

Auditing During Covid-19

*The Experience of a Supreme Audit Institution
During the Pandemic Environment*

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Summary of Presentation

- Mandate of the Office of the Auditor-General
- Auditing During Covid-19 Pandemic
- Managing Audits During Covid-19 Pandemic
- Challenges of Audit During Covid-19 Pandemic
- Opportunities Presented by Covid-19 Pandemic
- SAI Kenya Response to Covid-19 Challenges
- Remote Auditing
- Conclusion

Mandate of Office of the Auditor-General

The Office of the Auditor-General is established as an Independent Office under Article 248(3) of the Constitution of the Republic of Kenya.

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Article 229 of the Constitution gives the Auditor-General the mandate to audit the accounts of:

1. National and County Governments
2. All Funds and Authorities of the NG and CG
3. All Courts
4. Every Commission and Independent Office
5. National Assembly, Senate and County Assemblies
6. Political Parties funded from public funds
7. Public Debt; and
8. Any other entity that legislation requires the Auditor-General to audit.
9. The Auditor-General may audit and report on the accounts of any entity that is funded from public funds.

Expanded Mandate

Article 229(6) of the COK,2010

“.....an audit report shall confirm whether or not public money has been applied lawfully and in an effective way”

- This introduces a new concept of auditing, requiring the Auditor-General not only to look at the fiscal and managerial accountability aspects, but also to confirm whether or not the programmes implemented lead to results and outcomes that positively transform the lives of our people.

Expanded Mandate Continued..

PAC 2015 7(1)(a)..In addition to the functions and responsibilities of the AG as set out in Article 229 of the Constitution, the AG shall ...give assurance on the effectiveness of internal controls, risk management and overall governance at the national and county government.

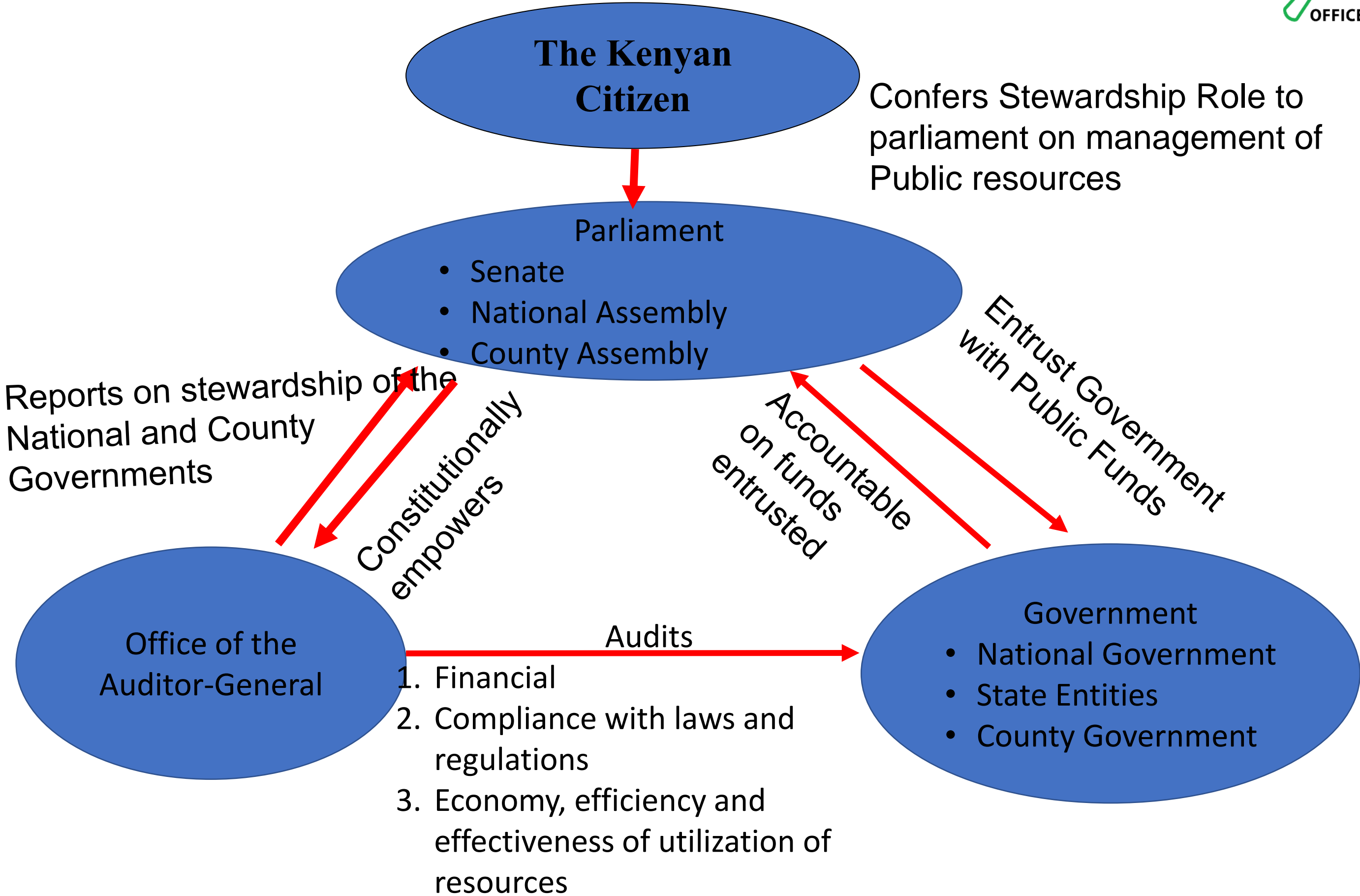


Accountability Framework

The Constitution of Kenya, 2010 (CoK,2010) is the bedrock Accountability in Public Sector -:

- **Article 10 - National Values and Principles of Governance** to include but not limited to; patriotism, national unity, rule of law, democracy, participation of people, **good governance**, the principle of **accountability**, transparency, integrity and **sustainable development**
- **Article 73 - Principles of Leadership & Integrity**- accountability to the public for decisions and actions;
- **Article 201 - Principles of Public Finance** that include **openness**, **accountability** and **prudent use of public resources**.
- **Article 232 - Values and Principles of Public Service** - that ensures efficiency, effectiveness and economic use of resources in the public sector & **high standards of professional ethics**.

Accountability Framework



Auditing During Covid1-19

Work from home



Expectation



Reality

Audit Process Amidst Covid-19



- Planning meetings are held online via Microsoft Teams
- Risk assessment and profiling through data analytics and audit management system
- Data mining from IFMIS system via Audit Vault
- Required document scanned and shared on e-mail



- Letters of engagement done through email
- All entry meetings conducted virtually
- Minimal staff with PPEs to visit clients
- Key challenge is audit inspections but the office is considering a portal for citizens to share information on local projects (Citizen Accountability Audit)

Audit Process Amidst Covid-19 Cont..



- Reports are generated and reviewed through Audit Management System (TeamMate)
- Where necessary, email communication is used
- Reports are transmitted to parliament through email
- Parliamentary hearings are done virtually via Zoom

Auditing During Covid1-19 Cont..

- Covid-19 has created a public health emergency
- Significant economic impact at individual, national and international level;
- Government needs to employ a response mechanism
- The role of Office of the Auditor-General is being recognized as crucial to supporting the government response mechanisms through
 - Maintaining public financial management discipline
 - Ensuring transparency and accountability

Auditing During Covid1-19 Cont..

- Government focus is on safeguarding public health and livelihoods.
- Auditors faced with limitation on access to information and explanations, and an inability to physically visit and verify activities.
- Need for restraint in assessing the government's speedy response to the pandemic.
- Ensuring that controls are not overridden for the purposes of committing fraud and corrupt practices

Expectations

- Auditors are expected to be **present and visible, assuring their readiness to respond timely** and enhance accountability.
- Where the mandate supports this, the auditor can engage in real-time audits of some of the critically important transactions.
- Effective communication with all stakeholders becomes critical

OAG's Unique Position

- Absence of an Auditor-General for a period of 10 months
- Audit backlog that needed clearance by the new AG
- Need to ensure continued transparency and accountability without becoming a bottleneck

Managing Audits During Covid-19



- Adequate planning and prioritization
- Timely responses to remote requests
- Collaboration between auditor & client
- Use of social media for communication
- Adherence to Ministry of health guidelines

Challenges of Auditing During Covid-19



- Economic crunch leading to shrinking budgets
- Suspension of audits due to Covid-19 infections
- Difficulties in remote testing of internal controls
- Limitations in conducting inventory observations
- Management of remote workers performance
- Clients using manual systems/ less automated

Opportunities Presented by Covid-19



- Flexibility (work anytime, from anywhere)
- Productivity-based staff performance
- Global learning opportunities & collaboration
- More job satisfaction and happy staff

SAI Kenya Response to Covid-19 Challenges



- Utilization of robust ICT infrastructure
- Updating staff on necessary ICT skills
- Live connection to client's systems
- Creation of a data science audit unit
- Adoption of various technology tools
- Hybrid of physical and remote working
- Planning to use Drones

Remote Auditing

ISO 19011 **refers remote audit** *as the use of ICT to gather information, Interview an auditee etc. when “face-to-face” meetings are not possible or desired.*

According to Rudgers.edu, *it is the process by which auditors couple ICT and data analytics to assess the accuracy of financial data and internal controls, gather electronic evidence, and interact with clients, all without the need to be physically present.*

Remote Auditing - Key Strategies



- Collaboration between auditor and client staff
- Explain remote audit approach to the audit client
- Agree with auditee on technologies to be used
- Discuss with client on anticipated limitations
- Apply various technologies to collect evidence
- Get remote read-only access to client systems

Benefits of Remote Audits



- Health guidelines can be easily observed
- Greater flexibility for scheduling the audits
- Improved value of audit time (more focused)
- Opportunity to sample more processes

Conclusion

The Covid19 pandemic has changed the way we work and live. SAI Kenya will continue to leverage current and emerging technologies to provide public audit services in the challenging environment.

This calls for a change in mindset by both the auditors and the clients to adjust to audits during and post Covid-19.

*Thank
you*

