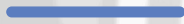




SURVEY REPORT

JUNE 2023

**A SURVEY ON FINANCIAL REPORTING CAPACITY
BUILDING GAPS IN KENYA'S PUBLIC SECTOR ENTITIES**



Prescribe and promote the adoption of accounting, internal audit, and risk management standards in the public sector.



Transparent and Accountable Public Sector



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ACRONYMS

ESG	Environmental Social Governance Reporting
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MDAS	Ministries Departments and Agencies
NT	National Treasury
OAG	Office of the Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SAGAS	Semi- Autonomous Government Agencies
SCS	State Corporations

EXECUTIVE SUMMARY



The Public Sector Accounting Standards Board (PSASB) is established and constituted in accordance with sections 192 and 193 of the PFM Act, 2012. The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public Entities in Kenya. The Board is also mandated by the PFM Act to monitor the adherence to these Standards in the public sector.

In furtherance of the monitoring mandate, the Board sanctioned a survey whose objective was to assess the Financial Reporting capacity building gaps by public Sector entities in Kenya with a view to provide informed interventions.

The survey targeted various public entities that report on IPSAS and IFRS. The entities were drawn from the following clusters: Ministries Departments and Agencies (MDAs), Semi-Autonomous Government Agencies (SAGAS), State Corporations (SC), Public funds, Projects, County Executives, County Assemblies, County Corporations, Public hospitals, Cities and Municipal Boards. The sample size was 793 entities that participated in the FiRe Award 2022. Out of these, 76 (9.6%) responses were obtained. The respondents were requested to provide answers to specific questions with a view to obtain the relevant data relating to Financial reporting.

Out of the responses received, majority were

from SAGAs and SCs with 54% representation and 22% from MDAs, while 24% were entities from the other clusters listed above. Forty nine percent (49% of the respondents indicated that the most challenging non-financial report to prepare was the Environmental and Sustainability reporting, followed by the statement of performance against set objective at 30%. Further, 45% of the respondents said the statement of cash flows was the most challenging to prepare followed by the statement of changes in net assets and the statement of comparison of budget and actual amounts at 21%.

On Accounting standards, 38% of respondents pointed out Leases as the most challenging Accounting standards closely followed by Financial Instruments at 37%, and Intangible assets at 29%. The most preferred capacity building modality was workshops and seminars at 71% followed by technical assistance at 26%. PSASB and ICPAK were mentioned to be Capacity building agencies of choice at 21% followed by National Treasury at 17%. Most respondents mentioned a combination of PSASB, National Treasury, KSG and ICPAK.

The survey points out that PSASB has a critical role to play in Financial reporting capacity building in Kenya. It is imperative that PSASB takes its rightful place in providing solutions to the notable capacity building gaps ascertained in this survey.

1

BACKGROUND AND OBJECTIVES

1.1 BACKGROUND

Kenya adopted the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting standards (IFRS) in 2014. Evidently, and undoubtedly Kenya public sector has made remarkable progress in the application of IPSAS and IFRS in the last 9 years. It is noteworthy to say that PSASB has been a champion and has contributed immensely to the gains consolidated this far.

Pursuant to the requirements of the PFM Act 2012, PSASB has been in the frontline in ensuring that public entities have the requisite reporting tools and skills. In the delivery of its mandate, the Board has continually engaged the various stakeholders, and key among these stakeholders are the preparers of the financial statements. This is to ensure that PSASB gets feedback with a view to meeting the user's specific needs. It is on this premise that the Board sanctioned a survey on financial reporting capacity building in Kenya's public sector for purposes of providing the necessary interventions.

1.2 PROBLEM STATEMENT

The main goal of financial reporting is to provide vital information that aids in decision making. Financial reports provide the financial performance, financial position, and the nature of cash flows of a given entity. Further, in the public sector, financial reports allow entities to demonstrate their compliance with the legal framework.

Better decision-making is dependent on several factors, key among them is quality financial reports. And these reports can only be prepared by officers who are well facilitated and equipped

with the right knowledge and skills set. PSASB saw the need to assess capacity building gaps of the preparers of financial reports with a view to providing the precise intervention.

1.3 OBJECTIVES OF THE SURVEY

The specific objectives of the survey were:

- 1.To establish the most challenging non-financial reports to prepare.
- 2.To point out the most challenging financial statements to prepare.
- 3.To find out the most challenging standards to apply.
- 4.To establish the most preferred capacity building modality in financial reporting.
- 5.To establish the most preferred capacity building agency in regard financial reporting in public sector.

1.4 RESEARCH METHODOLOGY

1.4.1 Google Survey

Data was collected through Google forms. These forms were administered through email addresses and WhatsApp contacts of accountants working for Public Sector entities. These entities included Ministry Departments and Agencies, Semi-Autonomous Government Agencies, State Corporations Public funds, Projects, County Executives, County Assemblies, County Corporations, Public Hospitals Cities and Municipal Boards. The target group was 793 entities. The data collected was analyzed statistically and presented using various tools such as tables, pie charts and bar and line graphs. The sample questions of the google survey are annexed to this report under Appendix 1.



2 OBSERVATIONS FROM THE SURVEY

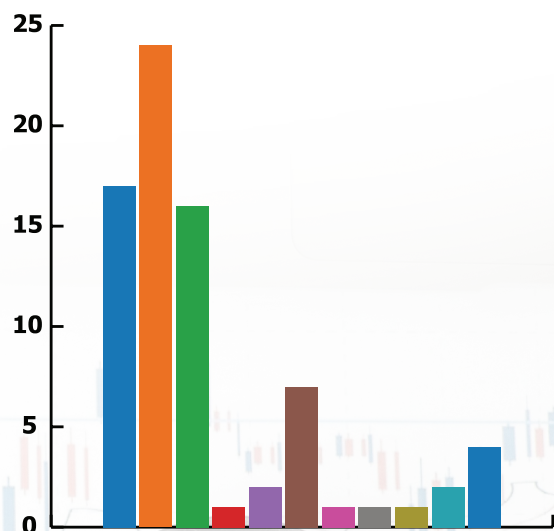
2.1 Findings from the Google Survey

The findings below emanate from the questions administered in the google survey.

2.1.1 Category of entities that responded to the survey.

There was a total of 76 respondents to the survey from a targeted population of 793 entities indicating a 9.6% response rate. The highest responses received were received from SAGAs and State Corporations at 54% and followed by MDAs at 22%.

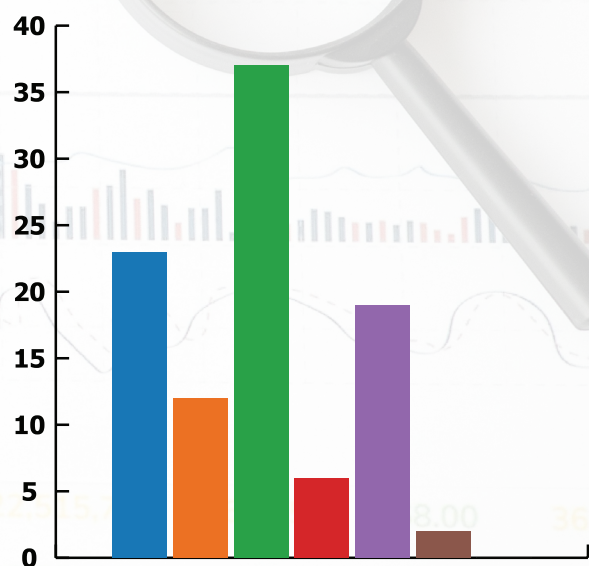
● Ministry Departments and Agencies	17
● Semi-Autonomous Government	24
● State Corporation	16
● Public Fund	1
● Project	2
● County Executive	7
● County Assembly	1
● County Corporation	1
● Public Hospital	1
● Cities and Municipal Boards	2
● Other	4



2.1.2 Most challenging Non-Financial Report/Statement

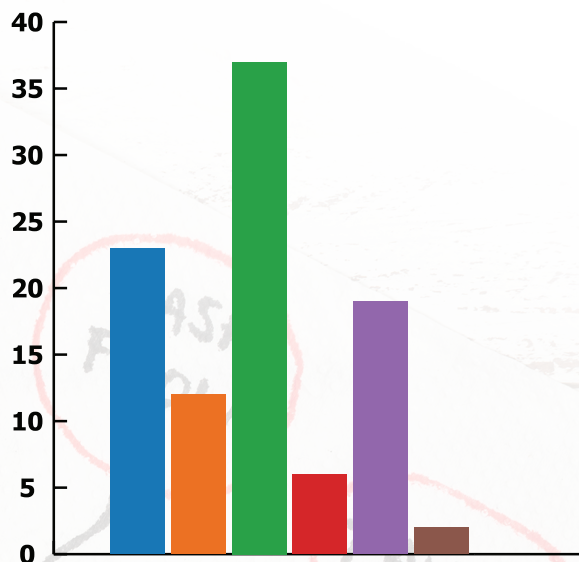
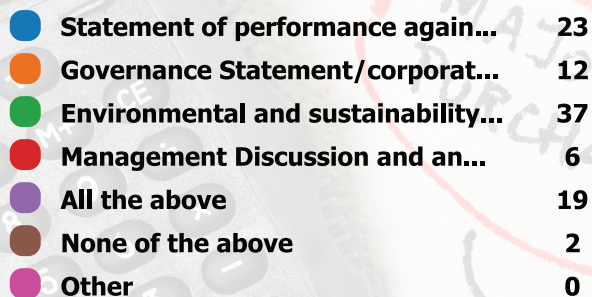
Forty-nine percent (49 %) of the respondents indicated that the Environmental and sustainability reporting as the most challenging non-financial report followed by statement of performance against set objectives at 30%.

● Statement of performance again...	23
● Governance Statement/corporat...	12
● Environmental and sustainability...	37
● Management Discussion and an...	6
● All the above	19
● None of the above	2
● Other	0



2.1.3 Most challenging financial statements

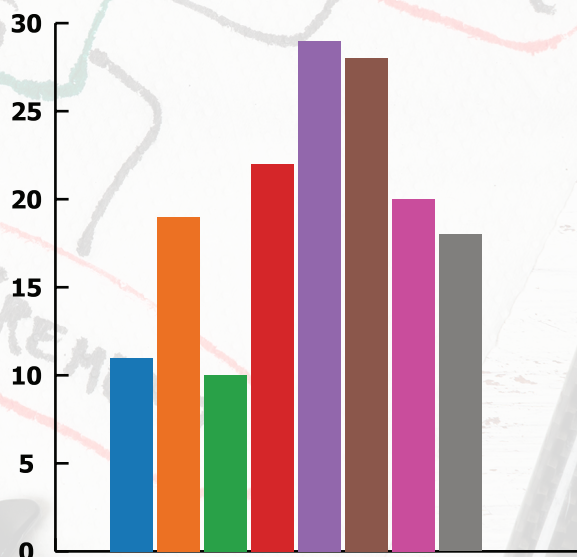
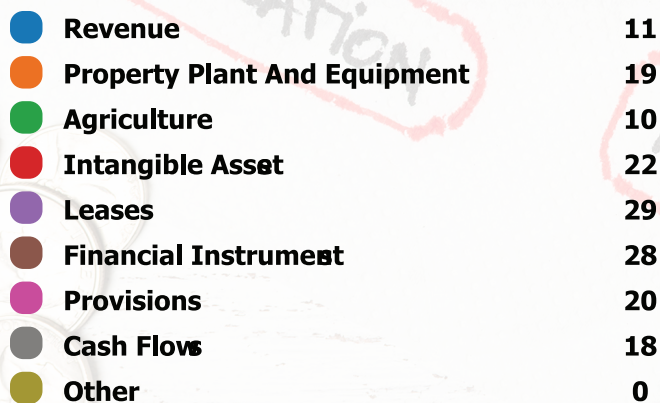
Statement of Cash flows was rated as the most challenging to prepare at 45% following by the statement of comparison of budget and actual together with the statement of changes in net assets both at 21%.



2.1.4 Most challenging Accounting Standard.

The accounting standard on leases was rated as the most challenging standard to apply at 38% followed financial instruments at 37% and Intangible assets at 29%.

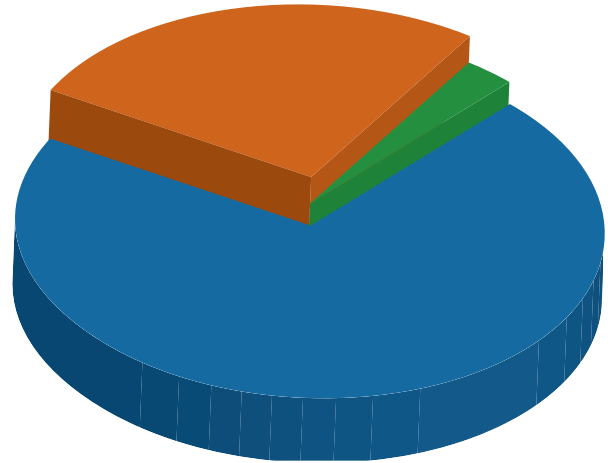
Statement of Cash flows was rated as the most challenging to prepare at 45% following by the statement of comparison of budget and actual together with the statement of changes in net assets both at 21%.



2.1.5 Most preferred Capacity building strategy.

Seventy one percent (71%) of the respondents indicated that workshops and seminars are the most preferred capacity building strategy. This was followed by technical assistance at 20%.

- Workshops/Seminars
- Technical Assistance
- Other



2.1.6 Most preferred Capacity building agency.

PSASB and ICPAK were both rated the most preferred agency at 21% followed by National Treasury at 17%.



2.1.7 Most recent financial reporting training attended.

ICPAK Workshops was highest as the recent financial reporting training attended.



2.1.8 Capacity building challenges

Budget constraint was cited as the biggest challenge to capacity building efforts in the public sector entities in Kenya.





3.1 Recommendations based on the results of the survey.

	Finding	Recommendation
1.	Environmental and sustainability reporting was rated the most challenging to non-financial report to prepare followed by statement of performance against set objectives.	PSASB and Treasury to enhance capacity building efforts in these area through virtual training
2.	The statement of Cash flows was ranked as the most challenging financial statement to prepare. This was followed by the statement of changes in net assets and statement of comparison of budget and actual amounts.	A guideline on IPSAS 2 has been issued and will provide entities with the much-required guidance around this area.
3.	Leases followed by financial instruments were rated as the most challenging standards to apply.	These standards will be included in the virtual training calendar. We will also release guidelines on the same in the coming year.
4.	Workshops and seminars were ranked as the most preferred capacity building modality followed by technical assistance.	PSASB and Treasury to prioritize workshops per sector and technical assistance on a case-to-case basis. In the recent YECP virtual sensitization programs, NT committed to reconsider physical trainings for the entities at KSG as was the case before COVID.
5.	PSASB and ICPAK followed by National Treasury were rated as the most preferred capacity building agencies.	PSASB to engage more with ICPAK under our MoU to seek more partnerships in the area of training. The engagement will also include the National Treasury.
6.	ICPAK workshops ranked highly as the most recent training that respondents attended.	As above.
7.	Lack of funding is the main challenge facing capacity building efforts in public sector entities.	PSASB and its partners to innovate with a view to provide affordable capacity building modalities.

3.2 Conclusion.

The survey indicated environmental and sustainability reporting and statement of cash flows as the most challenging non-financial and financial statements to prepare respectively. Further, Leases and Financial instruments were cited as the most challenging Accounting standards to apply. Workshops were ranked as the best capacity building modality. PSASB and ICPAK followed by National Treasury were rated as the most preferred capacity building agencies in the public sector. The survey results indicated PSASB has a critical role in financial reporting capacity building efforts in Kenya. PSASB should innovatively focus on the most challenging areas in the coming financial years while applying the most preferred modalities having in mind that public sector entities have budget constraints.



Appendix 1: Questionnaire.**1. Which reporting category best describes your reporting unit?**

- Ministry Departments and Agencies (MDAs)
- Semi-Autonomous Government Agency
- State Corporation
- Public Fund
- Project
- County Executive
- County Assembly
- County Corporation
- Public Hospital
- Cities and Municipal Boards
- Other

2. Most challenging non-financial reporting statements/reports

- Statement of performance against predetermined objectives
- Governance Statement/Corporate Governance statement
- Environmental and sustainability reporting
- Management Discussion and analysis
- All the above
- None of the above
- Other(specify).....

3. Most challenging financial statements

- Financial Performance/Profit and loss/Receipt and payment
- Financial Position
- Changes in Net Assets/Equity
- Cash Flows
- Budget comparison/Appropriation
- None of the above

4. Most Challenging standards

- Revenue
- Property Plant and Equipment
- Agriculture
- Intangible Assets
- leases
- Financial Instruments
- Provisions
- Cash flows
- Others (specify).....

4. Most Challenging standards

- Revenue
- Property Plant and Equipment
- Agriculture
- Intangible Assets
- leases
- Financial Instruments
- Provisions
- Cash flows
- Others (specify).....

5. Most Preferred Capacity building strategies

- Workshops/Seminars
- Technical Assistance
- Other(specify).....

6. Most preferred Capacity building agency

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8. Recent Financial reporting related training that you have attended.

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9. Capacity building challenges in your institution.

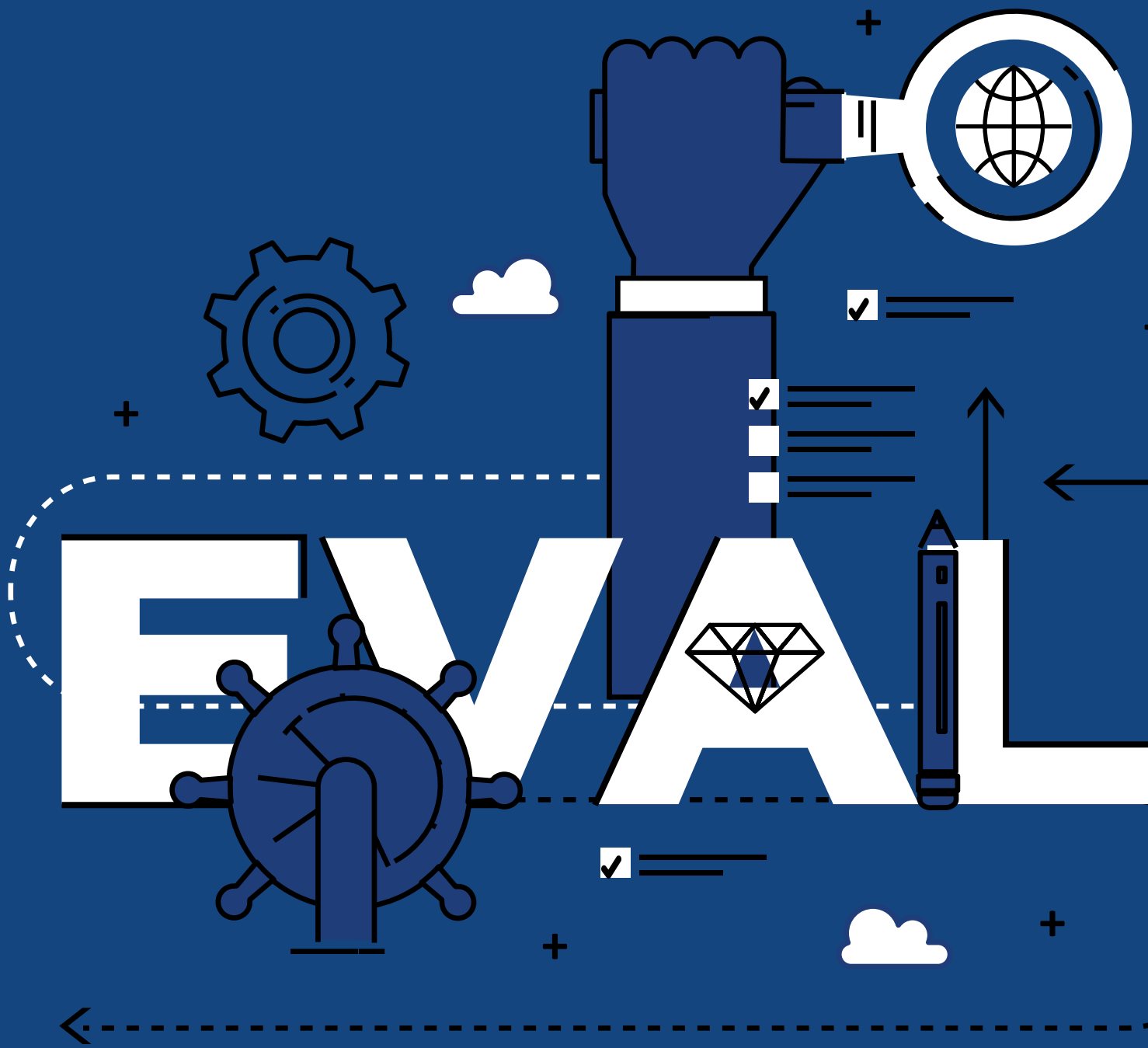
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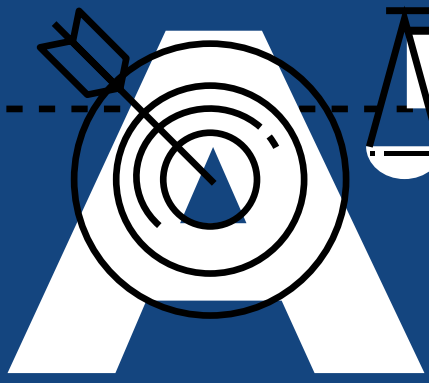
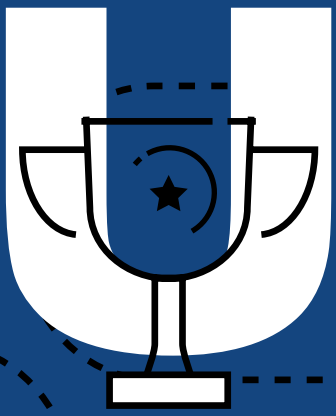
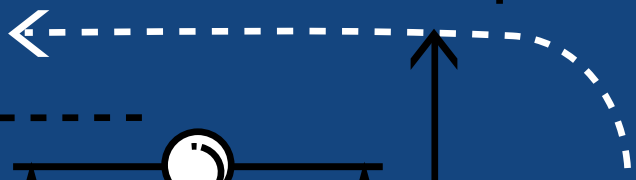
10. Share ideas that you would like The National Treasury and Public Sector Accounting Standards Board to explore in facilitating capacity building in Kenya.

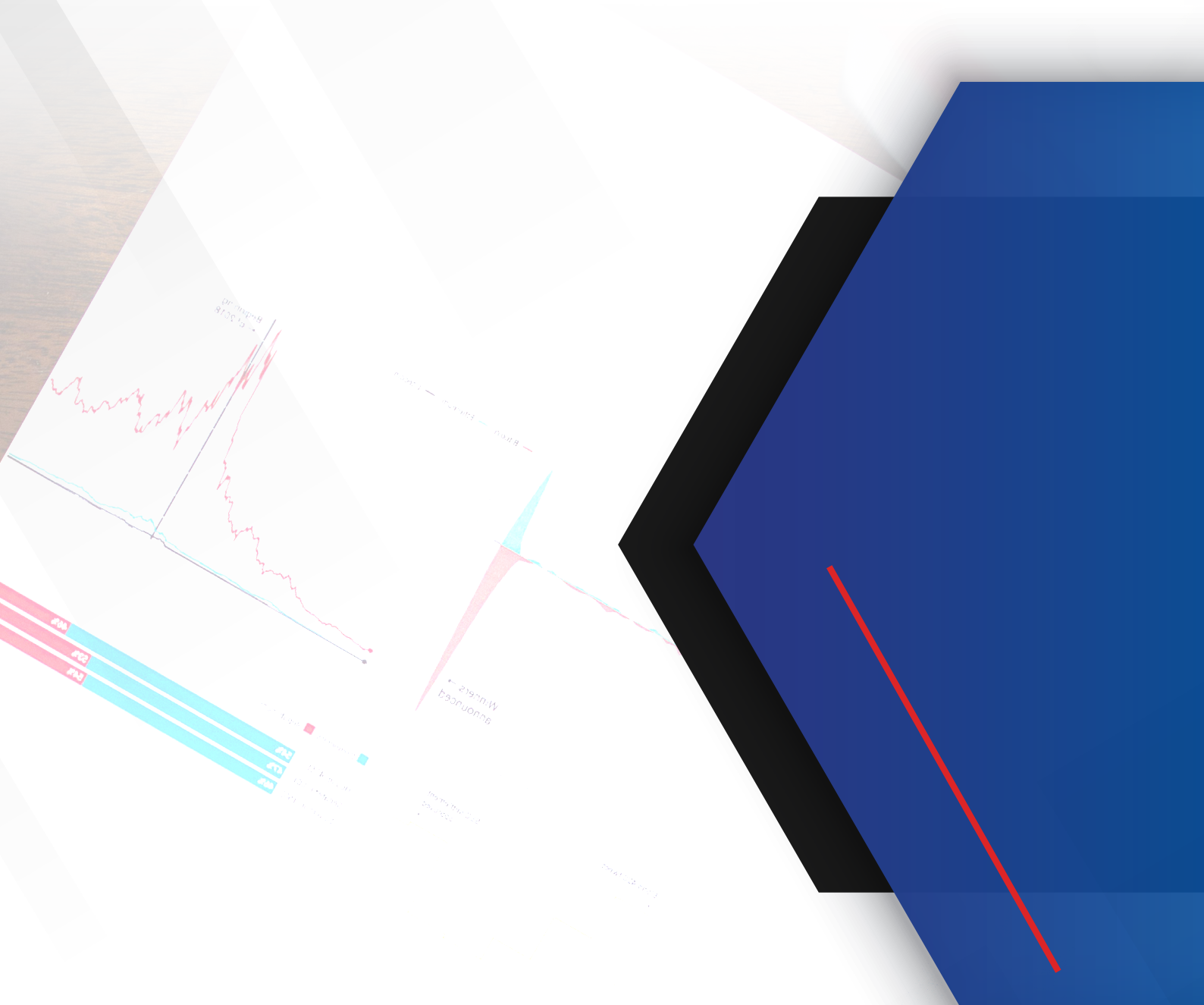
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11. Any other Capacity Building comments/Concerns


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 **CPA Centre 8th Floor, Thika
Super highway, Ruaraka
P.O Box 38831 – 00100
Nairobi**

 **(+254) 020 251 1557**

 **info@psasb.go.ke**

