

OFFICE OF THE AUDITOR - GENERAL

STRATEGIC PLAN FOR THE PERIOD 2015 - 2018



Enhancing Accountability

Vision

Effective accountability in the management of
public resources and service delivery

Mission

Audit and report to stakeholders on the fairness,
effectiveness and lawfulness in the management of
public resources for the benefit of the Kenyan people.

Core Values

• Independence • Integrity •

Professionalism • Innovation • Team Spirit

Motto

Enhancing Accountability.

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ABBREVIATIONS

ACL -	Audit Command Language
AFROSAI-E -	African Organization of Supreme Audit Institutions (English-Speaking)
AG -	Auditor-General
CAAT -	Computer Assisted Audit Techniques
CCNA -	Cisco Certified Network Associate
CCNP -	Cisco Certified Network Professional
CFE -	Certified Fraud Examiner
CISA -	Certified Information Systems Auditor
CISSP -	Certified Information Systems Security Professional
CPA -	Certified Public Accountant
DAG -	Deputy Auditor-General
EAC -	East African Community
ERP -	Enterprise Resource Planning
CBF -	Institutional Capacity Building Framework
ICPAK -	Institute of Certified Public Accountants of Kenya
ICT -	Information and Communication Technology
IDI -	INTOSAI Development Initiative
INTOSAI -	International Organization of Supreme Audit Institutions
KENAO -	Kenya National Audit Office
MBA -	Master of Business Administration
MCP -	Microsoft Certified Professional
MCSE -	Microsoft Certified Systems Engineer
OAG -	Office of the Auditor-General
PAA -	Public Audit Act
PAB -	Public Audit Bill

ABBREVIATIONS

QA -	Quality Assurance
SAI -	Supreme Audit Institution
S & OP -	Strategies and Operations Planning
WAN -	Wide Area Network

LIST OF TABLES AND FIGURES

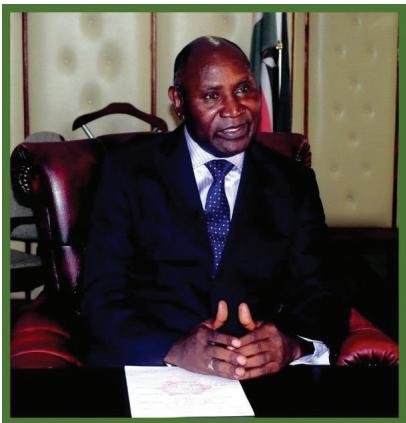
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FOREWORD



I am pleased to present the 2015-2018 Strategic Plan for my Office. The plan reflects our commitment towards meeting our expanded Constitutional mandate.

The Public Audit Act 2015 which came into effect on 7 January, 2016 further clarifies our expanded mandate.

We plan to continue to use our three pronged audit approach of fiscal accountability, managerial accountability and audit of service delivery.

In the last three year strategic period of 2012 - 2015 we have recorded major strides in reorienting the office to respond to the expanded constitutional mandate through a three pronged approach of fiscal accountability, managerial accountability and audit of service delivery. Our major achievements are outlined in this plan.

In the next three years we will work towards wider audit coverage and improved timeliness in our reporting. We will seek to leverage on Information Communication Technology in order to achieve our ambitious strategic goals.

We are grateful for a team of dedicated staff and the invaluable support we continue to receive from our various stakeholders. We are confident that this commitment and support will help us realize our vision of achieving effective accountability in management of public resources.

The overall success and achievement of our goals in the Strategy will require concerted efforts, commitment and dedication of the management and staff of the Office of the Auditor-General. The cooperation and support of our stakeholders, particularly the Executive at the National and County Government levels, Parliament, the International community and the general Kenyan public will also be important for our success.

A handwritten signature in black ink, appearing to read "Edward R. O. Ouko" followed by "Auditor-General".

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

HIGHLIGHTS

This Strategic Plan covers a period of three years from 2015- 2018. The plan seeks to consolidate the changes made over the previous strategic period of 2012 -2015 and brings on board emerging issues.

The Office of the Auditor-General (OAG) has made major strides in re-orienting itself to respond to the expanded mandate stipulated in Article 229 of the Constitution of Kenya. We hope to achieve our mandate through an assurance framework comprising three pillars namely: Certification of Accounts, Continuous Audit Presence and Assessment of Service Delivery to Kenyans. The organizational structure of the Office is aligned to the three pillars with eight departments each headed by a Deputy Auditor-General.

Our strategic orientation will be driven by our vision of effective accountability in the management of public resources and service delivery and our mission to audit and report to stakeholders on the fairness, effectiveness and lawfulness in the management of public resources for the benefit of the Kenyan people. Our core values of independence, integrity, professionalism, innovation and team work continue to define how we work and how we relate to our stakeholders.

The Office acknowledges that the implementation of the plan will require a large outlay of resources in terms of people, funds, goods and services. We will require the support of Parliament, the Executive, our Development Partners, Kenyans and OAG staff in order to succeed.

In our effort to promote accountability in the public sector we will focus on five strategic goal areas;

Table 1: OAG Strategic Goals

	OAG Strategic Goals
Goal 1	To enhance the quality and timeliness of audit reports
Goal 2	To promote and support good governance and accountability in the Public Sector
Goal 3	To promote effective delivery of quality services to the public and sustainable management of resources
Goal 4	To transform the organisation for efficient and effective delivery of audit services
Goal 5	To enhance Information and Communication Technology (ICT) capacity and systems for efficient operations

INTRODUCTION

BACKGROUND

The former Office of the Controller and Auditor-General was created under section 105 of the 1963 constitution. The Office had dual functions under the Exchequer and Audit Act Cap 412 (1) to audit all public funds in the Central Government, Local Authorities and State Corporations and (2) to authorize release of funds from the Exchequer Account. The Office was then known as Exchequer & Audit Department. In 1986, the State Corporations Act created a new office, the Auditor-General (Corporations), to audit state corporations.

The Public Audit Act, 2003 merged both audit offices and established a more independent Office of the Controller and Auditor General and renamed it Kenya National Audit Office (KENAO). The 2010 Constitution separated the two functions previously under the Controller and Auditor-General and created two distinct offices namely, the Auditor- General and the Controller of Budget.

The Constitution of Kenya, in Chapter 12, Article 229, establishes the Office of the Auditor General as an Independent Office and a body corporate with a clear and expanded mandate.

Likewise, the Constitution establishes two levels of Government, namely, the National and County Governments.

This Strategic Plan is set against the above background and addresses amongst other issues: the strategic orientation and mission of the Office; the three Pillars guiding the Office in execution of its mandate; the strategic goals and objectives of the Office as well as the organizational structure and the required resources for the period 2015-2018.

The Strategic Plan 2015-2018 was developed through a participatory process to ensure ownership by management, staff and stakeholders. The process also included research, consultations, interviews and circulations to key stakeholders.

Chapter 1

Mandate of the Auditor - General

The mandate of the Auditor-General as stipulated in the Constitution of Kenya and the Public Audit Act, 2015 is to carry out audits of all entities funded by the Government and report to Parliament and the relevant County Assemblies within statutory timelines. Specifically, Article 229 mandates the Auditor-General to audit all accounts of the Government including:

- The accounts of the national and county governments;**
- The accounts of all Funds and Authorities of the National and County Governments;**
- The accounts of all Courts;**
- The accounts of every commission and independent office established by the Constitution of Kenya;**
- The accounts of the National Assembly, the Senate and the County assemblies;**
- The accounts of Political Parties funded from public funds;**
- The Public Debt; and**
- The accounts of any other entity that legislation requires the Auditor-General to audit.**

Further, Article 229(6) requires the Auditor-General to confirm whether or not public money has been applied lawfully and in an effective way. This requires the Auditor-General to go beyond accounts certification and compliance to perform work that addresses the economy, efficiency and effectiveness with which public resources have been applied and utilized, including the impact on the lives of citizens.

Vision

Effective accountability in the management of public resources and service delivery

Mission

To audit and report to stakeholders on fairness, effectiveness and lawfulness in the management of public resources for the benefit of the Kenyan people

Goals

Goal 1: To enhance quality and timeliness of audit reports

Goal 2: To promote and support good governance and accountability in the public sector

Chapter 1

Goal 3: To promote delivery of quality services to the public and effective and sustainable management of resources

Goal 4: To transform the organization for efficient and effective delivery of audit services

Goal 5: To enhance Information and Communication Technology capacity and systems for efficient operations

Our Core Values

As an organization, we are driven by our core values that determine our culture, actions and performance.

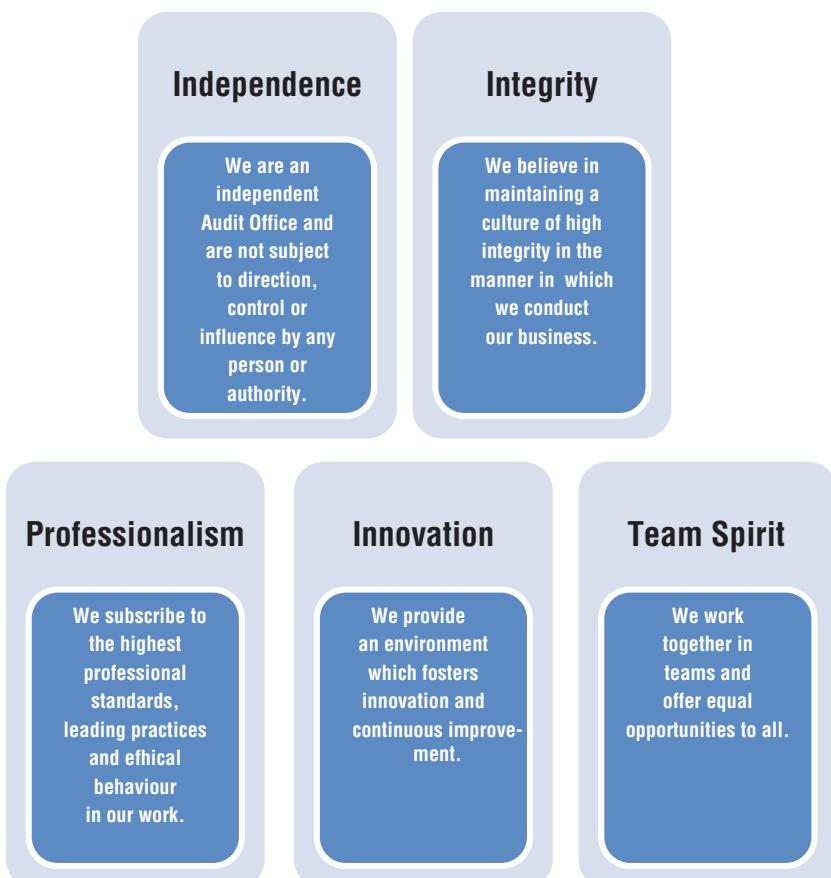


Fig 1: OAG Core Values

Organisational Structure

The Office has set up a new governance and internal control organization structure aligned to the three Pillars to ensure effective and efficient operations. Two new key functions in the new structure are Public Relations & Communications and, Strategy & Operational

Planning.

These two are among functions recommended by the African Organization of Supreme Audit Institutions- English Speaking (AFRO-SAI-E) as part of the Institutional Capacity Building Framework (ICBF).

Chapter 2

SITUATIONAL ANALYSIS

Strategic Plan 2012 - 2015

The Strategic Plan 2012-2015 ushered in reform initiatives aimed at re-orienting the OAG to respond to the expanded constitutional mandate and thus improving service delivery to the citizens. During the 2012-2015 Strategic Plan period, the OAG restructured

by opening offices in the Hubs and leveraging on ICT to improve efficiency in our operations. The office has also improved capacity in human resource management and development; and restructured financial management and procurement.

Achievements in 2012 - 2015 Strategic period

The information below summarizes the key achievements realised during the implementation of Strategic Plan 2012-2015.

Table 2: OAG Achievements in 2012 - 2015 Strategic Period

Goal 1	Key Achievements	Constraints
To enhance the quality and timelines of audit reports	<ul style="list-style-type: none">The Risk-based Audit Methodology (RAM) has been rolled outAll audit staff trained and retrained on the methodologyRAM manual has been customised to the needs of the OAG, thus making it more user friendly to the officeAudit process reviewers have been trained on supervision and reviewThe QA function has been strengthened through training and additional staffThe QA staff continue to play a key role in ensuring that audit documentation and reports meet international standardsA technical support team has been constituted to strengthen the quality control during the audit process	<p>We were not able to meet the time lines as required by the constitution because of:</p> <ul style="list-style-type: none">Delay and inadequate funding for audit operationsDelay in availing documents and responding to audit queries by the auditeesInadequate staffingLimited decentralisation to the countiesLimited use of CAATSAn ineffective Performance Management System

Chapter 2

Goal 2	Key Achievements	Constraints
To Promote and Support Good Governance and Accountability in the Public Sector	<ul style="list-style-type: none"> Participated in inter-agency forums and other initiatives for fighting corruption, and promoting good governance and accountability Increased resources for forensic audit 	<ul style="list-style-type: none"> Ethics and integrity committee not fully effective Inadequate implementation of our recommendations by the auditees Policy on follow up of our recommendations not yet developed
Goal 3	Key Achievements	Constraints
To promote delivery of quality services to the public and effective and sustainable management of resources	<ul style="list-style-type: none"> The Performance Audit unit has been strengthened through additional numbers of staff Training on performance audit conducted. A performance audit manual has been developed and is in use Performance audits carried out and reports issued. 	<ul style="list-style-type: none"> Inadequate staffing Inadequate training Inadequate stakeholder interactions and consultations
Goal 4	Key Achievements	Constraints
To transform the organization for efficient and effective delivery of audit services	<ul style="list-style-type: none"> Enactment of the Public Audit Act. Seven governance policy documents have been developed and are being implemented in HR, ICT, IA, Fleet Management, Premises, Procurement and Communication A professional Communications Unit has been established Key support function areas, namely, HR, internal audit, legal, procurement have been professionalized Communication strategy is now in place Over 200 new staff have been recruited 9 Hub Offices have been established 	<ul style="list-style-type: none"> Delay in enacting the Bill which has impacted on the independence of the Office Lack of financial independence Inadequate office space, facilities and logistics Inadequate audit staff Negative attitude

Chapter 2

	Key Achievements	
	<ul style="list-style-type: none">• ICT staff have been deployed to the Hubs Strategies and Operational Planning directorate has been established• Various trainings have been conducted• Land for construction of OAG headquarters and Hub Offices has been acquired	
Goal 5	Key Achievements	Constraints
To enhance ICT capacity and systems for efficient operations	<ul style="list-style-type: none">• ICT strategy has been developed and is being implemented.• ICT support capacity and capability has been enhanced through hiring and training.• 90 % of staff have been issued with laptops• The Wide Area Network has been expanded and all offices are now linked to the headquarters.• ICT help desk is operational	<ul style="list-style-type: none">• ICT Infrastructure is not adequate• Insufficient IT skills and capacity building

Chapter 2

Strategic Plan 2012 - 2015

This section provides an evaluation of the internal and external environment in which OAG operates. We analyzed the internal environment by appraising the strengths and weaknesses of OAG. Further, we assessed the external environment by examining the opportunities for and threats to the Office.

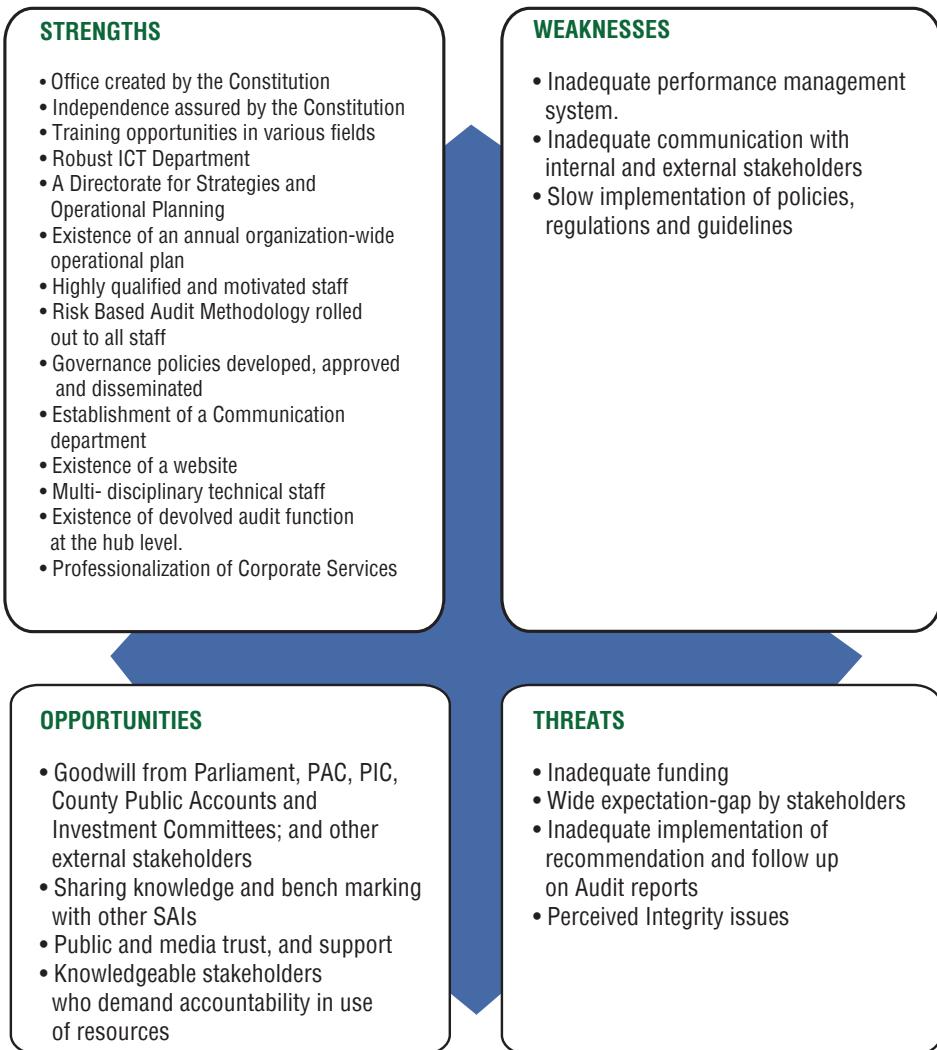


Fig 2: SWOT Analysis

Chapter 2

Stakeholder Analysis

The analysis below describes the individuals, groups, organizations and institutions that make use of, or have an interest in the reports of Auditor-General.

Stakeholder	Stakeholder's Expectations of OAG	OAG Expectations of Stakeholders
Legislature <ul style="list-style-type: none">• Parliament• County Assemblies	<ul style="list-style-type: none">• Timely, reliable and objective audit reports• PIC and PAC briefs• Special audits carried out on request• Capacity building	<ul style="list-style-type: none">• Deliberate on audit reports presented• Participate in consultative forums• Make timely recommendations for action on reports• Provide adequate funding for OAG audit processes
The general public/Kenyans (including Civil society and special interest groups)	<ul style="list-style-type: none">• Assurance that public resources are accounted for and utilised for their benefit• Timely and user-friendly audit reports• Publish and publicise reports• Ethical and professional conduct• Visibility and Socially responsible citizens	<ul style="list-style-type: none">• Sharing of information on issues that are of public interest and concern• Carry out advocacy
Presidency	<ul style="list-style-type: none">• Annual Performance report• Special reports	<ul style="list-style-type: none">• Support in executing our Constitutional mandate
Clients <ul style="list-style-type: none">• National and County Governments• Funds and Authorities in National and County Governments• Commissions and Independent offices• National Assembly, the Senate and County Assemblies• Political Parties funded from Public Funds	<ul style="list-style-type: none">• Continuous feedback on performance and SMART recommendations on improvements• Timely audit of the government financial statements and objective reporting• Professional conduct and confidentiality• Participation in consultative forums	<ul style="list-style-type: none">• Effective follow-up on recommendations of Parliament and County Assembly Oversight Committees• Accurate and timely information• Implementation of an accounting framework by the Treasury• Timely response to issues raised during the audit• Sharing of information with other oversight bodies

Chapter 2

Attorney General's Office and Department of Justice	<ul style="list-style-type: none">• Compliance with existing laws and regulations• Reporting on non-compliance• Recommendations which can improve governance	<ul style="list-style-type: none">• Provide advice and support on legal matters
Academic/ Professional Institutions	<ul style="list-style-type: none">• Ethical and professional conduct• Active membership of professional bodies	<ul style="list-style-type: none">• Participation in knowledge sharing• Training
International Stakeholders <ul style="list-style-type: none">• Donor Agencies/ Development Partners• INTOSAI, AFROSAI• UN bodies• Other SAIs	<ul style="list-style-type: none">• Compliance with standards for uniform reporting• Participation in peer reviews• Participation in workshops and other events• Meeting membership obligations through regular payments• Capacity building	<ul style="list-style-type: none">• Participation in International Forums/Workshops• Carry out collaborative audits with other SAIs• Provision of training for staff• Participation in Twinning/Collaborative and Exchange Programmes with other bodies
Audit firms	Information sharing and cooperation	High professional standards
Watchdog and investigative agencies	Collaboration and sharing information	Collaboration and sharing information
Media	<ul style="list-style-type: none">• Information sharing• Timely and user-friendly audit reports• Publish and publicize reports• Ethical and professional conduct• Visibility and Social responsibility	<ul style="list-style-type: none">• Accurate and fair reporting• Sharing of information on issues that are of public interest and concern• Carry out advocacy

Fig 3: Stakeholder analysis

Chapter 3

Strategic Orientation

The OAG has restructured and repositioned to meet the requirements of devolved governments and enhanced stakeholder expectations as per the constitutional dispensation.

As the Supreme Audit Institution of Kenya, we have the primary oversight role of ensuring accountability within the three arms of Government, Independent Commissions, Independent Offices and County Government entities.

OAG's Assurance Framework

The Office will achieve its strategic intent through an assurance framework comprising three strategic pillars, namely:

- (i) Certification of accounts that confirms fiscal accountability
- (ii) Continuous audit presence that will assess managerial accountability and
- (iii) Evaluation of service delivery to Kenyans and resource management assessment by carrying out performance/programme evaluation audits, whilst adhering to the highest standards of independence, integrity, professionalism and innovation.

The assurance framework is depicted as follows:

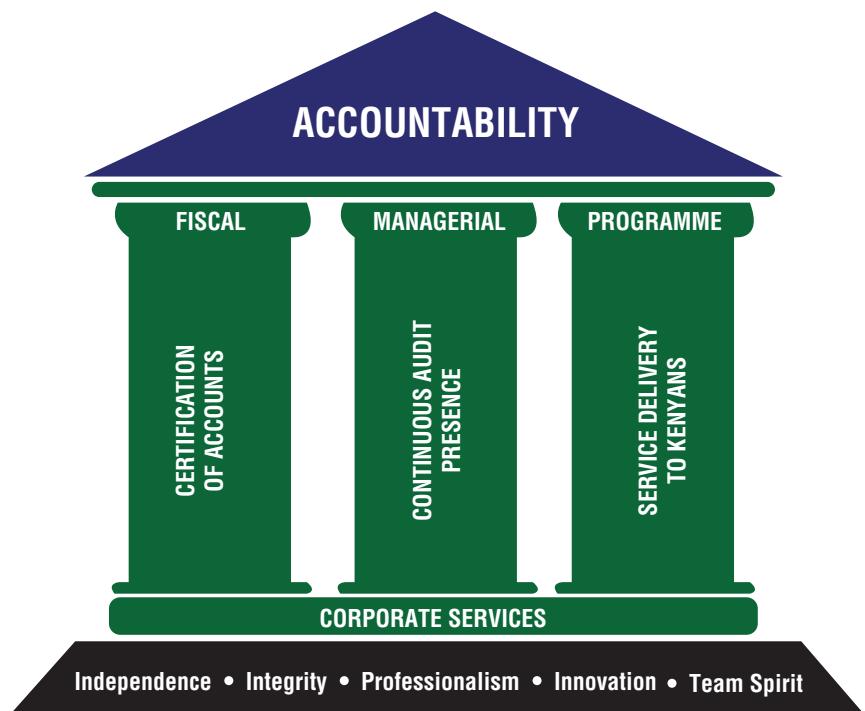


Fig 4: Assurance Framework

Chapter 3

The Office has championed a framework for assuring that public resources are not only budgeted, disbursed, recorded and accounted for, but that they are also well managed and have positive impact on the lives of Kenyans. The Office plays a vital role in the achievement of Vision 2030 as it is one of the institutions under the political pillar dealing with transparency and accountability.

Pillar One: Attestation/Certification of Accounts

This Pillar directly responds to the core mandate of auditing and reporting on accounts at national and county levels in line with the Constitutional provisions. Certification of accounts entails expressing an opinion as to whether or not the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework and/or statutory requirements. Instances of non-compliance with legislation, policies and procedures including budget and accountability shall be reported on.

Pillar Two: Continuous Audit Presence

This pillar ensures that the Office becomes proactive, preventive and deterrent to fraud and irregularities; to the extent that staff are

independent of the executive at national and county government levels. Continuous audit introduces a systematic and disciplined approach in evaluation and improvement of the effectiveness of risk management, control, and governance processes in public entities.

Pillar Three: Service Delivery to Kenyans

This pillar responds to the expectations by the citizens for service delivery by the government in respect to economy, efficiency and effectiveness with which the resources are utilized.

The Office will also examine the environmental sustainability of programs and equitable distribution of resources. This can be achieved by reporting on compliance with established systems, regulations, procedures and practices that may hinder the delivery of timely and high quality services.

The OAG is also required to assess whether the programs implemented lead to results, outputs and outcomes that positively transform the lives of citizens.

Corporate Services

Corporate Services Department provides support to the three pillars and ensures that OAG operations run efficiently and effectively.

Strategic Intent

The OAG intends to achieve its mission through embracing change, capacity building, establishing and applying results based processes and improved audit methodologies to ensure timely and quality audit reports.

Chapter 4

Strategic Goals and Objectives

Background

We have reviewed the strategic goals which will guide OAG in achieving its mandate in the three year period 2015 to 2018. The OAG strategic plan for the period 2012-2015 came to end on 30 June, 2015. This has necessitated a review of the vision, mission statements, strategic goals and objectives to drive the office for the next three years.

The Strategic Plan is expected to provide direction to the Office for the next three years, and would cover both corporate services and audit functions. We conducted research and considered other international best practice followed in corporate planning.

OAG has reviewed its organizational structure in order to meet its mandate for the audit of the two levels of government and all public entities. The Office has profiled all the National Government audit clients in fourteen broad sectors and County Government into nine Hubs. Each Hub is in charge of the audit of several County Governments and all corporations and other public entities within the Hub. This arrangement facilitates auditing in light of how national resources are shared in sector resource envelopes.

We also identified the following issues in governance that are likely to emerge over the coming three years:

- ✓ The process of devolving functions and funds from the National to the County Governments will continue substantially.
- ✓ There will be greater demand by the citizens for both the National and County Governments to deliver basic services economically and efficiently.
- ✓ Public private partnerships will become the principal approach for delivering huge infrastructure and other economic services.
- ✓ There will be increased use of ICT to drive governance and empower the citizens.
- ✓ Sustainable development and the rights of underprivileged groups will become larger concerns.
- ✓ Fraud, corruption and waste will continue to remain key concerns.

The above strategic issues, which are the drivers for our Strategic Plan are addressed in the five goal areas and form the overarching framework for planning at OAG.

Chapter 4



Fig. 5: OAG Strategic goals

Chapter 4

Critical Success Factors

To successfully implement this strategy, OAG will require the following resources:

- Staff with appropriate skills for audit, implementation of the strategy, designing of activities and follow up
- Implementation of the Public Audit Act 2015
- Good working environment e.g. having an OAG home, improved facilities and tools for audit
- Budgetary support/ finances to carry out audit, staff remuneration, implement activities and to procure goods and services.
- Transition to a paperless office and an increased use of IT in audit and support functions.
- Regular engagement with stakeholders
- An organisational culture which makes staff adaptive to change

Chapter 5

Monitoring and Evaluation

Monitoring, evaluating and reporting of the Strategic Plan will require a systematic and continuous process for collecting and analyzing information based on the indicators and targets stated in the implementation matrix to measure performance.

The goal of monitoring is to provide top management with regular feedback on implementation progress, results and early indicators of challenges that need to be surmounted.

Evaluation will help assess relevance, efficiency, effectiveness, impact and sustainability of the operations and also include lessons learnt and determine the need for

modifications to strategic results frameworks.

Evaluation will be done through a formal survey and assessment, and will look at what will have been accomplished against the set targets.

The Strategic Plan has been divided into three year annual operational plans with specific activities identified for each year.

Performance measures/indicators for the activities under each objective have been identified and will be monitored to track implementation.

Monitoring and Evaluation Tool

The Strategies and Operational Planning Directorate has the responsibility of monitoring the implementation of the Strategic Plan and reporting to the Auditor-General on the progress including recommendations for improvement.



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