**Draft County Audit Programs**

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**GOVERNMENT OF KENYA**

**DRAFT AUDIT PROGRAMS FOR COUNTY GOVERNMENTS**

**April 2024**

# **PROJECT PROCESSES (BUILDINGS)**

 **(To be customised for each Program)**

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| **Audit Program No.:** | **Period Under Review:** | **Department:** |
| **Prepared By:** |
| **Reviewed By:** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To find out if feasibility study and environmental impact assessments were undertaken and confirm involvement of stakeholders in project identification. | * Project rejection by stakeholders.
 | Public participation report.Approved CIDP | **TOD*** Establish the key requirements of laws, regulations, policies and procedures on public participation.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Obtain public participation reports
* Confirm that the design documented under TOD is implemented as documented.
* Walkthrough and document the process flow/ map. Note any gaps in implementation

**TOE*** + Confirm stakeholder’s participation by verifying

minutes of meetings and participants lists at the initiation stage. **PFM ACT** **2012 SEC 207, Constitution of Kenya 2010 Article 201(a)*** + Verify whether there was effective dissemination of information concerning the project (**PFM ACT**
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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **2012 SEC 207, Constitution of Kenya 2010 Article 201(a).*** The auditor to carry out any other relevant tests. Note any gaps in implementation
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|  |  | * Projects not put to use
 | * Effective preparation and Implementation of feasibility reports.
 | **TOD**• Establish the key requirements of laws, regulations, policies and procedures on public participation.• If the control is not documented, enquire from process owner how it is meant to be executed**.****TOI*** Obtain Feasibility reports, civic education programs and reports
* Confirm that the design documented under TOD is implemented as documented.
* Walkthrough and document the process flow/ map. Note any gaps in implementation

**TOE*** Confirm stakeholder’s participation by verifying

minutes of meetings and participants lists at the initiation stage. **PFM ACT** **2012 SEC 207, Constitution of Kenya 2010 Article 201(a).** * Confirm the adequacy of the feasibility reports. Legal **Notice No. 35 PFM Regulation Sec 75 and PPAD Regulations 2020 Sec 71(2).**
* Confirm implementation of the feasibility reports and recommendations. **Legal Notice No. 35 PFM Regulation Sec 75 and PPAD Regulations 2020 Sec 71(2).**
* Confirm the existence of a project steering committee to oversee the implementation of project post handing over of the project. **Guidelines standards for preparation, appraisal, monitoring, and evaluation of development projects.**
* Ascertain the establishment and implementation of Civic Education Programs on County development projects. **County Government Act Part. X.**
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  |  | * Lack of project sustainability.
 | * Effective Project steering committee
 | **TOD*** Establish the key requirements of laws, regulations, policies and procedures on Project sustainability.
* If the control is not documented, enquire from process owner how it is meant to be executed**.**

**TOI**• Obtain the project steering committee reports, feasibility reports and the approved budget.• Confirm that the design documented under TOD is implemented as documented.• Walkthrough and document the process flow/ map. Note any gaps in implementation. **TOE**• Confirm stakeholder’s participation by verifyingminutes of meetings and participants lists at the initiation stage. **PFM ACT** **2012 SEC 207, Constitution of Kenya 2010 Article 201(a).**• Confirm the adequacy of the feasibility reports. **Legal Notice No. 35 PFM Regulation Sec 75 and PPAD Regulations 2020 Sec 71(2).**• Confirm implementation of the feasibility reports and recommendations. **Legal Notice No. 35 PFM Regulation Sec 75 and PPAD Regulations 2020 Sec 71(2).*** Confirm whether there is adequate funding for the projects. **County government Act Sec 108**
* Verify the project utilization from the steering committee management report. **Guidelines standards for preparation, appraisal, monitoring, and evaluation of development projects.**
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  |  | * Unviable projects
 | * Feasibility study and environmental impact assessment reports
 | **TOD**• Establish the key requirements of laws, regulations, policies and procedures on preparation of feasibility study and environmental impact assessment reports.• If the control is not documented, enquire from process owner how it is meant to be executed.**TOI**• Sample one project to find out if the feasibility study and environmental impact assessments were undertaken and reports provided.• Confirm that the design documented under TOD is implemented as documented in the TODWalkthrough and document the process flow/ map. Note any gaps in implementation**TOE**Sample using the sampling methodology to establish:• If the feasibility study and environmental impact assessments were undertaken and reports provided. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a)**• Whether the issues raised in the feasibility study and environmental impact assessment report were considered **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a)**• If risk were identified and mitigating measures proposed. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a).*** The auditor to carry out any other relevant tests. Note any gaps in implementation
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|  |  | * Project stalling
 | * Compliance with the Guidelines/Standards for preparation, appraisal, monitoring and evaluation of the development projects.
 | **TOD**• Establish the key requirements of laws, regulations, policies and procedures on preparation of feasibility study and environmental impact assessment reports.• If the control is not documented, enquire from process owner how it is meant to be executed.**TOI**• Sample one project to find out if the feasibility study and environmental impact assessments were undertaken, proper evaluation of contractors was done as per the PPAD Act and its regulations, and land donation agreement were provided.* Obtain the Approved CIDP and budget.

• Confirm that the design documented under TOD is implemented as documented in the TOD* Walkthrough and document the process flow/ map. Note any gaps in implementation

 **TOE**Sample using the sampling methodology to establish:• If the feasibility study and environmental impact assessments were undertaken and reports provided. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a**)• Whether the issues raised in the feasibility study and environmental impact assessment report were implemented. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a**)• The project risks were identified and mitigating measures proposed. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a**)* Confirm if the project was in the approved CIDP and adequately funded in the budget. **PP& AD Act 2022 Sec. 45(3).**
* **Ascertain the adequacy of tender evaluation process for the projects PPAD Act 2022 Sec 80.**
* Establish whether Projects are undertaken with sufficient funds to meet the obligations of the resulting contract reflected in its approved budget estimates. **PP& AD Act 2022 Sec 53 (8)**
* Confirm whether the procurement process was done as per the **PPAD Act 2022** and its **Regulations 2020.**
* Confirm the existence and adequacy of land donation agreements.
* Confirm the existence and resolution of project conflicts and litigations. **County Public Participation Guidelines Sec 1.5.**
* The auditor to carry out any other relevant tests. Note any gaps in implementation.

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| 2. | Ascertain that there is a project design with clear specifications | * Adoption of wrong designs resulting in cost overruns/underruns
 | * Project Design documents.
 | * **TOD**
* Establish the key requirements of laws, regulations, policies and procedures on the need to have the project design documents.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Sample one project to find out if the project designs were prepared with clear specifications.
* Obtain the Joint measurement document and the Bills of Quantities (BoQ).
* Confirm that the design is implemented as documented in the TOD
* Note any gaps identified

**TOE*** Sample using the sampling methodology project to establish:
* If the project design was prepared and implemented as provided for in the technical requirements. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a)**
* Confirm whether the contractor complied the with specifications in the Bill of Quantities and compare with the Joint measurement document. **PP&AD Regulations 2020. Reg. 71(2), PPAD SEC 60 (3)(a)**
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 3 | To ascertain whether the procurement process was transparent, fair, equitable, competitive & cost effective. | Award of contract to Unqualified contractors resulting to litigations and sub-standard projects | * Compliance to PPAD Act 2022 and its Regulations 2020
 | **TOD*** Establish the key requirements of laws, regulations and policies on procurement process.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Obtain the standard tender document, Adhoc opening/Evaluation committee appointment letters, Adhoc opening/Evaluation minutes, Professional opinion, Notification of award and regret letters, Acceptance letters, Contract agreement/ LSO
* Sample one project to determine if the documents mentioned above are in use.
* Note any gaps in implementation

**TOE*** Sample projects as per the sampling methodology to establish:
* That the procurement process was followed as per the PPAD Act 2022 and its Regulations 2020.
* Refer to the procurement audit program on the audit steps to be used.
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  | Delays in project commencement and implementation | * Compliance to approved Contract agreements.
 | **TOD*** Establish the key requirements of laws, regulations, policies on project implementation
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Sample a project and check if;
* There were signed contract agreements, site handing over reports, site inspection reports, payment of certificates for works done, certificates of practical completion and project handing over reports.
* Note any gaps in implementation

**TOE*** Sample as per the sampling method and from the selected sample;
* Confirm adherence to project timelines as per the approved contract agreements. Guidelines/Standards for preparation, appraisal, monitoring, and evaluation of development projects 2009 and PPAD Act 2022 sec 135.
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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| 4 | To confirm that the contract is implemented effectively and efficiently | Lack of value for money | Report of the contract implementation team (CIT). | **TOD**• Establish the key requirements of laws, regulations, policies on appointment, composition and mandate of the contract implementation committee• If the control is not documented, enquire from process owner how it is meant to be executed.**TOI**• Sample a project and check it there was a Contract implementation team in place* Check implementation in line with the law.
* Note any gaps in implementation

**TOE*** Use data analytics to sample the projects and establish;
* The accounting officer of the procuring entity appointed a contract implementation team, and its composition is as per the provisions of the Act. **PPAD Act 2022 SEC 151(1)**
* Review the CIT progress reports to confirm their involvement **PPAD Regulations sec 138(2)**
* Review project progress reports by project supervision team to ascertain that the project is moving as per the project plan. **PPAD Regulations 2020 sec 138(2)**
* Check existence of the project risk register and

establish its effectiveness and means of addressing issues raised. **PPAD Regulations 2020 Sec 138(4).** * The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 5 | To confirm that termination is as per the provisions of the law and contract | Noncompliance with the law on contract termination | Compliance to PPAD Act 2022, its Regulations 2020 and Contract agreement on cotract termination | **TOD**• Establish the key requirements of laws, regulations, and policies on termination of projects.• If the control is not documented, enquire from process owner how it is meant to be executed.**TOI**Sample a project and check it there was a termination letter.• Check implementation in line with the law.• Note any gaps in implementation**TOE**Use data analytics to sample the projects and establish;* Review the contract document clause on termination to ascertain whether the grounds were founded and processes dully followed **PPAD Act 2022 Sec 153**.
* Determine that the termination is in line with the contract provision on the grounds for contract termination. PPAD Act sec 153(2).
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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| 6 | Ascertain that the project closure was in accordance with the law and contract | Defects &Sub-standard works | * Adequacy of Engineers’ report
 | **TOD**• Establish whether there are provisions or key requirements on project management/implementation team and whether they have been documented.• If the control is not documented, enquire from process owner how it is meant to be executed.**TOI**• Sample one engineer’s report & final handing / taking over report.• Confirm that the design is implemented as documented in the TOD• Walkthrough and document the process flow/ map. Note any gaps in implementation**TOE**Use data analytics to sample the projects and establish;* The accounting officer of the procuring entity appointed a contract implementation team, and its composition is as per the provisions of the Act. **PPAD Act 2022 SEC 151(1)**
* Confirm that the project final account reconciles with the Bills of Quantity as per the engineers report.
* Confirm that the recommendations outlined in the inspection reports were implemented. **PPAD Act 2022 SEC 152.**
* Confirm the existence and accuracy of certificate of practical completion and project handing over report. **PPAD Act 2022 SEC 154.**
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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| 7 | Establish that payments are promptly and timely made to contractors who have satisfactorily performed their contractual obligations | Double payments  | * Reconciliation of Payment certificate, payment vouchers and Approved Work plans
 | **TOD**• Establish the key requirements of laws, regulations, and policies on payments of contractual works.• If the control is not documented, enquire from process owner how it is meant to be executed.**TOI*** Obtain Payment certificates, payment vouchers Payment statement of account & approved work plans
* Sample a project and check if there was implementation of the same.
* Note any gaps in implementation

**TOE**Use data analytics to sample the projects and establish;* Affirm that the contractor satisfactorily performs his contractual obligations prior to any payment by a procuring entity. **PPAD Regulations 2020 Sec 139(1)**
* Establish that the procuring entity makes prompt and timely payments to a contractor that meets its contractual obligations. **PPAD Regulations 2020 Sec 139(2).**
* That reconciliations between project statement of account, bank statement and contract sum are periodically done.
* Confirm that retention monies are paid after the defect window period has lapsed and certificate of practical completion issued as per the contract agreement. **PPAD Act 2022 Sec 151(h)**
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  |  | Payment for works not done | * Adequacy of Engineer’s reports and Project implementation committee report
 | **TOD**• Establish the key requirements of laws, regulations, and policies on payments of contractual works.• If the control is not documented, enquire from process owner how it is meant to be executed**.** **TOI**• Obtain Engineer’s reports, Inspection and acceptance reports, Project implementation committee report & Interim payment certificates for works done.• Sample a project and check if there was implementation of the same.• Note any gaps in implementation**TOE**Use data analytics to sample the projects and establish;* That the contractor satisfactorily performs his contractual obligations prior to any payment by a procuring entity. **PPAD Regulations 2020 Sec 139(1)**
* That reconciliations between project statement of account, bank statement and contract sum are periodically done.
* Physically verify the existence of the project.
* The auditor to carry out any other relevant tests. Note any gaps in implementation.
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|  |  |  | * Final handing and taking over report
 | **TOD*** Establish the key requirements of laws, regulations, policies on handing over and taking over.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI**Sample a project and check it there was a handing over and taking over* + Check implementation in line with the law.
	+ Note any gaps in implementation

**TOE**Use data analytics to sample the projects and establish;* + Verify that the contract was complete, prior to closing the contract file including all handover procedures, transfers of title if need be and that the final retention payment has been made; **PPAD Act 2022 Sec 151(h)**
	+ Confirm discharge of performance guarantee where necessary. **PPAD Act 2022 sec 151(k)**

Where assets were procured by the contractor for the client, review the contract terms and the payment certificates to ascertain that the assets reverted back to the client. General Guidelines for Asset and Liability Management 2020 Sec 93. |