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SUPREME AUDIT INSTITUTIONS OF GHANA, KENYA, AND RWANDA THAT AUDIT GLOBAL FUND GRANTS VARY IN THEIR EXTERNAL AUDIT PERFORMANCE

The Global Fund requires annual audits of its grants as a critical component of its risk and assurance framework. In Ghana, Kenya, and Rwanda it is the responsibility of each country's supreme audit institution (SAI) to audit the Global Fund grants managed by state Principal Recipients (PRs). However, the performance of the three SAIs varies, according to the Public Expenditure and Financial Accountability (PEFA) program assessments. The PEFA program rates the SAIs of Ghana and Kenya higher compared to the SAI of Rwanda on the overall external audit performance.

SAIs are [constitution-mandated government audit agencies](#) responsible for auditing government revenue and spending. According to the new [Guidelines for Annual Audit of Global Fund Grants](#) published in November 2019, supreme audit institutions are the preferred auditors for Global Fund grants managed by state Principle Recipients (PRs). The Global Fund expected grant-recipient countries to start implementing the new audit guidelines beginning with the reporting period that ended on 31 December 2019. The new guidelines for annual audit of Global Fund grants require SAIs to be 'accredited as meeting required standards by any relevant authority which is qualified to assess work standards.' In this article, we evaluate the SAIs of Ghana, Kenya, and Rwanda in terms of whether they meet international audit standards.

We obtained data on the characteristics of external audits of the Ghanaian, Kenyan, and Rwandan SAIs from the latest publicly available Public Expenditure and Financial Accountability (PEFA) program reports. The PEFA program was established in 2001 by international development partners to provide a framework for assessing countries' public financial management (PFM) performance for the last three

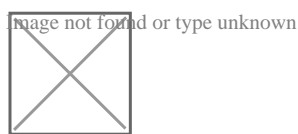
completed fiscal years. For Ghana and Rwanda, we relied on the [PEFA Performance Assessment Report for Ghana](#) published in 2018 and the [PEFA Assessment Report for Rwanda](#) published in 2017. For Kenya, we relied on the [2018 PEFA report for Makueni County](#), since the country report of 2019 was not publicly available but the Kenyan SAI audited Makueni County—one of the 47 county governments of Kenya. Just as with the other Counties of Kenya, Makueni County has its own semi-autonomous government, with an executive headed by a directly elected Governor and a County Assembly. The Constitution of Kenya requires the Auditor-General, the head of SAI, to audit the accounts of Makueni County government, and report the findings to the Senate (one of the Houses of Parliament) and the Makueni County Assembly.

We extracted data on external scrutiny and audit, one of the seven pillars of the PEFA program. Specifically, we obtained assessments on each SAI's independence, audit coverage and standards, submission of audit reports to the legislature, and external audit follow-up. All these are core auditing standards of the [International Organization of Supreme Audit Institutions \(INTOSAI\)](#), the international body that sets best practices and auditing standards for SAIs (see [GFO October 2019 article on the strengths of three SAIs](#)).

Ghanaian and Kenyan SAIs' independence rated higher than Rwandan SAI's

Independence of SAIs is paramount for the work they perform and guarantees their transparency and integrity. According to the PEFA's [Framework for assessing public financial management](#), SAI's independence is demonstrated by the non-interference in the functioning of an SAI by the executive arm of government – regarding the appointment and removal of the head of the SAI, the planning and implementation of audit work, publication of audit reports, and the approval and disbursement of the budget of an SAI. An SAI's independence guarantees its unrestricted and timely access to records, documentation, and information. According to PEFA assessments, the Ghanaian and Kenyan SAIs are independent, whereas the Rwanda SAI is partially independent.

Figure 1: Supreme audit institution performance as per the Public Expenditure and Financial Accountability (PEFA) performance assessment



Source: Aidsplan, using data from the Public Expenditure and Financial Accountability (PEFA) reports

The SAIs of Ghana, Kenya, and Rwanda are independent offices enshrined in their respective constitutions. According to the PEFA assessments, the appointment and termination process for the heads of SAIs of Ghana, Kenya, and Rwanda are prescribed in their respective constitutions and laws. In Ghana, the President, in consultation with the Council of State, appoints the Auditor-General. The process of removal of the Auditor-General from the office follows a similarly rigorous process as the removal of a High Court Judge. The Chief Justice must constitute a panel to investigate the Auditor-General and offer a recommendation for his or her removal from office. The tenure of the Auditor-General of Ghana expires upon the person attaining the age of 60. Furthermore, the Auditor-General's salary is a charge on the Consolidated Fund (the chief account of government).

In Kenya and Rwanda, the Parliament approves the appointment of the Auditor-General. In Kenya, the President nominates and appoints the Auditor-General with the approval of the National Assembly (one of the Houses of Parliament) for a non-renewable tenure of eight years. The process of removal of the Auditor-General of Kenya from office involves presenting a petition to the National Assembly, which, when satisfied with facts presented, sends the petition to the President. Upon receiving the petition, the

President constitutes a tribunal to investigate the Auditor-General and make binding recommendations to the President. In Rwanda, the President appoints the Auditor-General with approval of the Senate (one of the Chambers of the Parliament) for a term of five years, which is renewable only once. However, the President has the power to remove the Auditor-General of Rwanda from office, through a Presidential Order and the submission of a notice to both Chambers of the Parliament.

As independent offices, the three SAIs perform their functions without direction from any person or authority, and they independently plan, execute, and publicize their reports. Also, they all have unrestricted access to all records, documentation—including computerized and electronic documents—and information. The Ghanaian and Kenyan SAIs enjoy financial independence, though it is not absolute. In Ghana, the SAI does not receive budget ceilings from the Ministry of Finance but rather negotiates its budget. Additionally, the release of funds to the Ghanaian SAI is done in a timely way. In Kenya, the National Treasury reviews the SAI's budget before submitting it to Parliament for approval. The Constitution of Kenya requires the Parliament to allocate adequate funds to the SAI. In Rwanda, however, the financial independence of the SAI is undermined by the fact that the Ministry of Finance and Economic Planning scrutinizes and sets the SAI's budget ceilings, and may delay releasing funds to the SAI, thus compromising the overall independence of the SAI.

The three SAIs' audits cover more than 75% of government expenditure and follow international auditing standards

The SAIs of Ghana, Kenya, and Rwanda have a broad mandate to audit all public funds, including that of the Global Fund grants managed by state PRs. The audit mandate of the three SAIs is provided in the countries' respective Constitutions and laws. However, according to the PEFA program, the audits of the three SAIs cover most (over 75%) of government expenditure. The Ghanaian SAI audited over 95% of government expenditure for the 2014-2016 financial year. The Kenyan SAI audits all public entities except those not connected to the Integrated Financial Management Information System (IFMIS), an automated system for financial data recording, tracking, and information management. The Rwandan SAI audited 81% of government expenditure for the 2013/14 fiscal year. All three SAIs conduct audits which adhere to the International Organization of Supreme Audit Institutions' auditing standards, and so are in line with international auditing standards.

Ghana and Kenya's SAIs perform better than Rwandan SAI in meeting legislature deadline

The three SAIs differ on the timeliness of audit report submission to the legislature, with the Ghanaian and Kenyan SAIs performing better than the Rwandan SAI. The Ghanaian SAI submitted audit reports on time (by 30 June), meeting the submission deadline for the 2014 and 2016 financial years; the audit report for the 2015 financial year was submitted to the legislature two and a half months late. This was a result of disagreement on whose responsibility it was, between the incoming and outgoing Deputy Directors, to sign the audited financial statement.

In Kenya, the SAI met the audit report submission deadline, as it submitted its report to the Senate and County Assembly of Makueni less than six months after receiving annual financial statements for the fiscal years 2013/14 through to 2015/16. In Rwanda, the SAI submitted to Parliament the Audit Reports for financial years 2012/13 and 2013/14 on time, which was on 30 April. However, the Rwandan SAI submitted some of the Audit Reports for the 2011/12 fiscal year on 11 May 2013 to the Parliament, which was outside the set deadline.

Kenyan SAI performs better than the Ghanaian and Rwandan SAIs on follow-up on the implementation of audit recommendations

According to the PEFA performance assessment, the Kenyan SAI performs higher on their follow-up on the audited agencies' implementation of their audit recommendations compared to the Ghanaian and Rwandan SAIs. In Kenya, the National Treasury (the equivalent of Ministry of Finance) has a template on its website for reporting actions taken in response to audit recommendations, and the SAI provides progress on audit issues raised in its subsequent audit reports. For the financial years 2013/14 through to 2015/16, the Kenyan SAI provided progress on audit issues raised in an appendix in the audit reports.

The Ghanaian SAI keeps an audit follow-up file for each audited entity to track progress on the implementation of

audit recommendations. There are a few instances in which audit findings were not implemented in Ghana. For example, out of eight significant audit findings for the 2015 financial year, the Ministries, Departments, and Agencies (MDAs) had not implemented two of them by 2016. Similarly, the Rwandan SAI tracks progress in the implementation of audit recommendations and includes their findings in the following year's audit report. The SAI of Rwanda, however, reported that not all audit recommendations were fully implemented for financial years 2012/13 through to 2014/15.

Further reading:

- Global Fund 2019 report, '[Guidelines for Annual Audit of Global Fund Grants](#)'
- GFO 366 article, 22 October 2019, '[Aidspan examines the strengths of Supreme Audit Institutions in Ghana, Kenya, and Rwanda](#)'
- PEFA program 2016 report, '[Framework for assessing public financial management](#)'
- PEFA program 2018 Ghana report, '[PEFA Performance Assessment Report for Ghana](#)'
- PEFA program 2017 Rwanda report, '[PEFA Assessment Report for Rwanda](#)'
- PEFA program 2018 Makueni County report, '[PEFA report for Makueni County](#)'

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