



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE CHIEF OF STAFF AND HEAD OF PUBLIC SERVICE**

THE ZERO FAULT AUDIT CAMPAIGN FY 2023/2024

1. Background

The Chief of staff and Head of Service (COS & HOPS) as a coordinator and convener of principal secretaries' committees, support the Executive Office of the President in facilitating the organization and efficient execution of the government services, which include development of systems and strategies for overall improvement, transparency and accountability of public entities. This gives COS & HOPS a mandate on audit matters as per the Executive order No. 2 of 2023

The interactions between the Office of COS & HOPS and the Independent Office of the Auditor General (OAG) since the inauguration of the Kenya Kwanza (KK) Administration has necessitated action. Whereas the Presidency is keen on ensuring that it fully implements its flagship Bottom-Up Economic Transformation Agenda (BETA) with a resounding success, consistent audit queries and failure to address issues flagged by the OAG on time possess a significant challenge to BETA. Evidently, some of the Accounting Officers are not adequately accounting for the management and use of public resources with impunity leading to fiscal indiscipline that includes misallocations, wastage of resources, and lack of value for money in implementation of projects and loss of public funds, thereby impacting negatively on development programmes. This in turn threatens economic growth and sustainability of service delivery to citizens contrary to BETA.

AUDIT OPINIONS GIVEN BY THE OAG IN FY2020/2021 AND FY2021/2022

Opinions	COUNT OF OPINION			
	2020-2021	%	2021-2022	%
Adverse (Extremely Bad)	116	7.51	156	9.05
Disclaimer (Unable to Opine)	27	1.75	28	1.62
Qualified (Uncertainty - Bad)	1,027	66.52	1,146	66.47
Unmodified (Outstanding)	366	23.70	391	22.68
Unmodified with emphasis of matter	8	0.52	3	0.17
Grand Total	1,544		1,724	

The table indicates that MDAs are actually doing badly in so far as audit queries are concerned. Further, it is disheartening given that some of the issues picked by the auditor in FY 2020/2021 recurred in FY 2021/22 despite some of them being avoidable in the first instance.

A clear observation has also been the lack of an effective mechanism for follow up on implementation of audit recommendations leading to audit queries recurring in subsequent audit reports due to lack of requisite action. The Office of COS & HOPS has principally taken the role of ensuring that all accounting officers close off all outstanding audit issues, ensure that all avoidable audit queries are not present in FY 2023/24.

2. About the Zero Fault Audit Campaign FY 2023/2024

The Office of COS & HOPS recently commissioned a study on the status of MDAs in reference to audit queries raised by OAG in her respective Reports, the following three things were outstanding:-

- (i) Less than 30% of audit issues arising from the Audit Reports of FY2021/22 and 2022/23 have been fully addressed;
- (ii) The Types of Audit Queries arising from the aforesaid Auditor General's reports were avoidable in the first place and recurred in many cases; and
- (iii) Entities that had (completely Unqualified) Audit Reports for the FY2021/22 most often had Clean Reports for the following Financial Year 2022/23.

The inference from the above findings was that;

- a) It is possible for MDAs to get completely Unqualified Audit Reports from the
- b) Office of Auditor General (OAG). This is attested to by the several entities that had Unqualified audit reports in the two financial years;
- c) Where an entity gets Unqualified Audit Report, this behaviour is most likely to be replicated subsequently. Similarly, where audit queries are not closed off, the likelihood of recurrence of the offending behaviour is high;and
- d) The various Teams, Committees and Officials charged with ensuring that audit issues DO NOT arise in the first place and that where they do, they are closed off with finality, need to undertake their duties with the seriousness required.

This necessitated the Office of the COS & HOPS to plan for the Zero Fault Audit Financial Year 2023/24 that will be characterised by showcasing the possibility for government to work efficiently and

effectively in accordance with all accounting and auditing standards as per the wishes of His Excellency the President.

3. What are the Key Features of the ZERO FAULT AUDIT CAMPAIGN FY 2023/24?

- i. ALL pending Audit Queries /issues arising from OAG Reports in FY 2020/21 and 2021/22 MUST be closed by Monday, 2 October, 2023 with a notification thereof sent to this office by Monday 9 October, 2023. Where an audit query is not capable of being closed off for any reason, the same must be fully explained in writing by Monday, 9 October, 2023;
- ii. No MDA shall attract a new audit query in the entire FY 2023/2024;
- iii. Where an MDA anticipates that an Audit query will arise for reasons beyond their capability or control, the same MUST be escalated to the relevant Principal Secretary for Further guidance and Assistance with a copy issuing to the OAG for their advice and assistance;
- iv. All Principal Secretaries/Accounting Officers have been directed to meet with relevant staff, committees and line managers to bring the campaign to their attention, assess any training needs and equip them with the necessary knowledge and skills to promote adherence and compliance;
- v. The enhanced role of internal auditors and the internal audit committees as per The Public Finance Management Act, 2012 Section (73);
- vi. All line managers are to be informed that they will be personally responsible for audit queries/issues arising from their specific spheres of influence/actions.

4. What Role can the Internal Audit Function of MDAs play in facilitating and enhancing the Zero Fault Audit campaign?

The Zero Fault audit campaign FY 2023/24 is essentially preventive in nature by ensuring the MDAs take appropriate action as per the accounting and auditing standards to ensure that the risk exposure of the entities is at a minimum. Internal Auditors work with the management on a daily basis and therefore are better placed to identify risks, weak internal control and poor corporate governance challenges that can be corrected before opinion is given by the external auditors whose assessment is periodic

The Specific Duties of Internal auditors in MDAs.

1. The PFMA 2012 and PFM regulation 2015 requires that each public entity shall establish an audit committee. The audit committee form a key element in the governance process, independent expert assessment of activities of top management, quality of financial reporting, financial management and internal audit to the board of directors. Another role is to ensure that external audit recommendations are fully addressed and that the quality of internal audit is of an appropriate standard and that the line management has fully regard of internal audit recommendations;
2. The office of the Internal Audit General (IAG) in the National Treasury has been given independence by section 163 of the PFMR of 2015 and regulation 164 gives the legal and policy mandate to the IAG to support CS, PS National Treasury and all the Accounting Officers in Ministries, State Departments, and Institutions/Agencies in the discharge of the government affairs. The function appraises all the entities and provides assurance to National Treasury on the efficiency and effectiveness of internal controls in utilization of public resources;
3. Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations, and determining whether the Board is in compliance;
4. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
5. Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned; and
6. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information; and

In performing this roles, the Office of COS & HOPS is aware of the salient challenges that face the internal auditors in execution of their mandate and is imperative that accounting heads at the MDAs and othe relevant concerned parties find immediate solutions to actualize the Zero Fault Audit campaign FY 2023/24. These challenges include:

1. Failure by the Accounting Officer to implement recommendations made in internal audit report and develop responses and action plans and submit such to the chairperson of the audit committee within fourteen (14) days as required by PFMA regulation 174(1). This has led to recurring audit queries cutting across all public entities. Some of the audit queries raised by the internal auditor are escalated to external auditor's report and finally in parliament, EACC and in Court;

2. Lack of development and putting in place policies and procedures manual to guide the Internal Audit function, this is supposed to be spearheaded by the head of the internal audit who is the secretary to the internal audit committee;
3. Failure to holding meetings regularly as required under regulation 179(1), which requires the audit committees to meet at least once in every three months;
4. Heads of Internal Audit (HID) function report both functionally and administratively to the Accounting Officer contrary to PFMA regulation which requires HID to report functionally to the Audit Committee and administratively to the accounting officer. Further, the Heads of the Internal Audit functions in all these institutions are placed at lower levels in the government grading structure, which in essence defeats their authority and desired expert skills to carry out the audit function effectively and efficiently. This low profiling of Internal Auditors leads to difficulties in filling Internal Audit positions with the qualified and talented candidates; and
5. Heads of departments and sections not cooperating with the Internal Auditor in providing required documents, information and clarification in responding to the Internal Audit queries.

If you have any questions or require further clarification please do not hesitate to contact the Office of Audit, Legal and Regulatory Compliance in the Office of the Chief of Staff and Head of Public Service at the following E-mail Address: alrcoffice@headofpublicservice.go.ke