.</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 SharePoint transport workflow implementation. The SharePoint system though was not successfully implemented.			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.	1.The Password reset was managed manually in the period under review for the accounts noted. 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
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 SharePoint transport workflow implementation. The SharePoint system though was not successfully implemented.																					

Weakness Noted	Applicable Law	Risk Rating	Recommendations	Management Responses
Implications Potential impersonation and misuse of the noted accounts may result in AD access and potentially access to the entire core network and systems.				
All systems Ineffective backup management. 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. 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. Implications Inability to recover core systems timely due to untested backed-up information.			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 and replication to a secondary storage location (cloud or physical).	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. 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).

APPENDICES

FINANCIAL APPENDICES

Appendix I- Variances between financial statements and IFMIS

ACCOUNT DESCRIPTION	TRIAL BALANCE	DRAFT FINANCIAL STATEMENTS	VARIANCE
Exchequer releases	0.00	-5,566,294,760.00	5,566,294,760.00
Deposit	0.00	106,717,716.00	-106,717,716.00
Medical recoveries		9,470,622.00	-9,470,622.00
General Deposits	-106,717,716.00	-113,958,621.00	7,240,905.00
Contractors Retention Money	7,240,905.00	0.00	7,240,905.00
Exchequer Releases/ Provisioning Account	-20,615,640,818.95	0.00	-20,615,640,818.95
Remittances to Exchequer Miscellaneous Revenue	18,245,000.00	0.00	18,245,000.00
Opening Balance Bank	-8,196,788.90	-15,543,678.00	7,346,889.10
Cash in hand	0.00	-3,988,896.00	3,988,896.00
Opening Balance Receivables - Imprest and Clearance Accounts	116,457,478.25	-68,418,673.00	184,876,151.25
Deposits	0.00	38,024,066.00	-38,024,066.00
Consolidated Fund	14,761,767,589.35	0.00	14,761,767,589.35
Total	-5,826,844,351.25	-5,613,992,224.00	-212,852,127.25

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	Status as at 31/12/2019
30-JUN-19	JOURNALIMPORT49077650:	13434	783,600.00	Not cleared
30-JUN-19	JOURNALIMPORT49077701:	4922	331,897.00	Not cleared
30-JUN-19	JOURNALIMPORT49077700:	38875	880,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49077705:	2825	94,960.00	Not cleared
30-JUN-19	JOURNALIMPORT49077726:	8127	357,500.00	Not cleared
30-JUN-19	JOURNALIMPORT49077730:	5652	663,793.10	Not cleared
30-JUN-19	JOURNALIMPORT49077732:	5366	232,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49077763:	9752	444,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078049:	13243	330,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078051:	1314	88,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078052:	107746	56,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078066:	15868	14,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078069:	16076	724,139.00	Not cleared
30-JUN-19	JOURNALIMPORT49078067:	1775	17,600.00	Not cleared
30-JUN-19	JOURNALIMPORT49078085:	1779	17,600.00	Not cleared
30-JUN-19	JOURNALIMPORT49078094:	1776	17,600.00	Not cleared
30-JUN-19	JOURNALIMPORT49078090:	1780	17,600.00	Not cleared
30-JUN-19	JOURNALIMPORT49078095:	1777	17,600.00	Not cleared
30-JUN-19	JOURNALIMPORT49078120:	1781	24,500.00	Not cleared
30-JUN-19	JOURNALIMPORT49078121:	1782	106,308.00	Not cleared
30-JUN-19	JOURNALIMPORT49078122:	1783	84,400.00	Not cleared
30-JUN-19	JOURNALIMPORT49078123:	21574	550,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078139:	2737	900,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078141:	2185	300,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078143:	2264	379,310.00	Not cleared
30-JUN-19	JOURNALIMPORT49078159:	3796	100,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078178:	447607	10,000.00	Not cleared
30-JUN-19	JOURNALIMPORT49078181:	41698	474,137.95	Not cleared
30-JUN-19	JOURNALIMPORT49078177:	46000	8,301.30	Not cleared

CLEARED RECEIPTS IN CASHBOOK PRESENTED AS UNCLEARED IN THE RECONCILIATIONS					
30-JUN-19	JOURNALIMPORT49078175:	420	94,827.00		Not cleared
30-JUN-19	JOURNALIMPORT49078203:	46010	25,201.00		Not cleared
30-JUN-19	JOURNALIMPORT49078204:	46074	8,020.00		Not cleared
30-JUN-19	JOURNALIMPORT49078238:	67149	42,000.00		Not cleared
30-JUN-19	JOURNALIMPORT49078251:	7928	682,500.00		Not cleared
30-JUN-19	JOURNALIMPORT49078254:	6797	379,310.00		Not cleared
30-JUN-19	JOURNALIMPORT49078256:	7374	315,000.00		Not cleared
30-JUN-19	JOURNALIMPORT49078285:	807280	59,470.00		Not cleared
Total			9,631,174.35		

Appendix III- PAYMENTS IN BANK STATEMENT NOT IN CASH BOOK

Date	Payment Number	Payee	Amount
2019/06/28	385127	POSTED TO THIS AC. NOW CORRECTED	5,724.25
2019/05/08	1035691	AGA KHAN UNIVERSITY HOSPITAL	222,753.40
2019/04/30	1043375	Outward RTGS Payment MT 103	700,000.00
2019/03/06	1039688	TOYOTA KENYA LIMITED	24,243.60
2019/03/25	1035533	TRFS Payments	196,810.35
2019/03/28	1035531	AUDITOR GENERAL: CBK	2,964.00
2019/03/28	1035535	Withholding Tax	5,039.05
2019/03/28	1035528	Withholding Tax	48,882.40
2019/03/28	1035532	Withholding Tax	49,189.65
2019/03/28	1035534	AUDITOR GENERAL: CBK	52,034.50
2019/02/12	1039711	Withholding Tax	5,433.75
2019/02/13	1039708	PV18191642	99,618.50
2019/02/19	1039692	Withholding Tax	1,322.40
2018/11/09	1035428	Withholding Tax	931.05
2018/11/09	1035284	Withholding Tax	967.25
2018/11/09	1035541	Withholding Tax	2,284.75
2018/11/09	1035281	Withholding Tax	2,884.45
2018/11/09	1035283	Withholding Tax	3,276.00
2018/11/09	1035537	Withholding Tax	3,806.50
2018/11/09	1035285	Withholding Tax	3,823.50
2018/11/09	1035536	Withholding Tax	4,522.50
2018/11/09	1034583	Withholding Tax	4,950.45
2018/11/09	1034584	Withholding Tax	7,761.65
2018/11/09	1035539	Withholding Tax	18,094.75

Date	Payment Number	Payee	Amount
2018/11/09	1035280	Withholding Tax	20,099.80
2018/11/09	1035538	Withholding Tax	24,827.60
2018/11/09	1035282	PV18191257	26,315.50
2018/11/09	1035430	Withholding Tax	31,982.35
2018/11/09	1035287	Withholding Tax	44,748.00
2018/11/09	1035289	Withholding Tax	76,309.15
2018/11/09	1034581	Withholding Tax	77,400.00
2018/11/09	1035288	Withholding Tax	88,926.70
2018/11/09	1035543	Withholding Tax	123,827.60
2018/11/09	1035429	Withholding Tax	127,675.85
2018/11/09	1035540	Withholding Tax	144,672.40
2018/11/09	1035757	Withholding Tax	155,184.00
2018/11/09	1035542	INV 10534	1,320,666.45
2018/08/27	1035426	TRFS Payments	363,283.55
Total			4,093,237.65

Appendix IV

Vote Heads/Sub heads	Sub vote head Narration	Description	Amount
2120103	Employer contribution	HOUSE ALLOWANCE SALARY SALA JUNE 2019	5,000,000.00
2210201	Telephone	BASIC ALLOWANCE SALARY SALA JUNE 2019	15,000,000.00
2211310	Contracted professionals	POSTING OF EMPLOYER NSSF CONTRIBUTIONS	1,400,000.00
		JUL-SEP-18 RENT ANNIVERSARY	1,264,597.65
		PENSION CONTRIBUTION-JUN 2019	11,710,412.00
TOTAL IRREGULAR CLASSIFICATION			34,375,009.65

Appendix IV - 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
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 Hiace	2013	Motor Vehicle	Nairobi	Hub		Operational
2018/19		2013	Motor Vehicle				Operational
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	Mitsubishi Pajero	2006	Motor Vehicle				Operational
GK A146R	Toyota Hiace	2008	Motor Vehicle				Operational
GK A705Q	Mitsubishi Pajero	2007	Motor Vehicle				Operational
GK A706Q	Mitsubishi 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	Isuzu 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 VII Transactions without narrations in the ledger

Account	2210303	Description	Recurrent Expenditure-Auditor General-Headquarters-Revenues generated by Nat-General Administration PI-Daily Subsistance Allowan-National Government-Future		
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195278	182,160.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195157	258,400.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195158	126,000.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195167	154,560.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195166	84,000.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195146	10,500.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195148	126,000.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195149	184,425.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195150	286,800.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195151	105,000.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195169	154,560.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195168	154,560.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195170	147,000.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18192766	178,500.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195164	215,702.00
Payables	Purchase Invoices	Mar 13, 2019	Invoices	PV18195165	154,560.00
Payables	Purchase Invoices	Mar 14, 2019	Invoices	PV18195150	0
Payables	Purchase Invoices	Apr 17, 2019	Invoices	PV18195984	52,400.00
Payables	Purchase Invoices	Apr 17, 2019	Invoices	PV18195984	0
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18196025	302,700.00
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195923	220,000.00

Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195956	210,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195954	210,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195980	231,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195979	205,800.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195972	252,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195971	252,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195970	159,600.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195969	159,600.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195964	136,500.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18196057	252,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18195206	150,895.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18196056	287,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18196055	252,000.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV 18195206	12,655.00	
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV 18195206	0	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196779	109,200.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196780	109,000.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196777	51,520.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196778	51,520.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196783	109,200.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196828	233,100.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196792	109,200.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196784	172,900.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196726	26,600.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196830	147,000.00	
Payables	Purchase Invoices	Jun 21, 2019	Invoices	PV18196830	0	
Manual	AG ADJUSTMENT	Jun 29, 2019			91,000.00	
Manual	AG ADJUSTMENT	Jun 29, 2019			224,000.00	
Manual	AG ADJUSTMENT	Jun 29, 2019			64,400.00	
Manual	AG ADJUSTMENT	Jun 29, 2019			147,000.00	
Manual	AG ADJUSTMENT	Jun 29, 2019			201,600.00	
					7,716,117.00	
Account	2210303	Description	Recurrent Expenditure-Auditor General-Headquarters-Exchequer (GOK)-County			

			Governments Audit-Daily Substantance Allowan-National Government-Future	
Payables	Purchase Invoices	Feb 5, 2019	Invoices	PV18193721 219,800.00
Payables	Purchase Invoices	Feb 19, 2019	Invoices	PV18194560 151,200.00
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18196054 252,000.00
Payables	Purchase Invoices	Apr 30, 2019	Invoices	PV18196053 267,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196303 238,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196325 220,500.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196331 77,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196363 252,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196373 49,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196375 84,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196339 56,000.00
				1,866,500.00
	2210303	Description	Recurrent Expenditure-Auditor General- Headquarters-Exchequer (GOK) - Specialized Audits-Daily Substantance Allowan-National Government-Future	
Payables	Purchase Invoices	Jan 22, 2019	Invoices	PV 18191919 168,000.00
Payables	Purchase Invoices	Jan 31, 2019	Invoices	PV18193850 105,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196343 252,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196342 84,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196308 117,040.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196291 126,000.00
Payables	Purchase Invoices	May 8, 2019	Invoices	PV18196338 109,200.00
Payables	Purchase Invoices	May 14, 2019	Invoices	PV18196472 210,000.00
Payables	Purchase Invoices	May 14, 2019	Invoices	PV18196471 56,000.00
Payables	Purchase Invoices	May 14, 2019	Invoices	PV18196322 151,200.00
Manual	AG ADJUSTMENT	May 22, 2019		50,400.00
				13,400,878.90

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

S.No.	PF Number	Full Name	Imprest Date	Warrant Number	Amt Outstanding
107	2015282974	Erick Ouma Otieno	3/8/2019	3525345	29,400.00
112	2015282974	Erick Ouma Otieno	4/4/2019	3617380	27,500.00
56	2018283287	Miss Nzioka Olivia Munini	10/23/2018	3488846	176,400.00
76	2018283287	Miss Nzioka Olivia Munini	4/5/2019	3617197	44,800.00
3	1991038478	Samson Odhiambo Otunga	9/27/2018	3390353	84,000.00
6	1991038478	Samson Odhiambo Otunga	1/29/2019	3525081	136,900.00
54	2005046849	Sylvester Ngei Kiini	12/18/2018	3524326	181,000.00
95	2005046849	Sylvester Ngei Kiini	3/8/2019	3525421	33,600.00
					713,600.00

Appendix IX – Double taxation

Payment voucher No	Supplier name	Gross Amount	Net Amount	Withholding amount deducted (5%)	Re-calculated withholding amount	Variance
1819/3974	Kigathi & Associates	519,274	447,650	25,964.00	22,383	3,581.50
1819/3972	Matengo Githae & Associates	1,657,460	1,428,845	82,873.00	71,442	11,430.75
1819/3971	Matengo Githae & Associates	2,453,430	2,115,026	122,672.00	105,751	16,920.70
1819/3969	Matengo Githae & Associates	909,528	784,075	45,476.00	39,204	6,272.25
1819/3965	Nganga mwangi & Co.	1,810,934	1,561,150	90,547.00	78,058	12,489.50
1819/3963	Nganga mwangi & Co.	402,969	347,387	20,148.00	17,369	2,778.65
1819/3961	Nganga mwangi & Co.	2,382,482	2,053,864	119,124.00	102,693	16,430.80
1819/8696	JKUAT Enterprises	10,954,984	9,443,952	547,749.22	472,198	75,551.62
1819/8695	University of Nairobi	7,000,000	6,034,483	350,000.00	301,724	48,275.85
				1,404,553	1,210,822	193,732

HUMAN RESOURCE APPENDICES
APPENDIX 1

2018/2019 PAYROLL TEST	Total Gross Salary as per ledger	Gross salary as per payroll	Difference	Management Comment
July	251,901,412	251,901,412	(0)	
August	255,961,134	255,961,134	(0)	
September	244,986,641	251,588,007	(6,601,366)	Kshs.8,171,401, contractual employee cost and 964,863-Overstated national govt allowances with employee compensations paid outside the payroll
October	251,779,687	251,306,346	473,341	Kshs.473,341-Overstated national govt allowances with employee compensations paid outside the payroll
November	250,511,840	250,211,803	300,037	Kshs.300,037-Overstated national govt allowances with employee compensations paid outside the payroll
December	245,097,884	250,980,494	(5,882,610)	Kshs.6,551,400 contractual employees' costs and 574,200&94,590-Overstated national govt allowances with employee compensations paid outside the payroll
January	249,980,046	249,869,826	110,220	Kshs.110,220-Overstated national govt allowances with employee compensations paid outside the payroll
February	253,227,821	251,583,609	1,644,212	Kshs.1,644,211-Overstated national govt allowances with employee compensations paid outside the payroll
March	260,648,579	268,744,170	(8,095,591)	Kshs.7228-Overstated national govt allowances with employee compensations paid outside the payroll
April	300,986,157	293,341,512	7,644,645	Kshs. 7,661,874-Overstated national govt allowances with employee compensations paid outside the payroll and omitted kshs 17,228 as allowances
May	289,426,413	286,515,732	2,910,681	kshs 2,910,681-Overstated national govt allowances with employee compensations paid outside the payroll
June	254,365,051	262,107,135	(7,742,084)	understated national govt allowances by kshs 5,470,632&1,245,722 expensed in contracted professional services
	3,108,872,665	3,124,111,179	(15,238,515)	Allowances overstated by Kshs.52,500 which relates to top up allowances paid outside payroll

2018/2019 PAYROLL TEST	Total Gross Salary as per ledger	Gross salary as per payroll	Difference	Management Comment
			Contractual Employees	(22,818,391.00)
	3,108,872,665		Payments Outside Payroll	13,083,136

APPENDIX 2

2018/2019 PAYROLL TEST	Total Gross Salary as per ledger	Gross salary as per payroll	Difference	Management Comment
July	251,901,412	251,901,412	(0)	
August	255,961,134	255,961,134	(0)	
September	244,986,641	251,588,007	(6,601,366)	Kshs.8,171,401, contractual employee cost and 964,863-Overstated national govt allowances with employee compensations paid outside the payroll
October	251,779,687	251,306,346	473,341	Kshs.473,341-Overstated national govt allowances with employee compensations paid outside the payroll
November	250,511,840	250,211,803	300,037	Kshs.300,037-Overstated national govt allowances with employee compensations paid outside the payroll
December	245,097,884	250,980,494	(5,882,610)	Kshs.6,551,400 contractual employees' costs and 574,200&94,590-Overstated national govt allowances with employee compensations paid outside the payroll
January	249,980,046	249,869,826	110,220	Kshs.110,220-Overstated national govt allowances with employee compensations paid outside the payroll
February	253,227,821	251,583,609	1,644,212	Kshs.1,644,211-Overstated national govt allowances with employee compensations paid outside the payroll
March	260,648,579	268,744,170	(8,095,591)	Kshs.7228-Overstated national govt allowances with employee compensations paid outside the payroll
April	300,986,157	293,341,512	7,644,645	Kshs. 7,661,874-Overstated national govt allowances with employee compensations paid outside the payroll and omitted kshs 17,228 as allowances
May	289,426,413	286,515,732	2,910,681	kshs 2,910,681-Overstated national govt allowances with employee compensations paid outside the payroll
June	254,365,051	262,107,135	(7,742,084)	understated national govt allowances by kshs 5,470,632&1,245,722 expensed in contracted professional services
	3,108,872,665	3,124,111,179	(15,238,515)	Allowances overstated by Kshs.52,500 which relates to top up allowances paid outside payroll
			Contractual Employees	(22,818,391.00)

2018/2019 PAYROLL TEST	Total Gross Salary as per ledger	Gross salary as per payroll	Difference	Management Comment
	3,108,872,665		Payments Outside Payroll	18,586,395

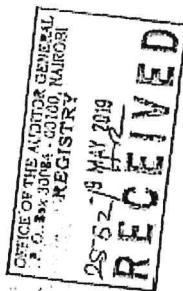
APPENDIX 3

Month	PF No.	Name	Bank code	Bank	Account No.
3/19/2021	1978084214	Miss Mbote Sarah Njeri	68029	EQUITY BANK KISUMU	1260178632803
3/2/2019	2019283544	Mr. Ngala Calvins Oduor	68029	EQUITY BANK KISUMU	1260178632803
4/1/2019	1978084214	Miss Mbote Sarah Njeri	68029	68029 EQUITY BANK KISUMU	1260178632803
4/1/2019	2019283544	Mr. Ngala Calvins Oduor	68029	68029 EQUITY BANK KISUMU	1260178632803

APPENDIX 4

The Auditor-General
NAIROBI

Attention
Deputy-Director (HR)



NON-PAYMENT OF MARCH 2019 SALARY

I wish to notify the Office that I have not received my March 2019 net salary amounting to Ksh90,960.30. As per attached March pay-slip, the amount seems to have been paid to account no. 1260178632803 of Equity Bank Kisumu branch, which does not in any way belong to me.

My salary account as per records held in payroll section is A/c 1180442210, Kenya Commercial Bank, University Way.

Kindly assist me have my pay as soon as possible to enable me meet my financial obligations.

Thank you.

Sarah Njeri Mboto
P/No. 1978084214

8th May 2019

John:
The process the officer has
the process the officer has
by N and recover the
amount paid to officer
amount from the
amount.
Circulated.
28-5-19
28-5-19

P.V. processed, and
deduction from Angela Collins

PROCEDURE FOR PROCESSING THE MONTHLY PAYROLL

Activity	Authorized by/Source	Responsibility
1 Importing of payroll records from previous month's records.	Monthly routine	HRO/Supervisor - payroll
2 Confirm that exiting employees' data (if any) is not moved to the new month.	Monthly routine	HRO/Supervisor - payroll
3 Effect due annual incremental credits.	Approved Salary progression guideline	HRO/Supervisor - payroll
4 Effect any approved payroll changes i.e. new employees, promotions, salary arrears, specified allowances, reinstatements, salary stoppage etc (if any).	AG DAG (CS) DHR DDHR	HRO/Supervisor - payroll
5 Correct any errors from previous month's payroll (if any).	DHR/DDHR/MHR	HRO/Supervisor - payroll - Payroll System Administrators
6 Process approved leave, transfer allowances	D/DD/Manager HR	All Payroll staff
7 Effect approved payroll recoveries such as imprest, medical over-expenditures (if any)	DAG (CS) DHR, DDHR/MHR	All Payroll staff
8 Implement staff third-party/voluntary deductions.	Data sheets from various financial institutions Individual employees	All payroll staff
9 Initial payroll processing	On completion of data entry.	HRO/Supervisor payroll

11	Final payroll processing	Completed monthly payroll	HRO/Supervisor-payroll
12	Printing and signing of hard copies and preparation of payroll voucher	Completed monthly salary voucher (hard copy)	HRO/Supervisor payroll
13	1 st Review	Payroll voucher signed by HRO payroll.	MHR or DDHR
14	2 nd Review and recommendation for approval	Payroll voucher prepared by HRO payroll and reviewed by MHR or DDHR.	DDHR or DHR

15	Salary voucher approval	Salary voucher prepared by HRO payroll, reviewed by MHR/DDHR and recommended by DDHR or D/HHR	DAG (CS)
16	Closing/locking of the payroll records for the month.	Approved payroll voucher	HRO/Supervisor payroll
17	Payroll clearance (preparation of various payment vouchers for payment of statutory and voluntary deductions).	DAG CS/Approved payroll voucher	All payroll staff
18	Exchequer/funds request	Approved payroll and payment vouchers for the various deductions.	Finance Department
19	Dispatch of signed bank remittance schedules of individual net salary to banks	Advice from Finance Department on exchequer approval.	HRO/Supervisor payroll
20	Filing of statutory returns ie PAYE, NHIF, NSSF, HELB.	Set deadlines	Payroll staff
21	Dispatch of payroll by-products and remittance advice to concerned financial/Saccos/ insurance institutions.	Agreed deadlines	Payroll staff

Chamwe S. S. S. S.
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APPENDIX 5

S/NO	P/NO	DESIGNATION	WORK STATION
1	1987106023	Manager-Audit	Administration
2	1994005903	Principal Assista	Administration
3	1994013118	Assistant Office	Administration
4	2015283116	Office Assistant	Administration
5	2015283134	Driver	Administration
6	2015283140	Office Assistant	Administration
7	2017283209	Office Assistant	Administration
8	2017283220	Driver	Administration
9	1984103335	Audit Ass I	Agriculture
10	1990018865	Principal Assista	Agriculture
11	1992018780	Supervisor-Audit	Agriculture
12	2000005026	Audit Ass II	Agriculture
13	2005046865	Director of Audit	Agriculture
14	2011282757	Supervisor-Audit	Agriculture
15	2015283138	Office Assistant	Agriculture
16	2018283468	Audit Ass II	Agriculture
17	1994013095	Senior Assistant	AG's Office
18	1996053025	Principal Assista	AG's Office
19	1999006205	Senior Assistant	AG's Office
20	2005059410	Manager-Audit	AG's Office
21	1987012224	Deputy Auditor-Ge	Corporate services
22	1989057369	Deputy Auditor-Ge	Corporate services
23	2005046849	Deputy Auditor-Ge	Corporate services
24	2005046857	Deputy Auditor-Ge	Corporate services
25	2014282875	Deputy Auditor-Ge	Corporate services
26	2015283039	Deputy Auditor-Ge	Corporate services
27	1997032179	Manager-Audit	Devolution ICT & Planning
28	2008143179	Office Assistant	Devolution ICT & Planning
29	2011005267	Director of Audit	Devolution ICT & Planning

S/NO	P/NO	DESIGNATION	WORK STATION
30	2015282992	Audit Ass I	Devolution ICT & Planning
31	2018283333	Audit Ass II	Devolution ICT & Planning
32	1990006876	Audit Ass I	Education
33	1991057935	Audit Examiner	Education
34	2000001137	Supervisor-Audit	Education
35	1988107242	Principal Driver	Eldoret hub
36	1988023692	Manager	Energy Water Petroleum and Mining
37	1991029495	Deputy Director -	Energy Water Petroleum and Mining
38	2007011361	Office Assistant	Energy Water Petroleum and Mining
39	2015283024	Audit Ass I	Energy Water Petroleum and Mining
40	1986082763	Senior Assistant	Finance