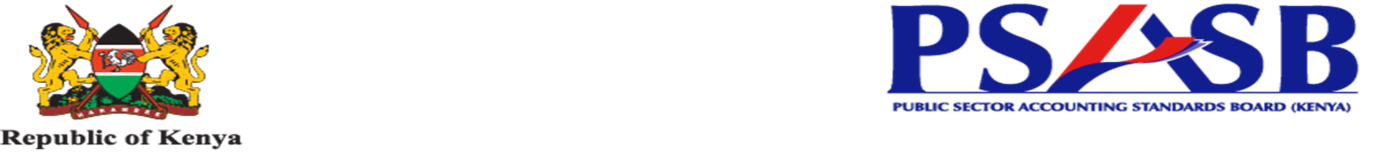
**Draft County Audit Programs**

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**GOVERNMENT OF KENYA**

**DRAFT AUDIT PROGRAMS FOR COUNTY GOVERNMENTS**

**April 2024**

# **BUDGETING, FINANCE AND ACCOUNTS PROCESSES**

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

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

# **Sub-Process: Budget and Planning**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To confirm that the annual development plans and budgets are prepared and approved in accordance with the existing legal framework | * Unplanned development | * Approved development plans | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation, approval and reporting of development plans. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the approved annual development plan and confirm that the necessary laws and steps as documented in the TOD are followed in the preparation, approval and implementation. * Carry out process mapping and note any gaps.   **TOE**   * + Confirm that the county government prepares a development plan in accordance with **Article 220(2) of the Constitution,** and **Sec. 126(1) of the PFMA, 2012** that includes—     - strategic priorities for the medium term that   reflect the county government’s priorities and  plans; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * a description of how the county government is responding to changes in the financial and economic environment; * programs to be delivered with details for each program of—the strategic priorities to which the program will contribute; * the services or goods to be provided; * measurable indicators of performance where feasible; and * the budget allocated to the program; * payments to be made on behalf of the county government, including details of any grants, benefits and subsidies that are to be paid; * a description of significant capital developments; * a detailed description of proposals with respect to the development of physical, intellectual, human and other resources of the county, including measurable indicators where those are feasible; * Confirm that not later than the 1st September in each year, the CECM for planning submits the development plan to the county assembly for its approval, and a copy sent to the Commission on Revenue Allocation and the National Treasury **Sec. 126(3) of the PFMA, 2012** * Confirm that the CECM for planning publishes and publicizes the annual development plan within seven days after its submission to the county assembly **Sec. 126(4) of the PFMA, 2012** * Confirm that the county assembly approved county development plan as per **Sec. 8(e) of the CGA, 2012** * Confirm public participation was undertaken in county planning as required by **Sec. 87 and 115 of the CGA, 2012** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * The public forums were advertised in public media. * Information related to policy formulation and implementation was provided. * There were records of participants and minutes of the deliberations were kept. * That the public participation report formed part of the documents submitted together with the executive annual development plan to the County assembly * Carry out other tests of operating effectiveness aligned   to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  | * Failure to comply with the timelines for budget making | * Budget Calendar | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on timelines for budget making * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the approved annual budget and confirm that the necessary laws and steps as documented in the TOD are followed in its preparation approval and implementation. * Review the process map and identify any existing gaps   **TOE**  **Budget Circular**   * Confirm that an Annual Budget Circular is developed and issued by 30th August of the current year **Sec. 128(2) of the PFMA, 2012** and **Reg. 30(1) of CGPFMR, 2015** * Confirm that the Budget Circular should at a minimum contain**(Sec. 128(3) of PFMA, 2012);** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * A schedule for preparation of the budget, specifying the key dates by which the various processes are to be completed(Budget Calendar) * Confirm that the county government complies with the key dates provided in the **Budget Circular Sec. 128(4) of the PFMA, 2012**   **C-BROP**   * Confirm that C-BROP for the subsequent financial year is prepared by the County Treasury and submitted to the following entities for consideration and approval;   + Submitted to the CEC by 30th September of the current year **Sec. 118(2) of the PFMA, 2012**   + Considered and approved by the County Executive Committee within 14 days **Sec. 118(3) of the PFMA, 2012**   + Recommendations of CRA are obtained by 1st January of the current year **Table 2 of the County Budget Operational Manual (CBOM) 2014**   + Submitted to the County Assembly within 7 days after approval by the CEC and subsequently published and publicized **Sec. 118(4) of the PFMA, 2012**   **CFSP**   * Confirm that CFSP for the subsequent financial year is prepared by the County Treasury, approved by CEC and; * Submitted to the County Assembly by 28th February of the current year **Sec. 117(1) of the PFMA, 2012** * Approved by the County Assembly within 14 days after submission **Sec. 117(6) of the PFMA, 2012** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the Sector Working Groups submit their Sector Working Group reports to County Treasury by 31st January as input into the County Fiscal Strategy Paper **Table 2 of the CBOM 2014** * Confirm that the CFSP is published on the County Treasury website **Reg. 30(5) of the CGPFMR, 2015**   **Annual Budget**   * Confirm that MDA’s re-adjust estimates in light of CFSP then finalize and submit to County Treasury by 10th April **Table 2 of the CBOM, 2014** * Confirm that county budget hearings to review MDAs strategic plans and estimates to ensure they align to county economic policy and fiscal framework is done between by 19th April **Table 2 of the CBOM, 2014** * Confirm that printed estimates for the County Executive were reviewed and consolidated and the draft budget estimates submitted to County Executive Committee by April the 20th of the current financial year **Sec. 129(1) of the PFMA, 2012 and Reg.30 (7) of the CGPFMR, 2015** * Confirm that Budget estimates and any other Bill (except Finance Bill) of county government entities were consolidated and the annual budget estimates submitted to the County Assembly, by April the 30th of financial year. **Sec. 129(2(b)) of the PFMA, 2012 and Reg. 30(8) of the CGPFMR, 2015** * Confirm that after the Budget has been submitted to the County Assembly, the CECM for finance publishes and publicizes the documents **Sec. 129(6) of the PFMA, 2012** * Confirm that the County Assembly considers and approves the Budget with or without amendments in   time before 30th June for the relevant laws(Appropriations Act) required to implement the |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | budget to be passed by 30th June Sec. 131(1) of the PFMA, 2012   * Confirm that the County Treasury consolidates the estimates and   publishes and publicizes them within twenty-one days after the county assembly has approved the budget estimates Sec. 131(5) of the PFMA, 2012   * Confirm the County Executive Committee member submits a copy of the approved budget estimates to the National Treasury within 14 days of its approval. * Carry out other tests of operating effectiveness aligned   to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  | * Inaccurate budget | * Approved Budget | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation and approval of the budget * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the approved annual budget and confirm that the necessary laws and steps as documented in the TOD are followed in its preparation approval and implementation. * Review the process map and identify any existing gaps   **TOE**  **Budget Circular**   * Confirm that the Budget Circular should at a minimum contain**(Sec. 128(3) of PFMA, 2012**;   + The methodology for the review and projection of revenues and expenditures; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Key policy areas and issues to be taken into consideration when preparing the * budget; * The procedures to be followed by members of the public who wish to participate in the budget process; * The format in which information and documents relating to the budget are to be submitted; * Confirm that the County Budget Calendar is in line with the **National Budget Calendar Sec. 72 of the CBOM 2014**   **C-BROP**   * Confirm that C-BROP contains **Sec. 118(2) of the PFMA, 2012;**   + Details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;   + Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper   + Information on;     - Any changes in the forecasts compared with the County Fiscal Strategy Paper     - How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and     - Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | address the deviation and the time estimated for doing so.  **CFSP**   * Confirm that the Sector Working Groups submit their Sector Working Group reports to County Treasury as input into the County Fiscal Strategy Paper Table 2 of the CBOM 2014 * Confirm that CFSP contains an assessment of **(Sec. 118(2) of the PFMA, 2012);**   + Medium term macroeconomic framework and its outlook as contained in the Budget Policy Statement and how it impacts on the county economic environment;   + Medium-term fiscal framework defining a top- down aggregate resource envelope and broad expenditure levels;   + Indicative allocation of available resources among county government entities;   + Economic assumptions underlying the county budgetary and fiscal policy over the medium term; and   + A statement of fiscal responsibility principles, indicating whether the fiscal strategy adheres to these principles.   + A fiscal risk statement * Confirm that the budget ceilings take into account;   + The aggregate resource envelope following the forecast of major revenue (including the equitable share) and expenditure categories (according to both economic and administrative classification);   + The non-discretionary expenditure (debt service, wages and other related items); |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * The overall expenditure taking into consideration the fiscal rules; * Breakdown of the overall expenditure into recurrent and * development expenditure by sector ceilings; and * Expenditure priorities as set out in county government policies * Confirm adherence to the following principles(Sec. 107(2) of the **PFMA, 2012 and Reg. 25(1) of the CGPFMR, 2015);**   + The county government’s expenditure on wages and benefits for its public officers does not exceed thirty five (35) percent of the county government’s total revenue(the revenue does not include revenues that accrue from extractive natural resources including as oil and coal)   + The county public debt does not exceed twenty(20%) percent of the county governments total revenue   + The approved expenditures of a county assembly does not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of the county assembly, whichever is lower;   + Over the medium term a minimum of thirty percent of the county government’s budget is allocated to the development expenditure   **Annual Budget**   * Confirm that the Accounting Officers prepared and submitted printed estimates in a format prescribed in the   Budget Circular and in a format that supports program- |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | based budgeting and classification of expenditure in economic classes **Reg. 30(1) of the CGPFMR, 2015**   * Confirm that the submitted printed estimates, include estimates for the current year (N) and for the forthcoming financial year (N+1) and two outer years on a rolling basis (N+2), (N+3) Reg. 30(1(a)) of **CGPFMR, 2015** * Confirm that budget proposals are supported by the county government strategic plan **Reg. 30(2) of CGPFMR, 2015** * Confirm that the Budget Estimates for the Sector are consistent with the **CFSP Reg. 30(1(b), 6) of the CGPFMR, 2015** * Verify that the preparation and submission of estimates was done exclusively through prescribed automated integrated financial management systems(**IFMIS Hyperion Module) Reg. 30(3) of CGPFMR, 2015** * Confirm that unutilized prior year balances meant for projects are re-voted for the project **Reg. 116(2) of the CGPFMR, 2015** * Confirm that (**Reg. 31 of the CGPFMR, 2015**);   + Budget revenue and expenditure appropriations is balanced   + The Kenyan Shillings is the unit of account for drawing up and implementation of the county government budgets, as well as the presentation of those accounts;   + Total budgeted revenue covers total budgeted expenditure and therefore;     - Except as provided by legislation, there is no use of specific revenue to finance   specific expenditure; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Appropriation is for a specific purpose or a specific program or item of expenditure; and * Budget estimates takes into account expenditure priorities, which contributes to the realization of the required output and desired policy outcome. * When the County Assembly makes amendments to the Budget before approval, confirm that;   + Changes are consistent with the resolutions adopted regarding **CFSP Sec. 131 of the PFMA, 2012**   + Any increase in expenditure in a proposed appropriation, is balanced by a reduction in expenditure in another proposed appropriation **Sec. 131(2(a)) of the PFMA, 2012**   + Any proposed reduction in expenditure is used to reduce the deficit **Sec. 131(2(b)) of the PFMA, 2012**   + Any increase or reduction in expenditure of a Vote approved by the county assembly does not exceed one (1%) percent of the Vote’s ceilings’ Reg. 37(1) of the CGPFMR, 2015 * Confirm that after the passage of the Appropriation Bill, A governor’s Warrant is issued in respect of the signed Bill Reg. 20 of the CGPFMR, 2015. Confirm that a copy of the warrant is given to the Controller of Budget * Confirm that the CECM for finance issues County Treasury warrant granting authority to Accounting Officers to incur expenditure for the year in respect of their votes Reg. 21 of the CGPFMR, 2015. * Confirm that the Annual Cash Flow Plan is prepared and   submitted to the County Treasury by the date indicated |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | in the County Treasury’s Budget Implementation Guidelines for the respective financial year (Reg. 43(1) of the CGPFMR, 2015)   * Confirm that the Annual Work Plan is prepared and submitted to the County Treasury by the date indicated in the County Treasury’s Budget Implementation Guidelines for the respective financial year * Confirm that the Annual Procurement Plan, consistent with the Budget is prepared and submitted to the County Treasury by the date indicated in the County Treasury’s Budget Implementation Guidelines for the respective financial year Sec. 53(2) of PPADA, 2015 * Carry out other tests of operating effectiveness aligned   to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  | * Unforeseen events | * Authority for additional expenditure (Approved Supplementary Budget) | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation and approval of the supplementary budget * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the most recent supplementary budget and confirm that the necessary laws and steps as documented in the TOD are followed in its preparation approval and implementation. * Review the process map and identify any existing gaps   **TOE**   * Confirm that prior to incurring any additional expenditure not in the County Appropriation Act, the |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | Accounting Officer has sought the approval of the County Treasury and the notification sent to the Auditor- General and the Controller of Budget **Reg. 39(2) of the CGPFMR, 2015**   * Confirm that a county government entity that requires additional funds through a supplementary budget process, submits a memorandum to the **County Treasury Reg. 39(7)) of the CGPFMR, 2015** * Confirm that the Supplementary Budget Circular is issued by the CECM for finance to facilitate the Supplementary Budget Process **Reg. 39(1) of the CGPFMR, 2015** * Check whether the county government has spent money that had not been appropriated in the **County Appropriation Act Sec. 135(1) of the PFMA, 2015** * Confirm adherence to the following principles **(Sec. 107(2) of the PFMA, 2012 and Reg. 25(1) of the CGPFMR, 2015);**   + The county government’s expenditure on wages and benefits for its public officers does not exceed thirty five (35) percent of the county government’s total revenue (the revenue does not include revenues that accrue from extractive natural resources including as oil and coal)   + The county public debt does not exceed twenty (20%) percent of the county governments total revenue   + The approved expenditures of a county assembly does not exceed seven per cent of the total revenues of the county government or twice the   personnel emoluments of the county assembly, whichever is lower; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Over the medium term a minimum of thirty percent of the county government’s budget is allocated to the development expenditure * Confirm that the purpose for which the Supplementary Budget is prepared is restricted to any or all of the following **(Sec. 135(1) of the PFMA, 2012 and Reg. 39(3) of the CGPFMR, 2015);**   + The amount appropriated for any purpose under the County Appropriation Act is insufficient   + A need has arisen for expenditure for a purpose for which no amount has been appropriated by Appropriation Act   + Money has been withdrawn from the county government Emergency Fund   + The circumstance is unavoidable * Confirm that the additional expenditure for which authority is sought does not include **(Reg. 39(3,8) of the CGPFMR, 2015);**   + Expenditure that, although known when finalizing the estimates of the original budget, could not be accommodated within allocations; and   + Tariff adjustments and price increases   + Budget allocation for new policy options and service delivery initiatives * Confirm that the Supplementary Budget in support of the additional expenditure is submitted to the County Assembly for approval and description of how the additional expenditure relates to the fiscal responsibility principles and financial objectives **(Sec. 135(2,3) of the PFMA, 2012)** * Confirm that the approval of the county assembly for the spending is sought **(Sec. 135(4,5) of the PFMA, 2012);** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Within two months after the first withdrawal of the money. * If the county assembly is not sitting during the time contemplated above or is sitting but adjourns before approval has been sought, approval is sought within fourteen days after it next sits. * Confirm that after the Supplementary Budget is approved by the County assembly, a Supplementary Appropriation Bill is submitted to the County Assembly for approval **Sec. 135(6) of the PFMA, 2012** * Confirm that the additional expenditure in a year does not exceed ten percent of the amount appropriated by the county assembly for that year unless that county assembly has, in special circumstances, approved a higher percentage (The Final Supplementary Budget does not vary from the Original Budget by more than 10%) **Sec. 135(7) of the PFMA, 2012** * Confirm that the Supplementary Budget is presented as a comparative to the Original Budget and includes;   + The Vote, program, sub-program and broad expenditure category which it is desired to supplement, the original sum voted thereon and any supplements which may have since been added;   + The actual expenditure and the outstanding liabilities or commitments against the item on the date when the request is made;   + The amount of the supplement required, the reasons why the supplement is necessary and why it has not been possible to keep within the   voted provision; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * The basis for the calculation underpinning the supplementary; * The proposed source of financing of the additional expenditure; * An analysis of the fiscal impact of the additional expenditure, or of the implications, if any, for the planned outputs and outcomes of the affected programs; * Any implied deviation from the Medium Term Expenditure Framework (MTEF) and the financial objectives; and * The latest fiscal projections. * Confirm that the CECM for finance submits an approved Supplementary Budget to The National Treasury **Reg. 39(10) of the CGPFMR, 2015** * Confirm that after the passage of the Supplementary Appropriation Bill, A Supplementary Governor’s Warrant is issued in respect of the signed Bill **Reg. 20 of the CGPFMR, 2015**. Confirm that a copy of the warrant is given to the Controller of Budget * Confirm that the Annual Cash Flow Plan is revised and submitted to the County Treasury by the date indicated in the County Treasury’s Budget Implementation Guidelines for the respective financial year **(Reg. 44(3) and Reg.45(5) of the CGPFMR, 2015)** * Confirm that the Annual Work Plan is revised and submitted to the County Treasury * Confirm that the Annual Procurement Plan, consistent   with the Budget is revised and submitted to the **County Treasury Sec. 53(2) of PPADA, 2022.** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  |  | * Staff capacity constraints due to lack of adequate qualifications and training | Reviews (Rechecks) by the supervisor – Budget Officers | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on internal control(supervision) * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one stage in Budget Making process; development of printed estimates * 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 Scheme of Service for Budget Officers to establish the chain of command and review the following stages of Budget Making process to confirm that there was supervision;   + Development of CBROP   + Development of CFSP   + Development of the budget estimates * Confirm that the County Government has established a Budget Division to manage the budget process and oversee the budget calendar of the **county Sec. 027 of the CBOM, 2014** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that, where possible, supervision is built in the internal control system **Reg. 158(1(b)) of CGPFMR, 2015** * Confirm that all the supervised staff understand the objectives and performance targets of the department   **G.7 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016**   * Confirm that all the supervised staff keep the supervisor(s) informed about progress and challenges **Sec. 2.1.2.1 of the Competency Framework for the Public Service, 2017** * Confirm that the supervisor demonstrates ability to provide technical supervision of staff **Sec. 2.2.2.3 of the Competency Framework for the Public Service, 2017** * Confirm that where delegation is done, accountability is retained by the supervisor **Sec. 2.2.3.3 of the Competency Framework for the Public Service, 2017** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  |  | * Lack of sufficient citizen participation in budget making and planning processes | Approved Public Participation Guidelines | **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**   * Select one Public Participation event * Confirm that the design documented under TOD is implemented as documented. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE**   * Obtain the Approved Budget and the Annual Development Plan * Confirm that there was public participation in the budget making process was undertaken **Sec. 125(2) PFM Act 2012** * Confirm that public participation meets the following criteria(**Sec. 87 of the County Government Act CGA, 2012**);   + Timely access to information, data, documents, and other information relevant or related to policy formulation and implementation;   + Reasonable access to the process of formulating and implementing policies, laws, and regulations, including the approval of development proposals, projects and budgets, the granting of permits and the establishment of specific performance standards;   + Protection and promotion of the interest and rights of minorities, marginalized groups and communities and their access to relevant information;   + Legal standing to interested or affected persons, organizations, and where pertinent, communities, to appeal from or, review decisions, or redress grievances, with particular emphasis on persons and traditionally   marginalized communities, including women, the youth, and disadvantaged communities; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Reasonable balance in the roles and obligations of county governments and non-state actors in decision-making processes to promote shared responsibility and partnership, and to provide complementary authority and oversight * promotion of public-private partnerships, such as joint committees, technical teams, and citizen commissions, to encourage direct dialogue and concerted action on sustainable development; and * Recognition and promotion of the reciprocal roles of non-state actors’ participation and governmental facilitation and oversight. * Confirm that the county government has established the following established structures for citizen participation, including but not limited to(**Sec. 91 of the CGA, 2012);**   + Information communication technology based platforms;   + Town hall meetings;   + Budget preparation and validation fora;   + Notice boards: other important announcements of public interest;   + Avenues for the participation of peoples’ representatives including but not limited to members of the National Assembly and Senate; or   + Establishment of citizen fora at county and decentralized units. * Other than CBEF, confirm that Public Participation is open to all members of the public, either individually or in a self-organized form that is legally recognized **Sec.**   **1.6 of the County Public Participation Guidelines**; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **Ministry of Devolution and Planning & Council of Governors, 2016**   * Confirm that the county government has allocated a certain percentage of its budget to public participation **Sec. 3.1 of the County Public Participation Guidelines; Ministry of Devolution and Planning & Council of Governors, 2016** * Confirm that the county officials and the public have acquired the requisite skills, values and attitudes for effective public participation through capacity building **Sec. 3.3 of the County Public Participation Guidelines; Ministry of Devolution and Planning & Council of Governors, 2016** * Confirm that the county government provides incentives in form of provision of snacks, meals and transport for the public to attend public participation functions **Clause**   **136 of the County Public Participation Guidelines; Ministry of Devolution and Planning & Council of Governors, 2016**. Further, confirm that (other than county officials and CBEF), members of the public are not compensated for attending the public participation event **SRC Circular No. SRC/TS/AG/3/37/38 dated 21st February, 2014**   * Confirm that the County Government has established a (Name of the County) CBEF **Sec. 137(1) of the PFMA, 2012** * Confirm that the CBEF consists of **Sec. 137(2) of the PFMA, 2012**;   + The Governor   + Other CECMs   + Persons(not being county public servants) nominated by organizations representing   professionals, business, labor issues, women, |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | persons with disabilities, the elderly and faith based groups at the county level **Sec. 137(2) of the PFMA, 2012**   * Review the minutes of the CBEF to confirm whether it effectively undertakes consulting roles relating to **(Sec. 137(3) of the PFMA, 2012 and Reg. 209(1) of the CGPFMR, 2015**);   + Preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county   + Matters relating to budgeting, the economy and financial management at the county level   + Matters arising from Intergovernmental Budget and Economic Council and other intergovernmental forums * Confirm that CBEF meets at least twice in a year **Reg. 209(2) of the CGPFMR, 2015** * Confirm that the County Government responds expeditiously to petitions and challenges from citizens on matters related to planning and budgeting **Sec. 89 of the CGA, 2012** * Confirm that the Governor submits an annual report to the county assembly on citizen participation in the affairs of the county government **(Sec. 92(2) of the CGA, 2012)** * Carry out other tests of operating effectiveness aligned   to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
| 2. | To confirm that the approved budget and the annual development plan are implemented as  approved by the County assembly | * Deviation from the approved budget | * Budget implementation reports | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation and submission of the budget implementation reports.   **TOI** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Obtain a budget implementation report and confirm that the necessary laws and steps as documented in the TOD are followed in its preparation and submission * Review the process map and identify any existing gaps   **TOE**   * Confirm that the Accounting Officers to the County Assembly report regularly on the implementation of their budget **Sec. 147(1(h)) of the PFMA, 2012** * Confirm that the County Treasury reports regularly to the County Assembly on the implementation of the annual county budget **Sec. 104(1(r)) of the PFMA, 2012** * Confirm that the Budget Division prepares regular reports for the CECM-Finance to submit to the County Assembly on the implementation of the annual **county budget Sec. 027(i) of CBOM, 2014** * Confirm that the PFM Standing Committee is established by the Accounting Officer to regularly review, monitor budget implementation and advice on the entity’s accounts, major capital expenditures and review performance and strategies at least on a quarterly basis **Reg. 19(b) of the CGPFMR, 2015** * Confirm that the Accounting Officer has established a Budget Implementation Committee to monitor the progress of budget implementation and advise the accounting officer on how to handle bottlenecks that affect the implementation of the budget. **The National Treasury’s and the County Treasury’s Budget Implementation Guidelines for the respective financial year.** * Confirm that all the Accounting Officers not later than   the 10th day of each month submit a monthly financial and non-financial budgetary report in the prescribed |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | format to be issued preceding month to the County Treasury with copies to the Controller of Budget and the Auditor-General whose contents include **(Reg. 54 of the CGPFMR, 2015);**   * Actual revenues, including appropriations in aid; * Expenditures classified in economic classification as follows—   + compensation to employees;   + use of goods and services;   + transfer to other levels of government; and   + capital expenditure;   + pending payments with an age of over ninety days;   + a projection of expected expenditure and revenue collection for the remainder of the financial year; * Pending payments with an age of over ninety days; * A projection of expected expenditure and revenue collection for the remainder of the financial year * When necessary, an explanation of any material variances; * A summary of the steps that are to be taken to ensure that the projected expenditure and revenue remain within budget * Carry out other tests of operating effectiveness aligned   to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  | * Unauthorized and unsupported reallocation of funds   that may lead to | * Approved Budget Reallocations | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on Budget Reallocations |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  | misstatements of budget implementation reports |  | **TOI**   * Select one budget reallocation activity confirm that the necessary laws and steps as documented in the TOD are followed in its preparation and submission * Review the process map and identify any existing gaps   **TOE**   * Obtain the IFMIS vote books for all the entities. Use your IFMIS GL user rights to extract the budget adjustment entries and sample according to the approved sampling criteria. Confirm that all the budget adjustment entries are made through a **Gazetted Form for Application for Reallocation of Provision Form(F.O 3)** * Confirm that the reallocations approved by the respective Accounting Officer of the entity **Reg. 47(5) of the CGPFMR, 2015** * Confirm that a request for the reallocation has been made to the County Treasury explaining the reasons for the reallocation and the County Treasury has approved the request **Sec. 154(2(b)) of the PFMA, 2012** * Analyze the reallocations to confirm that **Sec. 154(2(a)) of the PFMA, 2012 and Reg.47(1) of the CGPFMR, 2015**   + They do not affect the total voted provision;   + The provisions in the budget of the program or sub-vote from within which the funds are to be transferred are unlikely to be utilized;   + Reallocation is in accordance with donor conditions in the case of reallocation impacting on donor-funded expenditure;   + The reallocation does not affect the voted provisions from wage to non-wage expenditure or from capital to recurrent expenditure; and |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes, except with Treasury’s approval. * Confirm that the budget re-allocations are not made from (**Sec. 154(2(a)) of the PFMA, 2012);**   + One county government entity or person to another county government entity or person;   + Capital expenditure except to defray other capital expenditure   + Wages to non-wage expenditures * Confirm that the total of all reallocations made to or from a program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub- Vote for that year **Sec. 154(2(c)) of the PFMA, 2012** * Confirm that the Accounting Officers maintains a register of all budgetary reallocations and use it to prepare a report of all reallocations to the County Treasury not later than the 10th day of each month. Confirm that the report contains **(Reg. 41(3,4) of the CGPFMR, 2015);**   + Measures taken by the Accounting Officer to mitigate against future reallocations   + Impact that the reallocations may have had on program objectives, planned program outputs and outcomes * Confirm that the County Treasury consolidates all reallocations and includes them in the next revised budget (**Reg. 41(5) of the CGPFMR, 2015** * Carry out other tests of operating effectiveness aligned   to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 3. | To establish that budgeted expenditure is used for the activities for which the money was appropriated | * Use of budgetary resources on activities whose appropriations were not   earmarked for | * Vote book Control   . | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on Vote Control   **TOI**   * Select one payment voucher and confirm that the necessary laws and steps as documented in the TOD are followed in its preparation. * Review the process map and identify any existing gaps   **TOE**   * Obtain Bank Statements. Obtain a representative sample of payments using the approved sampling criteria. Obtain the Payment Vouchers relating to the sample * Confirm that the Accounting Officer does not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities in line with Reg. 53(1) of the CGPFMR, 2015   **Financial Management System**   * Confirm that all transactions are recorded in a financial management system prescribed by **The National Treasury(IFMIS) Sec. 12(1e)) of the PFMA, 2012 and Reg. 109(1) of the CGPFMR, 2015** * Confirm that users of IFMIS(**Reg. 3 of the CGPFMR, 2015**);   + do not use or attempt to use the automated system without authorization of the system administrator   + Take all reasonable steps to maintain the integrity of passwords and other security mechanisms; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Where a password becomes insecure or potentially insecure, as soon as is practicable, implement a new secure password; * Not do anything that damages, restricts, jeopardizes, impairs or undermines the performance, usability, reliability, confidentiality or accessibility of any digital information system, programme, or other stored information data; * Not alter, delete or in any other way interfere with, any information, data or files; * Be responsible for any unlawful entry on the automated public financial management system using such persons password;   **Procedures**   * Confirm that no public officer spends or commits funds until he or she has been properly authorized by means of an Authority to Incur Expenditure (AIE) to do so. **Reg. 51(1(a)) of the CGPFMR, 2015** * Confirm that AIE holders understand that the limit to which they may spend is that prescribed by the authority and not their expectations, however justified these may seem. **Reg. 51(1(b)) of the CGPFMR, 2015** * Confirm that when the AIE is issued by the county department or agency, the allocation shall be entered as a commitment in the county department’s or agency’s master vote book so as to ascertain at all times the availability of uncommitted funds. **Reg. 51(1(d)) of the CGPFMR, 2015** * Confirm that the accounting officers whose votes cover field programs, sub-county and projects shall issue AIE’s   to their field programs, sub-county and project officers |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | not later the 15th day of each quarter. **Reg. 51(1(e)) of the CGPFMR, 2015**   * Confirm that public officers issued with AIE’s shall also be informed in writing that the actual expenditures shall not exceed the limit authorized in the AIE’s **Reg. 51(1(f)) of the CGPFMR, 2015** * Confirm that all AIE’s to field public officers shall show the following details at the minimum and copies submitted to the Auditor-General(**Reg. 51(1(h)) of the CGPFMR, 2015**);   + the gross total amount of funds per Vote allocated and applied against the AIE issued; and   + the total amount of AIA to be collected; * Confirm that records are kept in such a form as shall clarify at any time – Vote Control Book (**Reg. 51(1(i)) of the CGPFMR, 2015**);   + the total amount of expenditure sanctioned for service of the year;   + the amount of the expenditure charged;   + any further known liabilities in respect of the year; and * Confirm that transactions are posted to the correct vote heads as per the approved estimates **Reg. 99(2) of the CGPFMR, 2015** |

# **Sub-Process: Own Revenue and Appropriation in Aid**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To ascertain that the County Government | * Litigation due to   collection of illegal revenues |  | **TOD** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  | Receives all revenues it is entitled to. |  | Compliance with the County Finance Act. | * Establish the key requirements of laws, regulations, policies and procedures on authorizing, definition and staffing of revenue section.   **TOI**   * + Obtain the Appointment letter of receiver of revenue and revenue collectors.   + Obtain List of staff in revenue department and their J/D   + Confirm that the design documented under TOD is implemented as documented.   + Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE**  **Authority to collect and account for revenue**   * + Check whether the receiver of revenue is designated by the County Executive Committee Member under **section 157 of the PFM Act 2012 and Reg 61 of the PFM Regulations 2015.**   + Confirm that the own source revenue comprises of the following—     1. tax revenues; and     2. non-tax revenues including exchequer non-tax receipts and Appropriation-in-Aid. * Identify the types of revenue collectable by the entity. * Identify types of accountable documents used for collection of revenue. * Establish existence of proper authority to   collect revenue through proper appointment letter. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * For any refunds, check to confirm that proper authority was issued. |
|  |  | * Non- collection of specified revenues | * Compliance with the County Finance Act. | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on approved revenue sources.   **TOI**  • Obtain the Appointment letters revenue collectors.  • Obtain List of staff in revenue department and their J/D   * Obtain the daily collection statements and bank statements to confirm the revenues collected and banked.   • 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 whether the collector has been given the authority to collect. **PFM Act 2012 Sec 158 and CGPFMR Reg. 62** * Ascertain that there is prompt revenue collection for the specified revenue sources. **CGPFMR Reg. 63** * Verify the monthly collection records per revenue source against monthly targets and actual banking. **CGPFMR Reg. 63 (6)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| 2. | To check on accuracy of revenue reporting | * Under-reporting/ over-reporting of revenue | * Quarterly and Annual Revenue Reports | **TOD**  • Establish the key requirements of laws, regulations, policies and procedures on revenue reporting.  **TOI**  • Obtain the Quarterly revenue report statements, Financial statements, Approved budget estimate and the reconciliation statements  • Confirm that the design documented under TOD is implemented as documented.  • Walkthrough and document the process flow/ map. Note any gaps in implementation  **TOE**  **Revenue Reporting System**  Obtain a sample of quarterly revenue reports and undertake the following tests.   * Check whether the Accounting Officer or receiver of revenue or collector of revenue have prepared a quarterly report not later than the 15th day after the end of every quarter in accordance with **PFMR 67(**1). * Check whether the quarterly revenue report includes the following details;   1. a statement of receipts and disbursements in the format prescribed by the Public Sector Accounting Standards Board   2. a statement of arrears of revenue which is classified by financial year;   3. Reasons for material differences between approved estimates and the actual revenue collected. * Check whether the annual, quarterly and monthly statements by a receiver of revenue submitted to the **County Treasury under sections 158(3) and 165 of the PFM Act**, are in the format gazetted by the Cabinet Secretary. * Perform recalculations to confirm the accuracy of the reported figures * Confirm the accuracy of the reconciliations, revenue reports and cash books. * Confirm accuracy of the revenue reported in the Financial Statements. * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 3. | To evaluate the effectiveness of the county revenue collection process | * Use of non- authorized accountable documents | * Use of official accountable documents | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on documenting, accounting and monitoring revenue collections   **TOI**   * + Obtain CRB Registers and Banks statement and bank reconciliation   + Confirm that the design documented under TOD is implemented as documented.   + Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE**  **Revenue Legislation.**   * Check whether the estimates of revenues is in the format issued by the Cabinet Secretary **PFMR 2015 Reg 68** and includes the following;   1. the description of the source of revenue in terms of head code;   2. estimated revenues;   3. the receiver of revenue;   4. for each revenue head, there are revenue items * Check whether the receiver of revenue for loans and grants funds is the Chief Officer to the County Treasury in accordance with **PFMR sec 61(3).** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies **PFMR sec 63(1).**; * Confirm that adequate measures, including legal action where appropriate, are taken to obtain payment for revenues properly due to the County **PFMR sec 63(1).**;; * Confirm that Official receipts are issued for all moneys paid to the county government **PFMR sec 63(1)**. * Check whether the accounting officer or receiver of revenue have reported all difficulties & challenges encountered in collecting revenues to the County Executive Committee Member without delay. **PFMR sec 63(2).**;   **Regulated collection, custody and issue of accountable documents PFMR sec 63(6).**;  **Obtain the Counterfoil Receipt Book for issuance of accountable documents and undertake the following tests.**   * Verify to establish that form S12 is duly issued and approved to collect receipt books from the Government Printer. * Verify & establish the entry of receipt of books and other accountable documents from Govt in the Register. * Trace in the Counter foil Receipt Book (CRB)   Register using issue notes from Government Printers.  • Verify & confirm that appropriate authority was used to issue accountable documents to users.  • Verify to confirm that issues are made to an individual person by name who should personally acknowledge receipt of accountable documents.  • Establish the safe custody of used, partly used and unused accountable documents.   * Ascertain that there is a proper control over retention of records in line with the requirements. * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  | Revenue collected not accounted for. | • Timely reconciled books of accounts | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures revenue collection.   **TOI**  • Obtain Bank statements, Daily collection statements/ reports and Quarterly 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**   * Establish whether adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies; **PFMR sec 63 & 64.**; * Establish whether there are adequate measures, including legal action where appropriate, taken to obtain payment for revenues properly due to the County; **PFMR sec 63 & 64.**; * Establish whether Official receipts are issued for all moneys paid to the county government **PFMR sec 63 & 64.**; * Verify to establish that all issues are recorded in the Collection Control Sheets (CCS) **PFMR sec 63 & 64.**;. * Ascertain if all receipt books in use were officially issued from the CRB register **PFMR sec 63 & 64.**;. * Compare records of collections in the CCS, cash book and receipt book **PFMR sec 63 & 64.**;. * Confirm the accuracy of the reconciliations, revenue reports and cash books **PFMR sec 63 & 64.**;. |
|  |  |  | County Automated Systems for Revenue Collection | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures revenue collection.   **TOI**  • Perform a walkthrough test on the County Automated System to understand it.  • Confirm that the design documented under TOD is implemented as documented.  • Walkthrough and document the process flow/ map. Note any gaps in implementation  **TOE**  Establish the adequacy of the IT General controls of the revenue System in use.  Sample revenue sources reported to confirm on their accuracy.  Reconcile the system revenue reports, bank statements and revenue reported in the financial statements.  Refer to the test provided under systems audit program. |
|  |  | * Use of revenue at source | Timely reconciled books of accounts | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on revenue collection and revenue management   **TOI**   * + Obtain CRB Registers, Banks statement, Bank reconciliation, Collection control sheets and revenue 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**  **Receipting of all revenue and proper maintenance of records. PFMR Reg 63 (1 & 6)**   * + Verify to establish that all issues are recorded in the Collection Control Sheets (CCS).   + Ascertain if all receipt books in use were officially issued from the CRB register.   + Compare records of collections in the CCS and cash book. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Where receipts are not of fixed amounts cross-check with the originating authority (files). * Confirm receipts of remittances at the final destination.   **Timely Banking. PFM Reg 63 (4)**   * Ascertain those proper procedures was followed in opening the revenue collection bank accounts. * Ascertain the presence of revenue collection account. * Ascertain that all revenue is transferred to CRF Account in central bank. * Ascertain that no collections are used at source but banked intact. * Confirm from a sample of bank statements for several months that bank pay-in-slips are all reflected in the bank statement. * Determine and evaluate the period between receipts and banking with a view to confirm that there were no significant delays in banking.   Reconcile actual collection as per Collection Control Sheet (CCS) with the cash surrenders or banking as appropriate.  Seek explanations for any variances and ensure all the variances are properly explained and documented.  **Segregation of duties PFM 62 (2)**   * Confirm that segregation of duties by establishing that the officer who approves |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | collection of books from Government Printers does not collect, and the officer who collects the books does not maintain CRB. |

# **Sub-Process: Accounts Receivable**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To determine whether there are adequate controls and procedures to ensure the proper collecting, recording and presentation of accounts receivable in the financial statements. | Inaccurate balances | * Monthly reconciliations of receivable ledger control account * Accounts Receivable schedule * Accounts receivable movement schedule * Debtors Ageing analysis report * Financial statements | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on processing, accounting and disclosure of Accounts receivable.   **TOI**   * Obtain the Accounts Receivable schedule/listing, movement schedule and debtors ageing analysis 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**  **Accounts Receivable Schedule CGPFMR 2015 Reg 83(1) (f) and Guidelines for Management of Specific Categories of Assets and Liabilities (GMSCAL)sec 18**   * Establish whether the County Government has developed a credit policy. **GMSCAL Sec18.2.1** * Perform a positive trade receivables circularization of a representative sample of the year-end balances, for any non-replies, with accounting officer’s permission,   send a reminder letter to follow up. **GMSCAL Sec18.2.4** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Review the after-date cash receipts and follow through to pre-year-end receivable balances. **GMSCAL Sec18.2.4** * Review the reconciliation of receivables ledger control account to the receivables ledger list of balances. **GMSCAL Sec18.2.2** * Review correspondences to assess whether there are any material disputed receivables. **GMSCAL Sec18.2.2** * Review a sample of post year-end credit notes to identify any that relate to pre-year-end transactions to verify that they have not been included in receivables. **GMSCAL Sec18.2.3** * Select a sample of year-end receivable balances and review the supporting documentation to ensure existence. **GMSCAL Sec18.2.2** * Compare the level of prepayments to the previous year to ensure the figure is materially correct and complete. **GMSCAL Sec20.2.2** * Establish if there is segregation of duties for officers involved in the processing and reporting of accounts receivables. **GMSCAL Sec18.2.3** * Carry out a third party confirmation. * Carry out other tests of operating effectiveness aligned to specific county policies, procedures and service delivery standards. |
|  |  | Bad and doubtful debts | * Implementation of the Credit Policy | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on processing, collection and disclosure of Accounts receivable.   **TOI**   * Obtain the Accounts Receivable ageing analysis report, Credit policy, Waiver Policy, Bad debts written off policy & Accounts receivable movement schedule * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. * Note any gaps in implementation   **TOE**  **Accounts Receivable Ageing Analysis Report GMSCAL Sec18.2.8 and GMSCAL Sec18.2.10** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Calculate average receivable days and compare this to prior year, investigate any significant differences. * Inspect the aged receivables report to identify any slow-moving balances, discuss these with the Finance department to assess whether allowance or write down is necessary. **PFM Regulations Sec 83 (2) (f).** * For any slow moving/aged balances review customer correspondence to assess whether there are any   Invoices in dispute.  Confirm whether the County has made a reasonable provision for bad debts based on historical experiences **GMSCAL Sec18.2.10**   * Confirm whether the waivers granted are as per the waiver policy and credit policy * Confirm the accuracy of the bad debts and doubtful debts as reported in the financial statements. |
|  |  | Bad debts write-off may not be valid | Accounts Receivable write- off report | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on processing, collection and write-off of Accounts receivable.   **TOI**   * Obtain the Accounts Receivable ageing analysis 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**  **Obtain a schedule of bad debts to be written off. CGPFMR 2015 138 - 152 and GMSCAL Sec18.2.9**   * Ascertain that Finance department reviews all outstanding debts which are under dispute, on a monthly basis and an investigation report done   before any bad debt provisions are made. **PFM Regulations Sec 149.** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * **PMF Regulations Sec 150** ; Ascertain that accounts receivable losses are written- off after the accounting officer satisfies him/herself that;   1. All reasonable steps have been taken to recover the loss and the loss is irrecoverable.   2. Recovery of the losses would be uneconomical, and it would be to the advantage of the county government entity to effect a settlement of its claim or to waive the claim. * Review the reasonableness of bad debts expense in light of the levels of bad debt write-offs compared to prior years. * Examine the documentation relating to write-offs during the period to determine whether the write- offs were adequately authorized. **PMF Regulation Sec 142 (2) (a).** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures and   bad debt write-offs standards. |
| 2. | **Imprest Management (Temporary and Standing Imprests)**  To establish adequate approval, issuance and accounting of imprest facility. | Misuse of imprest facility. | Imprest Recovery | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on issuance, processing and accounting for Temporary and Standing Imprest. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the Imprest application and surrender register, (Temporary and Standing Imprest) for the period under review. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE**  **Temporary or Safari Imprest**   * Obtain a listing/register of all Safari/temporary imprest outstanding and perform the following tests**.** * Confirm validity of the application and the personal details of the applicants. * Confirm if the relevant approvals for issuance and ''top-up'' of imprests were granted. * Determine the type of imprest issued and if it meets the criteria stipulated in Regulation 93 (1, 2, 11 & 18) of PFMA Regulations.   1. Establish the existence of an imprest register   2. Test and confirm that all imprests issued are recorded accurately.   3. Ascertain whether imprests are issued to officers with no outstanding imprest as provided for in PFM Regulation 93 (4b & 8).   4. Ascertain that holder of imprest accounts or surrenders imprest on the due date (within 7 working days after return to duty station) failure to which appropriate action is undertaken in line with PFM Regulation 93 (6). In case of any exceptions, ascertain that a valid explanation exists, and this   had been approved. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. Ascertain that before issuance of temporary imprests, the Accounting Officer satisfied himself that;    * the main objective of the journey cannot be achieved by any other cheaper means.    * the applicant has no outstanding imprests;    * the applicant imprest has been recorded in the imprest register including the amount applied for;    * adequate funds are available against the relevant items of expenditure to meet the proposed expenditure 2. Ascertain that accompanying application for imprest or per diems has been approved by AIE holders on justification and submission of the applicant’s names, personal number, job group, rates, number of nights out and the itinerary for a travel imprest. 3. Confirm that Imprest is issued only to the applicant and not to another officer on behalf of the applicant. 4. Ascertain that in cases where imprest was not accounted for within 7 days, it was reclassified as   a staff debt and recovered from the salary of the applicant through the payroll system. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. Ascertain that Imprest is only spent for the intended activities Ascertain that an applicant returned unutilized funds to the cash office and a receipt was issued. 2. Establish if the surrender voucher is properly authorized and processed. 3. For instances of over-expenditure, ascertain that the imprest holder received authorization from the authorizing officer to incur the expenditure. 4. Ascertain that if an imprest is to be recovered from any public officer by instalments, the Accounting Officer authorized such recovery and such moneys are treated as unauthorized advance from county government funds, and thus interest is charged as applicable. 5. Ascertain validity of surrender documents, in case of impropriety is established on the part of staff members, appropriate disciplinary action was taken against the officer.   Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards.  **TOE**  **Obtain the Register of Standing Imprest for the period under review and perform the following tests.** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. Ascertain that standing imprest was issued to an officer in his or her own name, and not to the holder of an office. 2. Confirm that in instances where an imprest holder left the service or was transferred, he/she surrendered the total standing imprest which includes cash plus payment vouchers and a new imprest issued to his successor. 3. Confirm that the holder of a standing imprest maintains a memorandum cash book to record all receipts and payments and the balance on hand agrees with the cash balance recorded in the memorandum cash book, and in the absence of any receipts, the actual cash balances plus the expenses paid equal at all times the fixed level of the imprest for which the imprest holder is personally responsible. 4. For instances where the imprest holder needs to have his or her funds replenished, ascertain that he or she sends an abstract and analysis of his or her memorandum cash book, plus originals of the supporting payment vouchers to accounts division. 5. Test and confirm whether imprest warrants were procedurally processed and committed against available balances under relevant expenditure items. 6. Ascertain that for all officers holding a standing imprest;  * that the imprest is issued to him or her and is used for the intended purpose only; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * the imprest moneys and any payment vouchers awaiting replenishment are adequately safeguarded at all times; * proper cash sale receipts are received for all payments out of the imprest; * the full amount of the imprest is accounted for at all times in cash, stamps, money at bank and completed payment vouchers; * goods purchased through imprest are taken on charge and certificate issued.   g) Ascertain that any imprest holder leaving service or is transferred surrenders total outstanding imprest.  **TOE**   * Obtain the imprest register and sample as appropriate. * Confirm that temporary imprest are surrendered within seven (7) working days after returning to duty station. (*Reg 93(5) of the CGPFMR 2015)* * Confirm that standing imprest are surrendered when an imprest holder leaves the service or is transferred. (*Reg 93(13) of the CGPFMR 2015)* * Confirm that pending standing imprest are surrendered on time before the fall of the financial year (*End year closing procedures) (County Financial reporting and accounting manual)* * Confirm that where the imprest holder fails to account for or surrender the imprest on the due date, the Accounting Officer takes immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate. *Reg 93(6) of the CGPFMR 2015)* * Confirm that that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full of his or her salary. *Reg 93(8) of the CGPFMR 2015)* * Confirm that appropriate disciplinary action is taken against the officer concerned for the abuse of the imprest as per the approved disciplinary procedures. * Confirm that where the Accounting officer fails to enforce the regulations on recovery, the losses are recovered from the Accounting officer. *.(Treasury Circular No.3/2010)* * Confirm that no debt clearance certificate is issued to officers proceeding on retirement, dismissal, resignation when such officers have uncleared imprest*. (Treasury Circular No.3/2010)* * Confirm that where it is not possible for the accounting officer to recover the standing imprest as a result of officers retiring, deserting duty or dismissal, a request is made to the County Attorney to pursue recovery of the imprest as a civil debt. *(Treasury Circular No.3/2010)* * Where the imprest was held by a deceased officer(s) or officers whose whereabouts are unknown, such imprests shall be written off as losses pursuant to Reg. 141 of the PFM Reg. *(Treasury Circular No.3/2010)* * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards. |
|  |  |  | Approved imprest limits | **TOD**   * Establish the key requirements of laws, regulations, policies, and procedures on determination of imprest levels. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one imprest. * 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 imprest register and sample as appropriate. * Confirm that temporary imprests are issued within the officer’s entitlement in relation to grade and duration of the journey. (*Treasury Circular No.3/2010)* * Confirm that the standing imprest is fixed at a lower figure compatible with requirements and shall not exceed one month’s estimated expenditure on the intended purpose*. Reg 92(2) of the CGPFMR 2015* * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards. |
|  |  | Improper accounting of imprest | Approved imprest management guidelines | **TOD**   * Establish the key requirements of laws, regulations, policies, and procedures in accounting for imprests. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one imprest. * 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 imprest register and sample as appropriate. * Confirm that temporary imprests are surrendered within seven (7) working days after returning to duty station. (*Reg 93(5) of the CGPFMR 2015)* * Confirm that the imprest is only used for the purposes specified in the imprest warrant. *Reg 93(1),94(a) of the CGPFMR 2015)* * Confirm that the holder of the standing imprest maintains an updated memorandum cash book whose cash balance always agrees with the cash in hand. (*Reg 93(14) & 94(b & d) of the CGPFMR 2015)* * Confirm that on replenishment of the standing imprest the expenditure is analyzed and posted under the various heads and items and an arrangement is made for the cash to be transferred to the imprest holder so as to top up the imprest facility. * Confirm that proper cash sale KRA ETR generated receipts are received for all payments out of imprest. (*Reg 94(c) of the CGPFMR 2015) & Reg.93 1& 2 PPADR 2020)* * Confirm that goods purchased through imprest are taken on charge and certificate issued. *Reg 94(e) of the CGPFMR 2015 & & Reg.93(3) PPADR 2020)* * Confirm that the cost of goods, works or services procured by use of imprest does not exceed the prescribed threshold per one item per financial year (Goods & services each at kshs.50,000 & works at Kshs.100,000) *Reg.92(a) PPADR 2020)* * Confirm that items procured by use of imprest do not include items which are not procured on a regular or frequent basis and are not covered in framework agreement. *(Section 107(a) of PPADA,2015)* * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards. |
|  |  | Nonadherence to imprest issuance procedures | Approved issuance procedures | **TOD**   * Establish the key requirements of laws, regulations, policies, and procedures on issuance of imprests. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one imprest. * 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 imprest-based payments are not expensed but treated as staff debtors until when the imprests are retired; the imprests are treated as Commitments. *Sec. 7.9 of the County Financial Accounting and Reporting Manual, 2015*. * Confirm that imprest is only issued to make payments which cannot conveniently be made through the cash office of a government entity or bank account. (*Reg 91(1) of the CGPFMR 2015)* * Confirm that the officer authorized to hold and operate an imprest makes formal application for the imprest through an imprest warrant. *Reg 91(2) of the CGPFMR 2015)* * Confirm that funds disbursed for imprest are not kept or held in an official bank account, but in a separate or personal bank account operated by the imprest holder or in the form of cash under safe. *Reg 91(3) of the CGPFMR 2015)* * Confirm that where a standing imprest facility is to be established the approval is to be obtained from the Accounting Officer or Authority to Incur Expenditure (AIE) holder. *Reg 92(1) of the CGPFMR 2015)* * Confirm that temporary imprest is only issued for official travel and not for procurement related activities. *(Treasury Circular No.3/2010)* * Confirm that imprest are issued to officers who do not have personal numbers. *(Treasury Circular No.3/2010)* * Confirm that only one imprest is issued to an officer at a time. *Reg 93(8) of the CGPFMR 2015)* * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards. |
|  |  | Misstatement of financial reports. | Imprest Ledgers | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on processing, accounting and disclosure of Accounts receivable.   **TOI**   * Obtain the imprest ledger * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. * Note any gaps in implementation   **TOE**  **Review the imprest ledger to:** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Ascertain whether the imprest issued is captured in appropriate suspense account in the ledger. * Check and confirm if the surrender payment voucher is properly accounted for by debiting relevant expenditure account and crediting the imprest suspense account. * Check and confirm if the double entry is reflected correctly in the cash book. |
|  |  | Lack of value for money. | Restricted use of standing imprest to low value purchases while having regard to appropriate quality and for intended purpose. | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on processing, accounting and disclosure of use of standing imprest.   **TOI**   * Obtain the standing imprest register and schedule * 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 if there is an officer personally responsible for the imprest as provided for in PFM Regulation 93 (12). * Confirm if the imprest holder maintains a cashbook to record all transactions pertaining to the standing imprest. * Establish the frequency of replenishment and test to   confirm that the standing imprest is not used to circumvent the provisions of PPADA, 2022 and |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | Regulations, 2020. Ascertain whether imprest was used for intended purpose.   * Ascertain that frequent spot checks are made of the standing imprest itself by responsible officers as follows:   1. Count the cash on hand;   2. Confirm that the actual cash on hand corresponds with the balance on hand as recorded in the cashbook;   3. Confirm that all movements (expenses and receipts) since the last check have been properly recorded and are properly documented;   4. Ensure that the documents justify the difference between the fixed imprest level and the actual cash balance; and   5. Report on any anomalies found to the head of the accounts section. * Carry out other tests of operating effectiveness   aligned to specific county policies, procedures, service delivery standards. |
|  |  | Forgery, fraud and loss of funds. | Segregation of duties. | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on processing, accounting and disclosure of imprest management.   **TOI**   * Obtain the imprest management work flows. * Confirm that the design documented under TOD is implemented as documented. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE**   * + Establish if there is segregation of duties for officers involved in the processing and reporting of imprests. |

# **Sub-Process: Expenditure Management**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1 | To confirm that expenditure were budgeted for, adequately supported & correctly calculated. (completeness, measurement) | Unauthorized expenditures & Unaccounted expenditures | Approved expenditure plans (cash plans and justification reports)  PFMR  Payment vouchers | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on expenditure plan. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Sample one expenditure plan and establish that it has been prepared in line with the requirements documented in the design. * Walk through and document the process map * Note any gaps in the implementation of the control.   **TOE**  **Sample a number of expenditure plans and confirm:**   * That they have been adequately approved PFMR 104 (1) * That the Analyzed expenditure plans have been   appropriately executed and any variances are well supported and approved. PFMR 54 (e) |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Thoroughly scrutinize the documents supporting the payment. PFMR 85 (3) (c) * Confirm what was requested is in line with what was paid at internet banking level. |
|  |  | Un budgeted payments | Approved budget  Vote control book | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation, approval and execution of county budget. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Sample one item in the budget to establish that it has been prepared in line with the requirements documented in the design. * Confirm that the design documented under TOD is implemented as documented. * Note any gaps in the implementation of the control.   **TOE**  **Sample a number of items in the budget to confirm:**   * Whether all payments were included in the budgets PFMR 31 (b) * Check that votes in the budgets have been utilized as per the budget PFMR 51 (d) * Confirm that the expenditure has been classified as   recurrent and development in the budget PFMR 32 (d) |
| 2 | To confirm that expenses were correctly allocated and posted in correct account. (classification) | Transactions posted to an incorrect account. | Vote control book  Payment vouchers  Updated General ledgers | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on allocation and posting of funds. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Sample the general ledger, vote control book and payment voucher and establish that it has been prepared in line with the requirements documented in the design.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**   * + Confirm the existence of source documents PFMR 117 (1) (a)   + Confirm that transactions are accurately recorded in the general ledger , cash book, vote book and supporting schedules |
|  |  | Fictitious and erroneous payments | Bank Reconciliations | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation of bank reconciliations. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain bank reconciliations and Sample one reconciliation and establish that it has been prepared in line with the requirements documented in the design * Walk through and document the process map * Note any gaps in the implementation of the control.   **TOE**  Sample a number of reconciliations and confirm: |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * That the reconciliations are in place PFMR 90 (1) * Whether there are discrepancies during reconciliations 90 (3) * Ascertain whether the discrepancies identified have been addressed. |
|  |  | Misappropriation of public funds | Cash books and other registers | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on preparation of cash books and other registers. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Sample one cash book and establish that it has been prepared in line with the requirements documented in the design * Walk through and document the process map * Note any gaps in the implementation of the control.   **TOE**  Sample a number of cash book and other registers to confirm:   * That the cash book are in place PFMR 100 (1) * Confirm that the cash book is accurately updated and closed on monthly basis * Confirm that the cash books are duly filled * Confirm that cash book balances are reconciled on timely basis. |
| 3 | To establish that payments are only made for goods, works and services received / incurred and that they are accurately recorded in the right period (existence, value for money & cutoff) | Lack of value for money  Overpayment/underpaym ent | Approved Payment vouchers  Cash book  Financial statements  Bank statements  Cheque counterfoils  Customer reconciliations | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on payment vouchers. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain payment vouchers, cash book, financial statements, bank statement and cheque counterfoils * Walk through and document the process map. * Note any gaps in the implementation of the control.   **TOE**  Sample payment vouchers, cash books, bank statements and financial statements to confirm:  • Every entry in the accounts is supported by a voucher or other approved document PFMR 99 (3)  • Confirm on the date when payment was made and recorded within the right period. PFMR 98 (1)  • Confirm that all receipts and payments vouchers of public moneys are supported PFMR 104 (1)  • Check whether all receipt and payment vouchers are made out in indelible ink PFMR 104 (2)  • Confirm from IFMIS that payments were invoiced and paid for accurately.   * Confirm the accuracy of customer reconciliation statements.   • Confirm that passwords access to IFMIS are only issued and used by the authorized persons.  • Confirm that the credit terms of the County for payment of suppliers are complied with. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 4 | To check that imprests have been approved and are accurately recorded and surrendered for. | Un surrendered imprests Lack of supporting documents  Un authorized imprest issued | Imprest registers | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on imprest management. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Sample one imprest surrenders/warranties and establish that it has been prepared in line with the requirements documented in the design.   + Walk through and document the process map   + Note any gaps in the implementation of the control. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **TOE**   * **Sample a number of imprests and confirm:** Confirm if imprest is Surrendered within seven days PFMR 93 (1)   Check whether imprest has been recorded in the imprest register PFMR 93 (4) (c)  Confirm that the applicant has no outstanding imprest PFMR 4 (b)  Check that the imprest is issued against a specific objectives PFMR 93 (1)  ***Refer to imprest audit programs*** |
| 5 | To check if records on payment are in safe custody. | Loss of records Tampering of records | Register of preserved accountable documents | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on the preservation of records. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain a register of preserved accountable documents. * Confirm that the design documented under TOD is implemented as documented. * Note any gaps in the implementation of the control   **TOE**  **Sample transactions as per the sampling methods or analytics and confirm if:**   * + Check whether the accountable documents are under strict control at all times. PFMR 117 (1)   + Confirm that the period to be kept is in line with the provisions of PFMR 118 (3). |

# **Sub-Process: Accounts Payable (Pending Bills)**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To confirm the validity and accuracy of the accounts payables. (pending bills) | Unbudgeted pending bills | Approved budget and  CIDP | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on approved budget. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Obtain approved budget.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**  Sample using the sampling methodology to:   * Confirm that there are sufficient funds to meet the obligations of the resulting contract as reflected in its approved budget estimates. **PPDA 53 (8)** * Confirm liabilities incurred in excess of any statutory, administrative or any other authority. **PFM Regulations Sec 138(c )** * Establish that all the pending bills are first charged in the budget. **Treasury Circular No. 10/2020 and PFM regulations Sec 36 (6) (b)** * Confirm that all commitments for supply of goods or services shall be done not later than the 31st May each year except with the express approval of the accounting officer in writing. **PFMA 50 (1).** * Confirm that the projects are included in the integrated development planning process which shall include both long term and medium term planning; **PFMA 125 (a).** * Confirm the submission of the debt management strategy to the County Assembly. **PFMA Sec 123 (1).** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 2. | To confirm that all invoices, credit notes, adjustments and payments are posted to general ledger in the correct period | Overstated Accounts payable due to duplicate payments made on customer invoices | Updated General ledger | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on the general ledger. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Sample one general ledger and establish that it has been prepared in line with the requirements documented in the design.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**  **Sample a number of general ledger and confirm the following:**   * + - Examine a detailed general ledger breakdown of the account;     - Review payments in the subsequent period and examine supporting documentation CGPFMR 2015, Reg 104 and GMSCAL 25.2.3;     - Check other significant debits to supporting documentation CGPFMR 2015, Reg 104 and GMSCAL 25.2.3 ;     - Check goods received notes for that supplier and check that the related invoices have been posted to the creditors ledger account. GMSCAL 25.2.3     - Check Payment vouchers, cash books and files of unpaid documents. GMSCAL 25.2.3 |
| 3. | To confirm  the existence of the accounts payable reported in the books | Loss of public funds due to payment of non-existing accounts payable | Reconciliation of supplier statements and invoices | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on supplier statements and invoices. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Sample one supplier statements and invoices to establish that it has been prepared in line with the requirements documented in the design. * Walk through and document the process map * Note any gaps in the implementation of the control.   **TOE**  **Sample a number of supplier statements and confirm** GMSCAL 25.2.3**:**   * That the invoices received relate to the supplier * Compare the invoice with the statement to ascertain existence of the balance. * Only when the details in the relevant documents are in agreement will a supplier's invoice are entered into   the Accounts Payable account and scheduled for payment. |
|  |  |  | Compliance with law, regulations and policies on procurement processes. | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on requisitions. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Sample one requisition to establish that it has been prepared in line with the requirements documented procedure in the design.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**  Sample a number of accounts payable to confirm compliance with procurement laws and regulations.  Refer to audit program on Procurement processes. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
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|  |  |  | Supplier Reconciliations | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on supplier reconciliations. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Sample one reconciliation to establish that it has been prepared in line with the requirements documented procedure in the design.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**  Sample using the sampling methodology to GMSCAL 25.2.5. and 25.2.9:   * Confirm the mathematical accuracy of the purchase journal affecting that period; * Compare the supplier balance at different dates and explain significant or unexpected changes; * Scan the sub-ledger in the general ledger for high value or unusual entries and investigating those items; * Perform additional cut off procedures at the date of the tests in addition to year end cut-off procedures. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Establish that no advance payment shall be paid to suppliers of goods and services unless provided for in the contractual terms and conditions contained in a valid contract signed between the procuring entity and the supplier. **PFMA 98 (2)** * Identify any long outstanding current liability, more than two years, and establish the reasons for the   delay |
| 4. | To establish that there is presentation and  disclosures in the financial statements of accounts payable. | Non-disclosure of accounts payable in the financial statements | Approved Financial statements | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on financial statements. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Obtain approved financial statements.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**   * Confirm that accounts payable are recorded and disclosed in the statements. **PFM Regulations Sec 51**   1. **(i) (iii) and GMSCAL 25.3.4.** * Confirm the figures in the ledgers as per the statement of the County’s liabilities as at the end of the financial year. **PFMA Sec 164 (2) (d)** * Accounts payable amounts agree with invoices or other supporting documents and are recorded correctly as to account and period. * confirm that accounts payable represent actual obligations of the entity and that those transferred to   the County are valid and belong to the County. **PFM Regulations 134 (1) (a)** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Check whether all unpaid invoices from suppliers are reported at the financial statements. * Obtain explanation for long outstanding balances. |

# **Sub-Process: Accounts Payables- ACCRUAL BASIS**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To confirm the validity and accuracy of the accounts payables. | Misstatement of the financial statements | Approved budget | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on accounts payables. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * + Obtain approved budget, accounts payables schedules and financial statements.   + Walk through and document the process map   + Note any gaps in the implementation of the control.   **TOE**  Sample using the sampling methodology to:   * Confirm that there are sufficient funds to meet the obligations of the resulting contract as reflected in its approved budget estimates. **PPDA 53 (8)** * Confirm liabilities incurred in excess of any statutory, administrative or any other authority. **PFM Regulations Sec 138(c )** * Confirm that all commitments for supply of goods or services shall be done not later than the 31st May each year except with the express approval of the accounting officer in writing. **PFMA 50 (1).** * Confirm that the projects are included in the integrated development planning process which shall include both long term and medium term planning; **PFMA 125 (a).** * Confirm the submission of the debt management strategy to the County Assembly. **PFMA Sec 123 (1).** * Confirm that accounts payables are adequately supported, approved and charged to the period to which they relate (cutoff) * Perform reconciliation of payables schedules to financial statements to confirm the accuracy of the reported payables. |
|  |  | Duplicate payments made on supplier invoices | Supplier reconciliation statements | **TOD**  • Establish the key requirements of laws, regulations, policies and procedures on the general ledger.  • If the control is not documented, enquire from process owner how it is meant to be executed.  **TOI**  • Sample one general ledger and establish that it has been prepared in line with the requirements documented in the design.  • Walk through and document the process map  • Note any gaps in the implementation of the control.  **TOE**  Sample a number of general ledger and confirm the following GMSCAL 25.2.8. & 25.2.9.:  • Examine a detailed general ledger breakdown of the account;   * Undertake analytical review to check for any unusual trends in the accounts payables.   • Review payments in the subsequent period and examine supporting documentation;  • Verify that cashbook reversals are well supported and explained.  • Check goods received notes for the supplier and check that the related invoices have been posted to the creditors ledger account.   * Confirm the accuracy and completeness of the accounts payables be reconciling the supplier statements against the accounts payables schedules.   • Check Payment vouchers, cash books and files of unpaid documents   * Confirm whether there is segregation of duties in the approval process. * Perform a third party confirmation to verify the accuracy of the accounts payables. |
|  |  | Overstatement of Financial Statements due to payment of non-existing accounts payables | * Approved accounts payables schedules | **TOD**  • Establish the key requirements of laws, regulations, policies and procedures on supplier statements and invoices.  • If the control is not documented, enquire from process owner how it is meant to be executed**.**  **TOI**  • Sample one supplier statements and invoices to establish that it has been prepared in line with the requirements documented in the design.  • Walk through and document the process map  • Note any gaps in the implementation of the control.  **TOE**  Sample a number of supplier statements and confirm GMSCAL 25.2.6., 25.2.8. & 25.2.9:  • That the invoices received relate to the supplier  • Compare the invoice with the statement to ascertain existence of the balances.  Whether there is segregation of duties that separates roles and responsibilities to ensure that an individual cannot process a transaction from initiation through to payment without the involvement of others. GMSCAL 25.2.7. |
|  |  | Non-disclosure of accounts payable in the financial statements | * Approved Financial statements | **TOD**  • Establish the key requirements of laws, regulations, policies and procedures on financial statements.  • If the control is not documented, enquire from process owner how it is meant to be executed.  **TOI**  • Obtain approved financial statements.  • Walk through and document the process map  • Note any gaps in the implementation of the control**.**  **TOE**  • Confirm that accounts payable are recorded and disclosed in the statements. **PFM Regulations Sec 51**   1. **(i) (iii) and** GMSCAL 25.3.4.   • Confirm the figures in the ledgers as per the statement of the County’s liabilities as at the end of the financial year. **PFMA Sec 164 (2) (d)**  **•** Accounts payable amounts agree with invoices or other supporting documents and are recorded correctly as to account and period. CGPFMR 2015 104 and GMSCAL 25.2.6  • Confirm that accounts payable represent actual obligations of the entity and that those transferred to the County are valid and belong to the County. **PFM Regulations 134 (1) (a)**  • Check whether all unpaid invoices from suppliers are reported at the financial statements.  • Obtain explanation for long outstanding balances.  **Accounting entries for accounts payable**  a) **On transition**  Debit: Retained Earnings a/c XXX  Credit: Accounts payable a/c XXX  (With opening values of accounts payable)  b) **To record a purchase of goods, inventory or asset on account from a supplier**  Debit: Purchases/Inventory/ Asset – specific a/c XXX  Credit: Accounts payable – specific supplier a/c XXX  (with value of goods, inventory or asset received)  **c)To record a purchase of services or incurrence of expenses on account from a supplier**  Debit: Expense Account XXX  Credit: Accounts payable – specific supplier account XXX  (with value of services delivered)  d) **To record payment to a supplier**  Debit: Accounts payable – specific supplier a/c XXX  Credit: Cash/ Bank XXX  (with amount paid)  e) **To make a payment taking a supplier early settlement discount**  Debit: Accounts payable XXX  Credit: Discount received XXX  Credit: Cash/ Bank XXX  Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards. |

# **Sub-Process: Property, Plant and Equipment**

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 1. | To confirm that the assets are controlled by the county entity and the economic benefit flows to the entity. | Loss of the entity assets. | Recognition and control of county entity assets in the financial statements. | **TOD**   * Establish the key requirements of laws, regulations, on acquisition of assets. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain asset register * Select one item from the asset register * Confirm control of usage for County assets. * 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 asset register and sample a reasonable number of assets based on the approved sampling criteria. * Confirm that assets acquired through purchase by the county entity, have documents of ownership **Art. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that assets controlled by the county entity with economic benefit flowing to the county entity are reported in the financial statements. * Confirm that the documents of ownership are in the name of the County Entity Art. **46 of the** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **Guidelines on Asset and Liability Management in the Public Sector, 2020**   * Confirm that all documents of ownership are under the custody of the accounting officer **Art. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that all immovable assets are registered in the name of County Treasury of the County Government and are in the custody of the County Treasury **Art. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that all movable assets are registered in the name of the County and are in the custody of the Accounting Officer **Art. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that no development or improvements can be made on gifted assets before formal transfer of ownership to the County Executive is completed **Art. 59(6) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the accounting officer has obtained necessary documents of ownership for all donated assets **Art. 59(7) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * For assets without ownership documents due to various reasons, confirm that the Accounting Officer has gazetted the said assets. In the absence of objection form any party, the gazette notice shall serve as the document of ownership document **Art. 184(3) of the Guidelines on Asset and Liability**   **Management in the Public Sector, 2020** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Litigations due to Disputed assets | Approved dispute resolution report | **TOD**   * Establish the key requirements of laws, regulations, on dispute resolution * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one asset whose ownership is disputed * 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 asset register. Create a list of all disputed assets and sample a reasonable number of assets based on the approved sampling criteria * Review the sampled cases and confirm that the Dispute Resolution Mechanism adopted by the County Entity is effective, efficient, economical before resorting to a judicial process **Sec. 149(1(b)) of the PFMA, 2012**   1. **County Government vs National Government** * Confirm that the county government seeks to resolve the matter amicably and exhausts the alternative   dispute resolution mechanisms before resorting to |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | judicial proceedings **Sec. 31(b) Intergovernmental Relations Act, 2012**   * Confirm that the parties have initiated direct negotiations or through an intermediary for amicable dispute resolution **Sec. 33(1) Intergovernmental Relations Act, 2012** * Confirm that the parties have initiated direct negotiations or through an intermediary for amicable dispute resolution failure to which the matter may be referred to The Summit or the Council of Governors or any other intergovernmental structure **Sec. 33 Intergovernmental Relations Act, 2012** * Confirm that matter is only taken for judicial review after the matter fails to be resolved through The Summit or the Council of Governors or any other intergovernmental structure **Sec. 35**   **Intergovernmental Relations Act, 2012**  **b) County Government vs Individual**   * Confirm that the County Government issues a public notice on the intended acquisition of property **Sec. 5(a) of The Fair Administrative Action Act,2015** * Confirm that after all views have been received, the county government considers all relevant and materials facts **Sec. 5(c) of The Fair Administrative Action Act,2015** * Where the County Executive proceeds to take the administrative action proposed in the notice, confirm that it gives reasons for the decision of administrative action taken and issues a public notice specifying the internal mechanism available to the persons directly   or indirectly affected by his or her action to appeal; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | and specify the manner and period within which such appeal shall be lodged **Sec. 5(d) of The Fair Administrative Action Act, 2015**   * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Misuse of county assets | Adequate Authorization for use of County assets | **TOD**   * Establish the key requirements of laws, regulations, on authorization for use of County assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one asset * Obtain authorization for use of County assets. * 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 asset register and sample a reasonable number of assets based on the approved sampling criteria * Confirm that upon acquisition of the asset, it is handed over to the user department for the intended   purpose **Art. 76(1) (b) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that all vehicles and machinery have a work ticket **Sec. 11.4 of the Public Procurement and Disposal General Manual, 2009.** * Confirm that the Accounting Officer has set up proper control systems to ensure that assets are only used for the benefit of the **Legal Notice No. 35 PFM Reg. 132(1) of 2015** * Obtain a listing of vehicles and sample reasonable vehicles in active use, obtain the work tickets and confirm that the journeys have been authorized. Further confirm that County Housing Policy;   1. The vehicles do not carry unauthorized passengers **Sec. 11.4 of the Public Procurement and Disposal General Manual, 2009**   2. The vehicles are not deployed for private use **Sec. 11.4 of the Public Procurement and Disposal General Manual, 2009** * Obtain a listing of housing units and sample a reasonable number of housing units and confirm that;   1. The houses meant for renting are occupied by the county public servants or servants with a working relationship with the County Government. Confirm that necessary approvals by the Department of Housing have been obtained.   County Housing Policy   * 1. Confirm that units meant to be Office facilities are used for official purpose only * Obtain a listing land and sample a reasonable number of land parcels and confirm that the land is |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | used for the purpose for which it was reserved and gazette **Sec. 15(2) of the Land Act, 2012**   * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Loss due to inability to identify the assets of the County Entities | Updated asset codes and Asset registers | **TOD**   * Establish the key requirements of laws, regulations, on allocation of unique identifier numbers * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one asset * Obtain the County Entity 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 the asset register and sample a reasonable number of assets based on the approved sampling criteria and identify the assets * Confirm that the accounting officer has instituted sufficient controls to ensure that movement and conditions of the assets can be tracked **Reg.166(4(b)) of PPADR, 2020** * Confirm that the identified assets have been allocated a unique asset code (identifier number)**;** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. Moveable Assets are properly tagged or barcoded **Sec. 77(2) of the Guidelines on Asset and Liability Management in the Public Sector**. 2. Immoveable assets have sufficient information to facilitate in identification. This includes accurate description of their physical location (including Geographic Positioning System (GPS) readings) and attributes such as acreage, user and registration number **Clause 77(3) of the Guidelines on Asset and Liability Management in the Public Sector** 3. Intangible assets are issued with a unique identification reference and the same included in the asset register **Clause 77(4) of the Guidelines on Asset and Liability Management in the Public Sector** 4. Confirm that the unique identifier is un-erasable identification **Clause 77(5) of the Guidelines on Asset and Liability Management in the Public Sector** 5. Confirm that the accounting officer has developed and implemented an asset identification system. **Clause 77(6) of the Guidelines on Asset and Liability Management in the Public Sector** 6. Confirm that all assets purchased are identified/   tagged upon receipt from suppliers and, before they are issued out to user departments and the |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | tag number of each asset included in the asset register **Clause 77(7) of the Guidelines on Asset** **and Liability Management in the Public Sector**   1. Confirm that the tag is consistently placed and accessible **Clause 77(8) of the Guidelines on Asset and Liability Management in the Public Sector** 2. In cases where tags fall off or are otherwise separated from the asset, confirm that the tags are replaced immediately with the replacement tag having the same number as the original tag **Clause 77(9) of the Guidelines on Asset and Liability Management in the Public Sector**  * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Unreliability of Financial Statements due to incompleteness of the asset register | Approved and implemented asset register maintenance procedures | **TOD**   * Establish the key requirements of laws, regulations, maintenance of the asset register * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the asset register and Approved asset register maintenance procedures. * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **TOE**   * Confirm that the asset register contains the following **Art. 84(3) of the Guidelines on Asset and Liability Management in the Public Sector, 2020**);   + Type and description of each asset   + Acquisition cost of the asset/Revaluation Amount or Fair Value   + Supplier details   + Date of purchase   + Estimated useful life   + Physical location of the asset   + Person allocated the asset (User)   + Asset condition   + Unique identifier/Tag number   + Payment Voucher number;   + Make or model of asset;   + Serial Number, where applicable – (For motor vehicles this should be the Engine and Chassis numbers);   + The title deed number (fixed property)   + The stand/portion number (fixed property)   + The source of financing;   + Whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements   + The date on which the asset is disposed of   + The date on which the asset is retired from use, if not disposed of   + Accumulated depreciation   + The depreciation charge for the current financial year;   + The carrying value of the asset; |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * The method and rate of depreciation as prescribed by these guidelines; * The (last) revaluation date of the fixed assets subject to revaluation; * The revalued value of such fixed assets; * Impairment losses incurred during the financial year (and the reversal of such losses, where applicable); and * The disposal price * Date of disposal (if applicable) * Confirm that the register of land and buildings contains the following **(Reg. 170(2) of the PPADR, 2020);**   + The terms on which the asset is held   + Reference to the conveyance   + Address   + Area   + Date of acquisition   + Disposal or major change in use   + Any capital expenditure;   + Freehold or lease hold terms;   + Maintenance contracts   + Other pertinent management details. * Confirm that the asset register is maintained and regularly updated as required by **Art. 84(6) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Obtain a sample of the assets from the asset register and sample to confirm that the following information has been updated;   + Change of location   + Acquired assets |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Disposed assets * Change of user * Estimated useful life * Confirm that separate registers are maintained for different categories of assets, such as land, buildings, investment property, leased and intangible assets **Art. 83(8) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that Third Party Assets are maintained in a separate register **Art. 83(10) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the County Treasury maintains a consolidated assets register **Reg. 170(6) of the PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Irregular payment of insurance for assets not owned and controlled by the County Entities | Approved and updated list County Assets insurance covers | **TOD**   * Establish the key requirements of laws, regulations, on insurance of County Assets. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one County asset * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **TOE**   * Obtain the asset register and sample a reasonable number of assets based on the approved sampling criteria to confirm if they have been insured. * Confirm that resources are used to insure vehicles that accrue an economic benefit and are controlled by the County Entity **Art. 80 of the Guidelines on Asset and Liability Management in the Public Sector, 2020;** * Review the Insurance Policies vis-à-vis the Ownership documents and operational use of the asset * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| 2. | To establish that the acquisition of assets and the disposal, issue or distribution of assets is properly approved, carried out, and is promptly and accurately recorded by authorized officers | Fictitious payment of non-existent assets | Certification of assets before payment | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on certification of assets delivered * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one acquired asset * Establish that the certification for work done is in line with the regulatory requirements identified in TOD. Note any deficiencies in implementation * Document the process of certification for asset acquisition |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **TOE**   * Obtain the IFMIS payment details and create a list of all payments for asset acquisition. These includes payments made under the following economic items;   **Economic Item Description item**  3110100 Purchase of Buildings 3110200 Construction of Buildings 3110400 Construction of Roads 3110500 Construction and Civil  Works  3110700 Purchase of Vehicles and  Other Transport Equipment 3110900 Purchase of Household  Furniture and Institutional Equipment  3111000 Purchase of Office Furniture  and General Equipment 3111100 Purchase of Specialized  Plant, Equipment and Machinery  3111300 Purchase of Biological  assets  3130100 Acquisition of Land 3130200 Acquisition of Intangible  Assets   * Select a representative sample based on the approved sampling criteria and obtain the Payment   Vouchers |

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|  | **Audit Objectives** | **Risks** | | **Expected Controls** |  | **Internal** | **Audit Test** |
|  |  |  | |  | | | * Confirm that certification of the goods, works and services is done before payments are made **Reg. 150(1) of PPADR, 2020** * Confirm that the initial/final certification is further provided by the Inspection and Acceptance Committee **Reg 35 (5) (6) of PPADR, 2020** or the Contract Implementation Team in case of Complex and specialized contracts **Sec. 151 of PPADA, 2022** * Undertake physical verification to confirm the existence of the assets **Art. 86 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the acquired assets are recorded in the County Entities’ asset register **Reg. 170(1) of the PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Unauthorized of assets | disposal | Approved Plan | Assets | Disposal | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on approvals for disposals * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select asset scheduled for disposal (If not available, select one disposed asset) |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * 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 unserviceable, obsolescent, obsolete or surplus assets are reported by the officer in charge of the assets to Head of Procurement. **Sec.164(1) of PPADA, 2022**. * Confirm that the head of procurement reports the provided listing of all unserviceable, obsolescent, obsolete or surplus assets to the Disposal Committee **Sec. 164(1) of PPADA, 2022**. * Confirm that after the assets due for disposal have been identified, the disposal committee prepares a disposal report and submits it to the accounting officer for approval, with specific recommendations on the items to be disposed or those not to be disposed and the reasons thereof **Reg. 179(g) of PPADR, 2020** * Confirm whether the disposal report has been approved or rejected by the Accounting Officer within 14 days after receiving the report **Sec. 164(7,8,9) of PPAD Act, 2022.** Where the disposal report has been approved, identify assets that are disposed of but are not in the approved disposal report * Confirm that the disposed assets are removed from the County Executive’s asset register **Reg. 170(1) of the PPADR, 2020** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. |
| Unauthorized acquisition of assets | Approved County Procurement plan inline with the budget | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on acquisition of assets. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one asset acquired during the period under review * Obtain the County 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 asset register and create a list of assets acquired during the period. Where an asset register is not available, identify the assets acquired through the extracted payment vouchers   1. **Assets acquired through purchase or hire** * Confirm the acquired asset was planned for in the approved Procurement Plan **Sec. 73 of PPADA, 2022, Legal Notice no. 35 Reg. 50(2,3) of PFM Regulations, 2015** * Confirm that the assets are delivered based on a valid contract or LPO signed by the Accounting Officer, |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | with the contract or LPO being within the contract or LPO validity period   1. Goods delivered based on an LPO within 30 days unless otherwise approved by the Accounting Officer **Legal Notice no. 35 Reg. 50(1) of PFM Regulation, 2015** 2. Works based on other forms of contract, delivery is made within the contract period as per the Terms and Conditions of the Contract   **b) Assets acquired through donations**   * Obtain a list of donated assets * Confirm that the donated assets were received with the approval of the CECM for finance **Sec. 138(3) of the PFMA, 2012** * Confirm that such donated assets are;   1. Not harmful to health and the environment   2. In good and serviceable conditions. **Legal Notice no. 35 Reg. 71(1) of PFM Regulation, 2015** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
|  |  |  | Compliance with Guidelines on Asset and Liability Management in the Public Sector, 2020 | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on planning for acquisition of non-current assets. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Obtain the asset acquisition plan for the period under review * 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 asset register. Create a list of assets acquired during the period under review * Obtain the asset acquisition plan and the Annual Procurement Plan * Confirm that the accounting officer prepares an asset acquisition plan for significant assets **Art. 56(5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the asset acquisition plan feeds into the procurement plan **Art. 56(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the asset acquisition plan is linked to the broader strategic planning, capital budgets, operating budgets **Art. 51(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that before an asset is acquired, the following considerations are taken into account **(Art.**   **53 of the Guidelines on Asset and Liability**  **Management in the Public Sector, 2020);** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. The purpose for which the asset is required is in keeping with the objectives of the county executive and will provide significant, direct and tangible benefit. 2. The asset has been budgeted for. 3. The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget; 4. The purchase is absolutely necessary as there is no alternative asset that could be economically upgraded or adapted. 5. The asset is appropriate to the task or requirement and is cost-effective over the life of the asset; 6. The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources; 7. Space and other necessary facilities to accommodate the asset are in place; and 8. The most suitable and appropriate type, brand, model, etc. has been selected   **Asset acquisition by consideration**   * Confirm that before an asset is budgeted for, the following considerations have been taken into   account (Art. 52 of the Guidelines on Asset and Liability Management in the Public Sector, 2020); |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. The preliminary or conceptual design and specification of the asset 2. The projected cost over all the financial years until the asset is operational, and the inclusion of the asset in the development plan and future budgets 3. The future operational costs and revenue on the asset, including maintenance and taxes 4. The financial sustainability of the asset over its life including revenue generation and subsidization requirements 5. The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation; and 6. All preliminary costing-projected timeframes, cash flows and other requirements; and alternatives to the asset purchase in question.  * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
|  | Irregular leased assets. | Approved leasing procedures | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on leasing of assets. * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one leased asset (finance lease) * Obtain the approved lease procedures. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * 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 asset register. Create a list of assets acquired through finance leasing * Obtain a listing of assets scheduled for acquisition through finance leasing from the Departments. * Confirm that the provided list of leased assets does not include assets under operational leases **Legal Notice no.35 Reg. 127(1) of the PFM Regulation, 2015.** * Confirm that the County Treasury has approved the leasing decision prior to entering into a finance lease **Legal Notice No. 35 Reg. 127(3) of the PFM Regulation, 2015** * Confirm that the leased asset is for the exclusive use of furthering the business of the County Entity **Legal Notice Reg. 127(2) of the PFM Regulations, 2015** * Confirm that asset acquisitions classified as finance lease assets meet the following criteria **Legal Notice No. 35 Reg. 127(3 & 4) of the PFM Regulations, 2015**;   + The lease transfers ownership of the asset to the county government entity by the end of the lease period   + The county government has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the   date the option becomes exercisable, so that at |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | the inception of the lease it is reasonably certain that the option will be exercised   * The lease term is for the economic life of the asset even if the title is not transferred; * At the inception of the lease, the present value of the minimum lease payments amount to at least 90 % of the fair value of the leased asset; * The leased asset is of such a nature that only the county government can use the asset without major modifications being made; * The lessor’s losses associated with cancellation of   the lease by the lessee is borne by the lessee; and   * The leased asset cannot be easily replaced by another asset * Confirm that leases are reviewed annually to confirm that the decision to lease remains the most economical one **(Art. 60(5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans |
|  | Irregular disposal of assets due to unplanned asset disposed | Approved Asset Disposal Plan | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on planning for disposals * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the approved annual disposal plan * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the accounting officer prepares an annual disposal plan for items declared as unserviceable, surplus or obsolete, obsolescence stores, asset or equipment (**Reg.176(1) of PPADR, 2020)** * Confirm that the asset disposal plan includes(**Reg.176(3) of PPADR, 2020);**   + Item description for boarding   + Quantity   + Unit of issue   + Date of purchase;   + Purchase price   + Estimated current value;   + Justification for disposal   + Lifespan of item for boarding;   + Reference number to the assets register or records of the stores;   + Envisaged disposal method   + Time schedule   + An indication whether the disposal is to be managed by the procuring entity or any special agency or hired expert; and   + The cost of managing the disposal process * Confirm that the disposal plan is flexible to accommodate emerging issues in the disposal process (**Reg.176(3) of PPADR, 2020)** * Confirm that the disposal plan is approved by the County Executive Committee member responsible for that entity**(Art.101(3) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the asset disposal plan is linked to the indicative or approved budget **Sec. 53(5) of PPADA, 2022** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
|  | Asset breakdown, thereby affecting service delivery | Approved Asset Maintenance Plan | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on planning for maintenance of non-current assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the asset maintenance plan for the period under review * 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 asset register. Sample a representative number of assets using the approved sampling criteria * Confirm that there is a maintenance plan for each non-financial asset that is promptly prepared,   enforced and included in the annual budgets of the county executive for approval **(Art. 73(2) of the** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **Guidelines on Asset and Liability Management in the Public Sector, 2020)**   * Confirm that for specialized items where the technical requirements for scheduled maintenance are provided by the manufacturer. These schedules are taken into account when planning for the long and medium term and, appropriate budget provisions made to ensure adherence to schedules **(Art. 73(4) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that the Accounting Officers ensures that maintenance plans make provision for the additional maintenance burden of future assets to be acquired (**Art. 73(5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that the Accounting Officer prepares annual reports on the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance**(Art. 73(6) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| 3 | To establish whether all appropriate reportable donated assets are identified and recorded | Improper accounting treatment | Approved accounting procedures for donations in kind | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on accounting for donated assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one donated asset and obtain 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**   * Obtain a list of donated assets, the approved budget and the IFMIS Payment Details. Sample the donated assets from the list of donated assets using an approved sampling criteria * Confirm that when donations are received in form of non-current assets, the value of the donation is determined and included in the Approved Budget Reg. 74(4) of the CGPFMR, 2015 * Review IFMIS Payment Details to confirm that the budgeted donations are capitalized and reflected in PPE schedule and Statement of financial position * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  | Inaccurate financial statements due to unreported assets | Asset Register | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on recording and reporting of donated assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one donated asset * 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 a list of donated assets and the asset register and create a representative sample * Confirm that the donated assets have been recorded in a register **Sec.7.2(11) of the County Financial Accounting and Reporting Manual, 2015** * Confirm that the donated assets are disclosed in the Annual and Quarterly Financial Statements **Reg. 72(5) of the CGPFMR, 2015.** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
| 4 | To determine whether all asset transactions are recorded accurately and completely, supported by readily accessible documentation and records, with adequately maintained audit trails | Misclassification of costs between capital and operating budgets | Standard Chart of Accounts | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on use of Standard Chart of Accounts * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the approved Budget and select on payment voucher for acquisition of asset * 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 IFMIS Payment Details and create a list of payments for acquisitions of assets |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the County Executive prepares, accounts for and reports its budget estimates in accordance with the Government of Kenya budget classification and standard chart of accounts issued by the National Treasury **Reg. 40(1) of the CGPFMR, 2015.** Undertake further review to confirm that provisions for asset acquisition are correctly classified and the GFS Codes used * Review the Payment Vouchers to confirm that classification of financial transactions is based on the standard chart of accounts approved by the National Treasury and the expenditure is recorded from the economic item under which it was budgeted for **Reg. 99(1) of the CGPFMR, 2015** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Failure to disclose fixed assets leading to unreliable financial statements | Approved Financial Reporting Template | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on disclosure of assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain one Financial Statements 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** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Obtain the Quarterly and Annual Financial Statements and Reports of the County Executive and its entities * Confirm that the County Executive and the entities used the reporting template approved by the **PSASB Sec. 194(1(d)) of the PFMA, 2012**. * Confirm that the entities use the following Reporting Templates;   + County Executive applies IPSAS Accrual based standard   + County Government Agencies(County Public Funds) apply IPSAS Accrual based standards * Confirm that the County Executive discloses all the Non-Current Asset in Statement of Financial Position**(Approved Financial Reporting Template)** * Confirm that the County Public Funds and Schemes disclose the tangible non-current assets and the intangible non-current assets in the Section meant for Property, Plant and Equipment.Approved **Financial Reporting Template of the County** * Confirm that the assets are reported at their original cost, fair value less any accumulated depreciation or revalued amounts less accumulated depreciation **Art. 124(1,2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the accumulated and current year depreciation of the PPE or the impairment value is transferred to   the **financial statements Financial Reporting** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **Approved Template of the County**   * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. |
| Inaccurate Book Values | Approved depreciation and impairment policy | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on depreciation and impairment of assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the Asset Register and Property, plant and Equipment Schedule as at the cut-off date. * Select one asset and 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 asset register and sample a representative sample of the assets using the approved sampling criteria * Confirm that the depreciation and impairment is applied according to the approved Policy and Method.   1. **Depreciation** * Confirm that depreciation charge for each period will   be recognized as an expense in the books of County Public Funds and Schemes **Art. 114(4) of the** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **Guidelines on Asset and Liability Management in the Public Sector, 2020**   * Confirm that depreciation begins when the asset is in the location and condition necessary for it to be able to operate in the manner it is intended **Art. 114(5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that depreciation of an asset ceases when the asset is derecognized **Art. 114(5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that the following assets are not depreciated **(Art. 114(8) of the Guidelines on Asset and Liability Management in the Public Sector, 2020);**   + Land;   + Cultural heritage assets   + Specialized equipment, exhibits, samples, functional and nonfunctional models, prototypes and other visual aids, belonging to laboratories and offices and used for scientific-research purposes. * Confirm that depreciation is charged on a straight- line basis over the useful life of the asset-**(Art. 118 of the Guidelines on Asset and Liability Management in the Public Sector, 2020)**   Depreciation = (Cost/ valuation – Residual Value)  Asset’s useful life   * Confirm that the residual value is reviewed annually at each reporting date-**(Art. 114(7) of the Guidelines**   **on Asset and Liability Management in the Public Sector, 2020)** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the estimated useful lives is as per **The National Treasury’s Guidelines(Sec. 162(5) of PPADA, 2015** * Confirm that the intangible assets are amortized using the same procedures as applied during depreciation **(Art. 115(3) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)**   **b) Impairment**   * Confirm that where an asset is likely to suffer future economic benefits or service potential over and above the depreciation of the asset, such a loss is treated as impairment-(**Art. 122(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that the impairment is calculated as the difference between the carrying value and the recoverable value of the asset-(**Art. 122(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that the impairment value is treated as an expense, unless it reverses the previous revaluation. Confirm that reversal of previous impairments is treated as an income-(**Art. 122(4) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans.   **Accounting entries for non-financial assets other than inventories**  **On transition**  Debit: Asset a/c XXX  Credit: Retained Earnings a/c XXX  (With opening values of assets)  **On acquisition of asset**  a) On purchase of an asset  Debit: Asset Account XXX  Credit: Cash/Payables XXX  (with the costs incurred in acquisition of asset)  b) **On construction or major renovations of assets**  (i) **During the construction/renovation of a assets, the costs shall be recorded as WIP as below:**  Debit: Work in Progress – Specific asset a/c XXX  Credit: Cash/Payables XXX  (with the costs incurred in construction/ renovations during a given period)  (ii) **When construction is complete:**  Debit: Asset Account XXX  Credit: Work in Progress – Asset account XXX  (with accumulated cost of work in progress for the completed asset)  **c) On receipt/ transfer of asset from other government entity**  Debit: Asset Account XXX  Credit: In-kind receipt of asset (Revenue/Income) XXX  (with the book value of asset as provided by transferring entity)  d) **On acquisition of an asset through a finance lease**  Debit: Asset Account XXX  Credit: Lease – Liability account XXX  (with the value of the asset determined at inception of lease)  **On depreciation**  Debit: Depreciation Expense – specific asset account. XXX  Credit: Accumulated Depreciation – specific asset account XXX  (with the depreciation charge for a given accounting period)  **On impairment**  Debit: Impairment Loss – specific asset account XXX  Credit: Asset account XXX  (with the amount of impairment)  **On revaluation**  **(i) In case of an increase in revaluation**  Debit: Non-current asset account (valuation amount less original cost) XXX  Debit: Accumulated depreciation (Bal b/f)XXX  Credit: Revaluation reserve (gain on revaluation) XXX  (with increase in valuation)  **Note:** Where the revaluation amount is less than the original cost, the difference should be credited to the  original cost account.  (ii) **In case of a decrease in revaluation**  Debit: Revaluation reserve (to maximum of original gain) XXX  Debit: Income statement (any residual loss) XXX  Credit: Accumulated depreciation (Bal b/f) XXX  Credit: Non-current asset (valuation less original cost) XXX  (with decrease in valuation)  (iii) **Depreciation after revaluation**  Debit: Revaluation reserve XXX  Credit: Retained earnings XXX  (with the annual depreciation amounts)  **(iv) Disposal of revalued assets**  Debit: Revaluation reserve XXX  Credit: Retained earnings XXX  (with any balances in the revaluation reserve for the asset)  **On derecognition**  a) **On sale of an asset**  **(i) To remove asset from records**  Debit: Asset Disposal XXX  Credit: Asset Account XXX  (with the cost or fair value of the asset sold)  **(ii) To derecognize accumulated depreciation**  Debit: Accumulated depreciation account XXX  Credit: Asset Disposal account XXX  (with the accumulated disposal of the asset sold)  b) **On receipt of proceeds from sale of an asset**  Debit: Bank - Development/ Recurrent XXX  Credit: Asset Disposal Account XXX  (with the amount received on sale of the asset)  c) **On demolition of an asset**  Debit: Asset disposal account XXX  Credit: Asset Account XXX  (with the net book value of the asset demolished)  **d) On transfer of an asset to another public sector entity**  Debit: Asset disposal account XXX  Credit: Asset account XXX  (with the net book value of the asset transferred) |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  | Inaccurate and unreliable Property, Plant and equipment schedules | Approved procedures on capitalization of expenditure | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on capitalization of expenditure * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one asset and 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 tender register. Create a list of tenders with completed deliveries and sample a reasonable number of tenders relating to acquisition of non- current assets * Confirm that an asset is capitalized and recorded in the asset register as soon as it is acquired**(Art. 84(5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020**) * Confirm that work-in-progress is not capitalized until when it is completed and made available for use. Such WIP is recorded in a separate ledger known as WIP Ledger**(Art. 84(5) and Art. 126(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** | | | |
|  |  |  |  | Confirm that portable and attractive items whose values are below the asset recognition threshold such as programmable calculators, power tools, ladders, power banks, hard disks, tablets, phones, and like items are not capitalized, not recorded in the asset register, but are tagged and recorded in a Portable and attractive items register **(Art. 94(4(g), 5) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)**   * Confirm that only items whose cost is above the capitalization threshold are recognized as non- current assets-**(109(d) of the Guidelines on Asset and**   **Liability Management in the Public Sector, 2020)** | | | |
|  | **Asset Class** | **Capitalization threshold(Kshs.)** |  |
| Land | 1.00 |  |
| Buildings and building  improvements | 1.00 |  |
| Road infrastructure | 1.00 |  |
| Other Infrastructure | 1.00 |  |
| Motor vehicles and other  transport Equipment | 1.00 |  |
| Computers and other ICT  equipment | 50,000.00 |  |
| Furniture, fittings & equipment | 50,000.00 |  |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** | | | |
|  |  |  |  |  | Leased Assets (finance lease) | Class of assets |  |
| Heritage assets | 1.00 |  |
| Work in Progress | N/A |  |
| Intangible assets | 100,000.00 |  |
| Biological assets | 200,000.00 |  |
| Plant and Machinery | 1.00 |  |
| * Confirm that capitalization threshold is not applied to the components of an asset but to the value of the capital asset as a whole (**112(4) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that expenses incurred in the maintenance or reinstatement of an asset that ensures that the useful operating life of the asset is attained is not capitalized, but treated as an operating expense (**113(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that only subsequent expenditure that meets the following criteria is capitalized -(**113(3) of the Guidelines on Asset and Liability Management in the Public Sector, 2020);**   + Increases the life of that asset beyond that stated in the asset register   + Increases the quality of service that asset beyond the existing level of service | | | |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Increases the quantity of services that the asset can provide * Reduces the future assessed costs of maintaining that asset * Confirm that only assets acquired through a finance lease are capitalized **(125(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that goods and services used for research and development, staff training, market research, and similar activities are treated as use of goods and services rather than acquisitions of intangible fixed assets **(Sec. 6.2.4 of the Government Financial Statistics Manual, 2001)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| 5. | To assess whether assets are adequately protected from theft, loss and damage | * Physical loss or damaged assets | Physical security of tangible non-current assets | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on physical of tangible non- current assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the Asset Register select one tangible asset * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | **TOE**   * Obtain the asset register and select a representative sample of tangible assets based on the approved sampling criteria * Confirm that adequate arrangements are developed, implemented and maintained for the security and control of all non- financial assets (tangible), both during and outside normal working hours-(**78(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that reasonable security is provided to restrict the access of unauthorized persons to the assets. The security includes (**78(1(a)) of the Guidelines on Asset and Liability Management in the Public Sector, 2020) ;**   + Physical locks   + Patrols   + Cameras   + Alarms   + Stock takes   + Physical access restrictions   + Staff are at all times made responsible for the appropriate use and storage of assets provided to them * Confirm that all assets are tagged **(78(1(b)) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that there exists controls to ensure that public property is not used for private purposes **(78(1(c)) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that all Officers and employees return all assets in their possession as part of their clearance on transfer within Government, retirement, dismissal or resignation (**78(d) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that there is adequate security awareness and training **(78(1(f)) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that internal movement of assets is not made without the approval of the accounting officer -(**82(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that the physical security is adequate enough to ensure that the threat of unauthorized access or the impact of environmental or other hazards is reduced to a minimum level (**78(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Physical security of intangible non-current assets | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on physical of intangible non-current assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the Asset Register select one intangible asset |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * 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 asset register and select a representative sample of intangible assets based on the approved sampling criteria * Confirm that all intangible assets are identified and registered * Confirm that the following controls are employed (**79(c) of the Guidelines on Asset and Liability Management in the Public Sector, 2020);**   + Use of access controls   + Use of passwords   + User right allocations * Confirm that there exists arrangements for monitoring of trends in technology and ensuring that relevant updates are made **(79(d) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that proper filing of documents relating to intangible assets is done for verification purposes **(79(e) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  | Approved Insurance Policy | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on insurance of non-current assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the Asset Register select one insurable asset * 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 asset register and select a representative sample of insurable assets based on the approved sampling criteria * Confirm that insurance is guided by risk exposure and cost-benefit criteria **(80(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that insurance policies are acquired and renewed on time **(80(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that the insurance costs are adequately budgeted for **(80(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** * Confirm that all motor vehicles have a comprehensive insurance cover **Sec. 7.2 of the**   **County Financial Accounting and Reporting Manual,** **2015** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Loss of Entity assets due to concealment of theft by write-off | Compliance with laws, regulations and policies on write offs of assets. | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on approvals for disposals * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select asset scheduled for write-off(If not available, select written-off asset) * 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 a list of assets written-off and the assets scheduled for write-off. Obtain a representative sample using an approved sampling criteria * Confirm that all scheduled for write-off are reported by the officer in charge of the assets to Head of Procurement function **Sec.164(1) of PPADA, 2022** * Confirm that the head of procurement brings the provided listing of assets scheduled for write-off to the Disposal Committee **Sec.164(1) of PPADA, 2022** * Confirm that all the assets scheduled for write-off are   reviewed by the disposal committee before making |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | appropriate recommendations **Reg. 179(c) of PPADR, 2020**   * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| 6. | To determine whether the existence of the assets is verified at least annually and a reconciliation of physical assets and fixed asset register balances is carried out | Inaccurate financial statements due to non-existent assets reported | Regular Physical verification | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on physical stock-taking of non-current assets * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the Asset Register and Physical asset verification as at the cut-off date * 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 existence of assets through physical asset verification. |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that in case of any discrepancies, the discrepancies are noted and corrected **Sec. 11.5(ii) of the Public Procurement and Disposal General Manual, 2009** * Confirm that the verified assets not in the asset register are recorded and updated in the asset register **Sec. 7.2(11) of the County Financial Accounting and Reporting Manual, 2015** * Confirm that the missing assets are reported to the Accounting Officer of the User Department with a copy to the Chief Officer, **Finance Sec. 11.5 of the Public Procurement and Disposal General Manual, 2009 and Sec. 7.2.4 of the County Financial Accounting and Reporting Manual, 2015** * Confirm that the Accounting Officer forms a team to investigate the identified missing assets and appropriate actions taken as per the recommendations of the investigating team **Reg. 139 and 141 of the CGPFMR, 2015** * Where the missing items are recommended for write- off, confirm that;   1. The write-off by the Accounting Officer does not exceed KShs. 100,000 and a report is made to OAG **Reg. 141(5) of the CGPFMR, 2015**   2. Write-off by the CECM for finance in excess of KShs. 100,000 does not exceed one per cent of the entity’s approved budget estimates and a report is made to OAG **Reg.**   **141(5) of the CGPFMR, 2015** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | 1. Write-off by the CEC in excess of one per cent of the entity’s approved budget estimates **Reg. 141(8) of the CGPFMR, 2015** 2. Confirm that all write-offs are disclosed and reported in the financial statements of the county entities **Reg. 141(9) of the CGPFMR, 2015**  * Confirm that the lost and recommended for write-off are removed from the asset register **Sec. 7.2(11) of the County Financial Accounting and Reporting Manual, 2015 and Reg. 168(d) of the PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. |
|  | Reconciliation | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on reconciliation of the asset register * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Obtain the reconciliation report as at the cut-off date * 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 asset register |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the accounting officer prepares quarterly and annual reconciliations of the values as per asset register and the values as per the asset accounts in the general ledger/ accounting records **Art. 85(1) of the Art. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Confirm that(**Art. 85(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020);**   + The opening balances of cost or valuation for each category of assets as reflected in the accounting records agree with the opening balances reflected in the asset register   + The opening balances of accumulated depreciation for each category of assets as reflected in the accounting records agree with the opening balances reflected in the asset register;   + All additions are reflected in the accounting records as well as the register   + All disposals are reflected in the accounting records as well as the register   + The annual depreciation charges for each category of assets agree in both the asset register and the accounting records.   + Variances in any of the above parameters are investigated and resolved.   + The reconciliation report is in a format prescribed in **Appendix 12 of the Guidelines on Asset and Liability Management in the Public**   **Sector, 2020** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the Summary of Fixed Assets in the County Executive Financial Statements equals the totals and sub-totals of fixed assets in the asset register **Art. 124(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. |
| 7. | To evaluate whether value for money (economy, efficiency, equity, environmental, effectiveness and timeliness) is achieved in the life cycle of assets; | Lack of value for money due to continued ownership of obsolete or otherwise non-productive assets | Effective monitoring and reporting on obsolete assets | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on monitoring and reporting of obsolete items * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one obsolete item * 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 obsolescent and obsolete assets are reported to the Head of Procurement function **Sec.164(1) of PPADA, 2015** * Confirm that the head of procurement brings the provided listing of all obsolescent and obsolete to the Disposal Committee **Sec.164(1) of PPADA, 2015** * Confirm that after the obsolescent and obsolete   assets due for disposal have been identified, the |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | disposal committee prepares a disposal report and submits it to the accounting officer for approval, with specific recommendations on the items to be disposed or those not to be disposed and the reasons thereof **Reg. 179(g) of PPADR, 2020**   * Confirm whether the disposal report has been approved or rejected by the Accounting Officer within 14 days after receiving the report **Sec. 164(7,8,9) of PPADR, 2020**. Where the disposal report has been approved, identify assets that are disposed of but are not in the approved disposal report * Confirm that the disposed obsolescent and obsolete assets are removed from the County Executive’s asset register **Reg. 170(1) of the PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. |
| Loss of public funds due to overpayment for acquired assets | Updated Market Survey Reports | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on conduct of market surveys * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one Contract File * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** | | | |
|  |  |  |  | **TOE**   * Obtain the contract register and create a list of the acquired assets. Sample the acquired assets and obtain the procurement files of the assets * Confirm that procurement function undertakes the role of market surveys to inform the placing of orders **Reg. 33(3(aa)) of PPADR, 2020** * 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** * 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, 2022** * Confirm for works, confirm that the prices are fair by reviewing the following price indices (Sec. 3 of the Cost Estimation Manual for Road Maintenance   Works, 2019); | | | |
|  | **Type** | **Source of Official Price Index** |  |
| Labor | Ministry of Labor i.e. Special Issue dated 14th July, 2017, |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** | | | |
|  |  |  |  |  |  | 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 by the officer to the procuring entity **Sec. 54(4) of PPADA, 2022** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. | | | |
| Actual costs that exceed the projected amount | Approved Professional Opinion | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on issuance of professional opinion in incidences where actual costs that exceed the projected amount * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one Procurement File whose actual cost exceeded the projected amount * Confirm that the design documented under TOD is implemented as documented. | | | |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE**   * Obtain the tender register and create a list of the tenders for acquisition of non-current assets whose actual cost exceeded the projected amount. Select a representative sample using an approved sampling criteria obtain the procurement files of the tenders that proceeded beyond the Evaluation of Tenders * Confirm that the procurement proceeding of the tenders is supported by a Professional Opinion **Sec. 84(1) of PPADA, 2015** * Confirm that the Professional Opinion offers appropriate guidance in the event of dissenting opinions between tender evaluation and award recommendations **Sec. 84(2) of PPADA, 2015** * Confirm that the Professional Opinion comments on availability of funds **Reg. 78(4(e)) of PPADR, 2020** * Confirm that where the successful bid is in excess of the available budget, the Opinion recommends for change of scope taking into account the effect of the scope of change to the entire evaluation of the tender **Reg. 78(4(f)) of PPADR, 2020** * Where change of scope is recommended as provided in the bid documents, confirm that the changes are negotiated by the Evaluation Committee pursuant to   **Sec. 46(4(a)) of PPADA, 2022** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Where change of scope is not provided in the bid documents, the procurement proceedings are terminated **Sec. 63(1(b)) of PAPDA, 2015 and Reg. 48(1) of PPADR, 2020**. * Where procurement proceedings have been terminated, confirm that the Accounting Officer exercises three available options;   + Where scope cannot be reduced, the accounting officer seeks for additional funds before re- inviting the bids **Reg. 39(5) of the CGPFMR, 2015** for Supplementary Budgets and **Reg.47(1) of the CGPFMR, 2015** for reallocations   + Where scope can be reduced but change of scope was not provided in the bid documents, the bids can be re-invited taking into account the change in scope(**prescribed procurement method in PPADA, 2015)** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and   strategic plans. |
| Delay or cancellation of a project | Project Implementation Reports | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on monitoring of ongoing projects * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one project |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * 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 project listing. Create a list of ongoing projects and select a representative sample using an approved sampling criteria * Confirm that a Project Implementation Team is appointed early enough before commencement of the project **Sec. 4.1.1 of the Manual for Procurement and Management of Projects.** Confirm that the team is composed of;   + Procurement Unit   + Technical/End User   + Finance Unit   + Project Manager * Confirm that the Project Implementation Team undertakes and reports of the following tasks **Sec.4.1.1 of the Manual for Procurement and Management of Projects;** * Meets periodically with the Contractor to review implementation progress and related issues. * Communicates all project related issues through the Project Manager * Review requests for any changes and modifications * Submit their recommendations to the Accounting Officer * Confirm that for complex and specialized projects, a Contract Implementation Team is appointed early |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | enough before commencement of the project **Sec. 151(1) of PPADA, 2015**. Confirm that the team is composed of;   * Requisitioner * Officer from the relevant technical department * Consultant where applicable * Procurement Officer * Confirm that the Contract Implementation Team undertakes and reports on the following**(Sec. 151(2) of PPDA, 2015);**   + Monitors the performance of the contractor   + Ensuring that the procuring entity meets all its payment and other obligations on time   + Ensure that there is right quality and within the time frame * Confirm that there are other alternative arrangements for continuous monitoring of the project by the project manager **(Sec. 4.1.10 of the Manual for Procurement and Management of Projects)**. Confirm that the Project Manager undertakes the following duties;   + Submits monthly written reports with meetings between the PM and the contractor at least once every quarter, or monthly at key stages of the project   + Confirm that the meetings reviews and considers how things could be managed better in the future as well as considering reports on progress to date * Confirm that the head of the procurement function prepares monthly progress reports of all   procurement contracts relating to of the procuring |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | entity and submits them to the accounting officer  **Sec. 151 of PPADA, 2022**   * Confirm that there are arrangements in place to maintain a risk register for each project, monitor the risks and treat the risks before they affect the progress of the project **Sec. 4.1.8 of the Manual for Procurement and Management of Projects and Reg. 138(3(c), 4,5,6) of the PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Loss of assets due to disposal or scrapping of serviceable assets | Review by the Disposal Committee | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on approvals for disposals * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select asset scheduled for disposal(If not available, select one disposed asset) * 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 a list of assets disposed of and the assets scheduled for disposal. Create a list of assets classified as unserviceable, obsolescent or obsolete * Ascertain the existence of * Confirm that all unserviceable, obsolescent, obsolete or surplus assets are reported by the officer in charge |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | of the assets to Head of Procurement function  **Sec.164(1) of PPADA, 2015.** This should be confirmed by inspection reports from the technical department on the status of the assets.   * Confirm that the head of procurement brings reports the provided listing of all unserviceable, obsolescent, obsolete or surplus assets to the Disposal Committee **Sec.164(1) of PPADA, 2015** * Confirm that all the unserviceable, obsolescent or obsolete assets reported for disposal are reviewed by the disposal committee before making appropriate recommendations **Reg. 179(c) of PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and strategic plans. |
| Lack of value for money due to serviceable idle assets | Monitoring of non-financial asset performance | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on monitoring of non- financial asset performance * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one asset * Confirm that the design documented under TOD is implemented as documented. * Walkthrough and document the process flow/ map. Note any gaps in implementation   **TOE** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Obtain a list 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 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 an arrangement 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** * Analyze 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 |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Where the asset is idle as a result of failing to meet the user requirements, confirm whether the user department was 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. Confirm the user department further undertakes conformity assessments of supplied goods, works and services with the specifications of the contract documents **Reg. 34(d) of PPADR, 2020** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings and   strategic plans. |
| 8. | To establish whether all losses or damages are detected and recorded promptly, accurately and with appropriate action taken in response | * Loss of assets due to unreported damages | Approved loss handling procedures | **TOD**   * Establish the key requirements of laws, regulations, policies and procedures on loss handling * If the control is not documented, enquire from process owner how it is meant to be executed.   **TOI**   * Select one lost asset * 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 a list of assets. Create a list of lost or   damaged assets. Select a representative sample based on the approved sampling criteria |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that the officer with appropriate information reports to the supervisor on any damage or loss of public property **Reg. 210(1(k)) of the CGPFMR, 2015** * Confirm that every reported loss is investigated **Reg. 143(1) of the CGPFMR, 2015** * Confirm that when a loss is reported, the Accounting Officer investigates the loss to determine(**Reg. 210(1(k)) of the CGPFMR, 2015);**   + The extent and amount of the loss   + Whether control or operational arrangements need to be improved in order to prevent the occurrence of similar losses in the county government entity; or   + Whether any offence or other fault of a public officer has been revealed by the loss. * Confirm that where the loss is created by the Accounting Officer, the CECM for finance investigates the loss **Reg. 143(1) of the CGPFMR, 2015** * Where the investigation proceedings find the Accounting Officer culpable, the CECM for finance revokes the designation and reports the matter to the relevant authority **Reg. 143(2) of the CGPFMR, 2015** * Confirm that losses whose investigation proceedings find the Public Officer culpable, are quantified and recovered from the Public Officer **Reg. 145(1) of the CGPFMR, 2015** * Where the loss arose as a result of the defective system, confirm that the Accounting Officer puts in   place measures to prevent further losses **Reg. 144 of the CGPFMR, 2015** |

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|  | **Audit Objectives** | **Risks** | **Expected Internal Controls** | **Audit Test** |
|  |  |  |  | * Confirm that appropriate accounting entries are made as instructed by the Accounting Officer **Reg. 141(3) of the CGPFMR, 2015** * Confirm that the loss transactions is appropriately classified in the financial records **Reg. 143(1) of the CGPFMR, 2015 and Reg. 147 of the CGPFMR, 2015** * Confirm that the Accounting Officer maintains a list of all losses and attached the list to the Financial Statements of the County Entities **Reg. 141(9) of the CGPFMR, 2015 and Reg. 146 of the CGPFMR, 2015** * Confirm that where a loss is written-off, such a loss is irrecoverable after all reasonable recovery steps have been followed **Reg. 150(1(a)) of the CGPFMR, 2015** * Carry out other tests of operating effectiveness aligned to specific county policies, procedures,   service delivery standards, minutes of meetings and strategic plans. |