

Module 4 Session 2: Understanding County Audit Reports

TASK 4.2 ■ READING AND UNDERSTANDING COUNTY AUDIT REPORTS

1 HOUR 15 MINUTES

TASK OBJECTIVES:

- ❖ ENHANCING UNDERSTANDING OF THE AUDIT PROCESS AND THE CONTENT OF AUDIT REPORTS
- ❖ USING COUNTY AUDIT REPORTS IN REPORTING, ADVOCACY AND OVERSIGHT

RESOURCES NEEDED

- ✓ Summary of the Report of the Auditor-General on Financial Statements for Ministries, Departments, Commissions, Funds and other Accounts of the National Government National Government for the Period 1 July 2013 to 30 June 2014: snippets
- ✓ Baringo county audit reports for the year 2013/14:
 1. The Report of the Auditor-General on the Financial Operations of the Baringo County Executive for the Period 1 July 2013 to 30 June 2014;
 2. The Report of the Auditor-General on the Financial Operations of Baringo County Assembly for the Period 1 July 2013 to 30 June 2014; and
 3. The Report of the Auditor-General on the Financial Statements of County Government of Baringo for the Period 1 July 2013 to 30 June 2014.

TASK EXPLANATORY NOTES

This session has two parts:

Part one: reading audit reports (30 minutes)

1. For this part you will be using: the national and county audit reports for 2013/14, which are the most recent available.
2. In plenary or in small groups discuss the questions below
3. In plenary guided by the facilitator discuss the answers to the questions below.

Part two: understanding county audit reports (45minutes)

1. Ensure you have the Baringo audit reports.
2. Read the relevant paragraphs/ pages highlighted in the task below.
3. In groups of three answer the relevant questions.

Note: Ensure you are looking at the specific audit queries highlighted in part one of the session.

4. In plenary discuss your answers.

TASK 4.2

(QUESTIONS AND ANSWERS)

Part one: Reviewing the table of contents of the 2013/14 national audit report.

- 1) This section explains the table of contents. Define the terms in the snippet below.

3.	Summary of the Audit Results.....	12
3.1.	Accounting Framework.....	12
3.2.	Overall Audit Results.....	12
3.3.	Audit of Revenue Statements.....	14
3.4.	Audit of Expenditure Statements	16
3.5.	Unsupported Expenditure.....	18
3.6.	Excess Expenditure	18
3.7.	Pending Bills	19
3.8.	Management of Imprests.....	21
3.9.	Maintenance of Bank and Cash Accounts.....	22
3.10.	Statements of Assets	23
3.11.	Maintenance of Accounting Records	23
4.0.	Conclusion.....	24
	Audit Opinions on the Financial Statements.....	25
<i>1.</i>	<i>Unqualified Certificate.....</i>	<i>25</i>
<i>2.</i>	<i>Qualified Certificate.....</i>	<i>27</i>
<i>3.</i>	<i>Adverse Certificate</i>	<i>29</i>
<i>4.</i>	<i>Disclaimer Certificate</i>	<i>31</i>

2) Look at the snippet below. What trends do you notice?

Snippet a

Audit Report Findings					
Expenditure	2009/10	2010/11	2011/12	2012/13	2013/14
Unsupported Expenditure	6,955,884,426	8,618,296,784	5,214,321,544	33,922,820,718	66,782,697,9
Unsurrendered Imprests	792,557,903	441,606,483	2,142,569,432	633,178,658	351,043,2
Pending Bills	16,640,966,826	8,105,844,001	4,476,921,844	43,634,365,991	16,638,164,1
Excess Vote	44,470,491	362,357,466	7,048,222,153	38,495,253	24,566,651,6
Excluded Expenditure	4,037,475,913	3,092,815,736			
Total Irregularities	28,471,355,558	20,620,920,470	18,882,034,973	78,228,860,620	108,338,556,9

Source: IBPK

3) Relating to snippet 'a' above what does snippet b below tell you?
Snippet b (2013/14 National Audit Report, page 18)

3.5. Unsupported Expenditure

During 2013/2014, a number of Ministries, Departments, Commissions and Funds failed to avail documents in support of various expenditure totalling Kshs.66,782,697,987 appearing in the respective financial statements, as summarized below:-

	Ministry/ Department/ Commission/ Fund	Amount (Kshs)
1	Commission for the Implementation of the Constitution	9,200,000
2	Ministry of Agriculture, Livestock and Fisheries	1,289,737,385
3	Ministry of Defence	74,237,935
4	Witness Protection Agency	79,358,105
5	Ministry of Education, Science and Technology	12,826,647,906
6	Ministry of Energy and Petroleum	2,408,723,865
7	Ministry of Environment, Water and Natural Resources	15,900,000
8	Ministry of Foreign Affairs	1,456,170,114
9	Ministry of Health	22,500,344,808
10	Ministry of Industrialization and Enterprise Development	300,000,000
11	Ministry of Transport and Infrastructure	22,050,510,900
12	National Police Service Commission	59,846,608
13	Office of the Attorney General and Department of Justice	2,705,850,667
14	Teachers Service Commission	128,392,935
15	The Judiciary	463,366,765
16	Government Press Fund	271,742,000
17	National Humanitarian Fund	<u>142,667,974</u>
	Total	<u>66,782,697,987</u>

In absence of the records and documentation, the propriety of the expenditure of Kshs.66,782,697,987 could not be ascertained and therefore these public funds may not have been utilized lawfully and in an effective manner.

4) Look at snippet below (from the Ministry of Health) what information do you find here?

Page 100

Unsupported expenditure

Component in F/S	Total amount	Supported Balances	Un-supported Balances
	Kshs	Kshs	Kshs
Other Grants and transfers	24,053,720,579.05	23,154,328,387.05	899,392,212.00
Social security benefits	394,093,952.10	-	394,093,952.10
Acquisition of Assets:-			
Ngong (Radio-active waste processing facility)	257,384,938.00	180,069,381.00	77,315,577.00
Government Chemist	123,640,071.00	68,588,427.00	55,073,644.00
KNH	9,981,800.00	-	9,981,800.00
MOH HQS	21,386,536.00	-	21,386,536.00
Purchase of computers & Specialized equipment	514,260,279.00	-	514,260,279.00
Purchase of Motor Vehicles	43,999,491.00	8,999,491.00	35,000,000.00
Other Payments	2,872,776,865.25	1,405,904,665.30	1,466,872,199.95
		-	
Total			3,473,396,200.05

Part Two: Reviewing your county’s audit reports

- (i) Reviewing the three audit reports consider item 1-8 from the three audit reports below. Rank these audit queries from the most important to least important and explain your reasoning.

County Executive Report	County Assembly report	Financial Statement
1. Unsupported expenditure. Look at 2.0 & 3.0 on page 3 and 6.0. 2. Imprests. Have people look at 3.0 on page 9, 5.0. 3. Procedures for assets. Look at 4.3 on page 10. 4. Procurement. Look at 7.1 on page 12, 11.1 & 11.2.	5. Illegal expenditure. Look at 2.1 on page 5, 3.0 on page 6. 6. Excess expenditure. Look at 2.2 & 2.3 on pages 5&6.	7. Pending Bills. Look at 6.0 on page 4. 8. Procedures for Funds. Look at 3.0 on page 3.

Rank (List the audit queries from the most important to the least important)	Justification (What criteria have you used to rank the audit queries)
1)	
2)	
3)	
4)	

5)	
6)	
7)	
8)	

(ii) What opportunities for investigation/advocacy could be pursued in the items 1-8 above? And how?

Opportunities for investigation	How to pursue this
1)	
2)	
3)	
4)	

(iii) What are the implications for oversight?

EXTRA READINGS

- i. IBP, “Guide to the Open Budget Questionnaire: An Explanation of the Questions and the Response Options,” September 2015 (Q 97-102)
<http://www.internationalbudget.org/wp-content/uploads/OBS2015-Questionnaire-and-Guidelines-English.pdf>
- ii. Public Audit Act, 2015
<http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/PublicAuditAct34of2015.pdf>
- iii. Jason Lakin, “Media must understand that money that isn’t accounted for isn’t always looted,” July 25, 2015
<http://www.theeastafrican.co.ke/OpEd/comment/Financial-reporting-on-counties-auditor-general-report/-/434750/2808286/-/d2se53z/-/index.html>
- iv. Jason Lakin, “Auditor General: Powers and performance,” Mar. 26, 2016
http://www.the-star.co.ke/news/2016/03/26/auditor-general-powers-and-performance_c1318619?page=0%2C1
- v. Jason Lakin, “Auditor General’s report: How to cut out the sound and fury that signifies nothing,” August 8, 2015.
<http://www.theeastafrican.co.ke/OpEd/comment/Circus-of-the-Auditor-General-reports-in-Kenya/-/434750/2824656/-/yc5vbdz/-/index.html>

KEY TAKEAWAYS

- ✓ AUDIT REPORTS ARE IMPORTANT FOR OVERSIGHT BY BOTH THE PUBLIC AND THE COUNTY ASSEMBLIES
- ✓ AUDIT REPORTS GIVE AN INDEPENDENT OPINION OF WHETHER THE COUNTY GOVERNMENT HAS SPENT FUNDS AS IN THE ENACTED BUDGET
- ✓ AUDIT REPORTS RAISE QUERIES RELATED TO FAILURES TO FOLLOW PROCEDURE, AND MAY INDICATE MISUSE OF FUNDS, BUT THEY ARE NOT CORRUPTION REPORTS