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All Accounting Officers
Ministries, Departments, and Agencies
State Corporations and Semi-Autonomous Government Agencies, TVETs,
TTCs, Public Funds, and Public Universities
County Governments and County Government Entities.

**MODEL INTERNAL AUDIT MANUAL, INTERNAL AUDIT TEMPLATES, AND RISK
MANAGEMENT TEMPLATES FOR PUBLIC SECTOR ENTITIES**

1.0 INTRODUCTION

Sections 194(1)(f) of the Public Finance Management Act, 2012 mandates the Public Sector Accounting Standards Board (PSASB) to provide, with the concurrence of the Cabinet Secretary-National Treasury and Economic Planning, frameworks and set generally accepted accounting standards for the development and management of accounting and financial systems and internal audit procedures by state organs and public entities, with the concurrence of the Cabinet Secretary-National Treasury and Economic Planning. Further, Section 194 (1)(e) requires PSASB to publish and publicise the accounting and financial standards and any directives and guidelines prescribed by the Board.

The PSASB has now prescribed, and the National Treasury concurred with, the Revised Model Public Sector Internal Audit Manual, the attendant Internal Audit Templates and Risk Management Templates. Internal audit functions in the

public sector will apply this model manual and templates to enhance compliance with the requirements of Regulations 161 and 154 of the Public Finance Management Regulations, 2015, for the National and County Governments, respectively.

Risk Management functions will apply the risk management templates to enhance compliance with the requirements of Regulations 165 and 158 of the Public Finance Management Regulations, 2015, for National and County Governments, respectively, and the Public Sector Risk Management Guidelines.

1.1 PURPOSE

The purpose of this Circular is to guide the implementation of the Revised Model Internal Audit Manual, internal audit templates, and risk management templates as prescribed by the Public Sector Accounting Standards Board (PSASB). The manual and its attendant templates will enable the internal auditors to comply with the International Professional Practices Framework issued by the Institute of Internal Auditors from time to time and ensure uniformity and consistency in the conduct of internal audit across the National and County Governments.

The risk management templates will support public sector entities in establishing entity-specific risk management policy frameworks and risk management registers to oversee and manage risks and integrate risk management into their operations and strategies.

1.2 INTERNAL AUDITING ARRANGEMENTS AND REPORTING REQUIREMENTS

1.2.1 National and County Government Entities

In accordance with Section 73 and 155 of the Public Finance Management Act, 2012, every national and county government entity shall establish appropriate arrangements for conducting internal audit according to the guidelines of the Accounting Standards Board.

Further to the above, Regulations 161 and 154 of National and County Government Public Finance Management Regulations, 2015 respectively, require internal auditors to comply with the International Professional Practices Framework (IPPF) as issued by the Institute of Internal Auditors from time to time and conduct audits in accordance with policies and guidelines issued by the Public Sector Accounting Standards Board to ensure uniformity and consistency across national government.

Public Sector Accounting Standards Board in compliance with the above, adopted the International Professional Practices Framework (IPPF) for implementation and reporting by public sector entities internal auditors vide gazette notice number 11033 dated 30th August 2024. Standard 9.3, a mandatory component of the 2024 IPPF requires Heads of Internal Audit to establish methodologies (manual and procedures) that guide the internal audit function in a systematic and disciplined manner, to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. The methodologies must be evaluated periodically for effectiveness and updated as necessary for improvements in responding to significant changes that affect the function.

1.3 RISK MANAGEMENT REQUIREMENTS

Regulations 165 and 158 of National and County Government Public Finance Management Regulations, 2015 respectively, requires the Accounting Officer to ensure development of (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

2.0 GENERAL GUIDELINES

Section 194 (1)(c) of the PFM Act mandates the Public Sector Accounting Standards Board to prescribe internal audit procedures which comply with the PFM Act mainstreams best practices for good governance, risk management, and internal controls for all state organs and public entities.

2.1 NATIONAL GOVERNMENT ENTITIES

Regulation 173 of the National Government Public Finance Management Regulations, 2015 requires that;

- 1) Each head of internal audit shall prepare a quarterly internal audit report which shall cover areas provided for in the guidelines and shall be in the format issued by the Cabinet Secretary;
- 2) The quarterly report in paragraph (1) of this regulation shall be submitted within 14 days of the end of the quarter to the accounting officer of the concerned entity, the Audit Committee, and the National Treasury; and
- 3) At the end of each financial year, the Internal Auditor General shall prepare a clear and comprehensible annual report for the national government that consolidates the quarterly audit assurance reports

prepared by all internal audit units in national government entities, in accordance with formats prescribed by the Accounting Standards Board.

Further, regulation 165 of the National Government Public Finance Management Regulations, 2015 requires that the Accounting Officer shall ensure that the national government entity develops: -

- (a) risk management strategies, which include fraud prevention mechanisms; and
- (b) a system of risk management and internal control that builds robust business operations.

2.2 COUNTY GOVERNMENT ENTITIES

Regulations 166 of County Government Public Finance Management Regulations, 2015 requires that;

- 1) Each head of internal audit unit shall prepare a quarterly internal audit report which shall cover areas provided for in guidelines and shall be in a format issued by the Cabinet Secretary;
- 2) The quarterly report in paragraph (1) of this regulation shall be submitted within 14 days of the end of the quarter to the Accounting Officer of the concerned entity, the Audit Committee, and the County Treasury; and
- 3) At the end of each financial year, the County Head of Internal Audit Services shall prepare for the county government clear and comprehensible annual report that consolidates the quarterly audit assurance reports prepared by all internal audit units activities in county government entities, in accordance with formats prescribed by the Public Sector Accounting Standards Board.

Further, regulation 158 of County Government Public Finance Management Regulations, 2015 requires that the Accounting Officer shall ensure that: -

- (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and
- (b) the county government entity develops a system of risk management and internal control that builds robust business operations.

2.3 MODEL INTERNAL AUDIT MANUAL, INTERNAL AUDIT TEMPLATES, AND RISK MANAGEMENT TEMPLATES

2.3.1 Applicability

The Model Internal Audit Manual, the attendant internal audit templates and risk management templates are applicable for use by all internal audit and risk management functions across the public sector.

2.3.2 The Model Internal Audit Manual and the attendant Internal Audit Templates

The Model Internal Audit Manual and the attendant internal audit templates to the model manual have been updated to align with the 2024 International Professional Practices Framework (IPPF).

The following documents are now issued through this circular for implementation by public sector entities.

- 1) Model Internal Audit Manual for the Public Sector Entities;
- 2) Audit Committee Charter Template;
- 3) Internal Audit Charter Template;
- 4) Internal Audit Strategic Plan Template; and
- 5) Internal Audit Plan Template.

2.3.2 Risk Management Templates

The risk management templates have been updated in line with governance, risk management and internal controls frameworks and best practices. The following documents are now issued through this circular for use by public sector entities.

- 1) Sample Risk Management Policy Outline;
- 2) Sample Risk Management Implementation Roadmap;
- 3) Sample Risk Categories;
- 4) Sample Risk Appetite Statements;

- 5) Sample Risk Register;
- 6) Sample Risk Rating Matrix;
- 7) Quarterly Risk Management Report Template; and
- 8) Annual Risk Management Report Template.

3.0 EFFECTIVE DATE

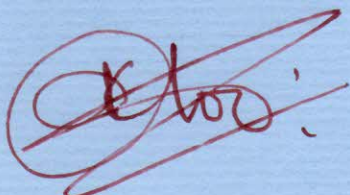
The model internal audit manual, internal audit templates and risk management reporting templates shall be applicable for implementation as at **1st October 2025**.

4.0 ACCESS TO THE REVISED MODEL INTERNAL AUDIT MANUAL, INTERNAL AUDIT TEMPLATES AND RISK MANAGEMENT TEMPLATES

The Revised Model Internal Audit Manual, Internal Audit templates and Risk management templates, as issued by the PSASB, can be downloaded from the National Treasury and the Public Sector Accounting Standards Board (PSASB) websites on (www.treasury.go.ke) (www.psasb.go.ke) and (www.internalaudit.go.ke).

4.1 CLARIFICATIONS AND TECHNICAL SUPPORT

For any further clarification, please contact the Public Sector Accounting Standards Board at info@psasb.go.ke or auditstandards@psasb.go.ke or the Internal Auditor General's Department at the National Treasury at iag@internalaudit.go.ke.



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