

**UNIVERSITY OF NAIROBI  
FINANCE DEPARTMENT  
SEMINAR  
6<sup>th</sup> -9<sup>th</sup> OCTOBER 2010 AT  
GREEN HILLS HOTEL, NYERI**

**EXTERNAL AUDIT FUNCTIONS**

**By M Karue  
Finance Officer**

# PREAMBLE:

## The Public Audit Act, 2003

- This act was assented to in 31<sup>st</sup> December 2003 and its commencement date provided for 9<sup>th</sup> January 2004.
- This Act of Parliament provides for the audit of Government, State Corporations and Local Authorities to provide for economy, efficiency and effectiveness examinations to provide for certain matters relating to the Controller and Auditor-General and the Kenya National Audit Office and to provide for other related matters.

# Audit of the State Corporations

- In each financial year, each state corporation shall prepare and submit for audit accounts to the Controller and Auditor General.(Section 12(1))

The Accounts shall include the following:

- a) A balance sheet showing the assets and liabilities as of the end of the financial year;
- b) A statement of the income and expenditures for the financial year;
- c) A cash flow statement for the financial year; and
- d) Any other statements and accounts that may be necessary to fully disclose the financial position of the state corporation.

# Time Limit for Submitting Accounts-Section 13

- 1) A state corporation shall submit its accounts within three (3) months after the end of the financial year to which the accounts relate.
- 2) The National Assembly may extend, by resolution, the time limit for the submission of accounts by a state corporation.

# Audit-Section 14

- The Controller and Auditor-General shall examine and audit the Accounts submitted by a state corporation, express an opinion and certify the result of the examinations and audits.

# Report on Audit-Section 15

- 1) The Controller and Auditor-General shall prepare a report on the examination and audit and submit the report to the Minister responsible for finance.
- 2) Without limiting what may be included in the report, the report shall indicate whether:
  - a) The information and explanations that were required to perform the examination and audit were received;
  - b) Proper books of account have been kept and the accounts are in agreement therewith;
  - c) The accounts present a true and fair view of the financial position of the state corporation;
  - d) Due provision has been made for the repayment of all money borrowed by the state corporation; and
  - e) Adequate amounts have been set aside for depreciation and renewal of the assets of the state corporation.

# Report on Audit-Section 15

## Cont...

- 3) Without limiting what may be included in the report, the report shall identify cases in which:-
  - a) Money has been spent in a way that was not efficient or economical; or
  - b) The rules and procedures followed, or the records kept, were inadequate to safeguard property and the collection of revenue.
- 4) The Controller and Auditor-General shall submit the report to the Minister responsible for finance within six months after the end of the financial year to which the report relates.
- 5) The National Assembly may extend, by resolution, the time limit for submitting the report.

# **Submitting Report to National Assembly-Section 16**

- 1) The Minister responsible for finance shall lay the report under section 15 before the National Assembly not later than seven days after the National Assembly first meets after the Minister has received the report.
- 2) If the Minister fails to lay a report before the National Assembly as required under this section, the Controller and Auditor-General shall forthwith submit copy of the report to the Speaker of the National Assembly to be presented by him to the National Assembly.



# Special Report in Course of Audit- Section 17

- 1) If, in the course of an examination and audit, a matter comes to the attention of the Controller and Auditor-General that he feels should be brought to the attention of the National Assembly immediately, the Controller and Auditor-General shall submit a special report to the Minister responsible for finance.
- 2) The Minister shall lay the special report before the National Assembly not later than seven days after the National Assembly first meets after the Minister has received the report.
- 3) If the Minister fails to lay the special report before the National Assembly as required under this section, the Controller and Auditor General shall forthwith submit a copy of the report to the Speaker of the National Assembly to be presented by him to the National Assembly.

# Copies of Report-Section 18

- When the Controller and Auditor-General submits a report under section 15 or 17 to the Minister responsible for finance, the Controller and Auditor-General shall also submit a copy of the report to the state corporation and the Minister responsible for the state corporation.

# Costs of Audit-Section 19

- 1) A state corporation whose accounts are examined and audited shall pay for the costs of the examination and audit.
- 2) If the examination and audit is conducted by the Controller and Auditor-General and the amount of the payment shall be as determined by the Controller and Auditor-General.
- 3) If the examination and audit is conducted by an auditor appointed under section 39, the payment required under subsection (1) shall be paid to the auditor and the amount of the payment be as agreed between the state corporation and the auditor.

# Powers Relating to Audits and Examinations

- The following shall apply with respect to an examination and audit of accounts under Part II, III or IV or an examination under Part V:-
  - a) In addition to the powers the controller and Auditor-General has under section 105(3) of the Constitution, the Controller and Auditor-General:-
    - i. Shall have the same access to electronic documents as the Controller and Auditor-General has to other documents under section 105(3) of the Constitution;
    - ii. Shall have the same access to books, records, returns, reports and other documents, including electronic documents, as the Controller and Auditor-General has under section 105(3) of the Constitution, with respect to audits and examinations to which that section does not apply; and
    - iii. Shall have access to any Government property;

# Powers Relating to Audits and Examinations Cont....

- a) The Controller and Auditor General may require any Government employee or employee of the organization that is the subject of the audit or examination to provide explanations, information and assistance;
- b) The Controller and Auditor-General may station any of his staff, temporarily or permanently, at the premises of the organization that is the subject of the audit or examination and that organization shall provide such staff, at the expense of the organization, with adequate office space, furniture and telephone; and
- c) The Controller and Auditor-General may, with payment of a fee:-
  - i. Cause a search to be made of any records in a public office; and extracts to be taken from, any records in a public office.

# NEW DEVELOPMENTS:

## • **FINANCE BILL, 2010**

- **76.** The Government Financial Management Act, is amended by inserting a new section immediately after section 13 as follows-
  - 13A. A regulatory authority or other institution established by an Act of Parliament shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year

## • **PROPOSED NEW CONSTITUTION**

- In Chapter 12 of the new constitution, the principles and framework of public finance have been provided for.
- These provide for revenue allocation, budgeting, taxation, financial reporting and auditing.

Bye

A decorative horizontal line consisting of a solid teal bar on top, followed by a white bar, and then three thin teal lines on the right side.