**Draft County Audit Programs**

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**GOVERNMENT OF KENYA**

**DRAFT AUDIT PROGRAMS FOR COUNTY GOVERNMENTS**

**April 2024**

**AUDIT OF PROGRAM OF DONOR FUNDED PROGRAM**

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

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

|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
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| 1. | To confirm whether there are controls in place in relation to payments  | Loss of funds due to lack of controls | Approved guidelines and procedures relating to payments |  **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on expenditure control
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one paid Payment Voucher for the donor program from the IFMIS Payment Details
* Confirm that the design documented under TOD is implemented as documented.
* Walkthrough and document the process flow/ map. Note any gaps in implementation

**TOE*** Obtain the IFMIS Payment Details, Bank Statements, Approved Budget, Approved Procurement Plan and the Cash Book. From IFMIS Payment Details, extract payments for fuel
* Confirm that all the items in the lists were paid for by making comparison with the bank statement and obtain Payment Vouchers relating to the payments
* Confirm payments are made only in line with the approved budget *Sec. 149(1(a)) of PFMA, 2012*
* Confirm that payments are only made on account of authorized transactions for which all the adequate supporting documents have been prepared *Reg. 104(1) of CGPFMR, 2015*
* Confirm that there exists segregation of duties between the officer authorizing journeys, the officer fueling the vehicles and the officer driving the vehicle *Reg. 158(1(b)) of the CGPFMR, 2015*
* Confirm that fuel consumption is supported by well-maintained daily work tickets with appropriate entries on date, destination, odometer reading on return, fuel consumption among other *Sec.7.2.2.1 of the County Financial Accounting and Reporting Manual, 2015*
* Confirm that all payments are posted in the cash book on the same day *Reg. 98. (1) of CGPFMR, 2015*
* Carry out other tests in line with the Program’s financial and operational manual.
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| Duplicate payments | Verification before payment | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on the voucher payment procedures; checking for errors and omissions
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one paid Payment Voucher for donor program from the IFMIS Payment Details
* Confirm that the design documented under TOD is implemented as documented.
* Walkthrough and document the process flow/ map. Note any gaps in implementation

**TOE**Internet Banking System vs IFMIS* Using a data analysis tool, check for all similar payments (i.e., the same payee, the same amount) and create a list
* Obtain the Payment Vouchers from the County Treasury whose payments are identified to be similar
* Confirm that the obtained Payment Vouchers are different i.e the same name, same amount but for different activities, different Purchase Order, different Supporting Documents *Sec. 6.2 of the County Government Financial Accounting and Reporting Manual, 2015, Reg. 138 and 210(1(o)) of the CGPFMR, 2015*
* Confirm that all duplicate payments that create a loss are further investigated by the Accounting Officer *Reg. 139 and 143 of the CGPFMR, 2015*
* Confirm that every payment is supported by a payment voucher or other approved document gazette by Cabinet Secretary *Reg. 99(3) of the CGPFMR, 2015*
* Carry out other tests in line with the Program’s financial and operational manual.
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| Erroneous payments | Validation of transactions | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on the validation of transactions
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one paid Payment Voucher for donor program from the IFMIS Payment Details
* 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 that there exists IFMIS Validator who does not have any other role in IFMIS processes and an Internet Banking Inputter who does not have any other role in the Internet Banking process
* Confirm the correctness of the IFMIS economic sub-items, bank code, payee, amount etc with the Payment Voucher before posting and if any, corrective action is taken *Sec. 6.2(8,11) of the County Government Financial Accounting and Reporting Manual, 2015*
* Carry out other tests in line with the Program’s financial and operational manual.
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|  |  |  | Bank reconciliation | **TOE*** Obtain the ledger that contains all the bank accounts. Sample the bank accounts related to payments and the related months to be reviewed
* Confirm that that monthly bank reconciliations are undertaken and submitted to the County Treasury and a copy to the Office of the Auditor General *Reg. 90(1) of the CGPFMR, 2015*
* Confirm the bank reconciliations are also undertaken when responsibility for the bank account or cheque book is handed over to another officer *Reg. 90(2) of the CGPFMR, 2015*
* Confirm that the identified discrepancies during reconciliation are noted, investigated and corrected, including updating the cash book *Reg. 90(3) of the CGPFMR, 2015*
* Confirm that bank related charges are expensed and cleared through a voucher in the books of accounts *Treasury Circular No. AG.20/047/Vol.VII(118) dated 31st May, 2005 and Reg. 99(3) of the CGPFMR, 2015*
* Re-perform the bank reconciliations to confirm the accuracy
* Carry out other tests in line with the Program’s financial and operational manual.
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| 2. | To confirm that the budget allocation for the donor funded program is utilized for the authorized purpose(s) | Use of the budgetary resources on activities for whose resources were not appropriated | Approved budget |  **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on budget execution
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one paid Payment Voucher for donor program from the IFMIS Payment Details
* 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 that no expenditure is made out of funds earmarked for specific activities for purposes other than those activities *Reg. 53(1),42(1(b)) of the CGPFMR, 2015 and*
* Carry out other tests in line with the Program’s financial and operational manual.
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| 3. | To confirm that all payments are eligible and properly authorized before payment | Payment for ineligible and unauthorized expenditure | Payment Authorization by the responsible officers | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on payment authorization
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one paid Payment Voucher for donor funded program from the IFMIS Payment Details
* 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 that all the invoices submitted for payment are certified by the project procurement officer *Reg. 171(1(e)) and 33(3(cc)) of the PPADR, 2020*
* Confirm that all payments of expenditure for contracted activities (including previous payments) do not exceed the contracted amount *Contractual Agreement/LSO/LPO and Reg. 51(1(f)) and Reg. 22(2(g)) of the CGPFMR, 2015*
* Confirm that the project does not make payments for ineligible expenditures as stipulated in the financial agreement the donor may consider the following expenditures to be ineligible;
* International travel and associated costs
* Long term training costs (e.g. university degree programs)
* Recurrent costs (e.g. salaries, utilities).
* Means of transport (vehicles, motor cycles)
* Confirm that the expenditure is aligned to the program objectives as stipulated in the financial agreement.
* Carry out other tests in line with the Program’s financial and operational manual.
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| Payment for undelivered goods or services | Certification before payment | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on the certification before payment
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one paid Payment Voucher for donor program.
* 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 that all payments are supported by appropriate certifications before payments *Reg. 150(1) of PPADR, 2020*
* Carry out other tests in line with the Program’s financial and operational manual.
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| 4 | To confirm that the County Government obtained value for money in the utilization of its resources | Uneconomical use of budgetary resources in acquisition of goods, services or works | Market Survey Results | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on market survey.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one market survey report.
* Confirm that the design documented under TOD is implemented as documented.
* Walkthrough and document the process flow/ map. Note any gaps in implementation

**TOE**Using the sampled Payment Vouchers for procurement of goods, services or works;* Confirm that before making a procurement decision, the procuring entity takes into account own market survey prices or results *Reg. 43(4(a)) of the PPADR, 2020*
* Confirm that in giving the Professional Opinion, the Head of Procurement provides comments on whether the recommended price for standard goods, services and works are within the indicative market prices *Reg. 78(4(d)) of the PPADR, 2020*
* With regard to quality, confirm that standard goods, services and works with known market prices are procured at the prevailing market price *Sec. 54(2) of PPADA, 2015.* Compare the prices against Quarterly Market Price Index Survey Results issued by PPRA *Sec. 54(3) of PPADA, 2015*
* For works, with regard to quality, confirm that the prices are fair by reviewing the following price indices (*Sec. 3 of the Cost Estimation Manual for Road Maintenance Works, 2019*);

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| **Type** | **Source of Official Price Index** |
| Labour | Ministry of Labour i.e. Special Issue dated 14th July, 2017, Kenya Gazette Supplement No. 52, Legal Notice No. 111 |
| Material Price  | Current Material Price List from Kenya National Bureau of Statistics |
| Equipment | Equipment Hire Rate List from Mechanical and Transport Department, Ministry of Transport, Infrastructure, Housing and Urban Development |

* In addition to other disciplinary actions, confirm that loss resulting from a public officer’s actions due to overpricing of acquired assets is paid for by the officer to the procuring entity *Sec. 54(4) of PPADA, 2015*
* Carry out other tests in line with the Program’s financial and operational manual
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|  |  | Poor asset management practices | Monitoring of non-financial asset performance  | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on monitoring of asset performance.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one non-current asset from the project asset register.
* Confirm that the design documented under TOD is implemented as documented.
* Walkthrough and document the process flow/ map. Note any gaps in implementation

**TOE*** Obtain Payment Vouchers used in the acquisition of assets. Select a representative sample based on the approved sampling criteria
* Confirm that the asset is put to immediate use after successful completion of the project or acquisition of the asset so as to avoid wastage of public resources *Sec. 232(1(d)) of the Constitution of Kenya, Sec. 160(1) of PPADA, 2015*
* Confirm that there exists arrangements to tracking the use of an asset to ensure that it meets the intended service delivery objectives *Art. 71(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020*
* Analyse why the idle assets are not being utilized;
* In case of a surplus requirement, the asset may be scheduled for disposal and appropriate action taken against the Public Officer who created the tying up of funds in assets *Reg. 167(3(a)) of PPADR, 2020*
* Where the asset is idle due to lack of skills of operating the asset, confirm that appropriate arrangements are in place to train staff based on identified training needs *Sec.1.1(4) of the County Public Service Human Resource Manual, 2013*
* Where the asset is idle due to inadequacy of staffing, review the Need Assessment Report of the project to identify whether Staffing Needs were evaluated in the Feasibility Study Report – Technical Feasibility (*Reg.71(2(a)) of PPADR, 2020*) and the arrangements in place to resolve the staffing needs
* Where the asset is idle as a result of failing to meet the user requirements, confirm whether the Municipality officers were involved in the inspection and acceptance of the asset pursuant to *Reg. 35(2(a)) of PPADR, 2020* for Inspection and Acceptance Committee or *Sec. 151(1) of PPADA, 2015* for Contract Implementation Team.
* Carry out other tests in line with the Program’s financial and operational manual.
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| 5. | To ensure that the County Government receives all grants it is entitled to | * Penalties or possible withdrawal of funding
 | Approved Minimum Conditions and performance standards for access to funds | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on Minimum Conditions and performance standards for access to funds.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Select one condition.
* 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 that all minimum conditions as stipulated in the Project Appraisal Document (PAD).
* Confirm that all performance standards are achieved as stipulated in the project appraisal report.
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|  |  | Delay in receipt of funds as a result of delay in signing of the agreement | Timely signing and Communication of agreement for conditional funding | **TOD*** Establish the key requirements of laws, regulations, guidelines, manuals and circulars on signing and communication of agreement for conditional funding.
* If the control is not documented, enquire from process owner how it is meant to be executed.

**TOI*** Obtain the signed agreement.
* 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 that the County Government has formally entered into agreement with the National Treasury for the transfer of the respective conditional allocation made to the county government. (*Intergovernmental conditional transfer allocation agreement)-* ***County Government Additional Allocation Act***
* Carry out other tests in reference to frameworks for management of conditional allocations as issued by the National Treasury.
* Carry out other tests in line with the Program’s financial and operational manual.
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