Republic of Kenya

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

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GOVERNMENT OF KENYA

DRAFT BUDGETING AND BUDGETARY CONTROL AUDIT PROGRAMS FOR NATIONAL GOVERNMENT

SEPTEMBER 2026

BUDGETING, FINANCE AND ACCOUNTS PROCESSES

(To be customised for each Program)

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

Budgeting and Budgetary Control

Controls	Audit Tests
Audit Objective: To confirm that the budgets are prepared and approved inaccordance with the existing legal framework	
Risk: Utilization of resources on activities other than those for which resources have been appropriated	
Controls	**Audit Tests**
Approved budget	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on preparation and approval of budgets. • 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 confirm that the necessary laws and steps as documented in the TEST OF DESIGN are followed in the preparation, approval and implementation. • Carry out process mapping and note any gaps. **TEST OF OPERATING EFFECTIVENESS** • Confirm that the entity has developed procedures on budget preparation and execution *NGPFMR Reg. 9(4)* • Confirm that the estimates of expenditure and revenues of the entity are in conformity with the strategic plan of the entity *Sec. 68(2(h)) of the PFMA* • Where the entity is a state corporation, confirm that the estimates are submitted to the Cabinet Secretary responsible for that state corporation who, after approving it, shall forward it to the Cabinet Secretary for National Treasury *Sec. 68(2(j)) of the PFMA* • Where the entity is not a state corporation, confirm that the estimates are submitted to the Cabinet Secretary for National Treasury *Sec. 68(2(i)) of the PFMA* • Confirm that the budget is presented in Kenyan Shillings *NGPFMR Reg. 33(d)* • Confirm that the PFM Standing Committee prioritizes resources allocated to the entity for the smooth implementation of the entities mission, strategy, goals, risk policy plans and objectives *NGPFMR 19(1(a))*

	• Confirm that the ceiling for the development expenditure and personnel spending of the is as per the approved by Budget Circular *NGPFMR Reg. 27(5)* • Confirm that all services which can be reasonably foreseen are included in the estimates *NGPFMR Reg. 31(2(a))* • Confirm that the estimates are complete and accurate as possible *NGPFMR Reg. 31(2(b))* • Confirm that the estimates have been framed with regard to economy and efficiency *NGPFMR Reg. 31(2(c))* • Confirm that the requisite authority has been obtained, where necessary, before provision is made in the estimates *NGPFMR Reg. 31(2(d))* • Confirm that the estimates are submitted to the National Treasury in the manner and format to be issued by the Cabinet Secretary (Budget Circular or Guidelines) *NGPFMR Reg. 31(2(e))* • Confirm that the budget classification is in a form issued by the National Treasury designed to support financial and economic reporting requirements in the PFM Act and generally accepted international standards *NGPFMR Reg. 41* • Confirm that budget proposals are submitted in the prescribed formats that support program- based budgeting and classification of expenditure in economic classes *NGPFMR Reg. 32(4)* • Confirm that the budget is balanced *NGPFMR Reg. 33(c)*

	• Confirm that the budget takes into account; ✓ the aggregate resource envelope following the forecast of major revenue and expenditure categories (the latter according to both economic and administrative classification). ✓ the non-discretionary expenditure (debt service, wages and other related items). ✓ 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 national government policies. *NGPFMR Reg. 34* • Confirm adherence to the following principles in support of National Treasury's fiscal responsibilities (Sec. 15(2) of the **PFMA, 2012 and Reg. 26(1) of the NGPFMR, 2015).** ✓ The entity's expenditure on wages benefits does not exceed thirty-five (35) percent of the entity's total revenue (the revenue does not include revenues that accrued from extractivenatural resources including oil and coal) ✓ The entity's public debt does not exceed twenty (20%) percent of the entity's total revenue ✓ Over the medium term a minimum of thirtypercent of the entity's budget is

	allocated to the development expenditure • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and strategic plans and the National Treasury's Annual Budget Circular/Guidelines
Risk: Failure to comply with tetimelines for budget making	
Controls	**Audit Tests**
Budget Calendar	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Obtain the approved annual budget and confirm that the necessary laws and steps as documented in the TEST OF DESIGN are followed in its preparation, approval and implementation. • Review the process map and identify any existing gaps **TEST OF OPERATING EFFECTIVENESS** • Confirm that the sector report prepared by the sector working group submitted to

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	the National Treasury by January and includes printed 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) *NGPFMR Reg. 32(2)* • Confirm that after the approval of the Budget Policy Statement, the entity finalizes its estimates for years (N+I), (N+2) and (N+3) by March 31 of Financial year (N) and submits to the Cabinet Secretary for the National Treasury *NGPFMR Reg. 32(10)* • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and strategic plans and the National Treasury's Annual Budget Circular/Guidelines
Risk: Inadequate funds	
Controls	**Audit Tests**
Authority for additional expenditure (Approved Supplementary Budget)	**TEST OF DESIGN** • 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. **TEST OF IMPLEMENTATION** • Obtain the most recent supplementary budget and confirm that the necessary laws and steps as documented in the TEST OF DESIGN are followed in its preparation

	approval and implementation. • Review the process map and identify any existing gaps **TEST OF OPERATING FFECTIVENESS** • Confirm that the revised budget estimate is in a format to be issued by the Cabinet Secretary and in compliance with the guidelines of the supplementary budget circular *NGPFMR Reg. 40(1)* • Confirm that prior to incurring any additional expenditure, Accounting Officers shall seek the approval of the National Treasury *NGPFMR Reg. 40(2)* • Confirm that the purpose for which approval is sought for a supplementary budget shall be— ✓ Unforeseen and unavoidable, in circumstances where no budget provision was made; or ✓ Unavoidable, in circumstances where there is an existing budgetary provision which, however, is inadequate. *NGPFMR Reg. 40(3)* • Confirm that the not be considered unforeseen and unavoidable expenditure does not form part of the supplementary estimates. ✓ Expenditure that, although known when finalizing the estimates of the original budget, could not be accommodated within allocations; and

	✓ Tariff adjustments and price increases. *NGPFMR Reg. 40(4)* • Confirm that the Supplementary Budget estimates is presented in a format that facilitates comparison with the original budget and contains all the information necessary to enable a decision on the application to be reached and includes; ✓ the Vote, program, sub-programme 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 supplements required the reasons why the supplement is necessary and why it has not been possible to keep within the voted provision. ✓ the basis for the calculation underpinning the supplementary. ✓ the proposed source of financing for 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 programmed. ✓ any implied deviation from the Medium-Term Expenditure Framework (MTEF) and the financial objectives. ✓ the latest fiscal projections

	NGPFMR Reg. 40(6) • Confirm that a request for additional funds through a supplementary budget process shall submit a memorandum to the National Treasury on a date determined by National Treasury *NGPFMR Reg. 40(4)* • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and strategic plans and the National Treasury's Annual Budget Circular/Guidelines
Audit Objective: To confirm that the approved budget is implemented as approved	
Risks: Deviation from the approved budget	
Controls	**Audit Tests**
Budget implementation reports	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on preparation and submission of the budget implementation reports. **TEST OF IMPLEMENTATION** • Obtain a budget implementation report and confirm that the necessary laws and steps as documented in the TEST OF DESIGN are followed in its preparation and submission • Review the process map and identify any existing gaps

	TEST OF OPERATING EFFECTIVENESS • Confirm that the PFM Standing Committee is establishedby the Accounting Officer to regularly review, monitor budget implementation and advice on the entity's accounts, major capital expenditures and reviewperformance and strategies at least on a quarterly basis**Reg. 19(b) of the NGPFMR, 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 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 format to be issued to the National Treasury with copies, to the Controller of Budget and the Auditor-General whose contents include **(Reg. 55 of the NGP the NGPFMR** ✓ Actual revenues, including appropriations in aid. ✓ Expenditures classified in economics 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 overninety days. ➢ a projection of expected expenditure and revenue collection for the remainder of thefinancial year; ✓ Pending payments with an age of over ninety days. ✓ A projection of expected expenditure and revenue collection for the remainder of thefinancial year ✓ When necessary, an explanation of any material variances; ✓ A summary of the steps that are to be taken toensure that the projected expenditure and revenue remain within budget • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and strategic plans
Risks: Unauthorized and unsupported reallocation of funds that may lead to misstatements of budget implementation reports	
Controls	**Audit Tests**
Approved Budget Reallocations	**TEST OF DESIGN** • Establish the key requirements of laws, regulations,policies and procedures on Budget Reallocations • If the control is not documented, enquire from process owner how it is meant to

	be executed. **TEST OF IMPLEMENTATION** • Select one budget reallocation activity confirm that the necessary laws and steps as documented in the TEST OF DESIGN are followed in its preparation and submission • Review the process map and identify any existing gaps **TEST OF OPERATING EFFECTIVENESS** • Confirm that all the budget adjustment entries are made through a **Gazette 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. 48(5) ofthe NGPFMR, 2015** • Confirm that a request for reallocation has been made to the National Treasury explaining the reasons forthe reallocation and the National Treasury has approved the request **Sec. 43(2(b)) of the PFMA, 2012** • Analyze the reallocations to confirm that **Sec. 43(2(a))of the PFMA, 2012 and Reg.48(1) of the NGPFMR, 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 donor-funded expenditure. ✓ The reallocation does not affect the voted provisions from wage to non-wage expenditure or from capital to recurrent expenditure; and ✓ Allocations earmarked by the National Treasury for a specific purpose may not be used for otherpurposes, except with Treasury's approval. ✓ Capital expenditure except to defray other capitalexpenditure ✓ transfer of funds may result in contravention of fiscal responsibility principles • Confirm that the total of all reallocations made to or froma program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub-Vote for that year **Sec. 43(2(c)) of the PFMA, 2012** • Confirm that the Accounting Officers maintain a registerof all budgetary reallocations and use it to prepare a report of all reallocations to the National Treasury not later than the 10th day of each month **(Reg. 48(2,3) of the NGPFMR, 2015).** Confirm that the report contains. ✓ 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 • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and strategic plans
Audit Objective: To establish that budgeted expenditure is used for the activities for which the money was appropriated	
Risk: Use of budgetary provision on activities whose appropriations were not earmarked for	
Controls	**Audit Tests**
Control of expenditure	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on control of expenditure • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select a payment voucher and confirm that the necessary laws and steps as documented in the TEST OF DESIGN are followed its preparation. • Review the process map and identify any existing gaps **TEST OF OPERATING EFFECTIVENESS** • Obtain Bank Statements. Obtain a representative sampleof 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 specificactivities for purposes other than those activities in line with Reg. 54(1) of the NGPFMR, 2015 **Financial Management System** • Confirm that all transactions are recorded in a financial management system prescribed by **The NationalTreasury (IFMIS) Sec. 12(1e)) of the PFMA, 2012 and Reg. 109(1) of the NGPFMR, 2015** • Confirm that users of financial management system (**Reg. 110(3) of the NGPFMR,2015**). ✓ do not use or attempt to use the automated systemwithout authorization of the system administrator ✓ Take all reasonable steps to maintain the integrity ofpasswords and other security mechanisms. ✓ Where a password becomes insecure or potentially insecure, as soon as is practicable, implement a newsecure password. ✓ Not doing anything that damages, restricts, jeopardizes,impairs or undermines the performance, usability, reliability, confidentiality or accessibility of any digital information system, programme, or other stored 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 person's passwords. **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.52a) of the NGPFMR, 2015** • Confirm that AIE holders understand that the limit to which they may spend is that prescribed by the authorityand not their expectations, however justified these may seem. **Reg. 52(b)) of the NGPFMR, 2015** • Confirm that when the AIE is issued by the entity, the allocation shall be entered as a commitment in the entity's master vote book so as to ascertain at all times the availability of uncommitted funds. **Reg. 52(d)) of the NGPFMR, 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 not later than the 15th day of each quarter. **Reg. 52(e)) ofthe NGPFMR, 2015** • Confirm that public officers issued with AIE's shall also be informed in writing that the actual expenditures shallnot exceed the limit authorized in the AIE's **Reg. 52(f)) of the NGPFMR, 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. 52(h) of the NGPFMR, 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. 52(i)) ofthe NGPFMR, 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 the PFM Standing Committee regularly reviews, monitors budget implementation and advice on the entity's accounts, major capital expenditures and reviews performance and strategies at least on a quarterly basis *NGPFMR 19(1(b))* • Confirm that transactions are posted to the correct voteheads as per the approved estimates **Reg. 99(2) of the NGPFMR, 2015** • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, service delivery standards, minutes of meetings and strategic plans and the National Treasury's Annual Budget Circular/Guidelines