



## OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

### THE AUDIT PROCESS

#### Introduction

The Office of the Auditor General (OAG) is an independent Office created under Article 229 of the Constitution of Kenya. The Office is charged with the primary oversight / assurance role of ensuring accountability within the three arms of government i.e. the Legislature, the Judiciary and the Executive; as well as Constitutional Commissions and Independent Office.

Article 229 (4) specifies that within six months after the end of each financial year, the Auditor-General shall audit and report in respect to that financial year on the accounts of National and County government, accounts of all funds and authorities of the National and County governments, the accounts of all courts, accounts of every Commission and Independent office established by the Constitution, accounts of the National Assembly, the Senate and the County Assemblies, accounts of political parties funded from public funds, the public debt and the accounts of any entity that legislation requires the Auditor General to audit.

In addition, Article 229 (6) of the Constitution requires the Auditor-General to confirm whether or not public money has been applied lawfully and in an effective way. The Office is mandated to provide assurance on accountability of public resources through; *Certification of Accounts, Continuous Audit presence and Service Delivery* to all Kenyans.

Article 229 (8) of the Constitution requires that within three months after receiving an audit report, Parliament or the County Assembly shall debate and consider the report and take appropriate action.

#### **Deadline for submission of Financial Statements for auditing**

The deadline for submission of financial statements to the Auditor-General for audit is 30th September of the calendar year. However, clients are usually encouraged to submit the accounts as soon as possible.

#### **The Audit Process**

The effectiveness of any audit process relies heavily on good communication with the audited entities. In this case, International Auditing Standards and International Standards on Supreme Audit Institutions demand that there is continuous communication with clients during the entire audit process.

Communication with our clients has and will always be critical during the audit process. We therefore remind our clients to pay attention and actively participate during the audit process.

Communication with clients (auditees) takes place through the following sequential channels:

#### **1. Letter of understanding**

This is sent out to the client before the audit commences, to explain the nature and scope of the audit. It is aimed at arriving at a common understanding about the terms of the assignment and informs both auditors and management on the expectations of the audit.

#### **2. Entrance meetings with the management of the audited entity**

This is an inaugural meeting with the management before the audit exercise starts. The contents of the letter of understanding and the audit strategy are discussed during this inaugural meeting.

#### **3. Audit queries issued, communicated and responses sought from auditees**

During the course of the fieldwork, there is regular contact between the auditors and auditee's staff. The auditee is informed of any audit findings/observations in the course of the audit and management of the entity being audited is accorded an opportunity to respond to the queries raised.

This back and forth engagement takes place numerous times until the queries are cleared or remain outstanding, if not satisfactorily responded to by the management.

#### **4. Exit meetings with the Management of the audited entity**

At the end of the audit exercise, the Management is invited to attend the exit meeting where the auditors share with them the findings of the audit exercise, and indicate any outstanding issues that require further explanation or documentation.

#### **5. Management Letter**

This letter is issued to the Accounting Officer and includes all unresolved audit findings and exceptions arising from the audit exercise.

Management is requested to respond to the audit findings within a specific timeline after which the Auditor-General is under obligation to issue the report as it is. When management's response is received, the same is verified and the audit findings are either retained, dropped or kept in view (to be checked in the next audit); depending on the materiality (significance) of the findings, and response provided.

#### **6. Draft Audit Report**

Issued to auditee to give an overview of issues in the management letter which were not satisfactorily addressed by the management in the response to management letter.

#### **7. Final Audit Report**

Issued to the Auditee and shows the overall audit opinion on the financial statements as well as pointing out other key issues arising from the audit.

#### **8. Reporting to Parliament**

In line with relevant Constitutional provisions, audit reports are submitted to Parliament or relevant County Assembly. National Assembly Committees which receive audit reports include Public Accounts Committee and Public Investments Committee for National Government Accounts and State Corporations Accounts, respectively. At the Senate, there is Public Accounts and Investments Committee.

Reports for County Governments are received by the Public Accounts and Investments Committees at the respective County Assemblies.

#### **9. Deliberations of reports by Parliamentary/ County Assembly Committees**

The audit reports are submitted to Parliament (National Assembly and the Senate) and the relevant County Assemblies who represent the people of Kenya. The reports are discussed by the relevant standing committees at National Assembly, the Senate and County Assemblies.

At the National Assembly, the Public Accounts Committee (PAC) discusses audit reports for National Government entities while the Public Investment Committee (PIC) discusses those for State Corporations. At the Senate, the Public Accounts and Investments Committee of the Senate discusses audit reports for the County Governments and County Corporations. On the other hand, the County Assemblies Public Investment and Accounts Committees (PIACs) discuss reports for the County Governments, County Assemblies and County Corporations.

The deliberations by the relevant watchdog committees involve inviting key officers from the various entities to respond to the audit queries. The public hearing sessions are open to members of the public.

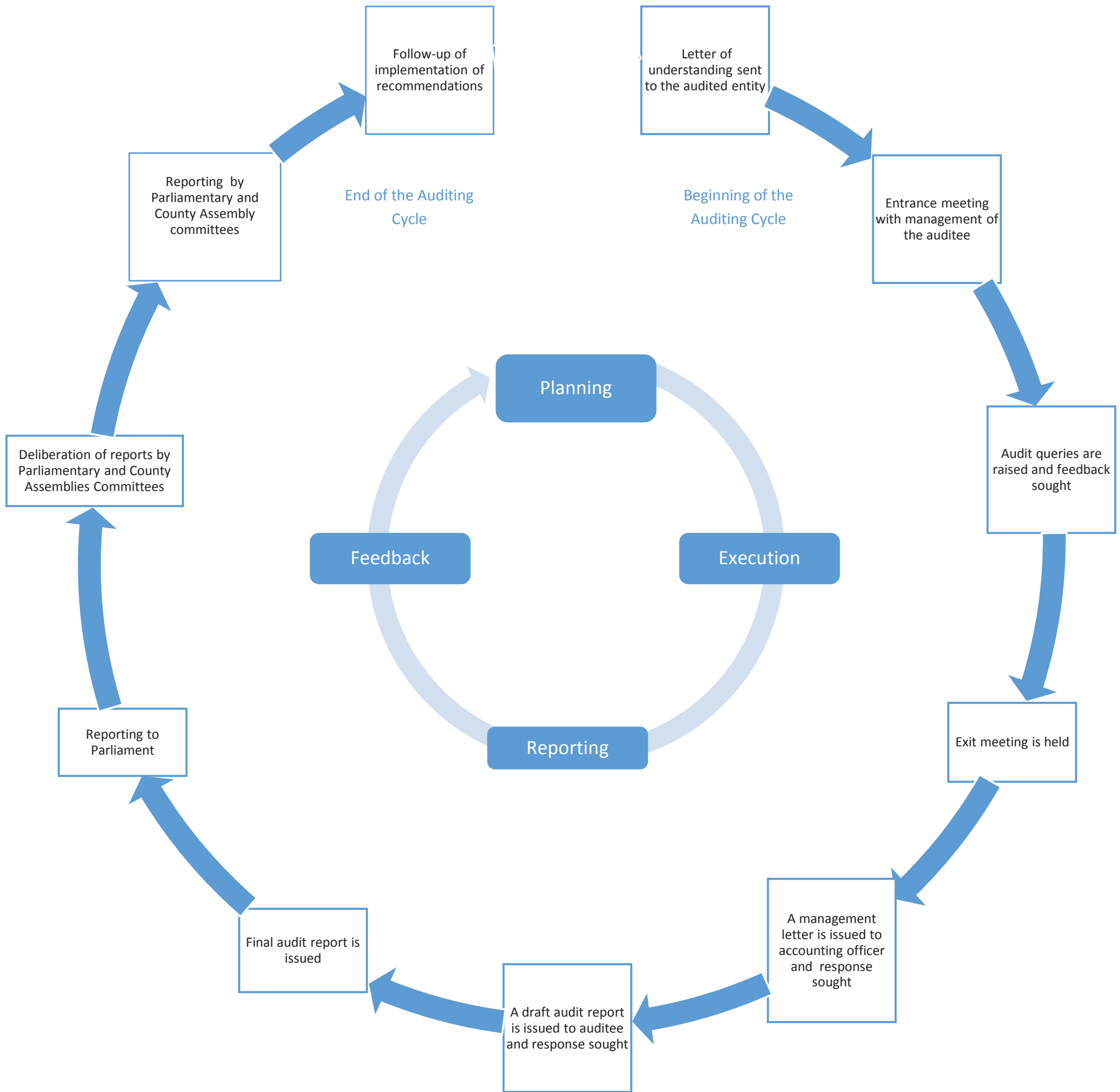
#### **10. Reporting by Parliamentary/County Assembly Committees**

After the discussions are complete, the Parliamentary and County Assembly committees with assistance of the Office of the Auditor-General come up with recommendations for implementation by the entity concerned.

#### **11. Follow-up of implementation of Parliamentary /County Assembly recommendations**

The Auditor-General makes a follow up in the subsequent year to confirm whether recommendations made have been implemented by the Accounting Officers. In cases where no action has been taken, the matter is included in the subsequent year's audit report.

# The Audit Process Summary



Office of the Auditor-General, Anniversary Towers.

P. O. Box 30084-00100, Nairobi, Kenya.

Website: [www.kenao.go.ke](http://www.kenao.go.ke). E-mail: [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)



Office of the Auditor-General Kenya



@OAG\_Kenya