



# A Survey Report on the application of IPSAS 1- Presentation of Financial Statements by Public Sector Entities in Kenya.

**2023**





## MESSAGE FROM THE CEO

---

Since gazettelement of PSASB in 2014, the Board prescribed Standards for application by Public Sector Entities. The IPSAS Accrual based standards continue to be used by the Semi- Autonomous National and County Government Agencies as well as the non- commercial State and County Corporations.

The Board is mandated to monitor adherence to the set standards by all state organs and public entities. It is in line with this mandate that we conducted this

survey with the view of establishing the application of IPSAS 1: Presentation of Financial Statements and the sufficiency of the templates issued by the Board. This exercise was also conducted with a view to inform the areas of improvement for action by the implementing entities as well as to inform the next cycle of amendments to the financial reporting templates.

IPSAS 1: Presentation of Financial Statements specifies minimum requirements to be presented in the general-purpose financial reports. This survey entailed assessing whether these minimum requirements are met and to identify areas of improvements and recommendations thereof.

I am pleased to present to you the findings of the survey together with the recommendations of the Board. These findings facilitate engagement with the preparers of the financial reports from an informed position and thus ensure continuous improvement of the financial reports prepared. The recommendations, once implemented, will improve the readability and understandability of financial statements prepared by public sector entities.

# CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>CHAPTER 1: BACKGROUND &amp; OBJECTIVES OF THE SURVEY</b>	<b>6</b>
1.1 Background	6
1.2 Problem Statement	7
1.3 Objectives of the survey	7
1.4 Research Methodology	8
<b>CHAPTER 2: FINDINGS FROM THE SURVEY</b>	<b>9</b>
2.1 Findings from the Google Survey	9
2.2 Findings from The Review of Financial Statements	14
<b>CHAPTER 3: RECOMMENDATIONS AND CONCLUSION</b>	<b>17</b>
3.1 Recommendations based on the results of the survey	17
3.2 Conclusion	19
<b>Appendices</b>	<b>21</b>

## ACRONYMS

IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OAG	Office of the Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi- Autonomous Government Agencies
TVETs	Technical and Vocational Education Training Institutes
TTCs	Teacher Training Colleges

# 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 line with its mandate of monitoring adherence to prescribed standards by all public entities and state organs, the Board sanctioned a survey on the application IPSAS 1- Presentation of Financial Statements by public entities in Kenya. The objective of the survey was to assess the application of IPSAS 1 by various categories of entities. The Standard specifies minimum requirements to be presented in the general-purpose financial reports.

The survey targeted various public entities that apply the IPSAS Accrual reporting framework. The entities were drawn from the following clusters: TVET Institutions, Universities, Funds, Regulatory Agencies, Teachers training Colleges among others. The sample size was 250 entities reporting under the IPSAS Accrual Framework in Kenya out of which 71 responses were obtained. The respondents were requested to provide answer questions with a view to get the relevant data relating to presentation of general-purpose financial reports. Further, 20 financial statements submitted to the National Treasury in the close of FY 2020/21 were reviewed against IPSAS 1 Financial Reporting Excellence (FiRe) Award checklist.

The findings showed that 70% of the respondents indicated that the responsibility of preparing general purpose financial statements was vested in the Finance Department Team of their respective entities. This was not in line with The Treasury circular on guidelines for year-end closing procedures that requires the Accounting Officers to form a dedicated financial reporting team comprising of officers from various departments of their entities. This may explain why some

entities are lagging behind on non- financial information included in their annual reports. The statement of cash flows was ranked as the most challenging financial statement to prepare by 50% of the respondents. PSASB encourages preparation of the cashflow statement using the direct method because it provides more information relevant for informing future budgeting and cash flow projections. This method seems unpopular with most preparers of the financial statements as opposed to the indirect method. Direct method of cash flow presentation is preferred because it presents more meaningful data that allows for better cash forecasts and enables consolidation of financial statements by entities under the cash IPSAS framework. It was also noted that 61% of the respondents preferred presenting their expenses by nature as opposed to presenting by function in the statement of financial performance. Further, 90% of the respondents preferred presenting assets and liabilities on current or and non-current basis rather than in order of liquidity. Both presentations in the statement of financial performance and the balance sheet most preferred by respondents are encouraged by PSASB in its financial reporting templates.

It was also noted that 65% of the respondents had no difficulties applying the IPSAS Accrual templates provided by the Board. These respondents had not received any audit queries based on the presentation of financial statements. The other 35 % requested for more sensitization of the financial reporting templates. Finally, 82% of the respondents indicated that the PSASB templates met their reporting needs.

A few respondents mentioned that some officers from the office of Auditor General had a contrary view on how the template is meant to be applied. Respondents indicated that there ought to be an appreciation from OAG officers that the templates are generic and therefore require preparers of financial statements to customize them appropriately.

On the specific financial statements reviewed, the review showed that some entities did not classify revenue as either from exchange or non-exchange in the statement of financial performance. Some entities presented expenses under both function and nature classification as opposed to presenting under one classification. The review also indicated that the cashflow statement was the most challenging statement to prepare. Based on the review, entities that used the direct method of cash flow failed to present a reconciliation in the notes to the financial statements of the cash flows from operating activities with the surplus/deficit in the notes to the financial statements. In addition, the cash and cash equivalent figures were not in agreement with the figures of cash and bank balances shown in the statement of financial position.



Under the statement of comparison of budget and actual amounts, majority of the entities reviewed did not provide an explanation of the budgetary basis (whether cash or accrual) and classification (programmatic or otherwise) basis adopted in the approved budget. Additionally, all the entities reviewed did not prepare a reconciliation of the actual amounts presented on a comparable basis to the budget and the actual amounts presented in the financial statements in the cases where the financial statements and the budget were not prepared on a comparable basis as required by IPSAS 24.

The findings noted above resonate with the review of audit queries from the Office of the Auditor General raised on the presentation of financial statements. They are also in tandem with the review from IMF East AFRITAC which reviewed several reports from the State Corporations and SAGAs category. The IMF findings with respect to financial statements recommend that instead of encouraging entities to use the direct method of cash flow, PSASB should prescribe to enhance standardization and uniformity. In addition, IMF also noted the lack of reconciliation reports arising from the statement of comparison budgeted amounts and actual amounts owing to use of different budget basis and budget classification.

The respondents of the survey recommended a collaborative approach with the various stakeholders in providing solutions to the findings. This included but is not limited to providing technical support to various entities in their specific areas of need and sensitizing the various stakeholders on the application of IPSAS 1 as well as continuous provision of simplified templates for use in Kenya.



# CHAPTER 1

# BACKGROUND & OBJECTIVES OF THE SURVEY

## 1.1 Background

The Constitution of Kenya (2010) entrenched accountability and good governance which led to enactment of the Public Finance Management Act (PFMA) No. 18 of 2012. The PFM Act established the Public Sector Accounting Standards Board (PSASB), with the mandate of providing frameworks, setting standards for the development and management of accounting and financial systems by all state organs and public entities. The Board was gazetted by the Cabinet Secretary, National Treasury on 28th February 2014.

On 8th August 2014, the Public Sector Accounting Standards Board vide gazette notice number 5440 approved the adoption of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB) and the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA).

Since 2014, the prescribed standards have been applied as follows by public sector entities:

- i. The National and County Governments and their respective entities apply IPSAS cash-based standard.
- ii. The Semi- Autonomous National and County Government Agencies apply IPSAS accrual-based standards.
- iii. The State and County corporations carrying out commercial activities apply IFRS while regulatory and non- commercial State and County Corporations apply IPSAS accrual.



The PFM Act 2012 section 194(4) mandates the Board to monitor adherence to the standards by all State Organs and Public Entities. In accordance this mandate, the Board undertook this survey in a bid to monitor the application of IPSAS 1 - Presentation of Financial Statements by State Corporations and Semi- Autonomous Government Agencies which report under the IPSAS Accrual Framework.

## **1.2 Problem Statement**

The objective of IPSAS 1-Presentation of financial statements is to prescribe the manner in which general purpose financial statements should be presented to ensure comparability both with the entity's financial statements of previous periods and with financial statements of other entities. To achieve this objective, IPSAS 1 sets out overall considerations for the presentation of financial statements, guidance for their structure and minimum requirements for the content of financial statements under the accrual basis of accounting.

Since the adoption of IPSAS in 2014, there has been notable improvement in the presentation of financial statements by public sector entities. However, there still remains some room for improvement based on the following:

- i. The findings noted from the review of financial statements on a regular basis by officers from the financial reporting unit at the National Treasury.
- ii. Qualifications of financial statements by the Office of the Auditor General based on presentation of financial statements and failure to apply the financial reporting templates issued by PSASB.
- iii. Findings from the review of financial statements during the Financial Reporting Excellence award scheme.

## **1.3 Objectives of the survey**

The specific objectives of the survey were:

1. To investigate the experiences and challenges encountered by preparers of accrual based IPSAS financial statements in the public sector.
2. To establish whether the Financial Reporting templates fully address the reporting needs of the entities.
3. To establish preferences in the manner of presentation of items on the statement of financial position and the statement of financial performance.
4. To establish the nature of audit arising from presentation of financial statements.
5. To ascertain whether there is need to amend the Annual Financial Reporting templates to suit the reporting needs.
6. To investigate the visual appeal of the financial statements.

## 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 State Corporations and Semi-Autonomous Government Agencies. These entities included Training and Vocational Colleges and Teacher Training Institutes. The target group was 250 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 Annex 1.

### 1.4.2 Desk review of financial statements

A sample of financial statements submitted to the National Treasury for FY 2020/2021 were reviewed against IPSAS 1 FiRe Award checklist. This was done in a bid to supplement the google survey that had been administered.



# CHAPTER 2

## FINDINGS FROM THE SURVEY

### 2.1 Findings from the Google Survey

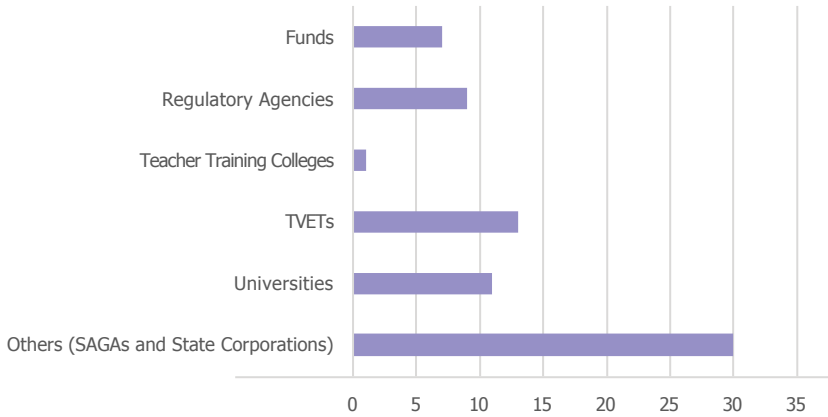
These are the results of the survey which were obtained from the set of questions.

#### 2.1.1 Category of entities that responded to the survey

A total of 71 entities responded to the survey from a targeted population of 250 entities indicating a 28.5% response rate. The highest responses received were received from “others” These are SAGAs and State Corporations which are non-regulatory and non-learning institutions.

Category	Number
Others (SAGAs and State Corporations)	30
Universities	11
TVETs	13
Teacher Training Colleges	1
Regulatory Agencies	9
Funds	7
<b>Total</b>	<b>71</b>

## Category of entities that Responded

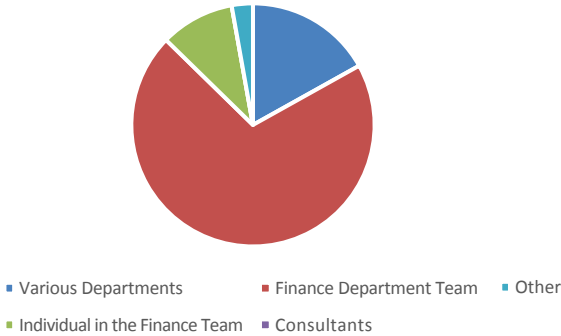


### 2.1.2 Preparation of annual report and financial statements

84% respondents indicated that the Finance department prepared annual/Quarterly report and financial statements in their organization. Another 11% indicates that an individual in the finance department is involved in the preparation of annual report and financial statements. This is contrary to the Treasury circular on Year end closing procedures that requires accounting officers to form a dedicated financial reporting team with officers drawn from various departments within their entities. This finding could explain the reason most entities are having challenges in reporting on their non- financial information especially matters relating to performance and linkage to financial information and issues with regards to corporate governance.

Preparers of statement	No. of institutions	Percentage
Various departments	12	21%
Finance department team	50	84%
Individual in the finance team	7	11%
Consultants	0	0%
Other	2	0.3%
<b>Total</b>	<b>59</b>	<b>100%</b>

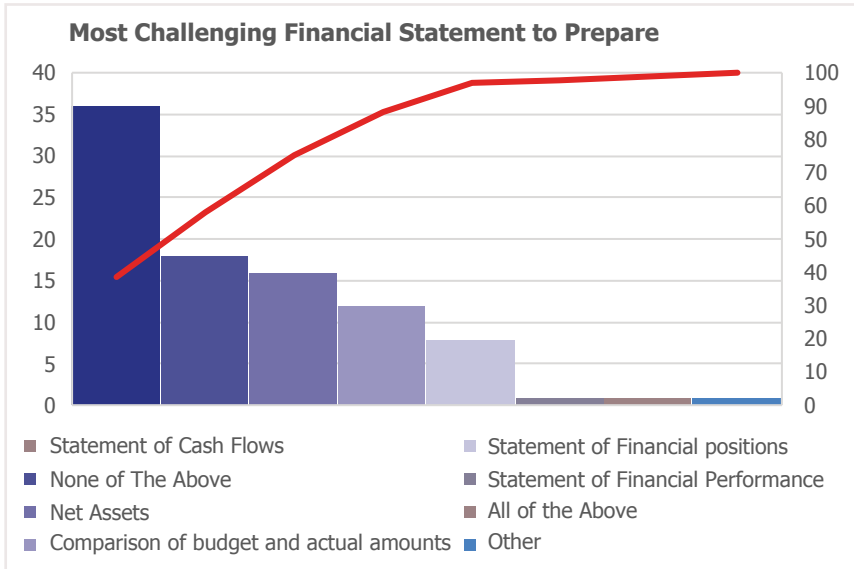
## Preparers of Statements



### The most challenging financial statement to prepare.

50.7% of the respondents pointed out that the statement of Cash flows is the most challenging financial statement to prepare while 25% had no challenges in preparing the entire set of financial statements. IPSAS 2 on cash flow presentation provides the presentation of cashflow using the direct or indirect method. However, it encourages the indirect method because it gives more meaningful data to the users of financial statements and can help entities to make better cash flow forecasts. Entities that stated this statement as hardest to prepare cited lack of data to facilitate direct method of cash flow presentation.

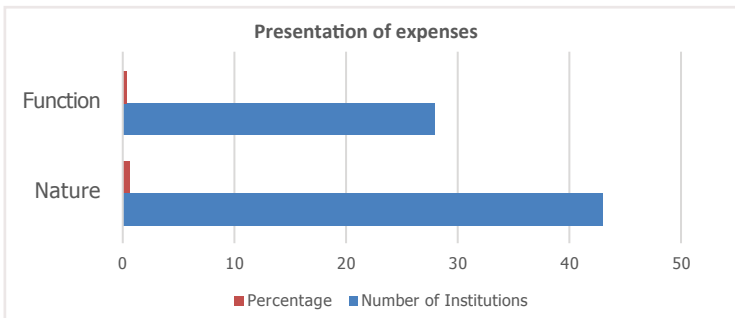
Component of financial statement	Number of entities
Comparison of budget and actual amounts	12
Statement of Cash flows	36
Net assets	16
Statement of Financial Position	8
Statement of Financial Performance	1
None of the above	18
All of the above	1
Other	1



#### 2.1.4 Presentation of expenses either by nature or function

61% of the respondents preferred presentation of expenses by nature in the statement of financial performance. IPSAS 1 allows for either classification. However, classification by function requires disclosure of expenses under the nature classification in the notes to the financial statements.

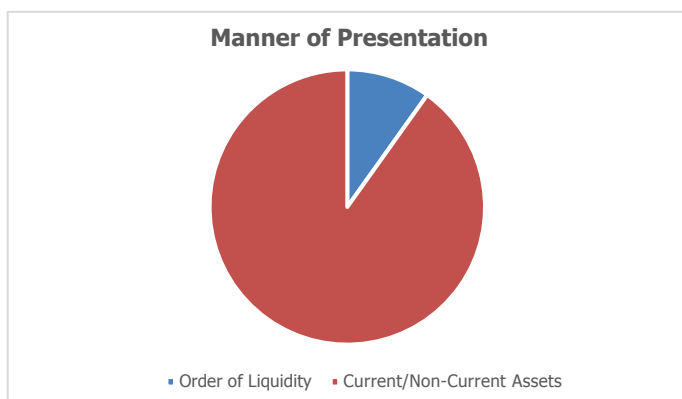
Expense classification	No. of institutions	Percentage
Nature	43	61%
Function	28	39%
	<b>71</b>	<b>100%</b>



### 2.1.5 Manner of Presentation of assets and liabilities.

64 entities which represents 90% respondents indicated that they preferred presenting assets and liabilities by classifying them as either current or non-current. Presentation by order of liquidity is most preferred for financial institutions such as banks.

Manner of presentation	Number of institutions
Order of Liquidity	7
Current/Non-current assets	64

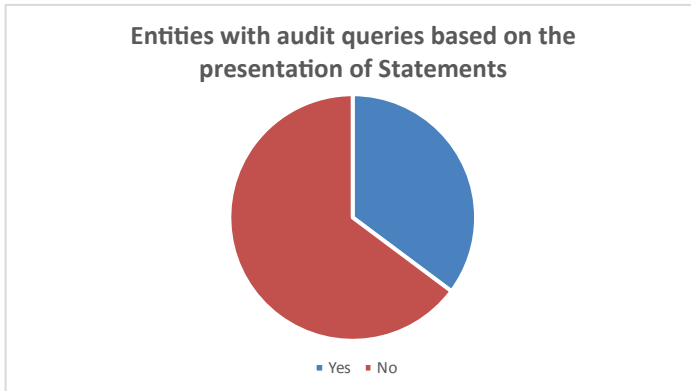


### 2.1.6 Number of institutions with audit queries based on the presentation of financial statements.

35% of the respondents indicated that they had audit queries based on presentation of financial statements. This indicates that there are still entities that are not able to follow the financial reporting templates which provide a good basis for ensuring entities adhere to the standards. It also indicates a training gap on the standards and the financial reporting templates.

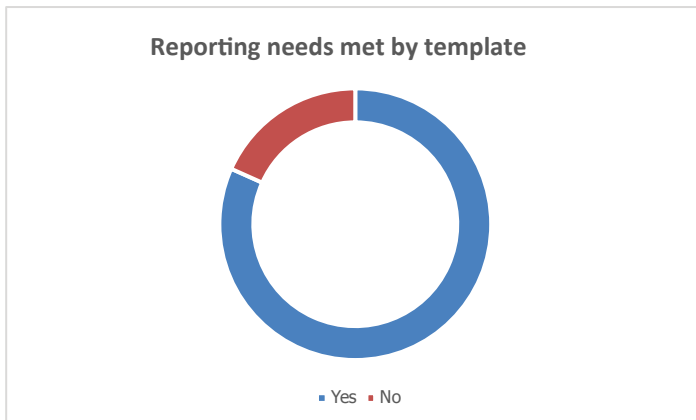
Response	No. of Entities	Percentage
Yes	25	35%
No	46	65%





**2.1.7 Reporting needs met by template**

81% Respondents were satisfied by the reporting templates indicating that they met their needs. Some entities cited the need to simplify the financial reporting templates and to reduce the literature there in.



**2.2 Findings from The Review of Financial Statements**

Financial statements submitted to the National Treasury in the close of FY 2020/21 were sampled and reviewed.

**Findings**

**2.2.1 Use of prescribed templates.**

- Majority of the entities were using the most updated templates.
- A few entities domiciled in the Ministries, Departments and Agencies used the cash basis reporting instead of IPSAS accrual template.

### **2.2.2 Non-Financial Section**

- Quality of reports was below the requirements set by PSASB. This was common among the TVETs and TTCs.
- A number of TTCs did not present the management discussions, corporate governance and sustainability reporting as per the requirements.

### **2.2.3. Visual Appearance and Design**

- Some few entities presented low quality photos and also text and tables were not well aligned. This was common among the TVETs and TTCs.

### **2.2.4. Statement of Financial performance**

- Failure to classify revenue as either Revenue from exchange transaction or Revenue from non-exchange transactions.
- Wrong classification of revenue items whereby there is a mix up with Exchange Revenue being classified as non-Exchange and vice versa.
- Some entities categorized funds belonging to Third parties as their own revenue.
- Failure to analyze expenses either by nature or by function. A few entities presented a mix of the two.
- Some TVETs and TTCs expensed capital items instead of recognizing them in the statement of financial position.

### **2.2.5. Statement of Financial Position**

- Few failed to separately classify current and non-current assets, and current and non-current liabilities on the face of the statement of financial position in accordance with IPSAS 1.76 to 1.87.
- Few failed to recognize inventories, specifically consumables for ordinary operation use within the entity. Mostly TTCs and TVETs.
- Failure to disclose receivables from non-exchange transactions and Exchange transactions separately.

### **2.2.6. Statement of Net Assets**

- Failure to present the statement of changes in Net Assets by TTCs.
- Failure to disclose the nature and purpose of reserves mainly by TVETs & TTCs.

### **2.2.7. Statement of Cash Flows**

- Failure by entities to present the statement that reconciles the Cash from operating activities with the surplus/deficit for entities that use the direct method of cash flow presentations.
- Cash and Cash equivalent figures in the statement of cash flows not matching with the figure in the statement of financial position.

### **2.2.8. Statement of Comparison of budget and Actual Amounts**

- Majority failed to provide an explanation of the budgetary basis and classification basis adopted in the approved budget.
- Failure to provide an explanation of material differences between the budget and actual amounts.
- All failed to disclose a reconciliation of the actual amounts presented on a comparable basis to the budget and the actual amounts presented in the financial statements, where the financial statements and the budget are not prepared on a comparable basis.

### **2.2.9. Notes to the Financial Statements**

- Few entities failed to present significant accounting policies.
- Some entities were noted as not customizing the accounting policies to fit their operations and not disclosing the new standards issued that are not yet effective.
- Entities not disclosing if they have early adopted any new standards or not and the impact of early adopting to the users of the financial statements.
- A number had Notes not well cross-referenced. E.g., note titles not matching, mixed up note numbering, figures not tallying with the face of the financial statements.
- Few had Incomplete notes. E.g., revenue from non-exchange transactions and Cash and cash equivalents.



# CHAPTER 3

## RECOMMENDATIONS AND CONCLUSION

### 3.1 Recommendations based on the findings of the survey.

S.No	Finding	Recommendation
<b>A. Issues from the Survey Findings</b>		
1.	Gaps noted in the annual reports owing to preparation of the reports by the finance departments.	Continue to encourage entities to include relevant departments from the organization in the preparation of annual report and financial statements and a complement to National Treasury circular.
2.	Preparation of the cashflow statement. Most entities prefer the indirect method as opposed to the direct method encouraged by PSASB.	<p>PSASB issued a guideline in 2020 on the preparation of cash flow statement using the indirect method. The remedies proposed include:</p> <ol style="list-style-type: none"> <li>1. Publishing and publicizing the IPSAS 2 guideline.</li> <li>2. Training on direct cash flow preparation for entities under accrual basis of accounting.</li> </ol> <p>We note that the IMF in their report recommended to PSASB to consider prescribing instead of encouraging the direct method of cash flow preparation for public sector entities to allow for better information and ease in consolidation of financial statements.</p>

S.No	Finding	Recommendation
3.	Classification of expenses by Nature or Function.	Progressively issue all templates under the classification by nature to enhance uniformity and for ease during the consolidation process as well as aid in comparison of performance across entities.
4.	Number of entities still getting qualified audit opinions on presentations of financial statements.	PSASB will follow through with the issues listed in Appendix 2A with a view to offer capacity building or revise the reporting templates among other interventions.
5.	19% of respondents indicated that their needs are not met by the templates.	Continuously seek improvement of the financial reporting templates to the standards, applicable laws and regulations and best practice. PSASB will also seek to increase coverage of entities through development of sector relevant financial reporting templates.

### **B. Specific considerations from the Survey Respondents**

1.	Prepare templates in Kiswahili for better understanding of Wanjiku.	PSASB to consider this project in future work plans.
2.	Promote simplicity in template development.	PSASB considering this in consideration of the requirements of the standards and the law.
3.	Regular sensitization of changes to the reporting templates.	PSASB has changed its work plan to ensure all revised templates are completed within the third quarter of the year to allow for sensitization in the fourth quarter.
4.	Harmonization of the quarterly reporting templates to annual reporting templates.	PSASB will issue quarterly reporting templates alongside the annual reporting templates for the year 2023.

S.No	Finding	Recommendation
5.	Include risk management and enhanced sustainability reporting in the financial statements.	Considerations to be given in the next cycle of revisions. For Sustainability reporting, PSASB considers waiting for standards to be prescribed.

### C. Recommendations from review of financial statements

1.	TVETs and TTCs lagging in quality of financial statements prepared.	<p>PSASB will:</p> <ol style="list-style-type: none"> <li>1. Alongside National Treasury, offer a targeted training for this cluster of entities.</li> <li>2. Develop a guideline akin to the one prepared for public schools and hospitals to enable entities understand and apply the template.</li> </ol>
2.	Presentation of Budget vs Actual amounts. It was noted that some entities are not presenting explanations to major variances, and reconciliations where budget and underlying financial reports are not prepared on the same basis.	PSASB will finalize the ongoing project of preparing a guideline on IPSAS 24 and issue.

### D. Other recommendations

1.	Existing staff members be trained on conducting research and surveys and analyzing data, preparing reports and policy considerations.	PSASB is in engagements with KIPPRA to have some of its staff members trained on this area.
2.	To target wider reach in terms of survey respondents.	PSASB is building a database of the public sector to assist in such surveys and other communication needs including public participation.

## 3.2 Conclusion

The survey indicated that majority of the public institutions conform with IPSAS 1 requirements. It was noted that the templates issued by the Board are vital tools in the successful application of IPSAS 1 in Kenya. Majority of the entities' financial reports are prepared by their finance departments only. There was a clear preference of presenting expenses in nature rather than by function in the statement of

financial performance. In the statement of financial position presentation of assets and liabilities by either current or non-current was the most preferred.

The survey established that only a few entities had audit queries based on the presentation of their Financial Statements. The Statement of Cash Flow was mentioned to be the most difficult Financial Statement to prepare. The PSASB templates met their financial reporting needs of most entities. New adopters of IPSAS accrual such as TVETs and TTCs faced difficulties in the application of IPSAS 1. Included in this report is a table on the findings noted and the interventions from the Secretariat and other key stakeholders in order to improve the application of IPSAS 1- Presentation of financial statements by public sector entities.

The findings from the survey and the review of financial statements were quite similar. From the review, it was noted that statements within the annual report such as the statement on corporate governance, management analysis and discussion, sustainability among others were not well populated. This may be indicative of the fact that other departments within the organization are not involved in the preparation of these statements. Additionally, it was noted that the cash flow statements prepared for some of the entities were not reliable and did not agree with other primary financial statements such as the statement of financial performance. TVETS and TTCs were noted have more challenges in implementing IPSAS 1 as opposed to any other cluster of entities.

PSASB recommends that entities should be encouraged to include other departments within their organizations to ensure linkage of financial and non- financial information. In addition, the Board will publish and publicize the IPSAS 2 guideline on cash flow statement to ensure that entities are guided in the direct method of cash flow preparation. The Board will continue to progressively issue financial reporting templates under the classification by nature of expenses in the statement of financial performance. This classification basis allows for detailed performance information and promotes comparability across organizations. In a bid to ensure that the financial reporting templates are relevant for all preparers, PSASB will continue to tailor these templates to meet sectoral needs as well a enhance public participation in their development. The Board is keen to review its templates from time to time with a view to make them well understood by the users and simplify them without losing key and relevant disclosure requirements. With respect to the finding that regular sensitization forums should be held, PSASB has changed template preparation period to end of third quarter in order to conduct more sensitization programs in the fourth quarter. To bring TTCs to the level of reporting required for entities preparing their statements under the IPSAS Basis of accrual accounting, we will mount a training for this cluster and prepare a guideline to provide support to these entities as they prepare their financial statements.



## Appendices

1. Appendix 1: Questionnaire.
2. Appendix 2A: Responses of audit queries based on templates.
3. Appendix 2B: Requested changes to reporting templates.

### APPENDIX 1 Questionnaire

#### IPSAS Survey Sample Questions

1. Name of Entity (Optional).....
2. Category of your entity
  - University
  - TVET
  - Teacher Training College
  - Regulatory agency
  - Fund
  - Others
3. Who prepares financial statements in your organization?
  - Finance department
  - Various department
  - Consultants
  - Others (Specify).....
4. Which statement is the most challenging to prepare?
  - Statement of Financial Performance
  - Statement of Changes in Net Assets
  - Statement of Cashflows
  - Statement of comparison of budget and actual amount
  - None of the above
  - All the aboveWhy (Explain).....
5. How do you prefer presenting your expenditure in the statement of financial performance?
  - By Nature
  - By Function
6. How do you prefer presenting items in your statement of financial position?
  - Order of liquidity
  - Current and Non-Current items
  - Order of permanence
  - Combination of the above
7. Have you received audit queries based on your presentation of financial statements?
  - No
  - Yes (expound)

8. Are there changes you would like introduced or removed from the Annual Reporting Templates?
9. Do the existing templates fully cater for the reporting needs of your organization / sector?
  - Yes
  - No
10. Any other comment on the Annual Reporting Template?

## APPENDIX 2A

### Responses of audit queries based on templates.

1. Disagreement with the auditors on recognition of various components in the financial statements.
2. Not strictly adhering to the reporting template.
3. They wanted it to strictly follow the template, which I feel should not be the case.
4. Treatment of funds in the donor project designated account. Reconciliation of surplus in the SFPE and Statement of budget. Auditors do not understand that reconciliation.
5. The Auditor preferred Direct method in the cashflow statement, and we had used indirect method. we present on accrual basis, but budget is cash.
6. At times, the Audit teams are not well guided on the template as they expect every institution to use all the wording as they are on the template in disregard of its unique nature and mandate.
7. When presenting statements reading 'as at' instead of 'for the period'
8. When we yearly change our reporting template, previous year balances won't be the same.
9. Chronology of items as presented in the guidelines.
10. Classification of travelling expenses as employee costs.
11. On staff loans presentations.
12. The auditors took the template as the order in which the FS should be. Any deviation prompted a query despite all the information being available.
13. The queries raised are usually due to lack of support documents.
14. Pagination of non-financial information not as per template.
15. The presence of receivable and payable in a cash-based reporting framework (IPSAS cash).
16. Nondisclosure of biological assets.
17. Presentation of non- financial information.
18. Non-conformance to IPSAS one on presentation of financial statement.
19. Consistency.

20. The OAG staff need to be sensitized on the TVET set up
21. On issues of arithmetic errors and unvalued institution assets

## APPENDIX 2B

### **Requested changes to reporting templates.**

1. Should the Surplus to KRA be based on financial performance report? There's a possibility you may not have actual cash to remit especially where the reported revenue has not been paid by the debtors.
2. Check on cashflow if we can adopt indirect method.
3. We need to be provided with a draft for our input.
4. Adopt indirect cashflow.
5. There is a lot of information that you may not need it in the template
6. Have a template specific to universities.
7. Simplicity.
8. The templates should be interpreted to Kiswahili for better understandability of the Wanjiku.
9. Yes. The cover letter should indicate that templates are a guide.
10. Regular updates on the templates to capture changing.
11. Kindly align the template with quarterly reports especially the revised ones.
12. The repetitions in the notes of various items earlier displayed e.g., the cash and bank and a few others.
13. To reduce the very many literatures in the financial statements.
14. The term general expenses is covering most of the expenditure. I suggest it to be separated.
15. Accounting for government capitation income in statement of financial performance.
16. Allow either way of reporting for cash flows i.e., both direct and indirect method.
17. Risk management report.
18. To be added; sustainable reporting analysis using go basic ratios.
19. The presentation of the annual budget in GMIS to be in tandem with annual reporting template.
20. Any of "inter entity transfers ok recording of transfers from other government entities- they are more or less the same.

21. Yes, items that does not fit to institution as in the case of use of goods and services.
22. In the statement of comparison of actual and the budget, capturing depreciation and capital expenditure need to be harmonized.
23. Director's statement.
24. Consider treatment of capital items in the statement of comparison of budget against actuals.
25. Removal of progress report on auditor's recommendations.





CPA Centre, 8th Floor  
P. O. Box 38831-00100  
Phone: 020 251 1557  
info@psasb.go.ke  
[www.psasb.go.ke](http://www.psasb.go.ke)

**PSASB**  
PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)