Republic of Kenya

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

GOVERNMENT OF KENYA

DRAFT FOR ASSET AND ADMINISTRATION AUDIT PROGRAMS FOR NATIONAL GOVERNMENT

SEPTEMBER 2026

ASSETS AND ADMINISTRATION
Property, Plant and Equipment

Sub-Process: Property, Plant and Equipment

Audit Objectives: To confirm that the assets are controlled by the National Government entity and the economic benefit flows to the entity.	
Risk: Loss of entity assets.	
Controls	**Audit Tests**
Recognition and control of National Government entity assets in the financial statements.	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,on acquisition of assets. • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain asset register • Select one item from the asset register • Confirm control of usage for County assets. • Confirm that the design documented under test of design is implemented • Walkthrough and document the process flow/map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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 National Government entity have documents of ownership. **Sec. 46 of the Guidelines on Asset and Liability Management in thePublic Sector,**

	2020 • Confirm that assets controlled by the entity with economic benefit flowing to the entity are reported in the financial statements. Confirm that the documents of ownership are in the name of the Entity. **Sec. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** • Confirm that all documents of ownership are under the Accounting Officer. **Sec. 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 entity and are in the Test of Design of the entity **Sec. 46 of the Guidelines on Asset and Liability Management in the Public Sector, 2020** • Confirm that all movable assets are registered in thename of the entity and are in the Test of Design of the Accounting Officer **Sec. 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 entity is completed **Sec. 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 **Sec. 59(7) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** • For assets without ownership documents due tovarious reasons, confirm that the Accounting Officer has gazette the said assets. In the absence of objection from any party, the gazette notice shall serve as the document of ownership document **Sec. 184(3) of the Guidelines on Asset and Liability Management in the Public Sector, 2020** • Carry out other tests of operating effectiveness aligned to specific entity's policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Risk: Litigations due to disputed assets	
Controls	**Audit Tests**

Approved dispute resolution report	**TEST OF DESIGN** • Establish the key requirements of laws and regulations on dispute resolution • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one asset whose ownership is disputed • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the asset register. • Create a list of all disputedassets 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 entity is effective, efficient, economical before resorting to a judicial process **Sec. 149(1(b))of the PFMA, 2012** **a) County Government vs National Government** • Confirm that the entity seeks to resolve the matter amicably and exhausts the alternative dispute resolution mechanisms before resorting to 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 amicabledispute resolution failure to which the matter may be referred to intergovernmental structure **Sec. 33 Intergovernmental Relations Act, 2012** • Confirm that a matter is only taken for judicial review after the matter fails to be resolved through the intergovernmental structure **Sec. 35 Intergovernmental Relations Act, 2012** **b) National Government Entity vs Individual** • Confirm that the entity issues a publicnotice 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 entity considers all relevant and materials facts **Sec. 5(c) of The Fair AdministrativeAction Act,2015.** Where the entity proceeds to take the administrative action proposed in the notice, confirmthat 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; 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 entity policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Risk: Misuse of entity assets	
Controls	**Audit Tests**
Adequate authorization for use of entity assets	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,on authorization for use of entity assets • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one asset • Obtain authorization for use of entity assets. • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation • **TEST OF OPERATING EFFECTIVENESS** • 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 ishanded over to the user department for the intended purpose **Sec. 76(1) (b) of the Guidelines on Asset andLiability Management in the Public Sector, 2020** • Confirm that all vehicles and machinery have a worktickets **Sec. 11.4 of the Public Procurement**

	and Disposal General Manual, 2009. • Confirm that the Accounting Officer has set up propercontrol systems to ensure that assets are only used for the benefit of the **PFM Reg. 139(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. **a)** The vehicles do not carry unauthorized passengers **Sec. 11.4 of the Public Procurement and Disposal General Manual, 2009** b) 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: a) The houses meant for renting are occupied by thestaff of the entity. Confirm that necessary approvals by the entity have been obtained. Entity Housing/Rental Policy, if any b) Confirm that units meant to be Office facilities are used for official purpose only • Obtain a listing of land and sample a reasonable number of land parcels and confirm that the land is 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 entity policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Risk: Loss due to inability to identify the assets of the Entity	
Controls	**Audit Tests**
Updated asset codes and Asset Registers	**TEST OF DESIGN** • Establish the key requirements of laws and regulations on allocation of unique identifier numbers • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one asset • Obtain the Entity asset register • Confirm that the design documented under TEST OF DESIGN isimplemented as documented • Walkthrough and document the process flow/ map. Note any gaps in implementation

	TEST OF OPERATING EFFECTIVENESS • Obtain the assets register and sample a reasonable number of assets based on the approved sampling criteria and identify the assets • Confirm that the accounting officer has established 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)**.** a) Moveable Assets are properly tagged or barcoded **Sec. 77(2) of the Guidelines on Assetand Liability Management in the Public Sector**. **b)** Immoveable assets have sufficient information to facilitate 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 inthe Public Sector** c) Intangible assets are issued with a unique identification reference and the same is included inthe asset register **Clause 77(4) of the Guidelines on Asset and Liability Management in the Public Sector** d) Confirm that the unique identifier is un-erasable identification **Clause 77(5) of the Guidelines on Asset and Liability Management in the Public Sector** e) 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** f) Confirm that all assets purchased are identified/tagged upon receipt from suppliers and, before they are issued out to user departments, and the tag number of each asset included in the asset register **Clause 77(7) of the Guidelines on Assetand Liability Management in the Public Sector** g) Confirm that the tag is consistently placed and accessible **Clause 77(8) of the Guidelines on Asset and Liability Management in the Public Sector** h) In cases where tags fall off or are otherwise separated from the asset, confirm that the tagsare 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 andstrategic plans.

Risk: Unreliability of Financial Statements due to incompleteness of the asset register	
Controls	**Audit Tests**
Approved and implemented asset register maintenance procedures	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,and maintenance of the asset register • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the asset register and Approved asset register maintenance procedures. • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation. **TEST OF OPERATING EFFECTIVENESS** • Confirm that the assets register contains the following. **Sec. 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/RevaluationAmount 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 motorvehicles 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 andduration 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 ✓ The method and rate of depreciation asprescribed by these guidelines ✓ The (last) revaluation date of the fixed assetssubject 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 **Sec. 84(6) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020)** • Obtain a sample of the assets from the asset registerand sample to confirm that the following information has been updated. ✓ Change of location ✓ Acquired assets ✓ 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 **Sec. 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 **Sec. 83(10) of the Guidelines on Asset and Liability Management in the Public Sector,2020** • Confirm that the Accounting Officer 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 andstrategic plans.

Risk: Irregular payment of insurance for assets not owned and controlled by the entity	
Controls	**Audit Tests**
Approved and updated list Entity Assets insurance covers	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,on insurance of Entity Assets. • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one Entity asset • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation. **TEST OF OPERATING EFFECTIVENESS** • 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 ensure vehicles that accrue an economic benefit and are controlled by Entity **Sec. 80 of the Guidelines on Asset and Liability Management in thePublic 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 andstrategic plans.

Audit Objectives: To establish that theacquisition of assets and the disposal, issue or distribution of assets isproperly approved,carried out, and is promptly and accurately recorded by authorized officers	
Risk: Fictitious payment of non-existent assets	
Controls	**Audit Tests**
Certification of assets before payment	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Select one acquired asset • Establish that the certification for work done is in linewith the regulatory requirements identified in TEST OF DESIGN. Note any deficiencies in implementation • Document of the process of certification for asset acquisition • **TEST OF OPERATING EFFECTIVENESS** • Obtain the IFMIS payment details and create a list ofall payments for asset acquisition. • Select a representative sample based on theapproved sampling criteria and obtain the Payment Vouchers 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 theCounty Entities’ asset register **Reg. 170(1) of thePPADR, 2020** Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service

	delivery standards, minutes of meetings and work plans.
Risk: Unauthorized disposal of assets	
Controls	**Audit Tests**
Approved Assets Disposal Plan	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on approvals for disposals • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select asset scheduled for disposal (If not available,select one disposed asset). • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation. **TEST OF OPERATING EFFECTIVENESS** • 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 of or those not to be disposed of 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 entity's asset register Reg. 170(1) of the PPADR, 2020 • Carry out other tests of operating effectivenessaligned to specific county policies, procedures,

	service delivery standards, minutes of meetings andstrategic plans.
Risk: Unauthorized acquisition of assets	
Control	**Audit Tests**
Approved Entity's Procurement Plan in line with the budget	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on acquisition of assets. • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one asset acquired during the period underreview • Obtain the entity asset register • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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. **a) Assets acquired through purchase or hire** • Confirm the acquired asset was planned for in the approved Procurement Plan **Sec. 73 of PPADA, 2022, Reg. 144 of PFM Regulations,2015** Confirm that the assets are delivered based on a validcontract or LPO signed by the Accounting Officer, with the contract or LPO being within the contract or LPO validity period a) Goods delivered based on an LPO within 30 daysunless otherwise approved by the Accounting Officer **Reg. 144 of PFM Regulation, 2015** b) Works based on other forms of contract, deliveryis 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 Accounting Officer **Sec. 138(3) of the PFMA, 2012** • Confirm that such donated assets are. a) Not harmful to health and the environment **b)** In good and serviceable conditions. **Reg. 144 of PFM Regulation,2015** • Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Compliance with Guidelines on Asset and Liability Management in the Public Sector, 2020	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on planning for acquisition ofnon-current assets. • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the asset acquisition plan for the period underreview • Confirm that the design documented under TEST OF DESIGN is implemented as documented • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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 assetacquisition plan for significant assets **Sec. 56(5) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020** • Confirm that the asset acquisition plan feeds into theprocurement plan **Sec. 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 **Sec. 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 considered **(Sec. 53 of the Guidelines on Asset and Liability Management in the Public Sector, 2020);** a) The purpose for which the asset is required is inkeeping with the objectives of the entity and will

provide significant, direct andtangible benefit.

b) The asset has been budgeted for.

c) The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget.

d) The purchase is necessary as there isno alternative asset that could be economically upgraded or adapted.

e) The asset is appropriate to the task or requirement and is cost-effective over the life ofthe asset.

f) The asset is compatible with existing equipmentand will not result in unwarranted additional expenditure on other assets or resources.

g) Space and other necessary facilities to accommodate the asset are in place; and

h) 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 (Sec. 52 of the Guidelines on Asset and Liability Management in the Public Sector, 2020).

a) The preliminary or conceptual design andspecification of the asset

b) The projected cost over all financial years until the asset is operational, and the inclusion ofthe asset in the development plan and future budgets

c) The future operational costs and revenue on theasset, including maintenance and taxes

d) The financial sustainability of the asset over its life including revenue generation andsubsidization requirements

e) The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations,disposal and rehabilitation; and

f) 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 andstrategic plans.

Risk: Irregular leased assets.	
Controls	**Audit Test**
Approved leasing procedures	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on leasing of assets. • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one leased asset (finance lease). • Obtain the approved lease procedures. • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation. **TEST OF OPERATING EFFECTIVENESS** • 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 **Reg. 128 of the PFM Regulation, 2015.** • Confirm that the Entity has approved the leasing decision prior to entering a finance lease**Reg. 128(3) of the PFM Regulation, 2015** • Confirm that the leased asset is for the exclusive useof furthering the business of the entity **Legal Notice Reg. 128(2) of the PFM Regulations, 2015** • Confirm that asset acquisitions classified as finance lease assets meet the following criteria **Legal NoticeNo. 35 Reg. 128(3 & 4) of the PFM Regulations, 2015**. ✓ The lease transfers ownership of the asset to thecounty government entity by the end of the lease period ✓ The entity has the option to purchase the assets at a price which is expected to be sufficiently lower than the fair value on the date the option becomes exercisable, so that at the end of the lease it is reasonably certainthat 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 ofthe minimum lease payments amounts to at least

	90 % of the fair value of the leased asset. ✓ The leased assets are of such nature that only thecounty government can use the assets 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 confirmthat the decision to lease remains the most economical one **(Sec. 60(5) of the Guidelines on Assetand 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 andstrategic plans.
Risk: Irregular disposal of assets due to unplanned asset disposed	
Control	**Audit Tests**
Approved Asset Disposal Plan	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on planning for disposals. • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the approved annual disposal plan. • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation. **TEST OF OPERATING EFFECTIVENESS** • 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 orrecords of the stores ✓ Envisaged disposal method ✓ Time schedule ✓ An indication whether the disposal is to bemanaged 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 Accounting Officer of the entity **(Sec. 101(3) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** • 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 andstrategic plans.
Risk: Asset breakdown,thereby affecting service delivery	
Controls	**Audit Tests**
Approved Asset Maintenance Plan	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on planning for maintenanceof non-current assets • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the asset maintenance plan for the periodunder review • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS**

	• 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 **(Sec. 73(2) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020)** • Confirm that for specialized items the technical requirements for scheduled maintenance are provided by the manufacturer. These schedules are considered when planning for the long and medium term and appropriate budget provisions made to ensure adherence to schedules **(Sec. 73(4) of the Guidelines on Asset and Liability Managementin the Public Sector, 2020)** • Confirm that the Accounting Officers ensure that maintenance plans make provision for the additional maintenance burden of future assets to be acquired(**Sec. 73(5) of the Guidelines on Asset and LiabilityManagement in the Public Sector, 2020)** • Confirm that the Accounting Officer prepares annualreports on the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance **(Sec. 73(6) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020)** • Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Audit Objectives: To establish whether all appropriate reportabledonated assets areidentified and recorded	
Risk: Improper accounting treatment	
Controls	**Audit Test**
Approved accounting procedures for donations in kind	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Select one donated asset and obtain the Approved Budget. • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation

	TEST OF OPERATING EFFECTIVENESS • Obtain a list of donated assets, the approved budgetand the IFMIS Payment Details. Sample the donatedassets from the list of donated assets using anapproved sampling criterion • Confirm that when donations are received in form ofnon-current assets, the value of the donation is determined and included in the Approved Budget Reg. 74(4) of the PFMR, 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 andstrategic plans.
Risk: Inaccurate financial statements due to undisclosed assets	
Controls	**Audit Tests**
Asset Register	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Select one donated asset • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain a list of donated assets and the asset registerand create a representative sample • Confirm that the donated assets have been recordedin a register **Reg. 71 of PFMR, 2015** • Confirm that the donated assets are disclosed in theAnnual and Quarterly Financial Statements **Reg. 74(6) of the PFMR, 2015.** • Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings andstrategic plans.

Audit Objectives: To determine whether all assets transactions arerecorded accurately and completely, supported by readily accessibledocumentation and records, with adequately maintained audit trails	
Risk: Misclassification of costs between capital and operating budgets	
Controls	**Audit Tests**
Standard Chart of Accounts	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on use of Standard Chart ofAccounts • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the approved Budget and select on paymentvoucher for acquisition of assets • Confirm that the design documented under TEST OF DESIGN isimplemented as documented • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain IFMIS Payment Details and create a list of payments for acquisitions of assets • Confirm that the entity 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. 99(1) of the PFMR,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 NationalTreasury and the expenditure is recorded from the economic item under which it was budgeted for **Reg.99 (1) of the PFMR, 2015** • Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings andstrategic plans.

Risks: Failure to disclose fixed assets leading to unreliable financial statements	
Controls	**Audit Tests**
Approved Financial Reporting Template	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on disclosure of assets • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain one Financial Statements Report • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the Quarterly and Annual FinancialStatements and Reports of the County Executive andits 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. ✓ Entity applies IPSAS Accrual Based Standard or IFRS in case of Government enterprise entity • Confirm that the entity discloses all the Non-Current Asset in Statement of Financial Position **(Approved Financial Reporting Template)** • Confirm that the entity discloses the tangible non-current assets and the intangible non-current assets in the Section meant for Property, Plant and Equipment in an Approved **Financial Reporting Template.** • Confirm that the assets are reported at their originalcost, fair value, less accumulated depreciation or revalued amounts less accumulated depreciation **Sec. 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 **Approved Financial Reporting.** • Carry out other tests of operating effectivenessaligned to specific entity policies, procedures,

	service delivery standards, minutes of meetings andstrategic plans.
Risk: Inaccurate Book Values	
Controls	**Audit Tests**
Approved depreciation andimpairment policy	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • 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 TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the asset register and sample a representative sample of the assets using the approved sampling criteria • Confirm that depreciation and impairment is applied according to the approved Policy and Method. • **Depreciation** • Confirm that depreciation charge for each period will be recognized as an expense in the books of the entity **Sec. 114(4) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020** • Confirm that depreciation begins when the asset is inthe location and condition necessary for it to be ableto operate in the manner it is intended **Sec. 114(5) of the Guidelines on Asset and Liability Management inthe Public Sector, 2020** • Confirm that depreciation of an asset ceases when the asset is derecognized **Sec. 114(5) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020**

	• Confirm that the following assets are not depreciated**(Sec. 114(8) of the Guidelines on Asset and LiabilityManagement 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-**(Sec. 118 ofthe Guidelines on Asset and Liability Management inthe Public Sector, 2020)**
	$$\text{Depreciation} = \frac{\text{(Cost/ valuation – Residual Value)}}{\text{Asset's useful life}}$$
	• Confirm that the residual value is reviewed annuallyat each reporting date-**(Sec. 114(7) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)**
	• Confirm that the estimated useful lives are as per **TheNational Treasury's Guidelines (Sec. 162(5) of PPADA, 2015**
	• Confirm that the intangible assets are amortized using the same procedures as applied during depreciation **(Sec. 115(3) of the Guidelines on Assetand Liability Management in the Public Sector, 2020)**
	b) Impairment
	• Confirm that where an asset is likely to suffer futureeconomic benefits or service potential over and above the depreciation of the asset, such a loss is treated as impairment-(**Sec. 122(1) of the Guidelineson 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-**(Sec. 122(1) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020)**
	• Confirm that the impairment value is treated as an expense, unless it reverses the previous revaluation. Confirm that reversal of previous impairments istreated as an income-(**Sec. 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 andstrategic plans.

Risk: Inaccurate and unreliable Property, Plant and Equipment schedules	
Controls	**Audit Tests**
Approved procedures on capitalization of expenditure	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Select one asset and confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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 **(Sec. 84(5)of the Guidelines on Asset and Liability Managementin the Public Sector, 2020**) • Confirm that work-in-progress is not capitalized until it is completed and made available for use. Such WIP is recorded in a separate ledger known as WIP Ledger **(Sec. 84(5) and Art. 126(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** • 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 **(Sec. 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-**(Sec. 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

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 tothe components of an asset but to the value of the capital asset **(Sec. 112(4) of the Guidelines onAsset 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 **(Sec. 113(2) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** • Confirm that only subsequent expenditure that meetsthe following criteria is capitalized -(**Sec. 113(3) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020).** ✓ Increases the life of that asset beyond that statedin the asset register ✓ Increases the quality of service that asset beyondthe existing level of service ✓ Increases the quantity of services that the asset can provide ✓ Reduces the future assessed costs of maintainingthat asset • Confirm that only assets acquired through a financelease are capitalized **(Sec. 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 andservices 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 andstrategic plans.
Audit Objective: To assess whether assetsare adequately protected from theft, loss and damage	
Risk: Physical loss or damaged assets	
Controls	**Audit Tests**

Physical security of tangible non-current assets	**TEST OF DESIGN**
	• 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.
	
	TEST OF IMPLEMENTATION
	• Obtain the Asset Register select one tangible asset
	• Confirm that the design documented under TEST OF DESIGN isimplemented as documented.
	• Walkthrough and document the process flow/ map.Note any gaps in implementation
	
	TEST OF OPERATING EFFECTIVENESS
	• Obtain the asset register and select a representativesample 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**-(Sec**. **78(1) of the Guidelines on Asset and Liability Management inthe Public Sector, 2020)**
	• Confirm that reasonable security is provided to restrict the access of unauthorized persons to the assets. The security includes **(Sec. 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 tothem
	• Confirm that all assets are tagged **(Sec. 78(1(b)) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020)**
	• Confirm that there exist controls to ensure that public property is not used for private purposes (**Sec. 78(1(c)) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)**
	• Confirm that all Officers and employees return all assets in their possession as part of their clearance on transfer within Government, retirement, dismissalor resignation **(Sec. 78(d) of the Guidelines on**

	Asset andLiability Management in the Public Sector, 2020) • Confirm that there is adequate security awareness and training **(Se. 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 **- (Sec. 82(1) of the Guidelines on Asset and Liability Management in the Public Sector, 2020)** • Confirm that the physical security is adequate to ensure that the threat of unauthorized access or the impact of environmental or otherhazards is reduced to a minimum level **(Sec. 78(2) of theGuidelines on Asset and Liability Management in thePublic Sector, 2020)** • Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Physical security of intangible non-current assets	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on physical intangiblenon-current assets • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the Asset Register select one intangible asset • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the asset register and select a representativesample 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 **(Sec. 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 exist arrangements for monitoring trends in technology and ensuring thatrelevant updates are made **(Sec. 79(d) of the Guidelineson Asset and Liability Management in the Public Sector, 2020)** • Confirm that proper filing of documents relating to intangible assets is done for verification purposes **(Sec. 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 andstrategic plans.
Approved Insurance Policy	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Obtain the Asset Register select one insurable asset • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the asset register and select a representativesample of insurable assets based on the approved sampling criteria • Confirm that insurance is guided by risk exposure and cost-benefit criteria **(Sec. 80(2) of the Guidelines on Asset and Liability Management in thePublic Sector, 2020)** • Confirm that insurance policies are acquired and renewed on time **(Sec. 80(2) of the Guidelines on Assetand Liability Management in the Public Sector, 2020)** • Confirm that all motor vehicles have comprehensive insurance cover as per the entity's policy. • Carry out other tests of operating effectiveness aligned to specific county policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Risk: Loss of Entity assets due to concealment of theft by write-off	
Controls	**Audit Tests**
Compliance with laws, regulations and policies	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on approvals for

on write offs of assets.	disposals • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select asset scheduled for write-off (If not available,select written-off asset) • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain a list of assets written off and the assets scheduled for write-off. Obtain a representative sample using an approved sampling criterion • Confirm that all scheduled for write-off are reportedby the officer in charge of the assets to Head of Procurement function **Sec.164(1) of PPADA, 2015** • Confirm that the head of procurement brings the provided listing of assets scheduled for write-offto the Disposal Committee **Sec.164(1) of PPADA, 2015** Confirm that all the assets scheduled for write-off 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 andstrategic plans.
Audit Objectives: To determine whether the existence of the assets is verified at least annually and areconciliation of physical assets and fixed asset register balances is carried out	
Risk: Inaccurate financial statements due to non-existent assets reported	
Controls	**Audit Objectives**
Regular Physical Verification	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION**

	• Obtain the Asset Register and Physical asset verification as at the cut-off date • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Confirm that the existence of assets through physical asset verification. • 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 missing assets are reported to the Accounting Officer, **Finance Sec. 11.5 of the Public Procurement and Disposal General Manual,2009.** • Confirm that the Accounting Officer forms a team toinvestigate the identified missing assets and appropriate actions taken as per the recommendations of the investigating team**. Reg. 156 of PFMR 2015.** • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings andstrategic plans.
Reconciliation	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on reconciliation of the assetregister • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the reconciliation report as at the cut-off date • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the asset register • Confirm that the accounting officer prepares quarterly and annual reconciliations of the values asper asset register and the values as per the asset accounts in the general ledger/ accounting records **Sec. 85(1) of the Sec. 46 of the Guidelines on Assetand Liability Management in the Public Sector, 2020**

	• Confirm that **(Sec. 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 accountingrecords as well as the register ✓ All disposals are reflected in the accountingrecords as well as the register ✓ The annual depreciation charges for each category of assets are agreed 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 onAsset and Liability Management in the Public Sector, 2020** • Confirm that the Summary of Fixed Assets in the entity's Financial Statements equals the totals and sub-totals of fixed assets in the asset register **Sec. 124(1) of the Guidelines on Asset andLiability Management in the Public Sector, 2020** • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings andstrategic plans.

Audit Objectives: To evaluate whether value for money (economy, efficiency,equity, environmental,effectiveness and timeliness) is achieved inthe life cycle of assets;	
Risk: Lack of value for money due to continued ownership of obsolete or otherwise non-productive assets	
Controls	**Audit tests**
Effective monitoring and reporting on obsolete assets	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on monitoring and reporting obsolete items • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one obsolete item • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Confirm that all obsolescent and obsolete assets are reported to the Head ofProcurement 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 obsolescence and obsolete assets due for disposal have been identified, the disposal committee prepares a disposal report and submits it to the accounting officer for approval, withspecific recommendations on the items to be disposed or those not to be disposed and the reasonsthereof **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) ofPPADR, 2020**. Where the disposal report has been approved, identify assets that are disposed of but arenot in the approved disposal report • Confirm that the disposed obsolescent and obsolete assets are removed from the entity's asset register **Reg. 170(1) of the PPADR, 2020**

	• Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings andstrategic plans.

Risk: Loss of public funds due to overpayment for acquired assets	
Controls	**Audit Tests**
Updated Market Survey Reports	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Select one Contract File • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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 theplacing of orders **Reg. 33(3(aa)) of PPADR, 2020** • Confirm that before making a procurement decision,the procuring entity considers 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 whetherthe recommended price for standard goods, servicesand 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 byreviewing the following price indices (Sec. 3 of the Cost Estimation Manual for Road Maintenance Works, 2019).

	<table><tr><th>Type</th><th>Source of Official PriceIndex</th></tr><tr><td>Labor</td><td>Ministry of Labor i.e. SpecialIssue dated 14th July 2017,</td></tr></table>
	<table><tr><td></td><td>Kenya Gazette Supplement No.52, Legal Notice No. 111</td></tr><tr><td>Material Price</td><td>Current Material Price List from Kenya National Bureau ofStatistics</td></tr><tr><td>Equipment</td><td>Equipment Hire Rate List from Mechanical and Transport Department, Ministry of Transport, Infrastructure, Housing and UrbanDevelopment</td></tr></table> • In addition to other disciplinary actions, confirm that loss resulting from a public officer's actions dueto overpricing of acquired assets is paid by the officerto 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 andstrategic plans.
Risk: Actual costs that exceed the projected amount	
Controls	**Audit Tests**
Approved Professional Opinion	**TEST OF DESIGN** • 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

	TEST OF IMPLEMENTATION • Select one Procurement File whose actual cost exceeded the projected amount • Confirm that the design documented under TEST OF DESIGN is implemented as documented • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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 thetenders 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 more thanthe available budget, the Opinion recommends for change of scope considering the effect of thescope of change to the entire evaluation of the tender **Reg. 78(4(f)) of PPADR, 2020** • Where change of scope is recommended as providedin the bid documents, confirm that the changes are negotiated by the Evaluation Committee pursuant to **Sec. 46(4(a)) of PPADA, 2022** • 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 accountingofficer seeks additional funds before re-inviting the bids **Reg. 40 of the PFMR, 2015**for Supplementary Budgets and **Reg.47 of the PFMR, 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 considering thechange 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.

Risk: Delay or cancellation of a project	
Controls	**Audit Tests**
Project Implementation Reports	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on monitoring ongoing projects • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one project • Confirm that the design documented under TEST OF DESIGN is implemented as documented. • Walkthrough and document the process flow/ map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain the project listing. Create a list of ongoing projects and select a representative sample using an approved sampling criterion • Confirm that a Project Implementation Team is appointed early enough before commencement of the project **Sec. 4.1.1 of the Manual for Procurementand Management of Projects.** • Confirm that the team is composed of. ✓ Procurement Unit ✓ Technical/End User ✓ Finance Unit ✓ Project Manager • Confirm that the Project Implementation Teamundertakes and reports on the following tasks **Sec.4.1.1 of the Manual for Procurement and Management of Projects.** ✓ Meets periodically with the Contractor to reviewimplementation progress and related issues. ✓ Communicates all project related issues throughthe Project Manager ✓ Review requests for any changes and modifications ✓ Submit their recommendations to the Accounting Officer

	Confirm that for complex and specialized projects, aContract Implementation Team is appointed early 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 Teamundertakes 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 onceevery quarter, or monthly at key stages of the project ✓ Confirm that the meetings review and consider how things could be managed better in the futureas 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 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 andstrategic plans.

Risk: Loss of assets due to disposal or scrapping of serviceable assets	
Controls	**Audit Tests**
Review by the Disposal Committee	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on approvals for disposals • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select asset scheduled for disposal (If not available,select one disposed asset) • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • 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 serviceable assets. • Confirm that all unserviceable, obsolescent, obsoleteor surplus assets are reported by the officer in charge 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 reportsthe 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 andstrategic plans.
Risk: Lack of value for money due to serviceable idle assets	

Controls	Audit Tests
Monitoring of non-financial assets performance	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on monitoring non- financial asset performance • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one asset • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/map. Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain a list of assets. Select a representative samplebased on the approved sampling criteria • Confirm that the asset is put to immediate use after successful completion of the project 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 track the use of an asset to ensure that it meets the intended delivery objectives **Art. 71(1) of the Guidelines on Asset and Liability Management in thePublic 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 in operating the asset, confirm that appropriate arrangements are in place to train staff based on identified training needs. ✓ Where the asset is idle due to inadequacy of staffing, review the Need Assessment Report of the project to identify whether Staffing Needs were evaluated in the Feasibility Study Report – Technical Feasibility **(Reg.71(2(a)) of PPADR, 2020)** and the arrangements in place to resolve the staffing needs ✓ Where the asset is idle because of failing to meet the user requirements, confirm whether theuser

	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. ✓ Confirmthe user department further undertakes conformity assessments of supplied goods, worksand 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.
Audit Objectives: To establish whether all losses or damages are detected and recorded promptly, accurately andwith appropriate action taken in response	
Risk: Loss of assets due to unreported damages	
Controls	**Audit Tests**
Approved loss handling procedures	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on loss handling • If the control is not documented, enquire fromprocess owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one lost asset • Confirm that the design documented under TEST OF DESIGN isimplemented as documented. • Walkthrough and document the process flow/ map.Note any gaps in implementation **TEST OF OPERATING EFFECTIVENESS** • Obtain a list of assets. Create a list of lost or damaged assets. Select a representative sample

	based on the approved sampling criteria • Confirm that when a loss is reported, the Accounting Officer investigates the loss to determine ✓ The extent and amount of the loss ✓ Whether control or operational arrangements need to be improved 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. • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and work plans.