ROADMAP ON TRANSITION FROM CASH TO ACCRUAL ACCOUNTING BY NATIONAL AND COUNTY GOVERNMENTS AND THEIR RESPECTIVE ENTITIES WITH EFFECT FROM 1ST JULY 2024 TO 30TH JUNE 2027.

PREFACE

Transitioning from cash to accrual accounting is a momentous milestone for any country, as it signifies a commitment to transparency, accountability, and fiscal responsibility. With the Cabinet's approval to transition from cash to accrual accounting, Kenya joins other nations, such as the United Republic of Tanzania, Rwanda, and Ghana, signalling a move towards more accurate and comprehensive public financial management.

The transition is timely as it comes at a time when the citizenry has heightened the scrutiny of public resource utilization. Accrual accounting allows for a more comprehensive and accurate representation of an entity's financial position and performance, providing a complete and accurate picture of the government's financial resources and obligations.

The migration from cash to the accrual accounting basis can be daunting. It requires careful planning and strategy to ensure a smooth and successful transition. A roadmap for this transition is essential in guiding our country through the process and helping to mitigate potential risks and challenges that may arise. The benefits of having a roadmap for the cash-to-accrual transition cannot be overstated.

This cash-to-accrual accounting transition roadmap (the roadmap) has been designed to provide a clear and structured plan for implementing the migration. It outlines the next three years' critical steps, timelines, and responsibilities. This helps ensure all parties involved will work towards a common goal. The roadmap also outlines the benefits of accrual accounting, gap analysis between the current cash accounting and the proposed accrual accounting, and policy pronouncements from the National Treasury to effectively guide implementation.

It further speaks to the proposed implementation approach, which will be implemented in phases over a three-year period. Government assets and liabilities will be recognized in phases but public entities that are ready to recognise assets and liabilities beyond what this roadmap allows, will be allowed to proceed from the onset.

The National Treasury has taken advantage of the transition to accrual accounting to the Standard Chart of Accounts (SCOA). The current SCOA is cash based and has had inconsistent and sometimes duplicated codes which erodes internal control procedures in government. With the assistance of the UNICEF, the National Treasury revised the SCOA to support both accrual accounting and GFS 2014 reporting. The implementation of a common SCOA code in government, to serve both MDAs, County Governments and State Corporations in budgeting and accounting, will be one of the important milestones of transition to accrual accounting.

This transition journey also allows the National Treasury to have a close review of IFMIS, a common platform financial system implemented under Section 12 (1) (e) of the Public Finance Management Act, 2012. IFMIS will be re-engineered as per the detailed workplan provided in this roadmap and ensure integration of key systems within IFMIS. These include the processing of payroll data in IFMIS, the integration of the procurement system (e-GP), integration of revenue systems (e-Citizen), integration of payment system (IB), and integration with the Treasury Single Account.

The transition to accrual accounting will also provide a platform for the government to identify and recognize (value) all its assets and liabilities. The stock-taking process is already underway, and the National Treasury has already issued broad guidelines for the categorization, valuation, and display of these assets and liabilities in IFMIS. This roadmap further guides the specific accounting and reporting of each of these assets and liabilities in line with IPSASs.

Implementing such a mega project in a rapidly changing environment calls for adaptability, flexibility, creativity, and innovation. This roadmap is a living document that shall be regularly reviewed and updated as needed, with feedback from team members incorporated into the plan.

The Steering Committee, that I Chair, commits to lead the way. I urge all Steering Committee technical teams and implementing agencies always to remember to seek buy-in from stakeholders, set clear and achievable goals, and continuously monitor implementation progress. There will be bumps and the road ahead may not be smooth. However, I urge each and everyone to remain focused as we overcome challenges every step of the way. Our dedication and hard work will undoubtedly lead to success in this journey, and may our efforts be rewarded with the success of a transparent and accountable public sector.

I thank you.

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Dr. Chris Kiptoo PhD, CBS

Chairman of the National Steering Committee

LIST OF ABBREVIATIONS

CIPFA	Chartered Institute of Public Finance and Accountancy
COG	Council Of Governors
CS	Cabinet Secretary, The National Treasury and Economic Planning
DAS	Department of Accounting Services - National Treasury
IASB	International Accounting Standards Board
ICPAK	Institute of Certified Public Accountants of Kenya
IFAC	International Federation of Accountants
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KSG	Kenya School of Government
MDAs	Ministries, Departments and Agencies
NALM	National Assets and Liabilities Management Department
NT	National Treasury
OAG	Office of the Auditor General
PFM	Public Financial Management
PPP	Public Private Partnership
PSASB	Public Sector Accounting Standards Board
SC	State Corporations
SCOA	Standard Chart of Accounts
TOT	Training of Trainees

1. EXECUTIVE SUMMARY

The Constitution of Kenya, 2010 under Article 201 (a) and (e) enumerated the principles of public finance. The following principles shall guide all aspects of public finance in the Republic of Kenya:

201 (a) there shall be openness and accountability, including public participation in financial matters;

(e) financial management shall be responsible, and fiscal reporting shall be clear.

In 2012, the Public Finance Management Act was enacted. The National Treasury and Public Sector Accounting Standards Board were established under Section 11 and Section 192 of the Public Finance Management Act, 2012, respectively. This initiated a standardized way of financial reporting in the public sector since the financial 2013/2014. Public entities in Kenya adopt international reporting standards (whether cash or accrual-based) except commercial public sector entities that use IFRS. This standardized reporting has enhanced quality and comparability within the public sector.

Since 2014, MDAs, Development Projects, County Governments, and their respective entities have been reporting on a modified cash basis. The gaps experienced in cash accounting have led to the need for accrual accounting. A major gap in the cash basis of accounting is the incomplete recording of assets and liabilities in the public sector. With the accrual basis of accounting, entities will report on their assets and liabilities and revenues earned and expenditures incurred irrespective of when cash is exchanged.

The Cabinet approved the transition from cash to accrual accounting on 7th March 2024, with an effective date of 1st of July 2024 under a three-year transition period. Subsequently, gazettement of the transition was done on 30th August 2024 vide gazette notice number 11033. The gazette notice prescribed standards for financial reporting as follows: the International Financial Reporting Standards (IFRS) for State Corporations and County Corporations carrying out commercial activities and the International Public Sector Accounting Standards (IPSAS) accrual basis for all other public sector entities.

The transition to an accrual accounting is a multi-stakeholder engagement. A Steering Committee to coordinate and oversee the transition was gazetted by the Cabinet Secretary/ National Treasury and Economic Planning on 30th August 2024 vide gazette notice number 10892. Consequently, technical committees will be constituted to ensure the smooth implementation of this roadmap. The transition will be on a three-year phased approach with financial assets and financial liabilities being reported in year 1, inventories in year 2, and all non-financial assets and non-financial liabilities in year 3. The Steering Committee will continue to issue guidelines to the transitioning entities over the three-year transition period. The PSASB and the National Treasury will provide accrual-based financial reporting templates.

The Integrated Financial Management Information System (IFMIS) will be re-engineering to ensure that the system is configured to support accrual accounting. The revised Standard Chart of Accounts (SCOA) will be configured into the system to support accrual accounting. Valuation of assets will be undertaken with the guidance of the National Assets and Liability Management (NALM) Department of the National Treasury in collaboration with the State Departments for Lands and Public Works as per IPSAS.

Capacity building is a key area of the project as this will ensure the preparers of financial statements are well-equipped with the requisite skills for the transition. Capacity building will be conducted through sensitization forums, workshops, on-the-job- training, virtually including e-learning as well as the setting up of training academies.

Communication on the project will be done promptly and to all the relevant stakeholders to ensure that there are no gaps or delays experienced in implementation. Monitoring and evaluation are key for every project and a framework has been developed to continually assess the progress in implementing the transition within the three (3) year transition period.

This roadmap outlines a structured approach for transitioning from cash-based accounting to accrual accounting, the benefits of which cannot be underestimated. Accrual accounting will ensure that complete reporting of assets and liabilities is done, and this will enable the government to make better and well-informed decisions. It will also ensure complete recording of government liabilities, including public debt, pending bills, and pensions, to manage them and better planning for their settlement as and when they fall due. This roadmap serves as a comprehensive guide to facilitate a smooth transition from cash to accrual accounting, ultimately promoting transparency and accountability as envisioned in the Constitution of Kenya 2010.

2. MAIN PURPOSE AND BENEFITS OF ACCRUAL ACCOUNTING

Accrual accounting is based on the occurrence of economic events and not merely on cash receipts and payments. It entails reporting revenue when it is earned and expenses when they are incurred, while cash accounting entails reporting revenue when there is actual receipt of cash and reporting expenses when there is actual payment of cash for the expense. By introducing accrual accounting, governments demonstrate their commitment to improving the use and management of public resources, a desire to promote enhanced financial reporting and transparency, including greater accountability, and a pledge to fight fraud and corruption.

A 2021 status report by IFAC and CIPFA on International Public Sector Financial Accountability indicates that by 2025, 50% of all jurisdictions in the world will be reporting under an accrual basis of accounting - be it IPSAS or IFRS. Nine (9) of these jurisdictions are in Africa and Kenya is one of them.

Accrual accounting facilitates better decision-making, allows organizations and governments to manage their finances more effectively, and permits effective comparisons of financial performance between different government departments and agencies, as well as international comparisons.

2.1 Key Factors for Successful Accrual Accounting Adoption

As per the IPSASB guidance on Pathways to Accrual and the IPSAS Implementation Roadmap for Africa developed by the Pan African Federation of Accountants (PAFA), the following eight components have been assessed as the key factors for a successful transition to accrual accounting under the Kenyan context:

1. Political support and commitment

For a reform to be effective, it needs to be understood and supported by the top governing organ of a country or a particular jurisdiction. For the transition from cash to the accrual basis of accounting, the top organ in the country (which is the Cabinet), needs to understand the transition project and the benefits that would accrue to the country in relation to public finance management. In this regard, the Cabinet Secretary, National Treasury, and Economic Planning presented a Cabinet Memorandum seeking the approval of the Cabinet to transition national government entities and county government entities from cash to the accrual basis of accounting.

The Cabinet, on 7th March 2024, approved the transition which paved the way for the gazettement of the transition and the applicable standards on 30th August 2024 vide gazette notice number 11033. To provide policy direction on the transition process the Cabinet Secretary National Treasury gazetted a steering committee vide gazette notice number 10892. The Steering Committee is chaired by the Principal Secretary National Treasury. This indicates the commitment of the executive arm of government to promote transparency and accountability in the public sector as enshrined in the constitution.

The Steering Committee and the implementing entities will continue to provide progress updates to the top leadership of the country on the milestones achieved toward the success of the project.

2. Enabling Legal Environment

An enabling legal environment is another success factor in transitioning to an accrual accounting framework. This calls for a strong public finance management framework that comprises legislation, standards, assurance and scrutiny, and continuous learning and growth. The current legislation on matters of public finance is Chapter 12 of the Constitution, the Public Finance Management Act, of 2012, and Public Finance Management (National/County government) Regulations, 2015.

These legislations support an accrual accounting reporting environment with respect to the nature of information required to be presented by accounting officers in their annual and quarterly financial statements. Nothing has come to our attention that makes a change of law necessary for the implementation of accrual accounting. The current law envisions that each accounting officer is required to produce a financial statement containing assets and liabilities as well as the level of its indebtedness thus providing an anchor of accrual accounting.

The PFM Act establishes the National Treasury and the PSASB for the prescription and implementation of accounting standards. PSASB has prescribed the IFRS for application by commercial public sector entities and IPSAS for application by non-commercial public sector entities. These standards form the basis upon which accounting and reporting is done in the public sector. With the recent pronouncement of the transition from cash to accrual accounting, it is expected that all entities in the public sector that are non-commercial will now implement IPSAS Accrual. Other standards that will work collaboratively to ensure seamless transition include the IPPF for internal audit, the International Code of Ethics of Professional Accountants, and the International Standards of Supreme Audit Institutions (ISSAIs) applied by the OAG among other standards on quality such as ISO.

The PFM Act, of 2012, and the Public Audit Act, of 2015 provide for a mechanism within the PFM cycle for budgeting, execution, accounting, oversight, and scrutiny. The Office of the Auditor-General and Parliament oversight committees provide the requisite scrutiny to ensure adherence to the set standards.

3. Establishment of Governance Structure

The transition from cash to accrual accounting involves many entities, including those that offer support. These entities are at different levels of accountability in terms of skills, capabilities, available standards, and resources. The transition is also likely to involve the development and implementation of new accounting systems, processes, and policies.

To implement this important reform, a Steering Committee was appointed by the Cabinet Secretary of National Treasury and Economic Planning. The Steering Committee was formed to provide the overall leadership and coordinate the transition over the three years. The committee comprises individuals representing public entities with a relevant role in the transition. The Terms of Reference (ToR) for the Steering Committee are set out in the appointing gazette notice.

The Steering Committee is also responsible for the formation of the technical working groups/workstreams who will report to the project manager and management of the transition project on a day-to-day basis to ensure the successful implementation.

Each of these workstreams will ensure the achievement of timelines set out in this overall plan/ roadmap. Individual implementing entities will be required to establish their project management structures and draw implementation plans from this overall roadmap to ensure a seamless transition at the entity level based on their level in terms of skills, capabilities, resources, and availability of data.

4. Development of Policy and Guidelines on Assets and liabilities

The identification, recognition, and measurement of assets and liabilities form an integral part of the transition process. Transitioning entities have traditionally not included assets and liabilities in their cash-based reporting regime. The development of policies that enable the recognition of assets and liabilities is therefore a requirement for accrual accounting.

To enable the identification and recognition of assets and liabilities, the National Assets and Liabilities Management Department at the National Treasury, supported by PSASB, developed a policy and guidelines for the management of assets and liabilities by public sector entities in Kenya. This policy and guidelines were approved by the Board in February 2020 and thereafter issued by the Cabinet Secretary of National Treasury & Economic Planning for application by public sector entities beginning 1st July 2020. The responsibility for the identification of all assets and liabilities remains with the respective accounting officers. This roadmap, advises accounting officers on the direction of identification, recognition, and valuation of the assets. It is recommended that accounting officers use government valuers for significant legacy assets to ensure that valuation costs do not hinder the transition process.

The Steering Committee understands the magnitude of assets held by the public sector. There are also significant policy issues relating to assets and liabilities coupled with legacy assets whose value may not be readily obtained and will therefore provide guidance on their recognition and valuation through the three-year transition period.

Implementing entities are encouraged to commence the identification of their assets and liabilities early to ensure that at the end of the transition period, all assets and liabilities are recognized and presented in the statement of financial position of the entity.

5. Sound Integrated Financial Management Systems

The successful outcome of the transition project largely depends on the accounting system in use. Sound integrated financial management systems not only help governments and individual public sector entities control their finances effectively but also ensure transparency and accountability, reducing political discretion and acting as a deterrent to corruption and fraud.

A transitioning entity or the government needs to review the existing financial systems to identify gaps and consider their compatibility with accrual accounting. Currently, the PFM Act, 2012 requires the National Treasury to prescribe an accounting system for application in government. The system currently in use is the Integrated Financial Management Information System (IFMIS) which is managed at the National Treasury and made available for the National Government MDAs and the County Governments.

A review of the system indicates a need to redesign it to support the accrual basis of accounting, activate modules that would be required for accrual accounting as well as update the Standard Chart of Accounts (SCOA).

Specifically, in readiness for the transition, the following has been undertaken:

- Reviewing of the SCOA to accommodate accrual accounting, particularly the Economic Segment.
- Activation of the assets' module in IFMIS to enable fixed assets recording for the identified assets by the transitioning entities.

The IFMIS is in the process of being re-engineered to enable accrual accounting within the system with the expected date of going live being 1st July 2025.

6. Stakeholder Engagement and Effective Change Management

Public Finance Management reforms and the migration to the accrual basis of accounting are big reforms that may be exposed to the risk of resistance to change. The transition not only introduces changes in how transactions and events are recorded but also changes how they are recorded, changes in job descriptions of various individuals, changes in reporting structures, increased accounting judgments in recording events, use of and reliance on experts, and changes in the type of information presented for decision-making purposes.

For this reason, public sector entities are required to have clear and trusted channels of communication to communicate the change. Different and innovative methods of communication also need to be used to get the message across including identification of the stakeholders who have significant influence and who may determine whether the project takes off or not.

In light of this, the transition project has been communicated to the public sector vide a gazette notice which is the legal form with which significant government reforms are communicated. The gazette notice prescribing the transition is clear and has legal authority. The communication followed the approval of the transition by the Cabinet in March 2024.

The National Treasury and PSASB have continually sensitized public sector entities and the implementers include the accountants, internal auditors, external auditors, and accounting officers. Other key stakeholders involved include ICPAK, the Office of the Auditor-General, and the Council of Governors, among others.

The Steering Committee has also mapped change management as one of the key risks that required to be managed in the transition process and has identified a workstream for change management and communication as one of the work streams with definitive terms of reference.

7. Appropriately Trained Personnel

A successful transition to accrual accounting sees capacity building in a broad context. It looks at all stakeholders and identifies their needs to be addressed through short-, medium- and long-term contexts. Additionally, different interventions will be required at different stages of the reform. Sensitisation may be done at the beginning of the reform whereas on-the-job training and other forms of capacity building may be required at the implementation stage.

A gap analysis needs to be conducted at the national/county or entity levels and remedial steps are taken. An assessment of the public sector accounting landscape in terms of skills reveals the following:

- Qualified personnel—Public Sector accountants are qualified Certified Public Accountants (CPAs) and members of the ICPAK. This means that they are regulated, adhere to a code of ethics, and are required to comply with the continuous professional development requirements set out by the institute.

- Accountancy training in Kenya is based on accrual concepts, and therefore, the accountants are qualified, and accrual concepts are not a foreign concept to them. However, having implemented a cash basis over time, refresher courses will therefore be needed to remind them of these concepts.

- Public sector entities on an accrual basis of accounting: State Corporations that carry out commercial activities and Semi-Autonomous Government Agencies apply IFRS and IPSAS Accrual, respectively. Accountants from these entities are experienced in accounting in the public sector and will be considered Trainers of Trainees (ToTs) during the transition process.

- Strengthened National Treasury staff and PSASB Secretariat: The DAS at the National Treasury and PSASB have a competent pool of staff on matters relating to the transition process. This enhanced capacity will achieve the success of the transition process.

- Technical support from Development Partners and Professional bodies: The National Treasury has received technical support from the IMF East AFRITAC, the World Bank, and ICPAK in the past. The Treasury is looking to tap into more of these resources from other development partners who are engaged in PFM projects across Africa. ICPAK is also a key proponent of the adoption of the accrual basis of accounting in the public sector. The Institute has also delivered a significant number of training programs on accrual accounting concepts to public sector accountants.

Although there are notable strengths with respect to capacity, there are areas identified for capacity building in the transition period and beyond. These include:

- Development of a training curriculum
- IPSAS Certification for public sector accountants
- Fastrack the completion of the Certified Public Accountant (CPA) qualifications for public sector accountants working in the education sector.
- Training on accrual concepts within an automated environment-IFMIS
- The introduction and implementation of e-learning programs
- Setting up of training academies within the existing government structure
- Working with universities and accountancy profession examiners to bring the syllabus up to speed with the reforms.

8. Adequate Financial Resources

The transition process is cost-intensive. It's also a project whose benefits are expected to be realized in the medium and long term. It, therefore, becomes quite difficult to convince the providers of finance of the benefits of the reform in the short – term and therefore may go unfunded especially where there are competing demands for finance.

The cash-to-accrual migration process is cost-intensive due to systems enhancement, training, capacity building, and stakeholder engagement among other activities. While approving the transition project, the Cabinet also approved a budget of Kshs 3.1billion for the transition project for the transition period of three years. These funds will largely be used in the re-engineering of the financial management system, training, and capacity building as well as project management, monitoring, and evaluation.

One of the terms of reference for the Steering Committee is to ensure funding for the project. Some of the entities involved in the transition projects now have enhanced budgets for the transition process. The Steering Committee's responsibility is to manage the risks that may emanate from the underfunding of the transition project and will continue to do so over the transition period

2.2 Benefits of accrual accounting to the country

a) Better asset and liability accountability

With accrual accounting, the government can assess its assets' quality, condition, and adequacy and, therefore, manage them better through replacement, guarding against theft, misappropriation, and maintenance. The Government will also be able to assess its liabilities and plan for repayments as and when they fall due. This practice will make the budgeting process more realistic by encompassing areas that may have been left out over the years.

b) Ease in tracking records relating to payables including pending bills.

In the recent past, there have been a lot of challenges with the management of payables to suppliers (commonly known as pending bills) by the National and County Government Entities. Some of these challenges include:

- Incomplete records concerning pending bills.

- Long outstanding payments leading to the country's financial distress of Medium and Small Enterprises.
- Contested bills from one governance regime to the other.
- Poor tracking of settlement of pending bills since they are off-balance sheet items.
- Difficulty in assessing in a consolidated manner what the government owes to its suppliers.
- Ripple effects in the delay of tax remittance, a key source of government revenue.

Accrual accounting will resolve some of the challenges noted above in the following ways:

- Complete maintenance of records relating to payables (pending bills) in IFMIS
- Real-time tracking of settlement of liabilities and balances at any given time
- Assessment and analysis of long outstanding payments will enable management and other key decision-makers to query their lack of settlement.
- Facilitate the handover of governments, especially county governments, ensuring that pending payments are taken over by the incoming government and settled.
- Pending bills will now be audited in the annual financial audits by the OAG and will not require further revalidation. This will save the government the cost of validating the bills through select committees as has been in the past.
- Ensure that accounting officers are held responsible for the pending bills incurred in their institutions including the settlement of the same.

At the end of each financial year, pending payments to suppliers will form part of liabilities within an entity's statement of financial position under the accrual accounting framework. This is opposed to the current practice where entities report these liabilities off-balance sheets as disclosure items whose completeness cannot be ascertained.

Information on these pending bills will enable the individual entity and government to make budgets for subsequent years as they must be factored in. Where these liabilities are significant, they may affect future government spending on new projects and may delay the completion of ongoing projects. The government will also be able to facilitate the laws on pending bills, including the first charge of these bills to the budget and computation of interest on long outstanding bills. This will resolve the other challenges relating to circulating money in the economy and ensuring that the business environment is conducive for entities to thrive.

c) Accounting for long-term liabilities, including public debt, pension liabilities, and liabilities arising from PPPs.

Accrual accounting will enable the government to recognize long-term payables, including public debt and pensions, in the statement of financial position (balance sheet). This will enhance the completeness of financial statements. It will also be easy to compute debt-related ratios for decision-making. The government will also be able to ensure that funds are available when these liabilities fall due.

Currently, the Government of Kenya has entered into various PPP arrangements to develop infrastructure projects. These arrangements give rise to liabilities, including contingent liabilities. Adopting accrual accounting will assist in tracking, recognizing, and disclosing these liabilities in the government financial statements. Information about these liabilities' nature, amount, and timing will aid decision-making in enabling their settlement as and when they fall due. The nature, timing, amount, and probability of occurrence of contingent liabilities arising from PPPs will be critical inputs in risk identification in new PPPs and the management of risks for existing ones.

The government will also be able to understand the magnitude of its pension liability in the long term. Although there was a recent shift to the defined contributory scheme, a significant workforce within the civil service is still under the defined benefit scheme whose liabilities are quite difficult to assess and predict.

d) Improved performance management

Adopting accrual will also encourage governments to present additional information to assist users in assessing the government's performance. This will include information on whether resources were obtained and used following the legally adopted budget, compliance with other regulations and legislation, information based on resource allocation, information on outputs and outcomes related to key performance indicators, and information on service delivery. This information is important for users of financial statements or key stakeholders in determining the government’s achievements in the reporting period.

e) Accrual adoption will address a citizen’s right to information.

Citizens are now more aware of their right to information, which has heightened the demand for reliable information to assess whether value for money is being delivered in relation to services. Accrual accounting, when published per best practices, is the best basis for providing this information.

f) Increased local and foreign investors' confidence

The application of accrual-based accounting leads to improved transparent reporting, thereby assisting the government in attracting investments and grants from development partners. Accrual accounting also assists Governments in presenting a statement of Financial Position (balance sheet). Using this statement, potential investors can assess a government's net worth and ability to repay obligations and provide services to its citizenry.

3. GAP ANALYSIS

3.1 Gaps in Cash Accounting

1) **Limitation of cash basis of accounting**- Since 2014, National and County Government entities have applied IPSAS Cash basis of accounting. This framework is limited since it does not account for government assets and liabilities, which are key to sound decision-making. The approval and gazettement of the transition to accrual accounting is a key milestone to overcome this challenge to provide quality information at the individual entity level and the nationwide level for decision-making purposes.

2) **Audit issues noted from the OAG due to application of cash basis of accounting:** Although the nature of audit opinions issued by the OAG has been improving over the years, there are a lot of issues noted in relation to financial reporting and accounting that are as a result of reporting on a cash basis. Some of these issues include continuous increases in pending bills some of which end up being ineligible, failure to reconcile the financial statements to IFMIS, and incomplete fixed assets registers, amongst others. As we move towards the accrual basis of accounting, more transparency will be required especially to assets and liabilities and some of the audit queries currently raised may decrease if well implemented.

3.2 Gaps noted by Office of the Auditor-General (OAG) and quality reviews by National Treasury.

The audit opinions issued for the MDAs and County Governments over the years have continually improved an indicator that the entities have continually prepared and submitted better financial statements. The National Treasury has each financial year endeavoured to carry out quality reviews for all the financial statements before they are submitted for the statutory audit. Issues identified from the quality reviews are resolved before the final submission for audit and this has impacted improved opinions.

With the transition to accrual, some of the issues identified both by the external auditors and the quality reviews by the National Treasury will be resolved gradually or reduced to minimal levels. The following are examples of issues:

1. **Incomplete asset registers:** As a preparatory step to accrual accounting, entities have been required to maintain fixed asset registers and prove the registers as annexures to the

cash-based financial statements. This has however not been fully complied with by all entities and has been a major issue raised from both the audit and the quality review.

With the transition to accrual accounting, the entities will be required to report on all the assets in the statement of financial position and not as an annex. This will compel the entities to ensure full compliance by 30th June 2024.

2. **Non-collection of long outstanding receivables:** Currently, revenue is recognized when there is actual receipt of cash irrespective of whether a good has been sold or a service rendered. This has led to public sector entities providing services or goods that end up unpaid and there is minimum follow-up on the debtors as the revenue receivable is not reported in the financial statements.

   With the transition to accrual accounting, revenue will be recognized upon rendering of a service or sale of goods irrespective of the actual receipt of cash or not. This will nudge the entities to be keener on collecting long outstanding debts.

3. **Unsupported pending bills:** The cash basis of accounting does not provide for reporting of trade payables. As a result, any trade payables commonly known as pending bills for MDAs and Counties are disclosed as annexures to the cash basis financial statements. This has led to audit queries being raised on the eligibility of some of the pending bills as well as a lack of support documentation for the disclosed pending bills.

   With the transition to accrual accounting, the pending bills will be reported as payables in the statement of financial position and this will ensure the entities have sufficient documents to support their trade payables figures.

4. **Stalled Capital Projects:** Any ongoing projects are currently reported as part of appendices in the financial statements of the entities under cash basis of accounting. Under the accrual basis of accounting, entities are required to report any ongoing capital projects as part of work-in-progress assets in the property, plant, and equipment schedule as provided by IPSAS 45, Property Plant and Equipment. The standard also requires the disclosure of capital commitments that go beyond one financial year.

   This enhanced reporting requirement will provide useful information for decision-making to top management before the commissioning of new capital projects to avoid duplication and wastage of resources through stalled projects.

3.3 Gaps noted on the treatment of line items under IPSAS accrual

IPSAS cash accounting transactions are captured when there is a cash inflow or outflow. Under accrual accounting, transactions are captured when events occur regardless of whether there is a cash inflow or outflow. Therefore, moving to accrual accounting from cash accounting will give rise to both new items and old items treated on an accrual basis. Below is a summary of the main gaps between the current treatment of financial statement line items affected by the move to accrual basis IPSAS as per requirements.

Element	Current accounting treatment	Gap
Revenue	This is recorded at the point when cash is received	Under the current cash basis accounting the recognition criteria of both revenue from exchange and revenue from non-exchange transactions is when cash is received regardless of the period to which it is relating to. Accrual basis IPSAS recognizes revenue at the point the entity has a valid right that future economic benefits or service potential will flow to the entity and that those benefits can be measured reliably. **Interventions** -Development of policies on revenue recognition in line with the requirements of IPSAS. -Debt recognition mechanisms for purposes of following up on long outstanding debts.
Expenditure	This is recorded at the point when cash is paid	Cash basis only recognizes expenditure when there is an actual outflow of cash. Examples of new transactions currently not recognized under a cash basis include depreciation, impairment losses, losses on disposal of fixed assets, etc. Under the accrual basis, IPSAS, expenses are strictly matched to the period in which they are incurred, and any expenses paid for but not relating to the current reporting period are considered prepayments and any goods or services already received but not yet paid for are recognized as accruals i.e. payables at the end of the reporting period. Expenses will be recognised by nature. **Interventions** -The year-end closing procedures issued by the National Treasury need to be updated in line with IPSAS requirements.

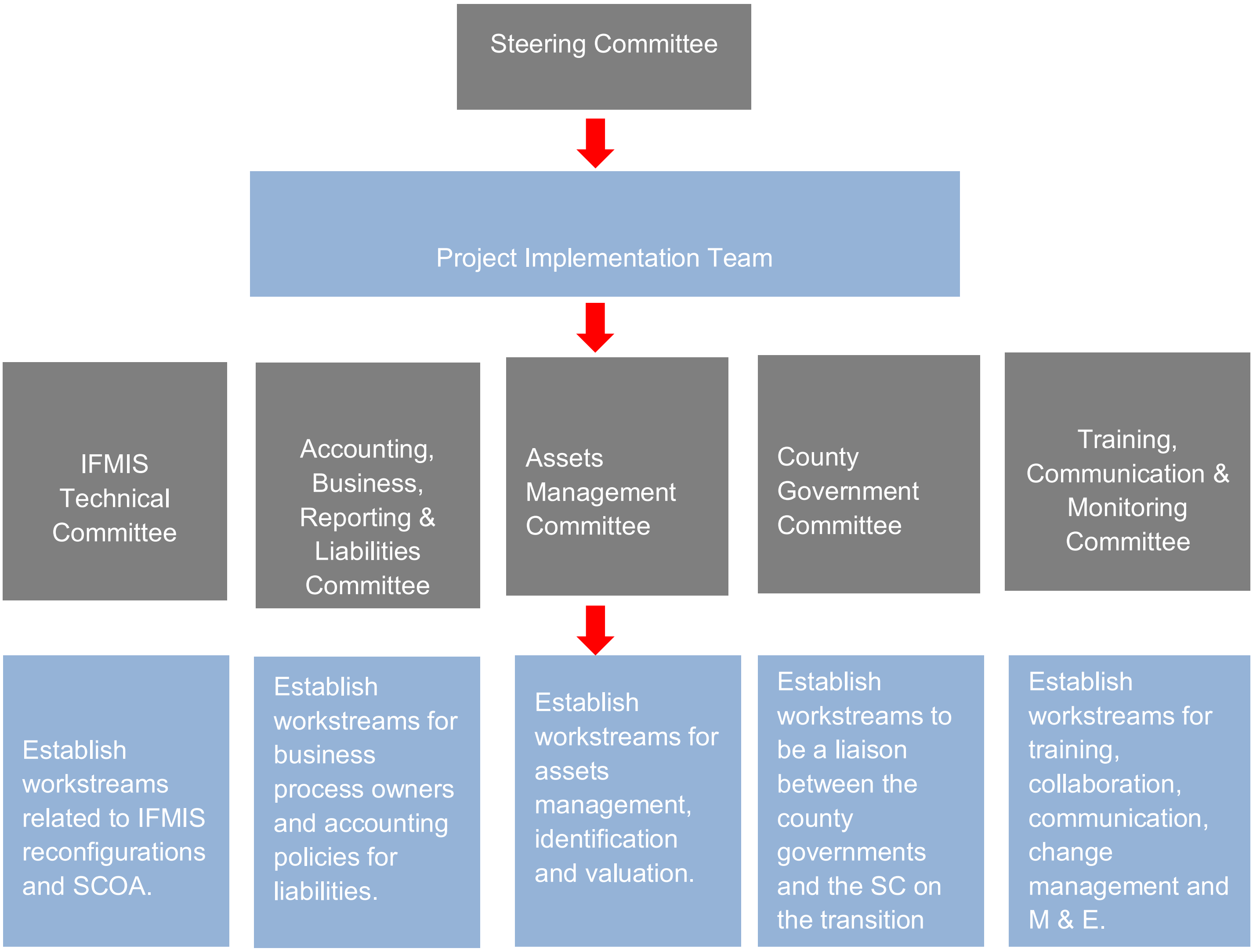
Element	Current accounting treatment	Gap
		-Development of policies relating to depreciation, and impairment among others.
Fixed assets (including intangible assets)	Currently expensed at the point of purchase	Fixed assets and intangible assets are not recognized in the financial statements thereby not giving a complete picture. **Interventions** -Valuation of assets to obtain figures to report the assets in the statement of financial position. Valuation will be on historical cost or current operational value to ensure consistency and facilitate consolidation -National Treasury to enforce asset/liability policies for all categories of fixed assets in line with the following issued IPSAS. IPSASs 12, 16,19,27, 41, 43, 45 and 46. IPSAS on Natural resources will be included when issued. -For intangible assets, there needs to be identification, recognition, and measurement as per IPSAS 31. -The National Treasury will prepare a policy on the recognition, measurement, presentation, and disclosure of intangible assets.
Inventory	Currently expensed in the Statement of Receipts and Payments	This is currently not recognized in the financial statements as a current asset but is recognized as an expense at the point when the inventory is purchased. Under accrual accounting, inventory is recognized as a current asset. Additionally, impairment on the inventory is taken into consideration. **Interventions** -The National Treasury will circularize policies and procedures over inventory in line with IPSAS 12 requirements as well as processes for identifying obsolete inventory.

Element	Current accounting treatment	Gap
		-Entities must also ensure timely recording and completeness of the physical inventory at the reporting date. - The point of recognition of inventory will be when the goods are received and a goods received note is generated/raised.
Public debt	Currently, proceeds from debt are recorded as revenue in the statement of receipts and payments expensed The principal repayments and inherent interest payments are expensed in the year of payment.	Under the cash basis, public debt is not recognized in the financial statements. The Government currently has a stock of public debt which is recognised as revenue in the period it is received, and repayments are expensed when paid. Under the accrual basis IPSAS accounting framework, public debt is recognized as a liability and the principal and interest components of the debt are factored in the total amount of the debt liability. **Interventions** -the National Treasury will circularize policies for reporting public debt in line with the requirements of IPSAS 41, financial instruments. -The National Treasury through the Public Debt Management Office must ensure accurate reporting of debt is done in line with the IPSAS. - debt is recognised when contracted through signed loan agreements - IFMIS integration with the debt management system- Meridian. - Re- configure IFMIS to record multi- currency transactions to factor loan repayments in foreign currency.
Employee benefits including	Short-term benefits are currently expensed and long-term benefits not recognized.	Under cash-based accounting, there are no provisions made for employee benefits not yet settled by the Government. Outstanding employee benefits may include both short-term and long-term employee benefits.

Element	Current accounting treatment	Gap
post-employment benefits.		**Interventions** -Reporting of outstanding short-term employee benefits e.g. leave allowance as part of current liabilities, including payroll deductions. - Process payroll within IFMIS to facilitate in processing of payroll deductions and their timely remittance. -The National Treasury through the Pensions Department to identify the mechanisms for determining the pension liabilities at the end of each reporting period and the information required to calculate relevant amounts through actuaries.
Provisions, Contingent assets, and liabilities.	These are currently not recognized in the financial statements.	There are no provisions made in the financial statements under the current framework of reporting because expenses are recorded when the actual payment of cash is done. Additionally, there is no information on decommissioning obligations in respect of assets and about onerous contracts within the government. Under accrual-based accounting, provisions and contingent assets and liabilities are recognized in the statement of financial position. **Interventions.** -National Treasury will circularize policy on provisions, contingent assets and liabilities based on IPSAS 19. -Identification of all events which trigger the recognition of provisions. -Identification of information on contracts within the government. -Identification of information related to decommissioning obligation for assets. -Identification and disclosure of information about guarantees and long-term agreements.

Element	Current accounting treatment	Gap
Service concession arrangements These are PPPs that give rise to assets and liabilities.	Assets and liabilities arising from PPPs are not currently recognised including disclosure of contingent liabilities arising from PPPs.	Under cash basis of accounting, PPP arrangements are not accounted for in line with the provisions of IPSAS 32: Service concession arrangements: Grantor that requires the grantor to recognise assets and liabilities that arise from such arrangements where the criterion for recognition is met. Interventions -The National Treasury will guide entities operating PPPs to identify assets and liabilities arising from the service concession arrangements. - The National Treasury will determine through existing policy the entities to recognise such arrangements (both assets and liabilities) where they exist. -Contingent liabilities and arising from such arrangements will be disclosed in the financial statements as required by IPSAS 19 and be assessed on a regular basis for crystallisation.

4. PROJECT TEAM AND STAFFING



The Steering Committee

The migration process will be led by the Steering Committee. The committee will be responsible for coordinating accrual adoption at both levels of government. The membership of the Committee was gazetted by gazette notice 10892 of 30th August 2024 includes:

1. Principal Secretary, National Treasury- Chairperson
2. Chairperson Public Sector Accounting Standards Board- Vice-Chairperson
3. Principal Secretary, State Department for Public Works
4. Director General Accounting Services & Quality Assurance- Project Manager

5. A representative from the Chief of Staff and Head of Public Service- Member
6. A representative from the Council of Governors- Member
7. A representative from the Office of the Auditor-General (OAG)- Member
8. A representative of the Office of the Controller of Budget (OCOB)-Member
9. A representative from the Parliamentary Budget Office- Member
10. Director, Integrated Financial Management Information System (IFMIS)- Member
11. Director, Budget - National Treasury- Member
12. Director, National Assets and Liabilities Management- Member
13. Director Accounting Services, National Treasury- member
14. CEO, Public Sector Accounting Standards Board- member

The following additional members will be members of the Steering Committee. Their gazette notice has since been processed.

15. Two representatives from the Institute of Certified Accountants of Kenya (ICPAK)-Member
16. A representative from the Central Bank of Kenya (CBK)- Member
17. The steering committee will co- opt administratively the various government departments in line with the requirements of the transition roadmap.

Terms of Reference for the Steering Committee

The terms of reference for the Steering Committee shall be to:

1. Provide overall direction and coordination of the transition from a cash accounting basis to an accrual accounting basis.
2. Adopt a roadmap for the transition from a cash accounting basis to an accrual accounting basis.
3. Appoint a technical committee(s)/working group(s) to undertake day-to-day implementation of the project.

4. Develop the terms of reference of the technical committee (s)/working group(s).
5. Approve work plans and budgets prepared by the Technical Committee(s)/working group as per the adopted roadmap.
6. Review and approve the recommendations for implementing the various milestones under the roadmap.
7. Monitor the implementation of the project by ensuring that any strategic changes are undertaken on time so that the accrual project achieves its goals.
8. Take the lead to promote policy dialogue and advocacy key issues at Senior leadership levels to secure the necessary buy-in and project support.
9. Ensure that the accrual project is coordinated with other relevant Government entities, development partners, and private sector interventions by overseeing the implementation of a clear stakeholder engagement strategy.
10. Approve and oversee the implementation of communication strategy, change management, and capacity building during the transition.
11. Facilitate timely funding to support the implementation of the project.
12. Any other role that relates to the transition from cash to accrual accounting in Kenya as approved by the Cabinet.

Tenure and mandate of the Steering Committee

The Steering Committee shall remain in office for a period of three years from the date of gazettement which is 30th August 2024. The committee shall regulate its own procedures and shall hold consultations with stakeholders to solicit, receive, consider, and collate inputs that may be useful for the performance of its mandate.

Project implementation team

The project implementation team is headed by the project manager. The team is comprised of the leaders of the 5 identified technical committees or workstreams. This includes the lead in the IFMIS Department, Directorate of Accounting Services, National Assets and Liabilities Management Department, PSASB, and the lead in change management, communication and monitoring and evaluation. The team will provide linkage between the project manager in terms of the performance of the technical aspects of the project and the steering committee. The project manager will be the liaison between the steering committee and the technical working groups. He will also be responsible for regularly updating the steering committee on the transition to accrual accounting project progress.

Technical Committees/ workstreams

The Steering Committee will appoint technical committees at different levels as working groups to spearhead various aspects of the transition process. The Committee will also approve the Terms of Reference for each of the five (5) identified technical committees. These committees will prepare detailed work plans for the execution of their terms of reference as per this roadmap document and in cognizance of the milestones indicated in the main transition document. The teams will work collaboratively to ensure that milestones are achieved in good time as some outputs from some technical committees will provide inputs to another committee.

Secretarial services

Secretarial and technical services to the Steering Committee will be provided by PSASB and the National Treasury through the Technical Committees/Workstreams.

5. POLICY PRONOUNCEMENTS ON TRANSITION AND THE APPROACH

5.1 Policy Pronouncements on Transition

On 7th March 2024, the Cabinet approved the transition for national government, county governments, national government entities, and county government entities from cash accounting to accrual accounting and the gazettement was done on 30th August 2024.

As per the Gazette Notice No. 11033, the Board has approved for adoption of the following Financial Reporting Standards:

a) The International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board for application by state corporations and county corporations carrying on commercial activities.
b) The International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board for application by all national government entities and county government entities including technical colleges, teacher training colleges, and public funds, but not state corporations carrying on commercial activities.
c) The national government, county governments, national government entities, and county government entities, including projects, shall apply International Public Sector Accounting Standards Board accrual-based standards with effect from the 1st of July 2024.

5.2 Implementation Approach

In 2014, the National Treasury gazetted IPSAS Cash as the basis for reporting by MDAs, county governments, and their respective entities. The issued standards have been in application since 1st July 2014. Adopting the cash-based standard has developed a good foundation for accrual accounting. It has ensured disclosures on revenue, expenses, and to some extent, liabilities, and assets. Cash basis is, however, limited in accounting for non-cash assets and liabilities, which are essential for decision-making.

The transition from IPSAS cash to IPSAS accrual basis is phased to ensure it is progressive and realistic. This phased approach recognizes the simplest and most important transactions first and then goes on to gradually recognize more complex transactions in subsequent phases. The phased approach will be implemented as illustrated below:

Year	Financial year	Financial statements
0	FY 2023/2024- 30th June 2024	IPSAS cash-based financial statements
1	FY 2024/2025- 30th June 2025	First transitional IPSAS accrual financial statements that include all current assets, and all current liabilities as a minimum requirement. Entities that will have identified all or some of the non-current assets and inventories can include them. The accrual basis template for all assets and liabilities is provided on PSASB and National Treasury websites both in Excel and word versions.
2	FY 2025/2026- 30th June 2026	The second transitional IPSAS accrual financial statements will include all financial assets, all liabilities, and all inventories as a minimum requirement. Entities that will have identified all or some of the non-current assets can include them.
3	FY 2026/2027- 30th June 2027	Fully compliant IPSAS Accrual financial statements that include all financial assets, all financial liabilities, and all non-financial assets including inventories.

As required by IPSAS 33 paragraph 79, entities will be required to prepare an opening statement of financial position as at the time of adoption of the accrual basis of accounting. For year one (1) guidance will be provided by the National Treasury on the reporting of the financial assets and liabilities. Entities will be reporting on accrual accounting although transactions will be processed in IFMIS on a cash basis. This is because IFMIS will only be ready for accrual accounting from year two i.e from 1st July 2025.

Below is a summary of the implementation matrix

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	Gazettement of applicable dates																								
2	Communication strategy (gazette notices and circulars)																								
3	Stakeholder engagement																								
4	Steering Committee																								
5	Identification and valuation of assets and liabilities																								
6	Financial management systems																								
7	Liabilities																								
8	Financial assets																								
9	Non-financial assets																								
10	Capacity building and training																								
11	Monitoring and evaluation																								

The detailed matrix is an appendix in this document.

KEY

	Completed from previous years.
	Completed/ on-going
	Scheduled
	IFMIS related activities(re-engineering)

6. PROJECTED COSTS OF IMPLEMENTATION

The table below shows the projected costs of the accrual project implementation as approved by the Cabinet while approving the transition on 7th March 2024:

No	Activity	COST			TOTAL
		Year 1	**Year 2**	**Year 3**	
1	PROJECT MANAGEMENT				
1.1	Project initiation and planning	15,996,000	6,552,000	6,552,000	29,100,000
1.2	Project monitoring evaluation and quality assurance	40,000,000	80,000,000	80,000,000	200,000,000
2	READINESS ASSESSMENT & BUSINESS PROCESS REENGINEERING	292,122,800	250,000,000	-	542,122,800
3	SYSTEMS DEVELOPMENT AND IMPLEMENTATION, INCLUDING CHANGE MANAGEMENT	174,909,400	503,344,200	230,964,000	909,217,600
4	IFMIS SYSTEM RE-ENGINEERING SYSTEM DEPLOYMENT AND ROLLOUT	23,596,000	43,643,600	-	67,239,600
5	CAPACITY BUILDING	30,000,000	561,934,420	97,008,000	688,942,420
6	IFMIS SYSTEM RE-ENGINEERING SUPPORT WORKSTREAM ACTIVITIES (Hardware and application Support)	700,000,000	13,695,000	4,251,000	717,946,000
	TOTALS	**1,276,624,200**	**1,459,169,220**	**418,775,000**	**3,154,568,420**

The other costs of the project will be catered for from the annual budgetary allocations of the respective entities. These costs include valuation of assets, capacity building and training, project management, and monitoring and evaluation.

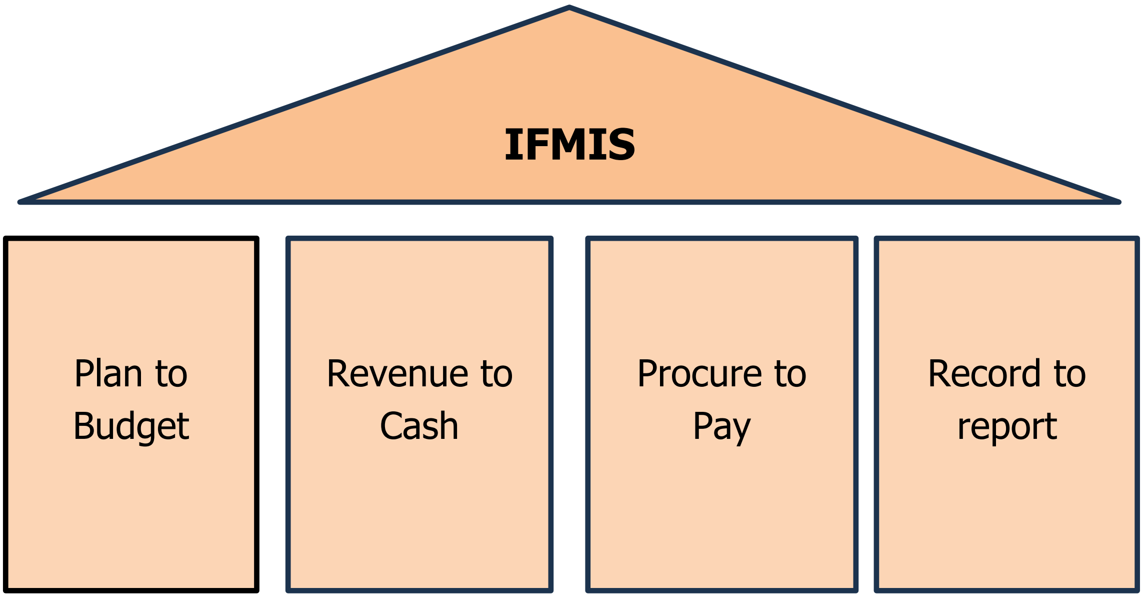
7. IFMIS RE-ENGINEERING AND STANDARD CHART OF ACCOUNTS

7.1 IFMIS Re- engineering

The PFM Act Section 12 (1) (e) gives the National Treasury the responsibility of prescribing and design an efficient financial management system for the national and county governments to ensure transparent financial management and standard reporting as contemplated by Article 226 of the Constitution.

In line with this requirement, the National Treasury prescribed the Integrated Financial Management Information System (IFMIS) as the core information management system for use by National and County government entities.

The IFMIS system currently operates on 4 components which represent the business process as illustrated below:



Plan to Budget:

A fully integrated process and system that links planning, policy objectives and budget allocation.

Revenue to Cash:

Auto-reconciliation of revenue and payments with automatic file generation.

Procure to Pay:

To develop a fully integrated and automated supply chain management system.

Record to Report:

Secure two-way interface with CBK for accurate, up-to-date information on the GOK financial position and the production of statutory reports in real-time.

The framework of IFMIS for transition to accrual accounting.

The IFMIS system as currently configured has supported the recording, analysis, and preparation of accounting information on a cash basis. For accrual accounting be become a reality, the system needs to be analyzed, business processes developed, accrual-based modules activated, and the new standard chart of accounts uploaded. Users are also required to be trained on the new accounting environment to ensure the intended objectives are achieved.

The goal is to design and prescribe an efficient integrated financial management information system for the national and county governments to ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution. In re-engineering the system, the following are the objectives:

Project Objectives/Outcomes

1. To provide a system for completeness in the recording of financial information and accurate reporting
2. To innovate and automate the reviewed business processes for efficient and effective service delivery
3. To up-scale and improve the IFMIS platform to fully support the PFM Reforms.
4. To create a user-friendly knowledge base in IFMIS for capacity enhancement and awareness.
5. To design an M&E framework for assessing the progress of IFMIS re-engineering for quality assurance and risk management

Project Outputs

To facilitate the achievement of the above five (5) objectives/outcomes, below are the proposed project outputs under each objective.

1. System configuration with enhanced modules to enable production of financial statements based on PSASB- approved templates.

2. A centralized repository for financial information/data and automated end-to-end business processes.
3. One financial management system in the country i.e. IFMIS having considered all business processes. All new systems will have to be intergratable in IFMIS and requisite approvals sought.
4. IFMIS user support framework and capacity enhancement strategy.
5. A robust IFMIS M&E framework and risk management strategy.

Project Inputs and Activities

No.	Project input	Project activities
1	• Approved PSASB reporting templates • Approved business processes guided by enacted legal frameworks.	• Configure PSASB reporting templates • Design, configure, and implement business processes guided by enacted legal framework.
2	• User feedback • Change in operational environment	• Conduct user satisfaction surveys • Reviewing of operational environment changes • Adapt to the new changes
3	• Incorporate new technology systems into the industry • Other existing relevant government PFM systems	• Auditing and quality assurance • Upgrading and integration of the IFMIS systems
4	• User manuals • Training needs assessment reports	• Sensitization and user training • Development of Re-engineered IFMIS processes user manuals
5	• Set targets for IFMIS Re-engineering • NT PFM policy directives including TSA; migration from cash to accrual accounting; and integration with e-GP • Potential risks to IFMIS	• Designing an M&E framework • Site visits • Risk identification and mitigation

Modifications needed for the IFMIS process flows

Elements	Trigger or recognition point	Current recognition under IFMIS
Statement of financial performance		
Revenue	Generally, when: • There is a basis establishing that the entity has a valid right to receive the revenue • It is probable that future economic benefits will flow to the entity; and that • Those benefits can be measured reliably.	
Revenue from exchange Transactions	When: • For services rendered - it is probable that the economic benefits or service potential associated with the transaction will flow to the entity and those benefits can be measured reliably. • For goods sold: -The entity transfers to the purchaser the significant risks and rewards of ownership of the goods; -The entity gives up managerial involvement usually associated with ownership or control over the goods sold; -It is probable that the economic benefits or service will flow to the entity; and -The amount of revenue and costs incurred or to be incurred can be measured reliably. -The revenue is either considered to be earned, realized, or realizable i.e. revenue is: • Earned – when goods are delivered, or services are provided.	Currently, all revenue from exchange transactions such as income from buildings currently being rented out to the public is captured through the accounts receivable (AR) module in IFMIS when cash is received. This then results in the following main gaps: • The module is not able to split between the income relating to the current period and that which is either related to the prior period or the subsequent reporting period. • The module records only cash receipts and where no cash has been received the module does not recognize the receivables relating to the revenue earned and the portion of the receivable arising.

Elements	Trigger or recognition point	Current recognition under IFMIS
	• Realised – when cash is received in relation to the goods delivered or services performed. • Realisable – when it is probable that economic benefits will flow to the entity in the future and that those benefits can be measured reliably e.g. where a customer elects not to have goods shipped to them but commits to pay for them when they are ready to receive the goods.	• There is no process flow to guide the recording and recognition points of revenue and receivables from exchange transactions for either goods sold or services performed.
Transfers (including grants, debt forgiveness, fines, bequests, gifts, donations, and goods and services in-kind)	When, through the operation of the relevant legislation, the entity has a valid right to receive the revenue, it is probable that future economic benefits will flow to the entity and that those benefits can be measured reliably.	These revenue streams are captured when the cash from the transfers has been received. The following are the main gaps in the Accounts Receivable module: • The module is not able to split between the transfers due in the current reporting period and those in the prior or subsequent period. • The module cannot record the bulk of accounting entries inherent in transfers such as goods and services given in kind, debt forgiveness, and fines
Grants	When a trigger event such as receipt of a grant or enforceable claim to receive it occurs e.g. signing of a grant agreement between the entity and a third party, typically a development	Currently, in IFMIS the whole amount of the grant is recorded in the period in which it is received.

Elements	Trigger or recognition point	Current recognition under IFMIS
	partner or donor, and through that agreement, the benefits embodied can be measured reliably. Some grants come with conditions and for such the revenue is recognised when the grant conditions are met	The Accounts Receivable module is not able to perform the following: • Record transactions relating to grants with conditions attached. • Split between the revenue relating to the current period and revenue deferred. • Recognise the receivables arising in the scenarios above. • There is no process flow for aiding the recognition of revenue from grants. • Recognise grants and goods received in kind in accordance with regulation 74 of the PFM Regulations.
Expenses	Recognized in the period in which they occur and when they occur whether or not cash has been paid out. A key principle in accruals-based accounting is that all revenue for the period must be matched against the expenses incurred in generating it. Depreciation for instance qualifies to be an expense because the assets are being used to generate revenue. Their wear and tear then should be matched against the revenue they have generated.	Currently, expenses are recognized when obligations relating to them have been settled i.e. when cash has been paid out. This is performed in the Accounts Payable (AP) module in IFMIS. The following gaps arise concerning the payment module and payment process flow: • The module is not able to prorate expenses to determine accruals and prepayments. • The module only processes cash payments

Elements	Trigger or recognition point	Current recognition under IFMIS
	This is called the matching concept and thus revenue earned for a particular period is matched against expenses earned for the same period.	and non-cash expenses such as impairment, depreciation, and revaluations are not processed.
Statement of Financial Position		
Assets	Where the entity's control (not necessarily ownership) over the asset can be demonstrated as to rest with the entity and through the use of the asset in the normal course of operations it is probable that future economic benefits will flow to the entity.	
Intangible assets	Where the following are established in relation to the asset: • The asset is identifiable. • The entity controls the asset rather than necessarily owning it. • Future economic benefits are validly expected to flow to the entity; and those • Can be reliably measured.	Intangible assets are currently expensed in the period in which they are purchased. When it comes to the prescribed treatment of intangible assets under accrual basis IPSAS, there is no module in IFMIS to record intangible assets in line with IPSAS 31.
Property, plant, and equipment	When the costs in relation to the acquisition, overhaul (for components assets e.g. aircraft, hydro-electric power plants), self-constructed assets are incurred. These costs are simply costs incurred in bringing the asset to its present location and condition. The costs include, but are not limited to purchase cost, transportation cost to the location where the asset will be used, preparation and set up costs,	Fixed assets are currently expensed in the period in which they are acquired. The following gaps arise concerning the payments made to fixed assets in the Accounts Payable module: • Currently, there is no fixed assets recognition process flow in IFMIS. The

Elements	Trigger or recognition point	Current recognition under IFMIS
	development costs, estimates of asset dismantlement, removal, and restoration costs.	procurement flow captures the acquisition of fixed assets and the costs incurred thereof under the current cash-based accounting framework where such costs are simply expensed. With accrual basis accounting the procurement flow needs modification. • Although IFMIS has a fixed assets module, currently is not linked to the procurement process and is used to record assets at their nominal values for asset identification and development of a fixed assets register. • The AP module is not able to distinguish between qualifying costs and non-qualifying costs. • The module is also not able to separate borrowing costs incurred concerning self-constructed assets from the rest of borrowing costs. • The procurement flow currently does not separate the type of procurement as inventory, fixed assets, or supplies. There is no further guidance on the treatment of each type of procurement.

Elements	Trigger or recognition point	Current recognition under IFMIS
Inventories	When the costs for bringing the inventory to its present location and condition are incurred by the entity. Inventory is then recognized as the lower of cost and Net Realisable Value (NRV).	Inventory is expensed in the period in which it is acquired.
Receivables from non-exchange transactions (long and short-term)	When an occurrence of a trigger event is probable future economic benefits will flow to the entity.	IFMIS records only cash receipts and where no cash has been received the module does not recognize the receivables.
Receivables from exchange Transactions (long and short-term)	When revenue is earned or realizable rather than realized.	IFMIS records only cash receipts and where no cash has been received the module does not recognize the receivables.
Liabilities		
Long-term borrowings (both long and short-term) are commonly referred to as public debt.	When the specific provisions of the loan agreements are invoked in the normal course of operations.	Proceeds from loans are currently recognized in full as revenue and the regular payments comprising principal repayments and interest payments are expensed every financial year until the loan obligations are fully settled. Under accrual basis IPSAS the proceeds from the loan are debited to the cash or bank account and two liabilities are created i.e. long-term and short-term (regular payment of principal and interest). This treatment under accruals accounting gives rise to new journal

Elements	Trigger or recognition point	Current recognition under IFMIS
		entries impacting IFMIS. All long-term borrowings by the GoK are managed in the Public Debt Management Office. Below is the gap identified concerning the AP module in IPSAS: • The module is not linked to the Public Debt Management Office which is used to record debt instruments and apply the standard on financial instruments. There is an opportunity for integration between IFMIS and the public debt management system- Meridian.
Provisions (both long and short-term)	When: • there is a legal or constructive obligation for the entity to settle; • it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and • a reliable estimate can be made for the liability.	Under the current modified cash basis accounting provisions are not recognized. The recognition of provisions on the transition to accrual basis IPSAS in relation to various obligations means more journal entries for processing in the IFMIS. Contingent liabilities will be disclosed in the financial statements.

Elements	Trigger or recognition point	Current recognition under IFMIS
Employee benefits (both short- term and long-term)	By operation of invocation of certain clauses in employee contracts for government employees. The employment contracts state the trigger points for payables arising from the engagement of employees. For example, payment of short-term benefits like salaries as a short-term benefit and payment of pension upon attainment of a certain age on retirement as a long-term benefit.	Currently, the IPPD, which is the system used to process salaries for government employees is not integrated with IFMIS. Pension is managed by the pensions department at the National Treasury and the payments are not integrated within the IFMIS system. IFMIS will now be the single core system for the processing all business processes.

IFMIS re-engineering project will comprise approximately 80% of the transition to an accrual accounting roadmap budget. The timeline is for IFMIS to be ready to go live on accrual accounting transactions as from 1st July 2025. A separate roadmap for IFMIS re-engineering will be provided.

7.2 Standard Chart of Accounts (SCOA)

The SCOA is an organized and coded listing of all the individual accounts that are used to record transactions and make up the ledger system of MDAs and Counties. SCOA is embedded in the adopted ERP in our case IFMIS

The National Treasury embarked on a process to update the existing SCOA. The new SCOA is complete, and plans are underway to have it approved. It will accommodate accrual accounting, among other changes. A roadmap towards the actualization of the new SCOA is in place.

In the new Standard Chart of Accounts, there are eight separate transactional segments, each of which provides a unique dimension of capturing data, analysis, and reporting. The coding structure significantly shapes the way government expenditure is classified. There is also one analytical segment to be used for extended analytical reporting. This segment has been introduced into the Standard Chart of Accounts to facilitate flexible and highly responsive compilation of analytical data and information to meet the varied reporting needs of various government and other stakeholders.

The proposed structure has a total of eight segments and 72 digits as follows:

S/n.	Segments	Definition & Content	No. of levels	No. of digits
1	**Vote**	Represents the administrative responsibilities within MDAs & Counties, i.e. to which administrative unit and cost/revenue centre is the transaction allocated.	2	5
2	**Administrative**		3	10
3	**Source of Funds**	Identifies the Sources of Funds for Government, i.e. against which source of funding is the payment allocated, and from which source is revenue received.	4	8
4	**Class**	Distinguishes the type of budget against which a transaction is performed – revenue budget, recurrent budget, and development budget. It also enables the identification of transactions that do not affect the budget.	1	1
5	**Programme**	Provides for classification of expenditures by programmes and sub-programmes, i.e. against which GOK Programme/ Sub-Programme is the transaction recorded.	4	8

S/n.	Segments	Definition & Content	No. of levels	No. of digits
6	**Economic**	Provides the natural accounts for the generation of statistical and financial reports, i.e. it identifies the nature of receipt and/or payment being made. The values are aligned to GFSM 2014 and IPSAS accrual basis.	5	7
7	**Geographical Location**	The Geographical Location segment defines the location of the source of revenue and the location of the beneficiary of government expenditure	3	8
8	**Project**	Provides for classification of expenditures by projects, i.e. against which GOK Project is the transaction recorded	3	9
9	**Spare segment**		1	8
10	**Spare segment**		1	8
	Extended Reporting	Identifies the analytical reporting needs in government, i.e. against which expenditure area or government priority area was revenue received, or expenditure incurred, e.g. climate change, AIDS, etc.	3	4
	Total (excl. the Extended Reporting segment)		**24**	**72**

Below is a comparison of the existing SCOA and the new SCOA and the reasons for the changes that have been made.

Current SCOA	New SCOA	Changes
Segment 1 Vote (4 digits; 1 level) XXXX	Segment 1 Vote (5 digits; 1 level) XXXXX	Elimination of duplicated codes from the segment. Duplication of codes in a segment has the following demerits: • It makes maintenance of the chart difficult. • It makes report creation prone to errors when some codes are not mapped to reports.

Current SCOA	New SCOA	Changes
		• Users of SCOA can get mixed up when they are presented with two or more codes for the same transaction. It can facilitate fraud when a dishonest user posts a transaction into a code that is not picked in the reporting framework, hence concealing inappropriate transactions.
Segment 2 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Segment 2 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Elimination of duplicated codes for the reasons mentioned above. Provision of descriptions/removal of codes where codes existed without descriptions.
Segment 3 Sources of Funds (8 digits; 4 levels) X.X.XXX.XXX	Segment 3 Sources of Funds (8 digits; 4 levels) X.X.XXX.XXX	Restructured to provide a mechanism for tracking Funds and Sources of Funds separately. GoK and its entities operate a number of Public Funds, which receive funds from a number of sources. In order to ensure that funds are accurately and adequately tracked from the source to any unspent balances at the period end, including balances in special funds, a clear distinction between sources and funds is necessary.
Segment 4 Class/ Budget type (1 digit; 1 level) X	Segment 4 Class/ Budget type (1 digit; 1 level) X	Introduced an additional digit. Elimination of duplicated codes • No changes made
Segment 5 Programme (10 digits; 4 levels) XX.XX.XX.XXXX	Segment 5 Programme (10 digits; 5 levels) XX.XX.XX.XX.XX	Introduce an Impact Sub-Segment, which will provide Indicators to be tracked against Programmes and facilitate monitoring and evaluation of Programmes during budget execution. PBB documents contain targets for outputs and outcomes of government programmes. The SCOA is expected to

Current SCOA	New SCOA	Changes
		facilitate tracking of achievement of these key performance indicators through budget execution.
Segment 6 Economic (7 digits; 5 levels) X.X.X.XX.XX	Segment 6 Economic (7 digits; 5 levels) X.X.X.XX.XX	Provide codes for accrual transactions Align to GFSM 2014 GoK is migrating its accounting from IPSAS cash to IPSAS accrual. The new SCOA is expected to support this initiative, as well as streamline statistical reporting per GFSM 2014
Segment 7 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Segment 7 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Remains the same as previously until geographic alignment across spheres of government is completed.
Segment 8 Spare (3 digits; 1 level) XXX	Segment 8 Projects (9 digits; 2 level) XX.XXXX	Repurposed to host GOK projects. Projects were coded under the Head sub-segment of the administrative segment.
Null	Spare segment 8 digits; 1 level	Spare segment for future use
Null	Spare segment 8 digits; 1 level	Spare segment for future use

Implementation of the revised SCOA will commence immediately after approval by the Steering Committee and consent of the National Treasury.

8. PREPARATION OF FINANCIAL STATEMENTS AND IMPLEMENTATION PHASE

Under the accrual basis of accounting, the elements to be presented in the financial statements will increase as compared to the cash accounting framework. Recognition of various items of revenue, expenditure, assets and liabilities will also differ from the recognition under a cash basis of accounting. This topic covers the various elements that will be displayed in the financial statements and the requirements of recognising these elements in the implementation phase. Additionally, the topic also covers the need for accrual-based financial reporting templates and what they should contain.

8.1 Non-Financial Assets

Non-financial assets are tangible or intangible properties upon which ownership rights may be exercised. These include land, buildings, vehicles, infrastructure assets, heritage assets, and investment property among others.

All non-financial assets which mostly will take the form of property plant and equipment will be treated as follows in the implementation phase:

- In the FY 2024-25 entities should identify all assets whether the value of the asset is known or not.
- If the value is known, the historical cost less applicable depreciation will be applicable to determine the value to report the asset at the point of recognition. The NBV so determined will form the basis for the opening balances for the assets being the deemed cost.
- The Steering Committee will issue guidance for fully depreciated assets that are still in use and for legacy assets whose value is unknown. This will include guidelines for current operational value where assets can be valued at the current replacement cost or the market approach that looks at cost of similar items in the market.
- New assets purchased during the implementation phase/transition period will be capitalized in the financial statements at the point of purchase/acquisition and depreciated accordingly.
- The cost threshold for recognition of all the asset categories is set as Kshs. 1 (one) to deter the exclusion of valuable assets and this is to be reviewed as the transition progresses.
- For the transitioning entities, there will be early adoption of **IPSAS 43; Leases** and **IPSAS 45; Property Plant and Equipment, and IPSAS 46 on Measurement** all of which become effective 1st January 2025. These standards will be applied with effect from 1st July 2024 with respect to assets recognized in the financial statements.

S/No.	Asset Class	Capitalisation threshold	Guide
1.	Land IPSAS 45	Kshs 1 (All land)	**Definition:** Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. **Sub Class:** Freehold, Leasehold and Community **Valuation:** Historical cost for freehold land and community land; For leasehold land amortization for the remaining lease period. Where historical cost is not available land shall be valued under the guidance of valuation of land by the Ministry of Lands. **Ownership:** Title/proof of ownership and efforts taken to obtain title or vesting of ownership documents, and control of access. **Depreciation**: **Nil**
2.	Buildings and building improvements IPSAS 45	Kshs 1 (All buildings)	**Definition**: A building is a structure that is permanently attached to the land and is not intended to be transportable or moveable. Buildings are recognized as dwellings for which a public sector entity assumes responsibility, to maintain for the use and /or benefit of the community. Buildings comprise a structure (timber frame and walls, brick walls, cement coverings, glass walls and windows), a foundation (support piers, structural columns, concrete slab, roof structure (tiles, timber support structure and colour bond steel) and air conditioning units (split and ducted).

<table>
<tr><th>S/No.</th><th>Asset Class</th><th>Capitalisation threshold</th><th>Guide</th></tr>
<tr><td></td><td></td><td></td><td>
Sub Class Level 1: Permanent, Semi-Permanent and Temporary

Sub Class Level 2: Office and Residential

Valuation: Historical cost less depreciation or current operational value (COV).

Valuation will be done under the guidance of the State Department for Public Works.

Depreciation:

<table>
<tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr>
<tr><td>Permanent</td><td>50</td><td>2%</td></tr>
<tr><td>Semi- permanent</td><td>20</td><td>5%</td></tr>
<tr><td>Temporary</td><td>10</td><td>10%</td></tr>
</table>
</td></tr>
<tr><td>3.</td><td>Road infrastructure

IPSAS 45</td><td>Kshs 1 (All road infrastructure)</td><td>
Definition: According to the Kenya Roads Act 2007 “a road” means a public road as defined under the Public Roads and Roads of Access Act (Cap. 399).

Road infrastructure shall be recognized in the financial statements under the following categories:

▪ Permanent way/Right of way (Land under road and within road reserves)
▪ Roads and Bridges including virtual way bridges
▪ Work in progress
▪ Traffic control installations
▪ and amenities

Sub Class: Ministry of Roads Classification of Roads, KWS Roads, County roads.
</td></tr>
</table>

S/No.	Asset Class	Capitalisation threshold	Guide
			Valuation: Historical cost or current operational value (COV). **Depreciation:**

Type	Useful life (years)	Rate (%)
Seal coat	5	20%
Gravel surface	5	20%
Asphalt surface	10	10%
Concrete surface	30-40	2.5-3.3%
Traffic signals	15	6.67%
Timber bridge	10	10%
Timber redecking	12	8.33%
Metal structure bridge	30	3.33%
Concrete bridge	50	2%
Concrete redecking	25	4%
Movable bridge	50	2%

S/No.	Asset Class	Capitalisation threshold	Guide
4.	Railway infrastructure IPSAS 45	Kshs 1 (All railway infrastructure)	**Definition:** According to the Kenya Railways Act 2012(1979), a railway means "the whole or any portion of the lines of railway operated by the Kenya Railways Corporation and all other movable and immovable property used or placed at the disposal of the Corporation for use, in connection therewith. **"Trains"** include locomotive engines, tenders, motors, coaches, wagons, trolleys, and rolling stock of all kinds used, whether separately or in conjunction, with railway Components. Railway infrastructure shall be recognized in the financial statements under the following categories: ▪ Permanent way/Right of way (Land under railways and within railway reserves)

<table>
<tr><th>S/No.</th><th>Asset Class</th><th>Capitalisation threshold</th><th>Guide</th></tr>
<tr><td></td><td></td><td></td><td>

Railways and Bridges
Work in progress
Traffic control installations
and amenities

Valuation: Historical cost or current operational value.
Depreciation:
<table>
<tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr>
<tr><td>Railway line</td><td>50</td><td>2%</td></tr>
</table>
</td></tr>
<tr><td>5.</td><td>Other Infrastructure

IPSAS 45</td><td>Kshs 1 (All other infrastructure)</td><td>
Definition: Includes all Infrastructure assets that are not captured under Road infrastructure & Railway infrastructure.
Sub Class: electricity generation infrastructure, water infrastructure, drainage infrastructure, oil and gas infrastructure, and communication lines among others.
Valuation: Historical cost or current operational value.
Depreciation:
<table>
<tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr>
<tr><td>Distribution and transmission lines</td><td>10</td><td>10%</td></tr>
<tr><td>Flood mitigation and drainage infrastructure</td><td></td><td></td></tr>
<tr><td>Permanent building structures</td><td>50</td><td>2%</td></tr>
<tr><td>Overland flow paths</td><td>5</td><td>20%</td></tr>
</table>
</td></tr>
</table>

S/No.	Asset Class	Capitalisation threshold	Guide		
			Underground drainage	10	10%
			Water infrastructure		
			Water collection points/ Permanent building structures	50	2%
			Water purification facilities and machines	10	10%
			Water storage facilities	10	10%
			Pipe network	5	10%
			Underground drainage	10	10%
			Solid waste and sewerage disposal infrastructure		
			Permanent building structures	50	2%
			Waste sorting and treatment facilities	10	10%
			Pipe network	5	10%
			Aerodromes and airstrips		
			Permanent building structures	50	2%
			Aerodromes	10	10%
			Sea Walls and Jetties		
			Permanent building structures	50	2%
			Sea Walls and Jetties	20	5%
			Other Infrastructure and Civil Works		
			Permanent building structures	50	2%
			Others	5-20	5-20%

<table>
<tr><th>S/No.</th><th>Asset Class</th><th>Capitalisation threshold</th><th>Guide</th></tr>
<tr><td>6.</td><td>Motor vehicles and other transport Equipment

IPSAS 45</td><td>Kshs 1 (All transport equipment)</td><td>Definition: All forms of transport equipment (both specialized and non-specialized) employed during official government transport services.

Sub Class: Motor Vehicles; Aircrafts; Sea Vessels.

Valuation: Historical cost and current operating value

Ownership: Log books or vesting of ownership documents through transfers.

Depreciation:

<table>
<tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr>
<tr><td>Saloon vehicles and pick- ups</td><td>6</td><td>16.67%</td></tr>
<tr><td>Heavy- duty utility vehicles</td><td>8</td><td>12.5%</td></tr>
<tr><td>Lorries and diesel propelled vehicles above 4500cc</td><td>10</td><td>10%</td></tr>
</table>
</td></tr>
<tr><td>7.</td><td>Computers and other ICT equipment

IPSAS 45</td><td>Kshs 1 (All computer equipment)</td><td>Definition: Information and Communication Technology (ICT), the term is generally accepted to mean all devices, networking components, applications, and systems that combined allow people and organizations (i.e., businesses, nonprofit agencies, and governments) to interact in the digital world. Computers could be purchased, internally generated, or contributed e.g. donations.

Sub Class: Examples include computers, laptops, and printers among others</td></tr>
</table>

<table>
<tr><th>S/No.</th><th>Asset Class</th><th>Capitalisation threshold</th><th>Guide</th></tr>
<tr><td></td><td></td><td></td><td>Valuation: Historical cost or current operational value

Depreciation:
<table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Computer and other ICT Equipment</td><td>3</td><td>33.3%</td></tr></table></td></tr>
<tr><td>8.</td><td>Office equipment

IPSAS 45</td><td>Kshs 1 (All office equipment)</td><td>Definition: Equipment includes all equipment not covered under ICT and plant and Machinery.

Sub Class: Examples include office equipment such as safes, air conditioners, shredders, and storage equipment among others.

Valuation: Historical cost or current operational value

Depreciation:
<table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Office Equipment</td><td>8</td><td>12.5%</td></tr></table></td></tr>
<tr><td>9.</td><td>Furniture, fittings

IPSAS 45</td><td>Kshs 1 (All office furniture and fittings)</td><td>Definition: The term furniture and fittings include all furnishings, desks, tables, chairs, bookshelves, etc. owned by the government. Furniture could be purchased, internally constructed, or contributed e.g. donations.
Valuation: Historical cost or current operational value.

Depreciation:</td></tr>
</table>

<table>
<tr><th>S/No.</th><th>Asset Class</th><th>Capitalisation threshold</th><th>Guide</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Furniture, Fittings</td><td>8</td><td>12.5%</td></tr></table></td></tr>
<tr><td>10.</td><td>Investment property

IPSAS 45</td><td>Kshs 1 (All investment [property)</td><td>Definition: Land or a building (or part of a building) held to earn rentals for capital appreciation or both.

Subclass: Land or building

Valuation: Historical cost or fair value

Depreciation:

For land and buildings, as applicable.</td></tr>
<tr><td>11.</td><td>Leased Assets under finance lease and Right of use assets

(the government as a lessee)

IPSAS 43</td><td>All leases except low value leases and leases below one year.</td><td>Definition: a lease is a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration. Examples of assets that can be leased include motor vehicles, buildings, aircraft, and medical equipment among others.

Sub Class: leased assets and right-of-use assets.

Valuation: Valued at the present value of a leased asset over the lease period.

Depreciation: based on the lease period.</td></tr>
<tr><td>12.</td><td>Heritage assets

IPSAS 45</td><td>Kshs 1 (All heritage and cultural assets)</td><td>Definition: Tangible assets that have a historical, artistic, or cultural significance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. e.g. Historical sites, archaeological sites, paleontological items (fossils), monuments, scientific collections</td></tr>
</table>

S/No.	Asset Class	Capitalisation threshold	Guide
			Sub Class: cultural (man-made) or natural they could also be tangible or intangible. **Valuation:** Heritage assets are initially measured at historical cost or current operational value. **Depreciation**: Asset with finite useful life – based on type of assets. Asset with an indefinite period-assess for impairment.
13.	Work in Progress IPSAS 45	Kshs 1 (All work in progress)	**Definition:** **Works** - assets that are in the process of construction or creation, such as buildings, infrastructure, or artistic works. These items are typically considered inventories until they are completed and ready for their intended use or sale. **Goods** - assets that are in the process of production for sale or external distribution. This includes items that are partially completed but not yet ready for sale. **Sub Class:** Works; and Goods **Valuation:** Historical cost. **Depreciation**: Nil
14.	Intangible assets IPSAS 31	Kshs 1 (All intangible assets) Period in agreement	**Definition:** An intangible asset is an identifiable non-monetary asset without physical substance. **Sub Class: Software;** Software purchased, easements and rights, intellectual property other intangibles **Valuation:** Historical cost, current operational value

<table>
<tr><th>S/No.</th><th>Asset Class</th><th>Capitalisation threshold</th><th>Guide</th></tr>
<tr><td></td><td></td><td></td><td>Depreciation:
<table><tr><th>Type</th><th>Useful life (years)</th><th>Rate (%)</th></tr><tr><td>Software</td><td>5-8</td><td>12.5-20%</td></tr><tr><td>Easements/ Right of way</td><td>Number of years defined in contract</td><td>As applicable</td></tr><tr><td>Quotas, licences, rights e.g. water, logging and minerals, airport landing</td><td>Number of years rights held based on the contract agreement</td><td>As applicable</td></tr><tr><td>Patents</td><td>7-10</td><td>10-14.3%</td></tr><tr><td>Copyrights</td><td>section 23 of the Copyright Act of 2001 (Revised 2017</td><td>As applicable</td></tr><tr><td>Industrial design</td><td>5-15</td><td>6.67-20%</td></tr><tr><td>Utility models</td><td>5-12</td><td>8.33-20%</td></tr></table></td></tr>
<tr><td>15.</td><td>Biological assets

IPSAS 27</td><td>Kshs 1 (All biological assets)</td><td>Definition: Living animals or plants controlled by an entity and used to produce agricultural produce or for breeding and expected to generate future economic benefits through the sale of agricultural produce or the breeding of animals. e.g. Livestock (e.g., cattle, sheep, poultry), Trees and plants (e.g., orchards, vineyards), and fish in aquaculture.

Sub Class: Livestock; crops, agricultural produce at the point of harvest.

Valuation: fair value less costs to sell as per IPSAS 27.</td></tr>
</table>

S/No.	Asset Class	Capitalisation threshold	Guide
			Depreciation: N/A
16.	Tangible Natural Resources	Kshs 1 (All tangible natural resources)	**Definition:** A tangible natural resource is an item that: (a) Is naturally occurring; and (b) Embodies service potential or the capability to generate economic benefits or both. Examples include forests in designated areas, wildlife, bodies of water in conservation areas, and certain species of animals among others. **Sub Class:** natural resources with finite lives and natural resources with infinite lives **Valuation:** cost or current operational value (shall be the deemed cost at the point of recognition) Depreciation: Asset with finite useful life – based on type of assets. Asset with an indefinite period- assess for impairment.
17.	Plant and Machinery IPSAS 45	Kshs 1 (All plant and machinery)	**Definition:** Plant and equipment are a grouping of assets of a similar nature or function in an entity's operations. A factory and the machinery therein are common examples of plant and machinery. **Sub Class:** plant and equipment, machinery **Valuation:** Historical cost or current operational value **Depreciation:** Based on purpose of machinery
18.	Inventories IPSAS 12	Kshs 1 (All inventory)	**Definition:** inventories are assets in the form of materials or supplies to be consumed in the production process, to be consumed or distributed in the rendering of services, held for sale in the ordinary course of business or the process of

S/No.	Asset Class	Capitalisation threshold	Guide
			production or distribution. Examples in the public sector include consumable stores, maintenance materials spare parts among others. **Sub Class:** consumables, finished goods, raw materials, and goods in transit among others. **Valuation:** Lower of cost or net realisable value or current replacement cost.
19.	Service Concession arrangements IPSAS 32	Kshs 1 (All assets arising from service concession arrangements)	**Definition**: Long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility. **Sub Class:** intangible or tangible **Valuation:** fair value **Depreciation:** Based on underlying asset where applicable.

8.2 Financial Assets

A financial asset is a non-physical asset whose value is derived from a contractual claim, such as bank deposits, bonds, and participations in companies' share capital. Financial assets are usually more liquid than tangible assets, such as commodities or real estate. In the public sector, examples include cash and bank balances, investments, and receivables among others.

All financial assets are to be treated as follows in the transition period:

- Financial assets are to be identified and recognized in FY 24/25 fully as per the transition roadmap.
- Entities should review all their transactions to identify where financial assets may arise and where the entity has an enforceable right to recover these assets.

- For reporting of receivables, the entities are required to review legal instruments and record all receivables.
- Entities are required to include the amounts held in all their bank accounts, including those in commercial banks as their cash and cash equivalents.
- All opening balances for the financial assets should be supported through documents such as certificates, statements, invoices, and other forms of support.
- Assessment for impairment of financial assets should be conducted throughout the implementation phase as per IPSAS 41.

S/No	Asset Class	Guide
1.	Investments IPSAS 28/30/41	**Definition:** Asset that is held primarily for earning returns such as interest, dividends, or capital gains. **Sub Class: Debt** instruments e.g. T-bills & T-bonds; **Equity** instruments e.g. shares in government-linked entities, quoted & unquoted companies including IMF quotas; and **other securities** in commercial entities e.g. fixed deposits **Valuation:** Market value and Equity Method for unquoted assets and amortized cost for debt instruments
2.	Loans Receivables IPSAS 41	**Definition:** Asset that represents amounts owed to an entity from others due to loans granted, and expected to be repaid over time, usually with interest. **Sub Class: Concessional loans** including on-lending; and c**ommercial**. **Valuation:** Measurement initially at fair value, and subsequently at amortized cost. Subject to impairment review, where losses are

S/No	Asset Class	Guide
		recognized if there is evidence that the loan cannot be fully recovered.
3.	Receivables IPSAS 41	**Definition:** Amounts due to an entity from customers for goods sold or services offered. Sub Class: Could be exchange or non-exchange. Non–exchange includes Taxes; **Fees;** and **intergovernmental receivables; exchange includes** e.g. rent revenue and sale of assets. **Valuation:** Accounts receivable is initially measured at the original invoice amount at initial recognition. Subsequently valued at amortized cost. If there is an indication that a receivable may not be fully collectible, an impairment loss is recognized.
4.	Other Receivables IPSAS 41	**Definition:** Amounts due from various non-operational transactions. **Sub Class: none** **Valuation:** Accounts receivable is initially measured at the original invoice amount at initial recognition. Subsequently valued at amortized cost. If there is an indication that a receivable may not be fully collectible, an impairment loss is recognized.
5.	Cash and Cash equivalents IPSAS 41	**Definition:** Cash on hand and in bank/financial institutions. Cash equivalents are investments that can be easily and quickly converted into cash without significant loss in

S/No	Asset Class	Guide
		value. They have a short maturity of 3 months or less. **Sub Class:** Cash; Cash in Transit; Cash in Bank/Financial Institutions; Mobile Money; and Investments with maturity of 3 months or less
6.	Contingent Assets IPSAS 19	**Definition:** Possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. e.g. litigations **Valuation:** They are not recognized in the financial statements; however, they should be disclosed in the notes to the financial statements unless it is highly probable that the asset will be received.

8.3 Liabilities

A liability is a present obligation of the entity to transfer resources as a result of past events. Liabilities include obligations to transfer or pay cash, obligations to provide goods or services, and obligations to transfer resources if an unfavourable occurs. Examples of liabilities in the public sector include what is commonly referred to as 'pending bills' public debt, pension liabilities, gratuity, and contingent liabilities among others.

During the transition period, entities are to account for the liabilities as follows:

- Financial liabilities are to be identified and recognized in FY 24/25 fully as per the transition roadmap.
- Entities should review all their transactions to identify where financial assets may arise and where the entity has an obligation to settle the amounts.

- For reporting of payables and debt, the entities are required to review legal instruments and contracts and record all liabilities arising from these documents.
- All opening balances for the financial liabilities including pending bills should be supported through documents such as invoices, contracts, and statements, among others.

S/no.	Liability	Guide
1	Public Debt IPSAS 29/30/41	**Definition**: Liability arising from borrowing and includes repayment of principal and interest accrued over time. Sub Class Level 1: Non-current; Current. Sub Class Level 2: Domestic; foreign Sub Class Level 3: Domestic - Bonds; T-Bills; Commercial, Annuity. Foreign - Bilateral; Multilateral, sovereign **Measurement**: Amortized Cost
2	Contingent Liabilities IPSAS 19	**Definition**: Possible liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. e.g. Public Private Partnership arrangements, Litigations, Guarantees, **Sub Class:** None **Measurement**: Disclosure, recognized when the event materializes
3	Accruals IPSAS 19	**Definition:** Accruals are liabilities to pay for goods or services that have been received or supplied, but have not been paid, invoiced, or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for

S/no.	Liability	Guide
		provisions. e.g. utility bills, rent payable already consumed but not yet invoiced. **Sub Class:** None **Measurement**: best estimate to fulfill the obligation
4	Accounts payable IPSAS 41	**Definition:** Amounts payable to a supplier for goods, services, and works used in the ordinary cause of business. e.g. Pending Bills, Staff costs including statutory deductions; Retention money, and third-party deposits. Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. **Sub Class**: Non-current; Current. **Measurement**: amortized cost
5	Pensions liabilities IPSAS 39/49	**Definition**: Post-employment benefits payable after completion of the employment contract. e.g. Defined benefits, Gratuity **Sub Class:** Non-current; Current. **Measurement**: through actuarial valuation for defined benefit plans
6.	Provisions IPSAS 19	**Definition**: a provision is a liability of uncertain timing or amount. Examples include warranties and guarantees. **Sub Class**: Current and non-current **Measurement**: best estimate to fulfil the obligation
7.	Social Benefits IPSAS 42	**Definition**: Cash transfers provided to specific individuals or households who meet the eligibility criteria to mitigate the effects of social risk and address the needs of society

S/no.	Liability	Guide
		as a whole. Cash transfers to the elderly, transfers to orphaned and vulnerable children, transfers to people living with disabilities **Sub Class**: Non-current; Current **Measurement**: Cost of fulfilment
8.	Leases IPSAS 43	**Definition**: Present value of future lease payments. e.g. motor vehicle lease, **Sub Class**: Lease; Leases at concessional terms; Other lease arrangement. **Measurement**: Present value of future lease payments
9.	Service concession agreements IPSAS 32	**Definition:** Contractual arrangement between a public sector entity (referred to as the grantor) and a private sector entity (the operator), where the operator is tasked with providing public services on behalf of the grantor. **Sub Class**: current and non-current **Measurement**: fair value

8.4 Implementation Phase

Transitioning to accrual-based IPSAS is much more than a change in accounting rules and is a full transformation project in public sector accounting and reporting. There will be a shift in the way various elements of the financial statements are reported in comparison to cash accounting. The following are double entries for various scenarios under the accrual basis of accounting that are focused on assisting implementing entities to understand accounting for various transactions through double entry under the IFMIS system

1. Revenue

Cash Revenues

The functionality serves in the recording of cash/money received by an entity.

Creating cash revenue: The functionality enables the recording of cash/Money received by an institution when a service has been rendered and consumed. Revenue must have been duly certified before being captured in the system. As a process, the money received must be banked intact before the receipts are captured on the system. Cash receipts are used for every transaction of cash receipt. The accounting entries for the cash receipts are as follows

Statement of Financial Position	Dr – Cash/Bank Account	XX	
Statement of Financial Performance	Cr – Revenue		XX

Considerations when capturing revenue

- Splitting of revenue relating to the current reporting period (revenue for the current reporting period) and the receipts flowing over to the next reporting period.
- Splitting of short-term revenue (within the next 12 months or before the end of the current reporting period) and long-term revenue (to be utilized in the coming periods i.e. deferred).
- Splitting of revenue from exchange transactions and revenue from non-exchange transactions.

2. Receivables

The receivable/billing functionality is used to modify revenue receivable due to the entity.

Receivable creation: The process of recording/recognizing the receivable and generating a bill for the individual debtor. It is required that the list of receivables/debtors should be known and created in the system. When a bill has been approved, it's at this point when an accounting entry is affected. The accounting entries are generated in the GL as follows:

Statement of Financial Position	Dr – Receivables Account	XX	
Statement of Financial Performance	Cr – Revenue		XX

Receivable payment: The process of clearing the outstanding bills/receivables outstanding. It is required that a bill should have been created before a payment is initiated. Upon approving payment, the accounting entries are generated in the GL as follows:

Statement of Financial Position	Dr – Cash/Bank Account	XX	
Statement of Financial Performance	Cr – Receivables Account		XX

Considerations when capturing receivables

- Long-term such as multi-year grants expected under already signed grant agreements and where the funds have not yet been advanced to the entity.
- Short-term e.g. advance payments from clients and all other receivables from both exchange and non-exchange transactions.

3. Deposits

The deposit functionality is used to modify revenue received in advance and it's owed to customers by the entity.

Deposit creation: It's the process of recording prepayments (money received before the service or goods have been consumed), caution money and transit funds. (Local and foreign). It is required that money should have been received and services/refund not yet given. Upon approving the bill, it's when the accounting entries are affected.

Statement of Financial Position	Dr – Cash/Bank Account	XX	
Statement of Financial Position	Cr – Liability Account		XX

Deposit clearance: When money has been deposited to the budget agency account before services have been rendered, it can in the end be consumed or refunded. This is handled in the clear deposit. Upon approving the refund, appropriate accounting entries are generated:

Statement of Financial Position	Dr – Liability Account	XX	
Statement of Financial Position	Cr – Cash/Bank Account		XX

Considerations when capturing deposits

- Recognition of deposit as payable. Deposit should be recognized as payable until the point at which the entity has delivered the goods or performed the service for the third party because it is at that point the obligation is extinguished.
- Linking/matching the services performed or goods delivered to provide a report of the list of outstanding obligations.

4. Non-conditional grants

i. Recognition of revenue from grants (at the point when there is an enforceable claim)

Grant revenue is recognized when the entity has a valid ground (such as a signed grant contract) to claim entitlement to the grant.

Where the full amount of the grant is received in cash the cash/bank account is debited by the amount received and the corresponding credit is posted to the Revenue from the grant account.

Where there is no cash received for the grant, a receivable is recognized by debiting the Grant receivable account and the corresponding credit posted to the Revenue from the grant account.

Where the amount of the grant is received partly in cash then on the assets side of the Statement of Financial Position the Cash/bank account and the Grant receivable amount are both debited to the extent that the total of the two debit entries is equivalent to the corresponding credit entry posted to the Revenue from grant account.

Statement of Financial Position	Dr – Cash/bank (where cash is received)	XX	
Statement of Financial Position	Dr – Grant receivable (where no cash received)	XX	
Statement of Financial Performance	Cr – Revenue from grant		XX

ii. Recording of deferred revenue from grants (first year of a multiyear grant)

Being full entries recording revenue from a grant spanning more than one accounting period.

In addition to the journal entries in scenario 1 above, the following key issue under scenario 2 is the split between the portion of the grant relating to the current financial year and the portion relating to the subsequent financial year.

On the debit side, the respective amounts relating to what has been received in cash and what is yet to be received (grant receivable) are debited appropriately. On the corresponding credit side, the total credit is split between the portion of the grant relating to the current financial year and the portion relating to the subsequent financial year.

The basis of the split is a case-by-case basis consideration. Some grant agreements will state explicitly the cash flows for each of the years across the duration of the grant. Where the period of the grant does not match with the FY, the split between the portion of the grant relating to the current financial year and the portion relating to the subsequent financial year will be made on a pro-rata basis.

Statement of Financial Position	Dr – Cash/bank (where cash/part cash is received)	XX	
Statement of Financial Position	Dr – Grant receivable (where no cash received)	XX	
Statement of Financial Performance	Cr – Revenue from the grant (for the portion relating to the current reporting period		XX
Statement of Financial Performance	Cr – Deferred grant revenue (for components relating to the period after the reporting period		XX

iii. Release of deferred grant revenue to the Statement of Financial Performance (second year of grant)

Being release of revenue due, in the second year of the grant from the total amount of grant revenue held in the Deferred revenue account for the duration of the grant.

Statement of Financial Position	Dr – Deferred grant revenue (portion relating to the second year))	XX	
Statement of Financial Performance	Cr – Revenue from the grant (portion relating to the second year)		XX

5. Conditional Grants

Grants should not only be recognized in the Statement of Financial Performance in the periods covered by the grants. A more in-depth analysis of the terms of the grant agreements should be made. If conditions are attached to the grants, these should be identified, and revenue can only be recognized when the conditions attached to the grant are fulfilled.

Below are the double entries grant is received/(receivable) and a condition is attached to it.

i. Grant received/(receivable) and a condition is attached to the grant

Being journal entries to record a receipt of grant funds for a grant with a condition attached.

Statement of Financial Position	Dr – Cash/grant received	XX	
Statement of Financial Position	Cr – Liability		XX

ii. Conditions on the grant are fulfilled

Being a journal to recognize revenue from a grant once the grant conditions are met.

Statement of Financial Position	Dr – Liability	XX	
Statement of Financial Performance	Cr – Revenue		XX

6. Recognition of revenue from fees, fines, penalties, and licenses

Being revenue from fees, fines, penalties, and licenses recognized when the entity has a valid ground (such as a law being broken, or an offender having been convicted of an offense attracting a fine or penalty) to claim entitlement to the revenue. Where the full amount of the revenue is received in cash the cash/bank account is debited by the amount received and the corresponding credit is posted to the revenue from fees, fines, penalties, and licenses account.

Where there is no cash received with respect to the revenue, a receivable is recognized by debiting the Fees, fines, penalties, and licenses receivable account and the corresponding credit posted to the revenue from Fees, fines, penalties, and licenses. Where the amount of the revenue is received partly in cash, both the cash/bank account and the fees, fines, penalties, and licenses receivable amount are debited under the assets side of the Statement of Financial Position to the extent that the total of the two debit entries is equivalent to the corresponding credit entry posted to the Revenue from Fees, fines, penalties, and licenses.

Statement of Financial Position	Dr – Cash/bank (where cash is received)	XX	
Statement of Financial Position	Dr – Fees/fines/penalties/licenses receivable (where no cash received))	XX	
Statement of Financial Performance	Cr – Revenue from fees, fines, penalties, and licenses.		XX

7. Recognition of expense

Being recognition of expense in the Statement of Financial Performance (typical expense journal entry).

Statement of Financial Performance	Dr – Expense	XX	
Statement of Financial Position	Cr – cash (where cash is paid out)/specific liability or obligation bringing about the expense.		XX

Considerations when Capturing Expenses

- Recognition of accrued expenses, prepayments, write-offs, provisions, depreciation, and interest.

8. Assets (PPE, Buildings etc)

Recognition of asset (initial measurement)

Being recording of assets at initial recognition in the accounting records of the entity. Where the asset is fully paid for in cash, a credit of the value equivalent to the purchase price is posted to the cash/bank account and a corresponding debit entry is posted to the cost–asset account.

Statement of Financial Position	Dr – Cost - Asset	XX	
Statement of Financial Position	Cr – Cash/bank (where cash is paid out)		XX

Subsequent Measurement – Recognising depreciation

Once an asset has been put into use, there is wear and tear which is referred to as depreciation. At the end of each accounting period (financial year), a deduction is made to the cost of the asset and transferred to the accumulated depreciation account. Below are the accounting entries. Being recording of depreciation expense in the period in which the expense is incurred.

Statement of Financial Performance	Dr – Depreciation expense	XX	
Statement of Financial Position	Cr – Accumulated depreciation.		XX

Derecognition

Derecognising (where there are no proceeds – fully depreciated)

Being removal of the asset from the accounting records of the entity. The total depreciation accumulated to date is removed by debiting the Accumulated depreciation account and the cost of the asset is eliminated by crediting the cost–asset to the total depreciation accumulated as of the date of derecognition. Ideally, when an asset is fully depreciated it means that the wear and tear over the life of the asset is equivalent to its initial recognition value i.e. the asset has exhausted its useful life.

Statement of Financial Position	Dr – Accumulated depreciation (all)	XX	
Statement of Financial Position	Cr – Cost-asset		XX

Derecognising (loss on sale)

The loss on disposal of the asset is the difference between the **NBV** (i.e. Cost of asset – accumulated depreciation) of the asset at the date of disposal and the **proceeds** received as consideration for the sale of the asset. Where the proceeds received are less than the NBV of the asset then the shortfall between the two amounts is the loss on disposal. In this regard, the NBV is achieved by debiting the Accumulated depreciation account and crediting the cost–asset by the total depreciation accumulated as of the date of the disposal.

The proceeds received from the sale of the asset are recorded in the cash/bank account by debiting the account and the corresponding credit journal is posted to the cost–asset account. To balance the cost–asset account, a balancing credit entry is posted to this account, and the corresponding debit is posted (i.e. expensed) to the Statement of Financial Performance as a loss on disposal.

Statement of Financial Position	Dr – Accumulated depreciation (all)	XX	
Statement of Financial Position	Cr – Cost-asset		XX
Statement of Financial Position	Dr – Cash/Bank (proceeds received)	XX	
Statement of Financial Performance	Dr – Loss on sale of asset (expense)	XX	

Derecognising (gain on sale)

A gain on disposal arises where the proceeds received exceed the NBV of the asset. These are the same journal entries posted when recording the loss on disposal above except that the balancing figure in this case is a debit to the cost–asset account.

Statement of Financial Position	Dr – Accumulated depreciation (all)	XX	
Statement of Financial Position	Cr – Cost-asset		XX
Statement of Financial Position	Dr – Cash/Bank (proceeds received)	XX	
Statement of Financial Performance	Cr - Gain on sale of asset (income)		XX

9. Land

Under IPSAS 45, land is considered to have an infinite useful life and is not depreciated for that reason because the future economic benefits are assumed to continue to accrue to the public entity indefinitely.

The revaluation model as per guidance under IPSAS 45 is normally applied on land due to its nature as highlighted above. Land is revalued from to time to reflect its true value over time.

Based on IPSAS 45 guidance, the increase (or decrease) in the value of the asset will only be recognized to the extent that it reverses a previously recognized decrease (or increase) in this particular class of asset. Furthermore, when there are conditions necessitating a revaluation (increase or decrease in value) of the asset, the revaluation should be applied across all the assets in that class.

Recording increase in value of land

Being recognition of the revalued amount of land

Statement of Financial Position	Dr – Land (assets) – with an increase in value	XX	
Statement of Financial Position	Cr – Revaluation reserve/surplus – with an increase in value		XX

Recording a decrease in the value of land

Being reversal of previously recognized revaluation.

Statement of Financial Position	Dr – Revaluation reserve – with a decrease in value	XX	
Statement of Financial Position	Cr – Land (assets) – with a decrease in value		XX

The accounting entries above also apply to all other classes of assets that are revalued.

10. Intangible Assets

Initial recognition of intangible assets

Statement of Financial Position	Dr – Intangible asset	XX	
Statement of Financial Position	Cr – Bank account		XX

Recognition of amortization

Statement of Financial Performance	Dr – Amortisation expense	XX	
Statement of Financial Position	Cr – Intangible asset		XX

Recognition of impairment loss

This is for intangible assets with indefinite useful life.

Statement of Financial Performance	Dr – Impairment expense	XX	
Statement of Financial Position	Cr – Intangible asset		XX

11. Inventories

Initial Recognition of inventory

Being initial recognition of inventory in the accounts of the entity. The asset (inventory) is created by debiting the Inventory account and crediting the cash/bank by the same amount

Statement of Financial Position	Dr – Inventory	XX	
Statement of Financial Position	Cr – cash/bank		XX

Initial Recognition of inventory in kind.

Being recognition of inventory acquired through means other than cash payment. The inventory is recognized at fair value as opposed to the lower net realizable value and cost in the scenario above.

Statement of Financial Position	Dr – Inventory (fair value)	XX	
Statement of Financial Performance	Cr – other revenue (non-exchange transactions)		XX

Issue of Inventory (Issuing entity)

Statement of Financial Performance	Dr – Expense)	XX	
Statement of Financial Position	Cr – Inventory		XX

12. Long-term borrowings

Public debt and associated interest are recognized on a cash basis. Proceeds from loan borrowings are recognized as revenue during the year of receipt at cost and repayment as expenditure in the year of repayment. Based on the provisions of IPSAS 41 - Financial Instruments: Recognition and measurement, the borrowings currently recognized as revenue have to move to the Statement of Financial Position. The full loan amount is recognized as a non-current liability and the proceeds received are recorded in the cash or bank account. The total repayment amount for typical government-to-government loans mainly consists of the principal amount and interest payments across the period of the loan. Under IPSAS, on recognition of a loan in the Statement of Financial Position, two payables arise; long-term (the remaining portion of the loan across the period of the loan) and short-term (the next repayment comprising a portion of the principal amount and the interest computed for that period.

Recording of loan receipts (on initial recognition)

Statement of Financial Position	Dr – cash/bank	XX	
Statement of Financial Position	Cr – Loan payable		XX

Recording of repayment of borrowings (one instalment)

Statement of Financial Performance	Dr – Finance cost	XX	
Statement of Financial Position	Dr – Loan payable (long-term)	XX	
Statement of Financial Position	Cr – Cash/bank		XX

Recording of income from below-market-rate loans on initial recognition (concessionary loans)

Statement of Financial Performance	Dr – Finance cost (the portion above the original contract interest rate)	XX	
Statement of Financial Performance	Cr – Revenue		XX

8.5 Accrual-based financial reporting templates

Section 194 (1) (d) of the PFM Act requires the PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. The financial reporting templates will be prescribed when new standards are prescribed by IPSASB to give the requisite guidance to the implementing entities. In preparing the templates the following have been adhered to:

- All templates applicable for FY 24/25 for in-year reporting and annual reporting were issued by a National Treasury circular dated 3rd October 2024 and are available for application.

- The templates have been prepared to include all the elements of financial statements detailed in this topic of the roadmap. This is to provide guidance to entities that would like to take advantage of early adoption and recognise all elements of financial statements in year 1.

- In preparing the templates, the board has elected to take advantage of IPSAS 33: First Time Adoption of Accrual Basis IPSAS on the presentation of financial statements. These exemptions do not require entities to provide comparative information and therefore the templates contain the following information for year 1 of the transition. Owing to this the templates contain the following information:
  a) One statement of financial position and an opening statement of financial position as at the date of adoption of accrual basis IPSAS i.e. 1st July 2024
  b) One statement of financial performance
  c) One statement of changes in net assets/equity
  d) One cash flow statement
  e) A comparison of budget and actual amounts for the current year as a separate additional financial statement or as a budget column in the financial statements if the first-time adopter makes its approved budget publicly available; and
  f) Related notes and disclosures.

- Templates issued are in Word and Excel formats to guide the prepare in providing linkages to the information prepared.

- In the process of re-engineering IFMIS, the financial reporting templates will eventually be automated in the system to ensure that financial statements are generated from IFMIS.

9. CONSOLIDATED FINANCIAL STATEMENTS

PFM Act 2012 section 80 requires that the National Treasury shall prepare for the national government clear and comprehensible annual financial statements that consolidate the financial statements prepared by all national government entities. Currently, the National Treasury prepares four different sets of consolidated financial statements including one for the MDAs, county governments, state corporations and SAGAs, and the Consolidated Fund. With the transition to accrual accounting, all the public sector financial statements will be prepared using an accrual basis and the National Treasury will prepare one set of consolidated financial statements as envisioned in the Act.

The public sector comprises the general government- the central government and the devolved units (county governments) as well as the commercial-oriented enterprises. The transition to accrual accounting will provide for the general government to apply IPSAS accrual standards as opposed to the cash-based standards that it has applied for the last 10 years.

9.1 Consolidated financial statements by National Government

Section 80 (1) of the PFM Act, 2012 requires that at the end of each financial year, the National Treasury to prepare for the national government, clear and comprehensible annual financial statements that consolidate the financial statements prepared by all national government entities, in accordance with formats prescribed by the Accounting Standards Board.

The National Treasury shall include the following in the consolidated financial statements:

a) a statement of all monies paid into and out of the National Exchequer Account.

(b) a summary of—

(i) the appropriation accounts and statements prepared by accounting officers under section 81; and (ii) the statements prepared by receivers of revenue under section 82.

(c) a statement of payments made from the National Exchequer Account that are authorised by legislation other than an Appropriation Act.

(d) a statement of the total amount of debt of national government that is outstanding at the end of the financial year.

(e) a statement of any waivers under Article 210 of the Constitution; and

(f) such other statements as the National Assembly may require.

Section 12 2(e) of the PFM Act 2012 requires the National Treasury to consolidate financial information for both levels of government. It states that the National Treasury shall consolidate reports of annual appropriation accounts and other financial statements of the national government and county governments and their entities. This means that the National Treasury shall prepare a government – wide consolidated financial statement indicating the financial position and performance of the government of Kenya.

9.2 Consolidated financial statements by county governments

Section 163(1) of the PFM Act, At the end of each financial year, the County Treasury shall, for the county government, consolidate the annual financial statements in respect of all the county government entities in formats to be prescribed by the Accounting Standards Board.

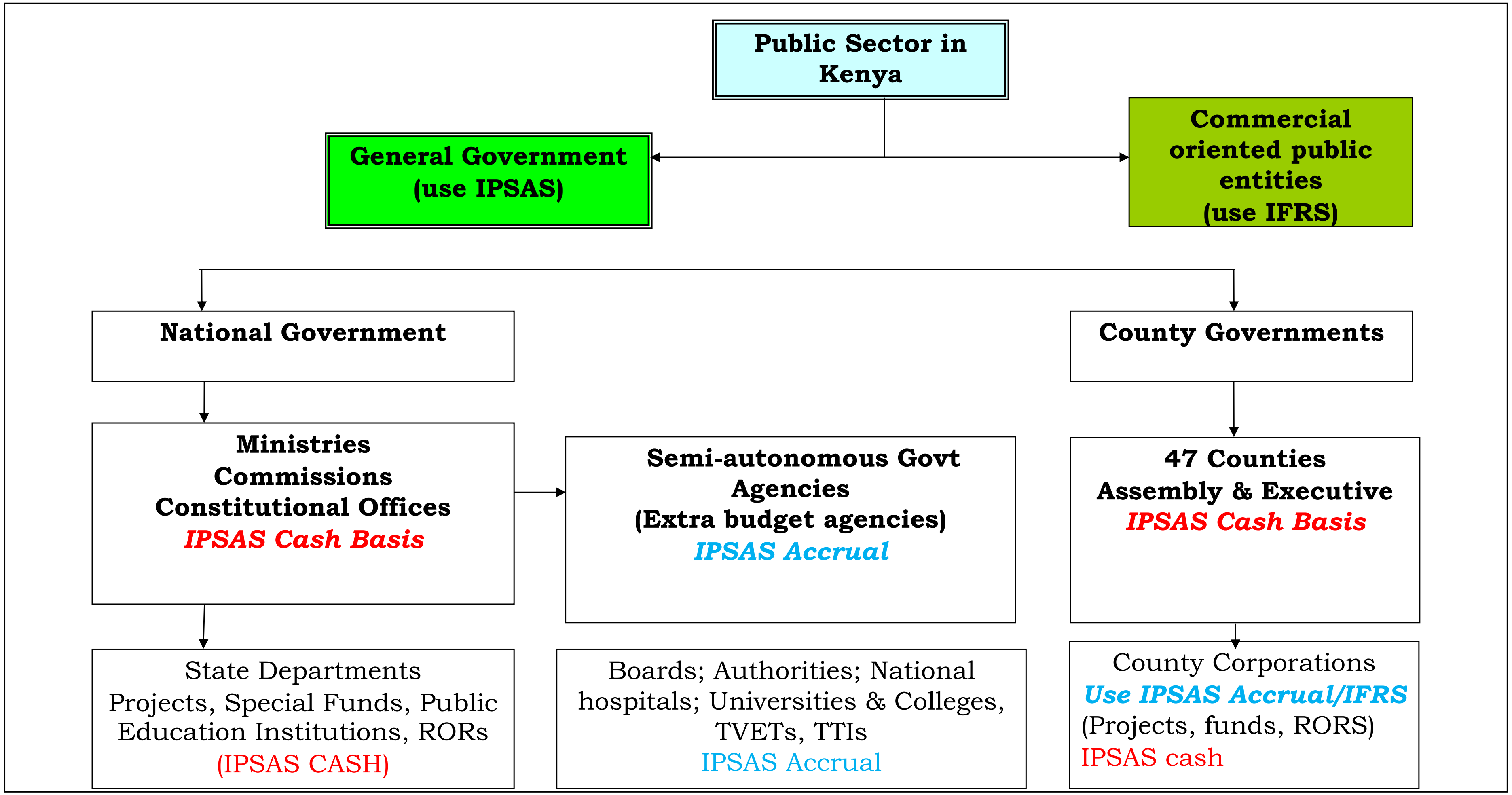
The County Treasury shall include the following in the consolidated financial statements:

(a) a statement of all money paid into and paid out of the County Exchequer Account.
(b) a summary of—
   (i) the appropriation accounts and statements prepared by accounting officers under section 164, and
   (ii) (the statements prepared by receivers of revenue under section 165.

(c) a statement of payments, if any, made out of the County Exchequer Account that are authorised by legislation other than an Appropriation Act.
(d) a statement of the total amount of debt of the county government that is outstanding at the end of the financial year.
(e) a statement of the debt guaranteed by the national government at the end of the financial year
(f) such other statements as the county assembly may require; and
(g) a statement on the summary of the accounts from the county assembly.

The law further requires that the consolidated financial statements be presented to the Office of the Auditor General for audit within the stipulated timelines.

The diagram below shows the scope of consolidation in the public sector and the standards applied:


Public Sector in Kenya
General Government (use IPSAS)
Commercial oriented public entities (use IFRS)
National Government
County Governments
Ministries
Commissions
Constitutional Offices
IPSAS Cash Basis
Semi-autonomous Govt Agencies
(Extra budget agencies)
IPSAS Accrual
47 Counties
Assembly & Executive
IPSAS Cash Basis
State Departments
Projects, Special Funds, Public Education Institutions, RORs
(IPSAS CASH)
Boards; Authorities; National hospitals; Universities & Colleges, TVETs, TTIs
IPSAS Accrual
County Corporations
Use IPSAS Accrual/IFRS
(Projects, funds, RORS)
IPSAS cash

Roadmap on transition from cash to accrual accounting by national and county governments and their respective entities.

To ensure that the National Treasury prepares a single set of consolidated financial statements, below is the approach to be undertaken.

Activity Area	Phase I (23/24)	Phase I (24/25)	Phase II (25/26)	Phase III (26/27)	Phase IV (27/28)
Consolidated Financial statements	Carry out a gap analysis of current consolidation requirements and expectations during the transition	Develop accounting policies consistent with IPSAS 34-38 (PSASB) Develop format including sector statements Explore and decide on options (oracle, Hyperion and others) and processes including a consolidation package. Prepare 24/25 consolidated financial statements for Budgetary Central Government Implement selected option for consolidation.	Prepare Budgetary Central Government 2025/26 Consolidated financial statements. Set up systems and processes for consolidating General Govt. Continue to refine policies, processes and data	Prepare CFS for Central Government 26/27 including sector statement for BCG and Extra Budgetary Units (EBUs). Prepare CFS for General Government including a sector statement for BCG, Central Government and County Governments Set up system and processes for consolidating public sector including sector statements (BCG, CG, GG and state corporations.	Prepare CFS for Public Sector including sector statements for BCG, CG, Counties GG and state corporations

10. EXTERNAL AUDIT

10.1 Internal Audit

The internal auditors are mandated to:

- review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in national and county government entities.
- review the effectiveness of the financial and non-financial performance management systems of the entities.

The internal auditors prepare quarterly reports and an annual report. These reports are useful to the management as they provide assurance of the internal controls of an entity. The reports are also a starting point for the external audits.

Under the various types of audits conducted by the internal auditor, it is expected that the transition to IPSAS accrual will most impact financial reviews and compliance audits as they relate to review of financial reports and transactions as well as reviewing compliance with standards.

Compliance reviews will be important during and after the adoption of IPSAS and can assist in monitoring the transition to IPSAS and guiding the Accountant General on progress toward compliance with IPSAS.

As the transition to accrual accounting is implemented, there needs to be developed tailored financial review procedures to cover:

- Procedures for auditing financial statements prepared in line with accrual-basis IPSAS.
- Audit of computer-based accrual accounting systems under the re-engineered IFMIS.

10.2 External audit

Article 229 of the Constitution of Kenya states that there shall be an Auditor-General. Within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on:

- the accounts of the national and county governments;
- the accounts of all funds and authorities of the national and county governments;
- the accounts of all courts;
- the accounts of every commission and independent office;
- the accounts of the National Assembly, the Senate, and the county assemblies;
- the accounts of political parties funded from public funds;
- the public debt; and

- the accounts of any other entities that legislation requires the Auditor-General to audit

Article 249 (2) states as follows:

(2) The commissions and the holders of independent offices –

(a) are subject only to this Constitution and the law; and

(b) are independent and not subject to the direction or control of any person or authority

The Auditor-General is thus an independent office to audit financial statements for state organs and public sector entities funded through public funds. Section 7 of the Public Audit Act, 2015, outlines the responsibilities and the functions of the Office of the Auditor General with respect to assuring the effectiveness of internal controls, risk management, and governance at national and county governments including undertaking audit activities in state organs to confirm whether or not public funds have been applied lawfully and effectively.

The OAG plays several roles in the transition from cash to accrual accounting and the reporting framework. The Auditor-General will:

- Be a critical partner in the development and review of the accounting policies at the Steering Committee level;
- Review the roadmap to transition to accrual accounting and concur or not concur with the Steering Committee on the exceptions provided by IPSAS 33 and whether the same maintains her mandate as stipulated in Article 229.
- Review management judgments as provided under the Steering Committee as relates to the identification, recognition, and display of elements and items of the Statement of Financial Position.
- Report to elected representatives through parliament oversight committees on the progress of the transition in line with the implementation strategy or plan.

Auditing during the transition period

The roadmap of the accrual accounting has taken a phased approach in line with the reliefs provided under IPSAS 33: First–time Adoption of Accrual Basis IPSAS. With the adoption of accrual accounting on a phased approach, entities will be applying the exemptions as provided in IPSAS 33. The financial statements for the transition period of three (3) years therefore will not be fully compliant with IPSAS accrual accounting and entities are required to indicate this fact in the financial reports prepared under the significant accounting policies. In this case, the auditor will be expected to carry out an audit that includes the assessment of:

- Compliance with IPSAS per the transitional timetable
- Appropriateness of detailed accounting policies set out in the context of the entity's operations.
- Review the progress against key deliverables at an entity and global level.

Following the exemptions under IPSAS 33, the Steering Committee has prepared a transition guideline indicating the elements to be brought in the financial statements each year. Entities will be required to prepare an opening statement of financial position as of 1st July 2024 to bring in any elements of financial statements that were previously left out during accrual as well as ensure the accurate opening balances are reported at the beginning of the transition period. These opening balances will require to be audited to assure their validity and completeness Below is the guidance on the assets and liabilities to be reported each year.

Year	Financial Year	Element of Financial Statement
1	2024/2025	All financial assets and financial liabilities
2	2025/2026	All inventories
3	2026/2027	All other assets and liabilities related to assets

Activity Area	Phase I (23/24)	Phase I (24/25)	Phase II (25/26)	Phase III (26/27)	Phase IV (27/28)	Phase V (27/28)	Phase VI onwards
Audit and review	Consultations with the National Audit Office regarding review and audit of financial statements including consolidated financial statements	Develop an indicative plan to obtain the OAG's feedback on financial statements	Review and update the plan based on the outcome of year 1.	Review comments from OAG and implement necessary improvements			

11. CHANGE MANAGEMENT AND COMMUNICATION

Change management is an important component of the transition to an accrual project. It is necessary to ensure that all stakeholders transition their mindset from cash accounting to accrual accounting and that they embrace the new reporting framework and systems. The spectrum of stakeholders includes the whole public finance management cycle, from budgeting to audit and oversight. For successful implementation, the key stakeholders **should** buy into the transition process.

For change management to be effective, communication of the reform agenda should be clear and transparent. Key stakeholders should be engaged on a regular basis and kept abreast with the progress of the transition over the transition period.

There should also be timely and clear direction to the implementing entities through relevant channels depending on the message that is to be passed across to the implementers.

Under change management and communication, the relevant steps include:

a) Identification of users and preparers of financial statements;
b) Identification of the message to each user/preparer of financial statements and the depth of the understanding of the reform required
c) Identification of the communication channels
d) Identification of collaborators to ensure buy-in and reduce the risk of resistance to change.
e) Develop communication and change management strategies that will inform the steps above including the timelines for communication.

The following have been identified as key stakeholders in the process:

- The National Treasury (as the key implementer)
- Public Sector Accounting Standards Board (PSASB)
- All reporting public entities
- All taxpayers
- All multilateral and bilateral institutions
- Office of the Auditor General
- Office of the Controller of Budget
- Commission on Revenue Allocation
- Council of Governors (as a key linkage for County Governments)
- The National Assembly, through its various oversight committees
- The Senate, through its various oversight committees

- Institute of Certified Public Accountants of Kenya (issuing accounting and auditing standards, maintaining membership, and continuous development of accountants in Kenya)
- The international standard-setting bodies such as IPSASB and IASB
- Parliamentary Budget Office
- County Assemblies
- Inter-Governmental Budget and Economic Council (comprises of the CECs member of Finance from County Governments)
- Inter-Governmental Fiscal Relations Committee
- Public Finance Management Reforms Secretariat (facilitating PFM Reforms in Kenya)
- Other professional bodies dealing with financial reporting, finance, audit, human resources, and procurement among others.
- Training institutions and examination regulators for accountants such as KASNEB, Universities, and Accountancy Colleges.
- Regulatory bodies such as the Central Bank of Kenya, Insurance Regulatory Authority, Retirement Benefits Authority, and Capital Markets Authority among others rely on financial information to regulate.
- Kenya Revenue Authority
- State Department for Public Service
- Kenya School of Government
- Ministry of Public Works
- Ministry of Lands

The following strategies have been and will continue to be employed for effective change management and communication:

1. **Development of a detailed stakeholder engagement plan**- The strategies for engaging the stakeholders include meetings, sensitization forums, high-level training, correspondence such as letters, and direct involvement in decision-making, such as including them in the steering committee and technical working groups. All the relevant stakeholders to the transition have been included in the steering committee to ensure a seamless transition to accrual accounting.

2. **Sensitisation sessions**- Currently, several sensitization sessions on accrual accounting have been held for various stakeholders' key among them, the preparers who are drawn

from the national government MDAs, Constitutional Commissions, Independent Offices and County Governments, Internal Auditors from the MDAs and External Auditors from the Office of the Auditor General. There are more planned sensitizations for the County Internal Auditors, the related Committees of Parliament, and other PFM players e.g. Budget Officers, and Procurement Officers among others. This will be done regularly over the transition period including providing updates on key milestones attained over the transition period.

3. **Establishment of effective channels of communication**- This will include formal government communication channels such as government circulars, gazette notices, letters, addresses at physical forums, sensitizations, social media and the mainstream media, formal meetings, and consultations among others. Communication of the transition has been done formally through the gazette notice. In addition, templates and guidelines have been issued through the National Treasury circular. The steering committee and implementers of the reform will leverage relationships with key stakeholders especially those with influence to communicate the reforms to their constituents.

12. TRAINING AND CAPACITY BUILDING

To ensure the success of the transition to the accrual project, training, and capacity building will be carried out for all stakeholders considering their needs in terms of education and training and will address shortly--, medium-, and longer-term needs.

Over the last ten years, the National Treasury and the Board have invested heavily in training workshops for Accounting Officers and accountants from the public sector. On-the-job training and coaching have also been used to impart knowledge on accounting, financial reporting, and IFMIS.

In addition to training and building the capacity of the Accounting Officers and accountants, it is important that the target groups to be trained be expanded to include other PFM players such as Budget Officers, Internal Auditors, and Supply Chain Officers among others. Additionally, the top management of the transitioning entities and public oversight bodies should also be factored in for training.

Various approaches have been undertaken to ensure training and capacity building are carried out efficiently. The approaches are as follows:

1. **Development of a pool of trainers:** The Financial Reporting Unit (FRU) within the Directorate of Accounting Services & Quality Assurance has also been trained and has built capacity as TOTs. The unit will work closely with the financial statement preparers to train them on accrual accounting based on the prescribed accounting standards. A few preparers from the entities already reporting on an IPSAS accrual basis have also been trained as ToTs to add to the pool of trainers from PSASB and the Financial Reporting Unit.

2. **Development of accounting standards guidelines:** The Board has continued and will continue to develop accounting standards guidelines and other tools to assist the implementing entities in seamlessly transitioning to the accrual accounting framework. The guidelines are aimed at simplifying complex accounting standards as issued by IPSASB.

3. **E-learning Platform:** The Board and the National Treasury will also develop an e-learning platform to train financial statement preparers on different aspects of accrual accounting through certification. The platform will also contain a repository of various relevant materials for reference by stakeholders.

4. **Workshops and conferences:** The National Treasury and the Board will continue to hold workshops and conferences for the various stakeholders to continually offer training on the

transition. The training needs will vary from time to time and will be determined by feedback obtained from the stakeholders.

5. **Collaborations with ICPAK and KSG:** Public Sector accountants are members of ICPAK and the Institute will assist in training the members on accrual-based accounting standards. In addition to the members being awarded continuous professional development points, they will also broaden their knowledge. The Kenya School of Government (KSG) will also play a vital role in terms of offering training for the preparers including providing suitable venues for training, especially the IFMIS academies which will be revived with the sole aim of equipping the users with the requisite knowledge on transition accounting. Seminars and workshops may also be conducted at KSG.

6. **On-the-job training**: As the accountants perform their day-to-day jobs, it is expected that they will experience some challenges and as they address the challenges, they will be sharpening their skills.

7. **Peer-to-peer learning:** Due to the diversity of the transitioning entities, the transition experiences of the entities will be varied. Through referral from the National Treasury, the entities ahead in the transition process will assist those lagging.

13.RISKS AND MITIGATION MEASURES

Like any other reform, the transition from cash to accrual accounting may be faced with several risks. It is important to anticipate some of these risks at the beginning of the project and provide mitigating factors. Additionally, continuous monitoring and evaluation of the project, including risk identification, management, and reporting will provide an opportunity for the steering committee and the implementing entities to have a mechanism for mitigating against them.

It is the responsibility of each entity to assess its operating environment to identify specific risks that may delay the achievement of the milestones set out in their work plans that have or will be prepared in line with this global roadmap.

The key risks associated with the transition and the recommended actions to mitigate the risks are highlighted in the table below.

Ref	Risk	Mitigating Factor
1.	**Lack of buy-in and support from stakeholders**	To achieve the objectives of the project, the support and buy-in of key stakeholders will be crucial. Moving to accrual accounting will require a change in mindset by the stakeholders and a clear communication strategy should be put in place. A consultant will be engaged for purposes of communication.
2.	**Inadequate resourcing of the project**	The accrual project is one that is cost intensive. This is especially with relation to the re- engineering of the IFMIS system and for funds to be availed at the required timelines to pave way for other processes. The National Treasury is committed to provide the required resources through the annual budgetary allocation for the project. The Cabinet also approved Kshs 3.1 bn over the three year period for the project.
3.	**Theoretical approach that cannot be translated into pragmatic solutions**	To translate the theoretical concepts into pragmatic solutions and achieve the objectives of the project, a collaborative approach between the project implementation team and government institutions involved in the project will be necessary to ensure the proposed solutions are adapted and suitable.
4.	**Inadequate accounting expertise/knowledge of staff**	It will be important that key staff involved in IPSAS implementation are adequately retrained and the training should be tailored to their specific areas. Reference materials

Ref	Risk	Mitigating Factor
		that staff can refer to need to be prepared and made available to the preparers. In addition, clear guidance on how to handle some elements in the financial statements will be provided by the Steering Committee.
5.	**Unavailability of data**	New data will need to be generated to produce accrual-based financial statements and existing data that are currently not used for accounting purposes may need to be used going forward. An example of this is data on asset ownership and values. Owing to the fact documentation to support data on ownership may be difficult to obtain, the accounting principle of the substance of substance over form will be applied whereby the control of assets is considered to report on the assets.
6.	**Risk of missing the deadlines**	The transition is approved to take three (3) years and therefore the financial statements for the financial year 2026/2027 should be fully compliant with IPSAS accrual. To mitigate delays over the three years, continuous monitoring and evaluation will be undertaken as the project continues.
7.	**Uncertainty regarding the selection of first-time implementation options and accounting policies**	Based on experience, a lot of time is often spent on discussing and selecting first-time implementation options and accounting policies. The phased approach being followed may assist in mitigating this risk as it will enable a systematic and well-paced adoption of IPSAS. It will also enable options adopted in one phase to be tested during implementation before moving to the next phase.
8.	**Risk of not reflecting the multi-dimensional aspect of the project**	Making the transition to accrual accounting is much more than solely a change in accounting rules. It impacts the entire government's organisation. To get it done, the various challenges arising from implementation need to be adequately addressed and a well-defined methodology and action plan should be developed, taking into consideration the various dimensions of the project: policies, people, processes and systems.

14. MONITORING AND EVALUATION FRAMEWORK

14.1 Monitoring and evaluation

During the transition period, the National Treasury will engage an external consultant to come up with a framework to monitor and evaluate the transition to ensure the process is effectively managed and achieves its intended outcomes. The Consultant will be reporting to the Project Manager. This monitoring and evaluation framework will be linked to the implementation plan which is three-year phased to enable a systematic transition over the three years.

In tracking progress, this monitoring and evaluation framework will serve as an early-warning system to alert the Project Manager when there are difficulties and weaknesses in implementing the set roadmap. It also provides a framework to evaluate progress against set targets. The objective is to ensure full compliance by 30th June 2027 by all entities.

The following outcomes are expected from the cash-to-accrual accounting project.

1. Updated laws and regulations to enable the adoption of accrual basis IPSAS.
2. Updated accounting policies and manual in line with accrual-basis IPSAS.
3. Developed staff capacity in applying accrual-basis IPSAS.
4. Enhanced IFMIS that enables capturing of transactions in line with accrual-basis IPSAS.
5. Capturing and recording of transactions in line with accrual-basis IPSAS.
6. Financial statements prepared in line with accrual-basis IPSAS.

Although the transition to an accrual project is complex, having a structured monitoring and evaluation framework tool will ensure that the process is transparent, accountable and effective.

14.2 Review of the Roadmap

The roadmap is applicable from 1st July 2024 to 30th June 2027. The roadmap will be reviewed on a bi-annual basis and any remedies provided in line with the projected timelines.

15. DETAILED WORK PLAN BASED ON THE PROPOSED APPROACH

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	**Gazettement of applicable dates**																								
	a. Approval of the accrual standard by PSASB.																								
	b. Approval of the accrual standard by the cabinet																								
	c. Consideration and approval of the roadmap by the Steering Commitee																								
	d. Gazettement of the dates in consultation with CS, National Treasury																								
	e. Review existing laws to align with accrual accounting where applicable																								
	f. Steering Committee issue guidelines on Accrual accounting and on specific standards including transitional guidelines																								
2	**Communication Strategy**																								
	a. Develop a communication strategy for the transition																								
	b. Implement the communication strategy																								
	c. Monitor the progress of implementation of the communication strategy																								
3	**Stakeholder awareness**																								
	a. Print media supplementary																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	b. Meetings/ presentations and discussions with key stakeholders																								
	c. Sensitisation workshops to accounting officers, public sector accountants and internal auditors (bi-annual)																								
	d. Sensitisation to the Office of the Auditor General																								
	e. Sensitisation of other key stakeholders (cabinet)																								
	f. Engagement with stakeholders(continuous)																								
4	**Steering Committee**																								
	a. Approval to form a steering committee- CS, Treasury																								
	b. Formation of a Steering committee and the project manager																								
	c. Approval of TORs for the steering committee																								
	d. Sensitisation and training of the committee																								
	e. Project management and direction																								
	f. Formation of technical working groups at the technical levels.																								
	g. Development and implementation stakeholder engagement policy																								
5	**Identification and valuation of assets and liabilities**																								
	a. Approval of National Assets and Liabilities policy by National Treasury (approved CS, Treasury in June 2020).																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	b. Approval of asset and liabilities reporting templates- PSASB-NALM approved in 2020																								
	c. Approval of specific policies on assets and liabilities- PSASB,NALM approved in 2020																								
	d. Sensitisation on the policy- NALM/PSASB Done in Nov 2020																								
	e. Training and capacity building- NALM/PSASB																								
	f. Identification of Assets and liabilities based on the approved policies (ongoing) - Accounting Officers																								
	g. Review of NALM Policies and guidelines.																								
	h. Valuation of assets and Liabilities - Accounting Officers/ government valuer																								
6	**Financial Management System**																								
	a. Resolve salient issues in new IFMIS such as bank reconciliations for national and county government entities under cash basis																								
	b. Activation of modules in IFMIS																								
	Steering Committee approves revised SCOA																								
	c. Activate asset and liabilities module in new IFMIS																								
	d. Train on accrual related concepts in new IFMIS																								
7	**Liabilities**																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	7a. Employee pension liabilities																								
	a. Specify accounting policy and new methodology in accordance with IPSAS (particularly IPSAS 39)																								
	b. Complete preparatory work, including documentation of pension arrangements and consultation with actuaries. (Treasury Pensions Department)																								
	c. Calculate balance as at July 1, 2025 according to new methodology, including actuarial valuation																								
	d. Recalculate balance as at June 30, 2025 according to new methodology, including actuarial valuation																								
	e. Recognize pension liability and related assets in 2025/2026 financial statements																								
	f. Refine and improve data and presentation for future financial statements																								
	g. Continue to report pension liability in financial statements																								
	7b. Debt																								
	a. Specify accounting policy and procedures																								
	b. Review quality and completeness of data, particularly on long term debt (Debt department and AO)																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	c. Calculate the opening balance as at 1st July 2024. (Debt department and AO)																								
	d. Account for debt on dual basis in IFMIS																								
	e. Prepare template for notes.																								
	f. Recognize debt as liability in 2024/25 accrual financial statements																								
	g. Refine and improve data and presentation for future financial statements																								
	h. Continue to report debt liability in financial statements																								
	7c. Accounts Payable																								
	a. Complete preparatory work, including for any necessary surveys to identify creditors and balances owing (pending bills by AOs)																								
	b. Disclose in 2023/24 financial statements as memorandum items																								
	c. Identify and quantify balances as at July 1, 2024																								
	d. Recognize in 2024/25 financial statements																								
	e. Refine and improve data and presentation for future financial statements																								
	f. Continue to report liability in financial statements																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	7d. Other liabilities incl. provisions																								
	a. Specify accounting policy and procedures for other liabilities incl. provisions																								
	b. Quantify balances as at July 1, 2025																								
	c. Record in IFMIS on dual basis as appropriate (opening balances/ comparative)																								
	d. Disclose in 2023/24 and 2024/25 and 25/26 financial statements.																								
	e. Refine methodologies and improve data and presentation																								
	f. Recognize in FY 2026/2027 financial statements																								
	g. Continue to recognize in financial statements																								
	7e. Contingent liabilities																								
	a. Specify accounting policy and procedures (IPSAS 19)																								
	b. Analyse circumstances and identify areas where CL may exist (AOs)																								
	c. Assess probability of payments related to guarantees and other contingent liabilities																								
	d. Estimate provisions if payments are probable and include in opening balances in IFMIS.																								
	e. Recognize provisions, financial statements for disclosure in FY 24/25 and 25/26																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	f. Disclose all contingent liabilities according to IPSAS 19																								
	g. Recognize provisions, if needed, in FY 26/27 financial statements																								
	h. Continue to recognize and liabilities disclose according to IPSAS 19																								
	7f. Commitments (IPSAS 45 Property, Plant and Equipment, IPSAS 31 Intangible Assets and other commitments for budget purposes																								
	a. Specify accounting policy and procedures																								
	b. Analyse circumstances and identify areas where commitments may exist																								
	c. Review quality and ensure completeness of existing data.																								
	d. Disclose material commitments in 2024/25 financial statements																								
	e. Continue to disclose in financial statements																								
8.	**Financial assets**																								
	8a. Receivables																								
	a. Consult with Receivers of Revenue (include statement of arrears in revenue in FS																								
	b. Specify accounting policies and procedures																								
	c. Analyse circumstances to identify areas where receivables may arise																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	d. Review completeness and quality of existing data																								
	e. Quantify receivables as at July 1, 2024, and any related provisions for potentially irrecoverable amounts																								
	f. Enter opening balances in IFMIS.																								
	g. Account for receivables on dual bases in IFMIS																								
	h. Review receivables and provide for any potentially irrecoverable amounts																								
	i. Recognize receivables in 2024/25 financial statements																								
	j. Refine receivables data and presentation																								
	k. Continue to report receivables in financial statements subject to reliability and recoverability																								
	8b. Finance and operating leases (Govt. is the lessor																								
	a. Consult with relevant Ministries																								
	b. Develop accounting policies consistent with IPSAS particularly IPSAS 13 and 43																								
	c. Identify and review leases and classify as finance or operating leases (AO)																								
	d. Record leases in IFMIS or separate asset register for management																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	e. Enter opening balances of finance leases in IFMIS GL as part of receivables																								
	f. Record in IFMIS any additions or reductions of finance leases																								
	g. Recognize revenue from finance and operating leases																								
	h. Refine and improve data for financial statements																								
	i. Continue to report finance leases																								
	8c. Investments																								
	a. Specify accounting policies,																								
	b. Review quality and completeness of existing data																								
	c. Review and refine accounting policies																								
	d. Identify and value assets as at July 1, 2024																								
	e. Recognize investments in 2024/25 financial statements																								
	f. Review investments and need for revaluation																								
	8d. Cash and cash equivalents, incl. bank accounts																								
	a. Identify existing bank accounts																								
	b. Enter bank accounts in Register of Bank Accounts																								
	c. Specify accounting policies and procedures																								
	d. Review quality and completeness of existing data																								
	e. Enter opening balances of all bank accounts as at July 1, 2025 in IFMIS																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	f. Recognize all cash and cash equivalents in 23/24 financial statements (as currently done)																								
	g. Recognize all cash and cash equivalents in official 2024/25 financial statements including all bank accounts																								
	h. Continue to report in financial statements																								
	8e. Other financial assets																								
	a. Specify accounting policies and procedures																								
	b. Analyse circumstances to identify areas where other financial assets may arise																								
	c. Review quality and completeness of existing data																								
	d. Identify and value other financial assets as at Jul 1, 2024																								
	e. Enter opening balances as at July 1, 2025 in IFMIS																								
	f. Recognize Other financial assets in 2024/25 financial statements																								
	g. Review and refine accounting policies and presentation																								
	h. Continue to report in financial statements																								
	9 Non-financial assets																								
	9a Fixed asset register																								
	a. Test and operationalize asset register module in IFMIS																								
	b. Incorporate revised classification in asset register and GL in IFMIS																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	c. Review data quality and classification of pilot entities' assets and revise as needed																								
	d. Continue to enter fixed assets in asset register – complete by June 30, 2027																								
	e. Enter transactions on acquisitions, disposals and adjustments in asset register and GL																								
	f. Reconcile fixed asset register with GL asset accounts and financial statements																								
	g. Keep assets register up to date and reflect additions, disposals and any other adjustments																								
	h. Recognize all fixed assets in 2026/27 financial statements																								
	i. Undertake physical verification																								
	j. Use register and other information to ensure assets are maintained properly																								
	9b Land																								
	a. Specify accounting policies according to IPSAS (particularly IPSAS 17 and 45)																								
	b. Review quality and completeness of existing data																								
	c. Undertake an inventory of land																								
	d. Establish cost or values																								
	e. Enter in register land controlled																								
	f. Start/ enter opening balances as at July 1, 2026 and enter in																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	IFMIS GL which must agree with register																								
	g. Disclose land in FY 24/25 and 25/26 financial statements																								
	h. Reconcile GL balances with fixed asset register																								
	i. Continue to enter opening balances of land																								
	j. Continue to report land in financial statements -																								
	k. Complete recognition and reporting of land in 2026/27 financial statements																								
	9c. Buildings																								
	a. Specify accounting policies, including useful lives																								
	b. Undertake an inventory of buildings - AOs																								
	c. Establish cost or values																								
	d. Review quality and completeness of existing data																								
	e. Start entering opening balances in IFMIS																								
	f. Review depreciation calculation throughout the year																								
	g. Reconcile GL balances with fixed asset register																								
	h. Continue to enter opening balances of buildings																								
	i. Complete recognition and reporting of buildings in 2026/27 financial statements																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	9d Roads, bridges, tunnels, harbours, dams, and other infrastructure assets																								
	a. Specify accounting policies, including useful lives																								
	b. Review quality and completeness of existing data																								
	c. Undertake an inventory of infrastructure assets																								
	d. Establish cost or values																								
	e. Start entering in register infrastructure assets																								
	f. Review depreciation calculation throughout the year																								
	g. Continue to recognize infrastructure assets																								
	h. Reconcile GL balances with fixed asset register																								
	i. Refine and improve data for financial statements for future years																								
	j. Complete recognition and reporting of infrastructure assets in 2026/27 financial statements																								
	k. Review useful economic life of assets																								
	9e. Machinery, and equipment, including transport, ICT, and others																								
	a. Specify accounting policies, including useful lives																								
	b. Review quality and completeness of existing data																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	c. Undertake an inventory of machinery by AOs																								
	d. Review depreciation calculation throughout the year																								
	e. Start entering in register machinery and equipment																								
	f. Continue to recognize machinery																								
	g. Complete recognition and reporting of machinery etc. in 2026/27 financial statements																								
	h. Continue to reconcile GL balances with fixed asset register																								
	i. Review for impairment																								
	9f. Other fixed assets, including cultivated biological asset (controlled by BCG)																								
	a. Specify accounting policies, including useful lives																								
	b. Review quality and completeness of existing data																								
	c. Undertake an inventory of other fixed assets																								
	d. Establish cost or values																								
	e. Start entering in register other fixed assets																								
	f. Start entering opening in IFMIS GL																								
	g. Review depreciation calculation throughout the year																								
	h. Continue to recognize other fixed assets in official financial statements.																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	i. Refine and improve data for financial statements for future years																								
	j. Complete recognition and reporting of other fixed assets in 2026/27 financial statements –																								
	k. Continue to reconcile GL balances with fixed asset register																								
	l. Review useful economic life of asset																								
	m. Review for impairment																								
	9g Public private partnerships (PPPs), e.g. university hostel, toll road, power plant																								
	a. Identify and classify PPPs - Establish values																								
	b. Specify accounting policies, including useful lives particularly IPSAS 32																								
	c. Review quality and completeness of existing data																								
	d. Undertake an inventory of PPPs																								
	e. Start entering opening balances in asset register and IFMIS GL																								
	f. Review depreciation calculation throughout the years.																								
	g. Disclose PPP assets and liabilities in 24/25 financial statements and 25/26																								
	h. Reconcile GL balances with fixed asset register																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	i. Continue to recognize PPP assets and liabilities in financial statements																								
	j. Refine and improve data for financial statements for future years																								
	k. Complete recognition and reporting of PPP assets and liabilities in 2026/27 financial statements																								
	l. Continue to reconcile GL balances with fixed asset register																								
	m. Review useful economic life of asset																								
	n. Review for impairment																								
	9h Intangible assets including software.																								
	a. Specify accounting policies, including useful lives																								
	b. Review quality and completeness of existing data by AOs																								
	c. Undertake an inventory of intangible asset																								
	d. Establish cost or value																								
	e. Start entering opening balances in IFMIS GL																								
	f. Review amortization calculation throughout the year																								
	g. Disclose intangible assets in 2024/25 and 25/26 financial statements																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	h. Continue to recognize intangible assets in official financial statements																								
	i. Reconcile GL balances with fixed asset register																								
	j. Complete recognition and reporting of intangible assets in 2026/27 financial statements																								
	k. Review useful economic life of asset																								
	l. Review for impairment																								
	9i Inventories																								
	a. Develop accounting policies consistent with IPSAS particularly IPSAS 12																								
	b. Review quality and completeness of existing data by AOs																								
	c. Identify and value inventories at 1st July 2025																								
	d. Start entering opening balances IFMIS GL																								
	e. Carry out stock taking at June 30, 2025 and value the inventories																								
	f. Recognize inventories in 25/26 financial statements																								
	g. Continue to carry out annual stocktaking																								
	h. Continue to report inventories in financial statements																								

Ref	Details	2021/2022				2022/2023				2023/2024				2024/2025				2025/2026				2026/2027			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	i. Complete recognition and reporting of inventories in 2025/26 financial statements																								
10	**Capacity Building and Training**																								
	a. FRU/IFMIS/PSASB training																								
	b. Training of Trainers and certification-PSASB/FRU/IFMIS/IAG/Budget/																								
	c. National Treasury to develop an accounting manual that is accrual based																								
	d. Develop training manuals that can be cascaded to users																								
	e. Training public sector accountants																								
	f. Prepare accrual based financial reporting templates																								
11	**Monitoring and Evaluation**																								
	a. The steering committee to set up a joint monitoring and evaluation team																								
	b. Monitoring and evaluation throughout the project																								

KEY:

	Completed from previous years.
	Completed/ on-going
	Scheduled
	IFMIS related activities