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Date: 4th May 2026

Mr. Ross Smith

Program and Technical Director
IPSASB
70 York Street, Suite 710
Toronto, ON M5J 1S9
CANADA

Dear *Mr. Ross Smith*,

RE: SUBMISSION OF COMMENTS ON IPSASB WORK PROGRAM CONSULTATION – STRATEGY AND WORK PROGRAM 2024–2028

The Public Sector Accounting Standards Board (PSASB) of Kenya, established under Section 194 of the Public Finance Management Act, 2012, is mandated to prescribe accounting and financial reporting frameworks for public sector entities and promote best practices in governance, internal controls, and risk management.

PSASB Kenya is pleased to submit its response to the IPSASB Work Program Consultation issued in October 2025 and commends the IPSASB for its continued efforts to strengthen global public financial management and advance financial and sustainability reporting.

In summary, PSASB recommends prioritizing:

1. Enhanced implementation guidance for key standards, including IPSAS 45, IPSAS 41, and IPSAS 43, as well as improved transition support under IPSAS 33 and the development of a standard on Interim Financial Reporting;
2. Post-Implementation Reviews for IPSAS 20 and IPSAS 31 to address practical challenges and emerging issues; and
3. Advancement of sustainability reporting through Phase 2 of IPSASB SRS 1 and the development of a comprehensive public sector-focused sustainability reporting standard aligned with IFRS S1.

These priorities are essential to address implementation challenges, improve comparability, support the transition to accrual accounting, and strengthen sustainability reporting in the public sector.

PSASB remains committed to supporting IPSASB in developing high-quality, relevant standards and trusts that this submission will contribute to IPSASB's future Work Program. Should you require any further clarification, please do not hesitate to contact us.

Yours *Sincerely*,



FCPA GEORGINA MUCHAI

CHIEF EXECUTIVE OFFICER

Public Sector Accounting Standards Board (PSASB) – Kenya

Attachment:

IPSASB Work Program Consultation Draft Responses – PSASB Kenya

IPSASB WORK PROGRAM CONSULTATION DRAFT RESPONSES

Specific Matter for Comment 1

A. Financial Reporting Projects

Project 1: Enhancing Operational Guidance for IPSAS 45 (Measurement – Current Operational Value)

Project Description:

This project aims to enhance practical implementation guidance for IPSAS 45, particularly in applying the Current Operational Value (COV) across diverse public-sector asset classes.

Key issues include:

1. Limited practical guidance on selecting appropriate valuation techniques (e.g., replacement cost, depreciated replacement cost, service potential approaches).
2. Ambiguity in determining “operational use,” especially for:
 - a) Mixed-use assets (service delivery + revenue generation)
 - b) Idle or underutilized assets
 - c) Assets held for future use
3. Insufficient transition guidance for:
 - a) First-time adopters
 - b) Entities transitioning from cash or historical cost accounting

The project would:

1. Provide detailed illustrative examples by asset class (e.g., infrastructure, heritage, military assets)
2. Define thresholds/indicators for operational use
3. Introduce practical transition reliefs (e.g., phased adoption, proxy measures)

Prioritization Criteria Analysis:

- **Prevalence: High**

COV applies widely across public sector entities globally, especially for infrastructure-heavy government entities.

- **Consequences: High**

Lack of clarity leads to inconsistent valuation and reduces comparability and reliability of financial statements.

- **Urgency: High**

IPSAS 45 is relatively new, and implementation challenges are already emerging.

- **Feasibility: High**

Enhancements can be achieved through application guidance and illustrative examples without major revisions to the standard.

Project 2: Strengthening Implementation Guidance for IPSAS 41 (Financial Instruments)
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Project Description:

This project seeks to provide practical application guidance and illustrative examples tailored to public sector financial instruments.

Key gaps include:

1. Limited examples for:
 - a) Concessional loans
 - b) On-lending arrangements
 - c) Statutory receivables
2. Lack of detailed numerical illustrations for Expected Credit Loss (ECL), especially for:
 - a) Taxes and non-exchange receivables
 - b) Inter-entity loans
 - c) Payroll-based lending
3. Insufficient guidance on concessionary loans:
 - a) Separation of non-market components

- b) Subsequent measurement
- c) Linkages with IPSAS 47

The project would:

1. Provide worked examples for classification and measurement
2. Develop public sector-specific ECL scenarios
3. Clarify interaction with non-exchange revenue standards

Prioritization Criteria Analysis:

1. **Prevalence: High**
Financial instruments are widely used across all public sector entities.
2. **Consequences: High**
Inconsistent application of ECL and classification models undermines financial reporting quality.
3. **Urgency: High**
Implementation challenges are immediate and ongoing.
4. **Feasibility: Medium–High**
Requires development of examples but not fundamental changes to the standard.

Project 3: Improving Application Guidance for IPSAS 43 (Leases)

Project Description:

This project focuses on addressing implementation challenges in IPSAS 43 by developing detailed guidance and examples tailored to public sector leasing arrangements.

Key issues include:

1. Difficulty identifying leases in complex arrangements (e.g., service concession elements, shared assets)
2. Lack of guidance on:
 - a) Measurement of right-of-use assets with irregular/conditional payments
 - b) Determination of discount rates for non-commercial entities
 - c) Application of low-value and short-term exemptions

3. Limited guidance on:
 - a) Lease modifications due to policy decisions
 - b) Intra-public sector leases
 - c) Non-commercial lessor arrangements
4. Insufficient transition guidance for first-time adopters

The project would:

1. Provide step-by-step numerical examples
2. Clarify public sector-specific scenarios
3. Enhance transition guidance

Prioritization Criteria Analysis:

- **Prevalence: High**
Leasing is common across governments (e.g., buildings, vehicles, equipment).
- **Consequences: High**
Inconsistent application affects liabilities, assets, and fiscal transparency.
- **Urgency: High**
Adoption challenges are significant, particularly in emerging economies.
- **Feasibility: Medium–High**
Achievable through implementation guidance and illustrative materials.

Project 4: Development of an IPSAS Standard on Interim Financial Reporting

Project Description:

This project proposes the development of a new IPSAS equivalent to IAS 34 (Interim Financial Reporting).

Currently:

1. No IPSAS guidance exists on interim reporting
2. Practices are jurisdiction-driven and inconsistent

The project would:

1. Establish principles for interim financial reporting in the public sector
2. Enhance comparability and transparency of in-year reporting
3. Align public sector reporting with international best practices

Prioritization Criteria Analysis:

- **Prevalence: Medium–High**
Many jurisdictions prepare interim reports, though practices vary.
- **Consequences: Medium–High**
Lack of guidance reduces comparability and reliability of interim data.
- **Urgency: Medium**
Important but less urgent than implementation challenges in existing standards.
- **Feasibility: Medium**
Requires development of a new standard.

Project 5: Development of a Simplified IPSAS Framework for Small Public Sector Entities

Project Description:

This project proposes the development of a simplified reporting framework for small public sector entities (e.g., schools, hospitals), similar to IFRS for SMEs.

Key issues:

1. Full IPSAS requirements are complex and resource-intensive
2. Smaller entities face capacity constraints

The project would:

1. Introduce simplified recognition and measurement requirements
2. Reduce disclosure burden
3. Improve adoption and compliance

Prioritization Criteria Analysis:

- **Prevalence: High**
Small entities make up a large share of the public sector globally.
- **Consequences: High**
Complex standards hinder adoption and compliance.

- **Urgency: Medium–High**
Important for broadening IPSAS adoption.
- **Feasibility: Medium**
Requires significant development effort.

Specific Matter for Comment 2

B) Post-Implementation Reviews

Project 6: Post-Implementation Review of IPSAS 20 (Related Party Disclosures)

Project Description:

This project proposes a Post-Implementation Review (PIR) of IPSAS 20 to assess challenges in applying related party disclosure requirements in the public sector.

Key issues include:

1. Difficulty identifying and defining related parties in complex government structures: Ministries, agencies, state corporations, and devolved units under common control.
2. Lack of clarity on the boundaries of related parties
3. Practical challenges in achieving exhaustive disclosures

The PIR would:

1. Assess implementation challenges globally
2. Evaluate need for:
 - a) Clarified definitions
 - b) Practical exemptions
 - c) Simplified disclosure approaches

Prioritization Criteria Analysis:

- **Prevalence: High**
Affects all public sector entities with complex governance structures.
- **Consequences: High**
Incomplete or inconsistent disclosures undermine transparency and accountability.
- **Urgency: Medium–High**
Issues are persistent and affect financial statement quality.

- **Feasibility: High**

PIR process is already established within IPSASB.

Project 7: Post-Implementation Review (PIR) of Intangible Assets- IPSAS 31

Project Description:

This project proposes a **Post-Implementation Review (PIR)** of IPSAS 31 (Intangible Assets) to assess its continued relevance and adequacy in addressing emerging issues.

Key Emerging Issues:

1. **Cloud Computing Arrangements (Software as a Service):**

- a. Difficulty in determining whether arrangements give rise to:
 - i. An intangible asset
 - ii. A service contract
- b. Lack of clarity on capitalization vs expensing

2. **Data as an Asset:**

- a) Increasing importance of structured and unstructured data
- b) Absence of clear recognition and measurement guidance

3. **Website and Digital Infrastructure Costs:**

- a) Inconsistent treatment across jurisdictions

Prioritization Criteria Analysis:

- **Prevalence:** High
Digital transformation is widespread across governments.
- **Consequences:** High
Inconsistent treatment affects comparability and asset valuation.
- **Urgency:** High
Rapid adoption of cloud and AI technologies is outpacing current guidance.
- **Feasibility:** High
PIR can be conducted within existing IPSASB processes.

Specific Matter for Comment 3

C) Sustainability Reporting Projects

Project 7: Completion of IPSASB SRS 1 (Climate-related Disclosures) – Phase 2

Project Description:

This project supports prioritization of Phase 2 of IPSASB SRS 1, focusing on public policy programs and broader government sustainability reporting.

Key focus areas:

1. Integration of sustainability into public policy reporting
2. Linking financial and sustainability information
3. Addressing government-wide climate-related disclosures

The project would:

1. Expand guidance beyond “own operations.”
2. Provide frameworks for reporting policy impacts on sustainability

Prioritization Criteria Analysis:

- **Prevalence: High**
Climate and sustainability reporting is a global priority.
- **Consequences: High**
Lack of guidance limits transparency and accountability in sustainability reporting.
- **Urgency: High**
Sustainability reporting is rapidly evolving and politically significant.
- **Feasibility: Medium**
Requires careful development but builds on existing Phase 1 work.

Project 8: Development of a General Sustainability Reporting Standard (Aligned to IFRS S1)

Project Description:

This project proposes the development of a **comprehensive IPSAS Sustainability**

Reporting Standard, aligned conceptually with IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information), but tailored for the public sector.

Rationale:

- The current focus on climate (SRS 1) is focused on climate-related issues only.
- Governments require a **holistic sustainability reporting framework** covering:
 - a) Environmental
 - b) Social
 - c) Governance (ESG)
 - d) Public policy outcomes

Materiality in the Public Sector Context:

- a) Broader stakeholder focus beyond investors

The project would:

1. Develop a baseline sustainability reporting framework for the public sector
2. Provide guidance on integrating sustainability into:
 - a) Financial reporting
 - b) Budgeting and planning

Prioritization Criteria Analysis:

- **Prevalence: High**
Sustainability reporting is widely demanded across governments, but practices are currently fragmented.
- **Consequences: High**
Lack of a standard reduces transparency, comparability, and assessment of long-term fiscal sustainability.
- **Urgency: High**
Immediate global pressure exists due to ESG expectations and alignment with frameworks like IFRS S1.

- **Feasibility: Medium–High**

Achievable by leveraging existing frameworks, though public sector adaptations are required.