Republic of Kenya

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

GOVERNMENT OF KENYA

DRAFT FINANCIAL REPORTING AUDIT PROGRAMS FOR NATIONAL GOVERNMENT

SEPTEMBER 2026

FINANCIAL REPORTING AUDIT PROGRAM

(To be customised for each Program)

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

Audit Objective: To confirm that the books of accounts and registers are maintained, updated and safeguarded	
Risk: Entity records are incomplete, inaccurate, or improperly maintained.	
Controls	**Audit Tests**
Approved guidelines on the maintenance of books of accounts and registers	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, on maintenance of books of accounts and registers • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the books of accounts or register

	• 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 entity has employed the use of the approved standardized financial management system in all its financial management processes **Reg. 4(c) of the PFMR, 2015** • Confirm that the Accounting Officer maintains the following books of accounts and registers relating to receipts and payments; ✓ Cash book for each bank account (Where the entity relies on the entity's financial management system's Cash book, obtain confirmation from the Management) ✓ Vote book for each Vote (entity's financial management system's Vote book is sufficient. Obtain confirmation of maintenance of Manual or Digital Vote book for operations that are off-IFMIS (entity system) ✓ General Ledger – the entity's financial management system's General Ledger. For Off-IFMIS operations, obtain manual ledger accounts such as the imprest register, the payments register, etc. ✓ The entity's financial management system's Journal

	Reg. 9 (1,4) and Reg. 100 of the PFMR, 2015 **Cash book** **Payments** • Obtain a representative sample of Payment Vouchers as selected from entity's financial management system's Payment Details • Confirm that all valid payment transactions are promptly recorded in the cash book and relate to the year of the accounts **Reg. 100 of the PFMR, 2015** **Receipts** • Obtain a representative sample of the Receipt Vouchers as selected from the entity's financial management system's Receipts Register. • Confirm that all valid payment transactions are promptly recorded in the cash book and relate to the year of the accounts **Reg. 100 of the PFMR, 2015** **All** • Sample representative entries in the cash book and obtain the payment vouchers • Confirm that the all the entries in the accounts is supported and contain the full details, clear narrations and particulars of the item or items to which it relates.

	• Confirm that all receipts and payment vouchers are supported by the appropriate authority and documentation. **Reg. 104 (1) of the PFMR, 2015** **Vote book** • Obtain a listing of all payments and commitments (Imprests and Purchase Orders). The listings include Payment Details, Imprest Register (IFMIS or entity specific) and PO Encumbrances and create a representative sample • Confirm that entries in (IFMIS or entity specific) are lawful and supported by appropriate documentation Reg. **104 (1) of the PFMR, 2015** • Confirm that all entries in (IFMIS or entity specific) are supported by a Voucher, Imprest Warrants and Procurements Documents **Reg. 99(3) of the PFMR, 2015** • Confirm that imprest-based payments are not expensed but treated as encumbrances until when the imprests are retired; the imprests are treated as Commitments. **Reg. 92(5,6) of the PFMR, 2015.** • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, servicedelivery standards.
Audit Objective: To confirm if the financial data is classified consistently and accurately in accordance with the entity's reporting	

requirements and applicable accounting standards	
Risks: Improper classification of transactions	
Controls	**Audit Tests**
Approved Standard Chart of Accounts	**TEST OF DESIGN** • Establish the key requirements of laws and regulations, on the use of Standard Chart of Accounts • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • 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 the Approved Budget, Transaction Records, and the Approved Financial Statements of the entity

	• Confirm that the entities budget estimates are appropriately prepared, accounted for, and reported in accordance with the Government of Kenya budget classification and standard chart of accounts issued by the National Treasury. **Reg. 41. (1) and 99(1) of the PFMR, 2015** • Of the sampled payment vouchers, confirm that all expenditure is made out of funds earmarked for specific activities for purposes other than those activities **Reg. 32(4) ,52(1), 99(2) of the PFMR, 2015** • Carry out other tests of operating effectiveness aligned to specific entities policies, procedures, servicedelivery standards.
Audit Objective: To verify if financial statements are prepared in accordance with the relevant Accounting Standard Framework (IPSAS/IFRS) and are in compliance with the format prescribed of the Public Sector Accounting Standards Board	
Risk: Non-Compliance with Reporting Frameworks and Statutory Requirements	
Controls	**Audit Tests**
Approved reporting template for use by the Entities	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, on approval of financial reporting templates **TEST OF IMPLEMENTATION**

	• Obtain approved Financial Statements Reports of the Entity • 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 entity prepares the financial statements and reports in accordance with the relevant reporting framework. • Confirm that the entity uses the most recent financial reporting template, **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as may be appropriate), Approved Financial Reporting Template.** • Confirm that commentaries are provided to the Statement of Comparison of Budget and Actual Amounts; Development on significant underutilization below 90% and any overutilization **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** • Confirm that the appropriate significant accounting policies are disclosed in the **Approved Financial Reporting Template.**

	• Confirm that Notes to the Financial Statements are provided as part of the reporting **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** • Confirm that the entity makes appropriate disclosures on **(Approved Financial Reporting Template).** ✓ External assistance relating to loans and grants in the prescribed format ✓ Payments made by Third Party on behalf of the Accounting Officer in the prescribed format ✓ Related Party Disclosures ✓ Establishment of other National Government Entities ✓ Disclosure of Balances in Revenue Collection Accounts ✓ Contingent liabilities • Confirm that the Approved Financial Statements contain a report on Progress on follow-up on prior year Auditor's recommendations, **Approved Reporting Template** • Confirm that a list of the losses incurred by an entity are attached to the financial statements **Reg. 148(9) of the PFMR, 2015** • Confirm that footnotes are provided to the financial statements on the following. ✓ Details of Appropriation-in-Aid ✓ Excess Appropriation-in-Aid, if any

	✓ Reasons for material differences between approved estimates and Actual expenditure, or actual collection of Appropriation-in-Aid. ✓ Losses and write offs ✓ Nugatory and similar payments, compensation and ex-gratia payments ✓ Arrears of Appropriation-in-Aid and Appropriation-in-Aid abandoned ✓ Advances appropriately analyzed including imprests **Reg. 137(8) of the PFMR, 2015** • Confirm that additional reporting on Disaster Expenditure is provided **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as may be appropriate), Approved Financial Reporting Template.** • Confirm that additional reporting on Climate Relevant Expenditures is provided **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** **TOE / Substantive Testing** a) **<u>Classification - examining journal entries and transactions</u>**

	• **Occurrence**[ISA315] - The transactions and events recorded or disclosed have actually happened and relate to the entity. Sample test. Select a sample of entries (e.g.) from the payroll data and trace them to the staff returns, personal files, attendance registers, etc., and other related reports • **Completeness**[ISA315] – All transactions and events that should have been recorded, have been recorded and all disclosures have been included. Sample test; Select a sample of purchases and check them against delivery notes, invoices, verification/certification reports and posting to the purchases account • **Accuracy**[ISA315] - Transactions and events have been recorded and disclosed without errors. Sample test; Re-perform calculations on invoices, payroll etc., review control account reconciliations • **Cut-off** [ISA315] - Transactions and events are recorded in the correct accounting period. Sample test; Select a sample of payments for goods, check for the delivery notes and store records, trace them to purchase invoices to ensure proper recording in the right period

	• **Presentation** ISA315 - Transactions and events are appropriately aggregated or disaggregated, clearly described and relevant. Sample test; Compare the presentations and disclosures with the prescribed financial reporting template • **Classification** ISA315 - Transactions and events are recorded in the appropriate accounts. Sample test; Check purchase invoices postings to the correct general ledger accounts • **Complies** - All the transactions are lawful, regular and have complied with the relevant guidelines, *Sec. 68 of PFM Act* Sample test; Sample payment transactions to confirm that the transactions comply with the relevant guidelines b) **Account balances - examining asset, liability, and Equity /Net Assets) totals.** • **Existence** ISA315 - Assets, Liabilities or equity interests actually exist. There is no overstatement or inclusion of fictitious items. Sample test; Undertake physical verification of sampled non-current assets, perform circularization of receivables and payables

	• **Rights and obligations**ISA315 - Entity holds legal title or controls the rights to assets while all liabilities are obligations of entity. Sample test; Review title deeds for property, compare purchase invoices to current assets, compare long-term liabilities to loan agreements etc. • **Completeness**ISA315 - All assets, liabilities and equity interests that should have been recorded have been recorded and all related disclosures that should have been included in the financial statements have been included. Sample test; Review expenditure accounts for potential omissions from non-current assets, reconcile payables ledgers to supplier's statements • **Accuracy, Valuation and Allocation** ISA315 – Assets, liabilities and equity interests are valued, recorded and disclosed accurately. Sample test; Vouch the cost of assets to purchase invoices, check depreciation rates and calculations, re-perform the calculations • **Classification** ISA315 - Assets, liabilities and equity interests are recorded in the proper accounts

	Sample test; Ensure expenditure on research meets the criteria for classification as development expenditure, check that purchase invoice postings are made to the appropriate accounts in the general ledger • **Presentation** - Assets, liabilities and equity interests are presented with relevant and understandable descriptions. *Sec. 68 of PFM Act.* Sample test; Use quality review checklist to ensure compliance with accounting standards and relevant legislation. Confirm proper presentation of non-current assets' cost, additions, disposals, depreciation etc. c) **Presentation and disclosures - determines proper format and clarity** • **Occurrence and rights and obligations**[ISA315] - Disclosed events, transactions, and other matters have occurred and pertain to the entity • Financial Statements: Check for actual signatures and dates on the Management Responsibility statement. • **Completeness** [ISA315]- All disclosures that should have been included in the financial statements have been included.

	• **Classification and understandability**[ISA315] - Financial information are appropriately presented and described, and disclosures are clearly expressed • Cash Flows: Ascertain if the method (Direct/Indirect) matches the PSASB-prescribed template. • **Accuracy and valuation**[ISA315] - Financial and other information are disclosed fairly and at appropriate amounts. • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, servicedelivery standards. **NB: The Auditor may rely on *Guidelines for Management of Specific Categories of Assets and Liabilities* *and the Accounting Policies as per the approved Financial Reporting Template***
Risk: Material Misstatement of the Financial Statements due to Incomplete or Improperly Disclosed and incorrect Financial Information	
Controls	**Audit Tests**
Internal Quality Review of the Financial Statements	**TEST OF DESIGN**

	• Establish the key requirements of laws, regulations, circulars on the internal quality review of the financial statements • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain approved Financial Statements and Reports of the entity • 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 key non-financial information is included in the Approved Financial Statements and is adequately populated and signed off **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template**. The information include; ✓ Key entity information and management ✓ Forward by the Accounting Officer ✓ Statement of performance against the entity's predetermined objectives ✓ Corporate Social Responsibility Statement/Sustainability Reporting

	• Confirm that the key statements of financial information are included, populated and signed off. **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** The Statements include; ✓ Statement of Financial performance ✓ Statement of Financial Position ✓ Statement of Cash Flows ✓ Statement of Changes in Net Assets ✓ Statement of Comparison of Budget and Actual Amounts ✓ Notes to the financial statements. • Confirm that unused rows, columns, notes, annexes and required disclosures are removed/deleted **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** • Confirm that the financial statements are well-formatted and aligned **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** • Confirm that the numbering of the notes is appropriately in agreement with the numbering references in the Statements of Financial Performance, Statement of Financial Position and

	Statement of Cash Flows. **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template** • Confirm that the numbering of the notes is appropriately in agreement with the numbering references in the Statements of Financial Performance, Statement of Financial Position and Statement of Cash Flows. **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template.** • Confirm that the prior period figures and balances agree to the prior year audited financial statements. **Treasury Circular on End-of-Year Financial reporting (Circular is issued every year, changes as it may be appropriate)** • Confirm that figures in the statements tie to the notes in the financial statements, **Treasury Circular on End Year Financial Reporting (Circular is issued every year, changes as it may be appropriate)** • Undertake casting to confirm that casting has been properly done. **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)**

	• Confirm that Statement of Financial Performance in the approved financial statements agrees to the entity's financial management system's Statement of Financial Performance **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate).** • Confirm that the Equitable share transfers recorded in the approved financial statements are in agreement with the National Treasury's Quarterly and Annual Exchequer Release Report and National Treasury's Disbursement Schedules. • Confirm that Statement of Financial Position in the approved financial statements agrees to the entity's financial management system's Statement of Financial Position **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)** • Confirm that the fund balance carried forward in the prior year agrees with the fund balance brought forward in the current financial year and is supported by assets and liabilities in the prior financial year **Treasury Circular on End Year Financial reporting(Circular is issued every year, changes as it may be appropriate)** • Confirm that any prior year adjustment is reported as a separate item in the Statement of Financial Position and does not affect the prior year fund balance brought forward in the current year

	Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate) • Confirm that the Net Assets in the Statement of Financial Position equals the Net Assets in the Statement of Changes in Net Assets. **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)** • Confirm that Statement of cash flow in the approved financial statements agrees to the entity's financial management system's Statement of cash flow **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)** • Confirm that the cash and cash equivalent balance in the Statement of Cashflows at the end of the year agrees to the cash and cash equivalent in the Statement of Financial Position **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)** • Confirm that all the bank accounts of the entity are disclosed and balances are supported by bank reconciliation statements, bank statements and certificates of bank balances **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)**

	• Confirm that cash balances are supported by petty cash count certificates **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate)** • Confirm that the accounts receivable in the Statement of Financial Position is reconciled and agrees with the Accounts Receivable Ledger **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate** • Confirm that the inter-entity transfers have been reconciled and agreed with by the receiving entity and the appropriate form attached to the Approved Financial Statements **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate).** • Verify if the Internal Quality Review is undertaken before submission of the Financial Statements to the National Treasury. Further, confirm that the Internal Quality Review Checklist is signed off by the Director Accounting Services, accompanying the submitted financial statements, **Treasury Circular on End Year Financial Reporting (Circular is issued every year, changes as it may be appropriate)** • Carry out other tests of operating effectiveness aligned to specific entity policies, procedures, and servicedelivery standards
Controls	**Audit Tests**

An approved Accounting Policy Manual that is reviewed regularly	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, on disclosure of accounting policies • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Select one Approved Financial Statements and Reports • 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 Entity disclosed all their significant accounting policies in the Approved Financial Statements **Approved Financial Reporting Template** • Confirm that Accounting Policies clearly relates and reflects transactions and events. **Approved Financial Reporting Template** • Confirm that; ✓ The functional and reporting currency of use of KES., rounded off to the nearest Shilling ✓ Payments and Receipts are recognized when the event occurs

	✓ Where the value of in-kind contributions can be reliably determined, economic benefit is following to the entity and there is control of the in-kind contributions. This shall be reported in the Financial Statements. ✓ Cash and cash equivalent includes cash on hand, cash at bank, short-term deposits on call and highly liquid investments with an original short-term maturity ✓ Outstanding imprests and advances to public officers as at the end of the reporting period are treated as accounts receivable. ✓ Deposits and retentions as at the end of the reporting period are treated as accounts payable. ✓ Non-current assets are capitalized at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. ✓ Contingent liabilities consist of possible or present obligations that may lead to an outflow of resources or where the amount of the obligation cannot be determined with certainty. ✓ Contingent assets consist of a possible asset whose existence is contingent on the occurrence of a future event not wholly within the control of the Accounting Officer. ✓ The Statement of Comparison of Budget and Actual Amounts is prepared ✓ The financial statements provide comparative information for the prior reporting period

	✓ Related party transactions involve transactions with the National Government and its entities, National/County Government entities, national/County MDAs and key management personnel **Transition to Accrual Guidelines 2024 and the Approved Financial Reporting Template**
Audit Objectives: To confirm that reports on financial and non-financial performance are prepared and submitted within stipulated timelines in accordance with applicable policies, regulations, and statutory requirements.	
Risk: Non-Adherence to PFM Act and Regulations on submission of Financial Statements and Reports	
Controls	**Audit Tests**
Reporting Compliance Matrix Implemented	**TEST OF DESIGN** • Establish the key requirements of laws, regulations, policies and procedures on public sector financial reporting. • If the control is not documented, enquire from process owner how it is meant to be executed. **TEST OF IMPLEMENTATION** • Obtain the Treasury Guidelines on reporting • 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** a) **Monthly reporting** • Confirm that monthly reports are prepared and submitted by the Accounting Officers in the prescribed format before 10th of the subsequent month to the National treasury with copies to the Controller of Budget and the Auditor General **Reg. 55(1) of the PFMR, 2015** b) **In-year Reporting** • Confirm that Quarterly Financial Statements are prepared and submitted in the prescribed format by the Accounting Officers within 15 days after the end of the quarter to the National treasury **Sec. 83(1,3) of the PFMA, 2012** • Confirm that Quarterly Financial Statements are prepared and submitted in the prescribed format by the Fund Administrators within 15 days after the end of the quarter to the National treasury **Sec. 84(1,3), Sec. 85 of the PFMA, 2012** • Confirm that the Accounting Officer or receiver of revenue or collector of revenue prepares a quarterly revenue report not later than the 15th day after the end of the quarter and submits

it to National Treasury, with a copy to the Office of the Controller of Budget **Reg. 65(1,4) of the PFMR, 2015**

c) **End-of-year closing procedures**

- Confirm that the unexpended appropriations is transferred to the National Exchequer Account by 31st January and a refund statement prepared **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template** and **Sec. 136(2) of the PFMA, 2012, Reg 84 PFMR 2015**
- Confirm that new commitments (procurement of goods and services) are not created after 31st May so as to avoid accumulation of pending bills **Reg 51 (1) PFMR 2015.**
- Confirm that all outstanding payments in entity's financial management system and internet banking are investigated and cleared **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template**
- Confirm that bank reconciliations are completed for each bank account and a copy submitted to the Treasury and the Auditor-General on or before 10th July, **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template**

	• Confirm that Board of Survey is undertaken to examine and verify the cash on hand and bank balances as at the close of business of the last working day of the financial year. **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template** • Confirm that all collected revenue is accounted for and banked on 30th June, **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template** • Confirm that all accounting officers submit to the National Treasury by 30th September, a list of all entity bank accounts operated by the Accounting Officer **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template and Reg. 87(3) of the PFMR, 2015** • Confirm that all standing and temporary imprests are surrendered by 30th June, and any other outstanding imprest is placed under recovery **Treasury Circular on End Year Financial reporting (Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template** and **Reg. 93(7) of the PFMR, 2015** • Confirm that the June salaries are paid early enough and deductions paid so as to ensure that the payroll expenditure is accurately reflected in the annual financial statements **Treasury Circular**

	on End Year Financial reporting(Circular is issued every year, changes as it may be appropriate), Approved Financial Reporting Template d) **Annual Reporting** • Confirm that Annual Financial Statements are submitted by the Accounting Officers within three months after the end of the financial year to the Auditor General, Controller of Budget and the National treasury Sec. **68(2k) of the PFMA, 2012** • Confirm that Annual Financial Statements are submitted by the Fund Administrators within three months after the end of the financial year to the Auditor-General, National Treasury, Controller of Budget, and the Commission on Revenue Allocation **Sec. 84(1,3), Sec. 85 of the PFMA, 2012** • Confirm that the Accounting Officer or receiver of revenue or collector of revenue prepares an annual revenue report not later than three months after the end of the year and submits it to National Treasury, Controller of Budget, National Treasury and Commission on Revenue Allocation Reg. **65(1,4) of the PFMR, 2015**