



Public Sector Accounting Standards Board

Annual Report for the period to 30th June 2017

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ACRONYMS

AGD	Accountant General's Department
CFSs	Consolidated Fund Services
CGs	County Governments
CoB	Controller of Budget
ESAAG	East and Southern Africa Accountants' General
FiRe	Financial Reporting Excellence
GOE	Government Owned Enterprises Committee
GSC	Governance and Strategy Committee
IAC	Internal Audit Committee
ICPAK	Institute of Certified Public Accountants of Kenya
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IPPF	International Professional Practice Framework
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
MBA	Masters of Business Administration
MDAs	Ministries, Departments and Agencies
NCG	National and County Governments Committee
OAG	Office of the Auditor General
PFM	Public Finance Management
PFMR	Public Finance Management Reforms
PSASB	Public Sector Accounting Standards Board
SCs	State Corporations
SAGAs	Semi Autonomous Government Agencies

KEY ENTITY INFORMATION

Background information

The Public Sector Accounting Standards Board (PSASB) was established and constituted in accordance to sections 192 and 193 of the PFM Act, 2012 on 28th February 2014. At the Cabinet level, the Board is represented by the Cabinet Secretary to the National Treasury.

Principal Activities

The principal activities of the Board as provided by PFM Act section 194 (1) are to:

- Set generally accepted accounting and financial system standards;
- Prescribe the minimum standards of maintenance of proper books of account for all levels of Government;
- Prescribe internal audit procedures which comply with the Act;
- Prescribe format for financial statements and reporting by all state organs and public entities;
- Publish and publicize the accounting and financial standards and any directives and guidelines prescribed by the Board;
- In consultation with the Cabinet Secretary on the effective dates of implementation of the standards, Gazette the dates for application of the standards and guidelines; and
- Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

Registered Office

The National Treasury
Harambee Avenue
P.O Box 30007- 00100
Nairobi

Principal Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

Auditor

Auditor General
Office of Auditor General
Anniversary Towers
P. O. Box 30084-00100
Nairobi, Kenya

Message from the Chairman of the Board



It is with great honour that I present to you the third Annual Report of the Public Sector Accounting Standards Board (PSASB) which covers the financial year 2016/2017. Since its inception in 2014, the Board has continued to attain remarkable achievements in financial reporting and internal audit practices in the public sector.

In the process of executing its mandate, the Board has continued to develop and improve financial reporting templates, training and capacity building, engagement with key stakeholders such as the Auditor General and ICPAK and participation in training and the FiRe award event that seeks to award the best in financial reporting excellence.

The National Government through the National Treasury supports the Board's activities through exchequer transfers. This year was not an exception. The Board received Kshs 113 million in order to carry out its operations. This budget was operated under the National Treasury's vote.

During the year, the Board was able to develop and approve a reporting template for Secondary Schools in Kenya. This template is expected to be rolled out in January 2018. In addition a successful training for County Government internal auditors was conducted in January 2017. This training was the first of this nature to be organised by the Public Sector Accounting Standards Board.

The Board continued to implement its five year strategic plan through its annual work plan. The strategic plan will guide the Board in achieving its mission vision and core values in the short and long term.

To ensure that the momentum created by the board since its formation in 2014 is sustained, the Board has lined up a number of initiatives that include: strengthening the Secretariat by way of filling up vacant positions once the structure is approved by relevant authorities; and laying the foundation to allow public sector entities currently reporting under cash basis to migrate to accrual basis of accounting. The migration to accrual is going to be involving as it will require improvements to the legal and policy framework, asset and liabilities policy, accounting system, training and capacity building, stakeholder engagement and resource mobilization.

Finally I thank all our stakeholders, the Board and Secretariat for their commitment and tireless effort towards the achievement of the goals and objectives of the Board and by extension for taking our country finance management reform agenda to greater heights.

A handwritten signature in blue ink, appearing to read 'Bernard Ndungu', written over a horizontal line.

CPA Bernard Ndungu, MBS
Chair: Public Sector Accounting Standards Board

Message from the head of Secretariat

It is my pleasure to present the Board's annual report for the period 2016/2017 which covers the activities performed during this period. The Board, in FY 2016/2017, carried out a number of initiatives which included improving and enhancing disclosures on the annual reporting templates and sustained capacity building through training workshops at Kenya school of Government.

During the period 2016/2017, the Board members and the Secretariat continued to improve their technical skills through training and conferences. These training workshops included topical issues such as public finance management, standard setting process, board and committee effectiveness, financial reporting and analysis among others.

During the period, the Board welcomed a member representing the Intergovernmental Budgetary and Economic Council (IBEC) Mr. Simon Mundu, who is a County Executive Committee Member responsible for finance in Kitui County. Mr. Mundu has provided valuable input in relation to financial reporting and accounting procedures by the County Governments.

In June 2017, the Board issued revised reporting templates and model financial statements for use under the IPSAS Cash, IPSAS Accrual and IFRS reporting frameworks. These revised templates were uploaded on the National Treasury's website for use by preparers of the financial statements. These templates and model financial were used by the preparers of the financial statements in preparation of FY 2016/2017 financial statements.

In collaboration with The National Treasury, consolidated financial statements were prepared for the financial year 2016/2017 and submitted to the Office of the Auditor General by 31st October 2017.

The Secretariat has continued to provide technical and administrative support to the Board. Beginning 1st July 2017, the Board will be operating and reporting independently from the National Treasury as a Semi-Autonomous Government Agency (SAGA). The Board will prepare quarterly and annual financial statements as required by the PFM Act.

Going forward, the Board seeks to improve the Secretariat in order to improve its technical capacity. In addition, there are plans to migrate to accrual accounting for National Government MDAs and County Governments. A Cabinet memorandum has already been drawn and is scheduled to be presented at the Cabinet level for the Executive buy in. In this regard, the Board has prepared a high level roadmap to accrual accounting in collaboration with IMF East AFRITAC to take effect from 1st July 2019 with earlier adoption being encouraged.

I wish to take this opportunity to thank all the Board members, our key stakeholders and the Secretariat staff for their tireless effort towards achieving the mandate of the Board.



CPA Patrick Abachi
Ag. Head of PSASB Secretariat

Profile of Board Members



Bernard Ndungu, MBS - Chairman

He represents the National Treasury in the Board. Bernard holds a Bachelor of Commerce degree (finance option) from the University of Nairobi. He is currently pursuing Master's degree in Public Finance Management at the University of London. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is the Director General – Accounting services and Quality Assurance at the National Treasury and the Administrator of the Equalization Fund. He is also a Member of the Consultative Advisory Group (CAG) of the IPSAS Board and the immediate former chair of the ESAAG. He represents the Cabinet Secretary/National Treasury in various boards.



Comm. Anne Elizabeth Owuor, EBS

She represents the Institute of Certified Public Accountants of Kenya. She is a holder of Master's degree in Business Administration (MBA) Finance from USA, Masters in Science in Audit Management & Consultancy University of Central England Birmingham, a Post Graduate Diploma in Audit Management & Consultancy – University of Central England Birmingham, Diploma in Board Competence & Board Practice from Oslo and Akershus University College of Applied Sciences in Norway. She is also a Certified Internal Auditor, Certified Risk Management and Assurance. She is currently pursuing a Doctorate in Philosophy from University of South Africa (UNISA). She is a Commissioner with the Salaries and Remuneration Commission.



Esther Maiyo

She represents the Capital Markets Authority in the Board. She holds a Master's degree in Business Administration and a Bachelor of Commerce degree. Esther is a Certified Public Accountant and a Certified Public Secretary of Kenya. She also holds a Certified Information Systems Auditor (CISA) designation. She works for the Capital Markets Authority where she has held various management positions in Internal Audit, Market Supervision, Financial Analysis, Accounting and Risk Management.



Sophie Moturi

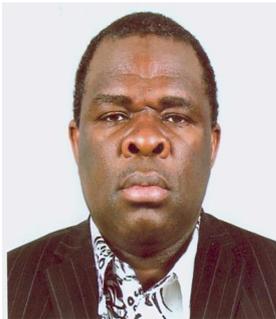
She represents the Association of Professional Societies of East Africa (APSEA). She holds a Master's degree in Banking and Finance from Moi University and a Bachelor of Commerce degree (Accounting) from the University of Nairobi. She is also a Certified Public Accountant and a member of (ICPAK). Sophie is a Director at Bomo Ltd and a Governing Council Member at the International Leadership University.



Lazarus Kimang'a

Represents the Institute of Certified Public Secretaries of Kenya (ICPSK) in the Board. He holds an MBA degree in Finance from the University of Nairobi and Master's degree in Commerce in International Business Management from Strathmore University. He also trained in Financial Management at Templeton College, University of Oxford. He is a Fellow Certified Secretary and Fellow Certified Public Accountant. He is Chairman of Registration Committee, Institute of Certified Investment and Financial Analysts.

Profile of Board Members



Macklin A. Ogolla

Mr. Ogolla represents the Office of the Controller of Budget (OCOB) in the Board. He holds an MBA degree from Moi University and a Bachelor of Science degree from the University of Nairobi. Mr. Ogolla is also a Certified Public Accountant and a member (ICPAK). He is the Director of Corporate Services at the office of the COB.



Charles Cheruiyot

He represents the Institute of Internal Auditors (IIA) in the Board. He holds an MBA degree and a Bachelor of Commerce degree both of the University of Nairobi. He is also a Certified Public Accountant and a Certified Internal Auditor. He is a member of the Institute of Certified Public Accountants of Kenya. He is the Chief Internal Auditor at Kenya Power & Lighting Company Ltd.



David Gichana

He represents the Office of the Auditor General (OAG) in the Board. He holds an MBA degree and a Bachelor of Commerce degree both of the University of Nairobi. He is also a Certified Public Accountant and a Certified Internal Auditor. He is a member of the Institute of Certified Public Accountants of Kenya. He is a Deputy Auditor General at the Office of the Auditor General.



Simon Mundu

He represents the Inter- Governmental Budget and Economic Council in the Board with effect from 21st February 2017. He holds an MBA of the University of Nairobi and a Bachelor of Commerce from the same University. He has immense experience in accounting and audit and he is currently the County Executive Member for Finance in Kitui County. He is a Certified Public Accountant and a member of ICPAK.



Patrick Abachi- Acting Head of Secretariat and Secretary to the Board

Mr. Abachi is the Acting Head of PSASB secretariat and also the secretary to the Board. He holds a Bachelor of Commerce degree and is currently pursuing an MBA degree at Kenyatta University. He is a Certified Public Accountant and a council member at the Cooperative University of Kenya. Mr. Abachi also chairs Boards of Management of various Secondary Schools. He is a career civil servant spanning over 30 years of service in various Ministries and State Departments.

The Board Secretariat

The Board is supported in its functions by a Secretariat which has been set up pursuant to Section 193 (5) of the PFM Act, 2012. The Secretariat provides administrative and technical support to the Board in the execution of its mandate and functions.

The Secretariat is formed by members who are full time employees of the National Treasury, and is hosted at the National Treasury during the period under review. During the period from 1st July 2016 to 30th June 2017, the Secretariat played an instrumental role to ensure implementation of the Board's mandate. This was achieved through effective and efficient allocation of resources.

The composition of the Secretariat during the year was as follows:-

Technical Staff

No.	Name	Position	Department
1	Patrick Abachi	Acting Head of the Secretariat	Accounting Services Department
2	Jona Wala	Secretariat member	Accounting Services Department (joined in July 2016 and appointed as a co-opted member to the NCG committee in February 2017)
3	Beatrice Gathirwa	Secretariat member	Government Investments and Public Enterprises
4	Cheryl Majiwa	Secretariat member	Government Investments and Public Enterprises
5	Daniel Nyaga	Secretariat member	Internal Audit Department
6	Faith Waithera	Secretariat member	Internal Audit Department
7	Paul Chege	Secretariat member	Technical Consultant
8	Georgina Muchai	Secretariat member	Technical Consultant
9	Billy Mathu	Secretariat member	Accounting Services Department

Support staff

No.	Name	Position	Department
1	Irene Ndung'u	Secretariat member	Accounting Services Department
2	Diana Ng'ang'a	Secretariat member	Accounting Services Department
3	Rose Wanja	Secretariat member	Accounting Services Department

Corporate Governance

The Board was gazetted on 28th February 2014 pursuant to Sections 192 to 195 of the Public Finance Management Act, 2012. Various committees of the Board were constituted in May 2014.

Composition of the Board

The PSASB consists of representatives from nine institutions and serve on a part time basis. These institutions are: The National Treasury, Controller of Budget, Intergovernmental Budget and Economic Council, the Auditor General, Institute of Certified Public Accountants of Kenya, the Association of Professional Societies of East Africa, Capital Markets Authority, Institute of Internal Auditors and the Institute of Certified Public Secretaries of Kenya.

These members are nominated by their respective institutions and gazetted by the Cabinet Secretary, The National Treasury. The chairman of the Board is appointed by the Cabinet Secretary from among the nominated members. A summary of the members and their nominating institutions is as follows:

No.	Member	Nominating Institution
1	Bernard Ndungu- Chairman	The National Treasury
2	Macklin Ogolla	Controller of Budget
3	David Gichana	Office of the Auditor General
4	Comm. Anne E Owuor	Institute of Certified Public Accountants of Kenya
5	Sophie Moturi	Association of Professional Societies of East Africa
6	Esther Maiyo	Capital Markets Authority
7	Charles Cheruiyot	Institute of Internal Auditors
8	Lazarus Kimang'a	Institute of Certified Public Secretaries of Kenya
9	Simon Mundu	Intergovernmental Budget and Economic Council

Board diversity

The Board is constituted by members who have experience in accountancy, auditing, corporate governance, public finance management, financial analysis and investment and management. The Board's mandate is to prescribe accounting and internal audit standards for all state organs and public entities and therefore the members are required to have technical knowledge in accountancy and /or audit. The biographies of the Board members are disclosed on pages 7 and 8 of this report. The Board has three female board members out of nine members and therefore meets the constitutional threshold of having at least a third of all members being female.

Roles and Responsibilities of directors

The roles and responsibilities of members are outlined in section 194 of the PFM Act, 2012. These roles and responsibilities are also detailed in the Board's five year strategic plan (2015/2016- 2020/2021), in the Board's annual work plans and in the Board Charter.

Board composition and Committees

The following table represents the Board composition and its committees. There are four committees of the Board and each member is appointed to two committees. Each committee has a total of four members. The table below shows the chairs and members of each committee of the Board.

Ref	Members	Full Board	Governance and Strategy (GSC)	National and County Governments (NCG)	Government Owned Enterprises (GOE)	Internal Audit committee (IAC)
1	Bernard Ndungu	√*				
2	Macklin Ogolla	√	√	√		
3	Sophie Moturi	√	√		√*	
4	David Gichana	√		√	√	
5	Esther Maiyo	√			√	√*
6	Lazarus Kimanga	√	√*			√
7	Anne Owour	√		√*		√
8	Charles Cheruiyot	√	√			√
9	Simon Mundu	√		√	√	

*Chairman of the Board/Committee

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. Below is an extract from the attendance register for the Board meetings held in the period from 1 July 2016 to 30 June 2017:

No	Members	18 th August 2016	15 th November 2016	19 th January 2017	6 th April 2017	20 th June 2017	%
1	Bernard Ndungu	√	√	√	√	√	100
2	Macklin Ogolla	√	√	√	x	√	80
3	Sophie Moturi	√	√	√	√	√	100
4	David Gichana	x	√	√	√	√	80
5	Esther Maiyo	√	√	√	√	√	100
6	Lazarus Kimang'a	√	√	√	√	√	100
7	Anne Owour	√	√	√	√	√	100
8	Charles Cheruiyot	x	√	X	√	√	60

9	Simon Mundu	n/a	n/a	n/a	√	x	50
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- ❖ Simon Mundu was appointed on 21st February 2017; vide Kenya Gazette notice number 2700, to represent the Intergovernmental Budget and Economic Council. During the first 2 Board meetings of the year, his appointment had not taken effect.

Below is a summary of the general functions and members' attendance of each of the committee of the Board:

- Governance and Strategy Committee:** This Committee deals with promotion of good governance, enhancing capacity, and giving strategic direction to the Board and Secretariat.

Members	2 nd August 2016	26 th October 2016	4 th Nov 2016	6 th June 2017
Lazarus Kimang'a*	√	√	x	√
Sophie Moturi	√	√	√	√
Bernard Ndungu	X	√	√	√
Macklin Ogolla	√	√	√	√
Charles Cheruiyot	√	√	√	√
Patrick Abachi**	√	√	√	√

*Chairperson to the committee

** Patrick Abachi is the Head of the Secretariat. He was appointed as a co-opted member to the GSC committee on 6th April 2017. Prior to his appointment he was attending the meetings in his capacity as Head of Secretariat and Secretary to the Committee.

- National and County Government Committee:** The NCG committee deals with financial reporting matters and capacity building for National Government Ministries Departments and Agencies (MDAs) and County Governments (CGs).

Members	14 th July 2016	24 th October 2016	2 nd November 2016	30 th May 2017
Anne E. Owuor*	√	√	√	√
Macklin Ogolla	√	√	√	√
David Gichana	√	√	√	√
Simon Mundu	n/a	n/a	n/a	X
Bernard Ndungu**	-	√	-	-
Jona Wala***	n/a	n/a	n/a	X

*Chairperson to the committee

** Mr. Bernard Ndungu attended the committee meeting on 24th October 2016 by invitation to discuss on an area of interest.

***Mr. Jona Wala was appointed as a co-opted member to the NCG committee on 6th April 2016 in accordance with the PFM Act. He is the Director Accounting Services at the National Treasury.

- iii. **Government Owned Enterprises Committee:** GOE deals with financial reporting matters and capacity building for State Corporations (SCs) and Semi-Autonomous Government Agencies (SAGAs) in public sector.

Members	19 th July 2016	25 th October 2016	16 th May 2017
Sophie Moturi*	√	√	√
David Gichana	√	√	√
Esther Maiyo	x	√	x
Simon Mundu	n/a	n/a	√
Bernard Ndungu**	-	√	-
Kennedy Ondieki***	n/a	n/a	√

*Chairperson to the committee

** Mr. Bernard Ndungu attended the committee meeting on 25th October 2016 by invitation to discuss on an area of interest.

***Mr. Kennedy Ondieki was appointed as a co- opted member to the GOE committee on 6th April 2016 in accordance with the PFM Act. He is the Director Government Investments in Public Entities.

- iv. **Internal Audit committee:** The IAC committee advises the Board on internal audit matters and capacity building within the area of internal audit in the public sector.

Members	12 th July 2016	13 th October 2016	10 th May 2017
Esther Maiyo*	√	√	√
Anne E. Owuor	√	√	√
Charles Cheruiyot	x	√	√
Lazarus Kimang'a	√	√	√
Alfayo Mogaka**	x	√	x

*Chairperson to the committee

** Alfayo Mogaka is a co-opted member to the Internal Audit Committee. He is the Internal Auditor General at the National Treasury.

Term of Board members

The term of the Board is outlined under the amended provision of PFM Act, 2012 section 193(4). Members except ex- officio members shall be appointed by the Cabinet Secretary National Treasury, and serve for a term of not more than three (3) years renewable once for a further term of three years. In doing so, the appointment is staggered to ensure succession planning.

The first term of the 6 Board members expired on 20th January 2017. These members were reappointed by their nominating institutions and gazetted in the Kenya Gazette by the Cabinet Secretary, National Treasury on 21st February 2017 for a further term of three years. These members include Bernard Ndungu, Anne Owuor, Macklin Ogolla, Esther Maiyo, Sophie Moturi and Lazarus Kimang'a. Charles Cheruiyot's term ended in May 2017 and was reappointed to the Board on 13th June 2017 for a further term of three years.

Compliance to laws and other legal requirements

PSASB as a responsible corporate citizen is alive to the tenets of the Constitution of Kenya and is fully compliant with the provisions of the PFM Act, 2012 under which the Board is established. The Board also ensures compliance to the PFM Act, 2012 by public sector entities through sensitization and training.

Board remuneration

As per PFM Act, 2012 Section 195(2), the remuneration payable allowances to the members of the Board are determined by the Salaries and Remuneration Commission.

Conflict of interest and Declaration of interest

The Board members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Board. All transactions with all parties, directors or their related parties are carried out at arm's length. Board members are obligated to disclose to the board any real or potential conflict of interest, which may come to their attention whether direct or indirect. During every Board meeting, an agenda item exists which requires members to make a declaration of any conflict of interest they may have in the business to be discussed.

Board Charter

PSASB's Board Charter was approved on 20th June 2017. The Charter outlines powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, committee's terms of reference, conflict of interest among others. The Charter is premised on the Mwongozo Code and best Corporate Governance Practices.

1 Executive summary

1.1 Background

The Public Sector Accounting Standards Board (PSASB) is a statutory, standard setting body established under the Sections 192 to 195 of the Public Financial Management Act, 2012. The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities.

The Board was established as part of PFM reforms in Kenya. The reforms are part of a wider global recognition of the necessity to improve financial management and the quality of financial information among public and private sector organizations.

The mandate and functions of the PSASB are established pursuant to Sections 192 to 195 of the Public Financial Management Act, 2012. The mandate of the Board is to:

- Set generally accepted accounting and financial standards;
- Prescribe the minimum standards of maintenance of proper books of account for all levels of Government;
- Prescribe internal audit procedures which comply with this Act;
- Prescribe formats for financial statements and reporting by all state organs and public entities;
- Publish and publicize the accounting and financial standards and any derivatives and guidelines prescribed by the Board;
- In consultation with the Cabinet Secretary on the effective dates of implementation of these standards, Gazette the dates for application of the standards and guidelines; and
- Perform any other functions relating to advancing financial and accounting systems management and reporting in the public sector.

The Board is a representative entity and consists of nominees from the following representing entities:

- i. National Treasury
- ii. Controller of Budget
- iii. Intergovernmental Budget and Economic Council
- iv. Auditor-General
- v. Institute of Certified Public Accountants of Kenya
- vi. Association of Professional Societies of East Africa
- vii. Capital Markets Authority
- viii. Institute of Internal Auditors
- ix. Institute of Certified Public Secretaries of Kenya

The Board is supported in its functions by a full time Secretariat. The Secretariat provides administrative and technical support to the Board in the execution of its mandate and functions.

1.2 Vision, mission and core values of the Board

1.2.1 Vision of the Board

To enhance quality and reliability of financial information to safeguard the public interest through transparent and accountable financial reporting.

1.2.2 Mission of the Board

To promote sound financial reporting and internal auditing standards for transparency and accountability in the Public Sector

1.2.3 Core values of the Board

PSASB's core values are as follows:

- i. Integrity
- ii. Objectivity
- iii. Transparency
- iv. Thought leadership
- v. Consultative
- vi. Team work
- vii. Professionalism

1.3 Overview of work plan for FY 2016/2017

The following is a summary of the work plan for FY 2016/2017:

Activity No.	Description of activity	Expected Output(s)	Status of activities by 30 th June 2017	Comment
1	Development and approval of the Annual Work Plan	Annual Workplan	Completed	Approved on 6th August 2016.
2	Prepare Annual Report for FY 2015/2016	Annual report for 2015/2016	Completed	Annual report submitted for publishing.
3	Performance Evaluation for the Board and Board members of FY 2014/2015 and 2015/2016	Board member appraisals	Not completed	Activity carried out in September 2017 for all years
4	Conduct education programs, stakeholder consultation and public awareness	Trained public sector staff	Completed	Bi- annual training workshops conducted at the KSG for public sector accountants in MDAs, County Governments and SCs and SAGAs. Board organised a training workshop for County Internal Auditors in January 2017.

Activity No.	Description of activity	Expected Output(s)	Status of activities by 30 th June 2017	Comment
5	Communication strategy and awareness	Fliers, banners, website and conferences with stakeholders	Ongoing	The Board continues to create awareness to its stakeholders through regular training workshops conducted for public sector auditors and accountants. Printing of fliers and banners are pegged on having a Board Logo which was an ongoing process at year end.
6	FiRe Awards	FiRe award evaluation and award ceremony	Completed	The 2016 FiRe award was successful. 305 public sector entities that included MDAs, SCs, SAGAs, Development Projects and Public Funds participated in the evaluation. The awards culminated in a colourful ceremony at Windsor Golf Club on 29 th October 2016.
7	Update financial recording tools and guidelines	Updated annual reporting templates Developed a school's reporting template for secondary schools. Developed a template for the receivers of revenue	Completed	Annual reporting templates were revised in June 2017 and uploaded onto the National Treasury's website. The revised templates were used by the entities to prepare FY 2016/2017 financial statements. The School's reporting template was approved by the Board in September 2017 and is expected to be rolled out to school's from January 2018. In July 2016, the Board approved a receivers of revenue template. Section 82 of the PFM Act requires appointed receivers of revenue to prepare financial statements in respect of revenue that they receive.
8	Roadmap towards accrual basis of accounting	Consultation with key stakeholders and hiring a consultant	Ongoing	The Board approved a Cabinet memo on migration to accrual accounting in June 2017. This will enable the Board to get a buy in for the migration which is planned for 1st July 2019.

Activity No.	Description of activity	Expected Output(s)	Status of activities by 30 th June 2017	Comment
				To enable smooth migration process, as at the year end, the Board in conjunction with the National Treasury was in the process of preparing TORs for a consultant to develop assets and liabilities policy for the government which is a key pillar towards accrual accounting,
9	Benchmarking and training for the Board and secretariat members	Benchmarking and training reports and training materials	Continuous	The Board and Secretariat members attended 15 training workshops in the year. Some of the members also facilitated at trainings organised at the Kenya School of Government and workshops organised by ICPAK.

1.4 Achievements of the Board in FY 2016/2017

1.4.1 Implementation of Quarterly Reporting in the Public Sector

The PFM Act requires an accounting officer of a National or County Government Entity to prepare and submit quarterly financial statements to the National Treasury or County Treasury respectively. In order for entities to comply with this provision of the PFM Act, the Board approved quarterly reporting templates for the public sector entities which became effective from 1st July 2016. Preparers of financial statements were trained on the application of the templates that had been developed for MDAs, County Government Entities, State Corporations and SAGAs. Quarterly illustrative financial statements were also prepared and uploaded on the National Treasury's website to assist preparers of the financial statements prepare the quarterly statements with ease. During the year 100% submission rate of quarterly reports by Ministries, Departments and Agencies while other National and County Government entities achieved over 50% submission rate in the year. This enabled the National Treasury to conduct reviews and provide timely feedback that has assisted entities to improve the quality of their annual and quarterly financial statements.

1.4.2 Development of a financial reporting template for receivers of revenue

Section 82 of the PFM Act requires that at the end of each financial year, a receiver of revenue for the National Government shall prepare an account in respect of revenue received and collected by the receiver during that financial year. In FY 2016/2017, the Board approved the annual reporting template for reporting by receivers of revenue under the IPSAS Cash basis of accounting. As at the end of the year, preparers of the financial statements had been successfully trained on the application of the template. End of year annual reports were prepared in line with the PSASB approved templates.

1.4.3 Training and capacity building of public sector accountants

The Board in its efforts to improve capacity and skills of preparers of financial statements, collaborated with the National Treasury to offer training programmes for the public sector accountants at the Kenya School of Government. The following training workshops were conducted in FY 2016/2017.

1. Lessons learnt workshop for Ministries, Departments and Agencies and Development Projects held from 28th November to 2nd December 2016.
2. Lessons learnt workshop for County Governments held from 5th to 9th December 2016.
3. Lessons learnt workshop for SCs and SAGAs held from 16th – 20th January 2017.
4. Training workshop on the preparation of financial statements for FY 2016/2017 and in year reporting for MDAs held from 15th to 19th May 2017.
5. Training workshop on the preparation of financial statements for FY 2016/2017 and in year reporting for County Governments held from 8th to 12th May 2017.
6. Training workshop on the preparation of financial statements for FY 2016/2017 and in year reporting for SCs and SAGAs held from 5th to 9th June 2017.

These training programs target Accounting Officers, Heads of Accounting Units, Directors of Finance accountants, Revenue Officers and Financial Reporting Officers.

In FY 2016/2017, 300 accountants from MDAs and Development projects, 280 accountants from County Governments and 700 accountants from SCs and SAGAs were trained respectively.

The aim of these training workshops is to develop the accounting profession and financial reporting in the public sector. Progressively, the discussions at the training workshops are increasingly becoming technical and the Board has taken note that the accountants are growing in their profession.

1.4.4 Training and capacity building of County Government Internal Auditors

The Board, in conjunction with the Internal Audit Department at the National Treasury, conducted a 5 day training workshop for County Government Auditors at the Kenya School of Government. This was the first of its kind and some of the topics covered include; PFM legal framework, IPPF, IPSAS implementation, audit committees and audit committee guidelines among others. This training provided a forum for the participants to learn, interact and network with both County and National Government Internal Auditors. Based on the recommendations of this workshop, the PSASB is in the process of organizing for frequent training workshops for internal auditors and internal audit committee members in the public sector.

1.4.5 Training and capacity building for the Board and the Secretariat

During the year under review, members of the Board and the Secretariat were sponsored to attend training, workshops and conferences both locally and internationally to improve their technical competence. A number of benchmarking visits have also been conducted for learning and experience sharing. Resources obtained from the trainings and conferences were shared out to other members after training attendance. The Board has benefitted immensely from such workshops.

1.4.6 Consolidation of Government wide financial statements

The Board in collaboration with the National Treasury prepared and submitted Government consolidated financial statements to the Auditor General for Audit as required by the PFM Act. The consolidated financial statements for FY 2016/2017 were prepared under four defragmented sets due to the use of different accounting bases used that is, cash basis and accrual basis of accounting. The four consolidated sets are as follows:

Ref	Financial statements	Basis of accounting	Number of entities consolidated	Details
1	Consolidated financial statements for the MDAs and Development projects	Cash basis of accounting	65 MDAs 4 CFSs 71 Development Projects	This set of financial statements consolidates the voted entities and the development projects.
2	Consolidated State Corporations, Semi-Autonomous Government Agencies and Public	Accrual basis of accounting	364 State Corporations and SAGAs	Consolidates all the State corporations, Semi-Autonomous Government Agencies and Public Funds.

	Funds			
3	County Governments Consolidated Financial Statements	Cash basis of accounting	47 County Governments and 48 County Government Entities that included Funds, Boards and Projects.	Consolidates all the financial information from all County Executive and County Assemblies in each County.
4	Consolidated Fund financial statements	Cash basis of accounting	The exchequer account, 16 RoRs, 3 special funds and 400 special deposit accounts and E-Citizen Funds	Consolidates the National Exchequer account, Receivers of Revenue and Special Deposit Accounts.

The Auditor General is yet to conduct an audit on the Consolidated Financial Statements for FY 2015/2016 and FY 2016/2017.

1.4.7 Partnership in FiRe Award Scheme.

The Board is a key partner in the Financial Reporting (FiRe) Award Scheme. Through this partnership, public sector entities have been able to participate in the scheme alongside their private counterparts in the year 2015, 2016 and 2017. In 2016, a total of 305 public sector entities participated in the competition that seeks to award the best entities in Financial Reporting Excellence. Private sector recorded 95 participants. The exercise culminated in a colourful award ceremony on 29th October 2016 at the Windsor Golf Club where 12 public sector entities scooped awards under different categories including IFRS, IPSAS Cash and IPSAS Accrual.

Following each FiRe award evaluation, the Board and ICPAK gives feedback to individual participating entities in order to provide feedback on areas that require improvement in a bid to enhance the quality of financial reports produced by public sector entities.

1.4.8 Representation in local and international forums

The Board continues to be represented by its members and secretariat to international and local forums as outlined below:

International representation

In the international arena, the Chair of the Board, Mr. Bernard Ndungu is a member of the Consultative Advisory Group which provides advice to the International Public Sector Accounting Standards Board (IPSASB).

Local representation

PSASB is represented in various ICPAK committees by its members and members of the secretariat. These committees are:

Ref	Committee	Details	Representative(s)
1	Professional Standards Committee	Promote the accounting profession and accounting standards in Kenya	David Gichana, Georgina Muchai
2	Public Policy and Governance Committee	Promote governance and accountability	David Gichana

Members of the PSASB are able to contribute to the development of accounting standards and the accounting profession through representation in the various local and international bodies. In so doing, the Board is also able to make a contribution as it executes its mandate.

1.5 Summary of key challenges during the period

The success achieved has been met amidst challenges. These challenges arise from internal weaknesses and external threats which may contribute to delays while the Board is working towards achieving its mandate.

Some of the main challenges are as highlighted below:

1.5.1 Limited technical expertise at the Secretariat

There is limited technical expertise in terms of skills and numbers within the Board's secretariat. Lack of technical expertise may affect the Board's mandate of setting generally accepted accounting standards and internal auditing standards. The Board has taken strides towards resolving this challenge. In the year, the Board was evaluated by SRC and at the end of the period was waiting to be designated as a SAGA and issued with a salary structure. The salary structure will enable the Board to recruit staff to build its technical capacity.

1.5.2 Board Communication Strategy

The PSASB is working towards developing a communication strategy. It has been quite difficult for the Board to communicate its decisions to its stakeholders especially the preparers of the financial statements in the absence of a communication strategy and a website. Currently, the Board's approved templates are hosted at the National Treasury's website.

1.5.3 Stakeholder engagement

The Board has had little engagement with key stakeholders such as the legislature and executive arms of the Government, International Standard setting bodies, preparers of the financial statements and other key local stakeholders. Such engagement is important in order for the Board to gain a buy in and prompt implementation of its decisions.

1.5.4 Formation of a fully fledged Secretariat

The PFM Act, 2012 states that the National Treasury will provide a secretariat for the Board. With increased scope of work at the secretariat, there is a need to expand the capacity in terms of staff numbers and skills. To mitigate this challenge, the board has initiated the process of developing appropriate organizational and proposed salary structures, and seeking appropriate approvals.

1.6 Overview of budget performance

1.6.1 Source of funding

During the period to 30th June 2017, the Board funded through Government Budgetary Allocation which was disbursed and accounted for under the National Treasury. The budgetary allocation for the year was Kshs 113,000,000.

1.6.2 Budget performance

Out of the Kshs 113,000,000 funding available to the Board as outlined above, a total of Kshs 103,127,659 was utilized. The Board achieved a utilization rate of 91% of the allocated budget.

The available funding was utilized to fund the following key activities:

Ref	Activities	Budget	Actual
1	Capacity Building for Public Entities- MDAs and SAGAs	30,000,000	28,444,878
2	Capacity Building- County Governments	20,000,000	18,567,234
3	Capacity Building for Internal Auditors from County Governments	5,000,000	4,100,250
3	Allowances for Board Members	9,000,000	8,408,329
4	Sponsorship for FiRe awards	12,000,000	11,600,000
5	Support activities to the Board	37,000,000	32,006,968
	Total	113,000,000	103,127,659

2 Detailed status report per Activity

2.1 Activity 1: Development and approval of FY 2016/2017 Annual Work Plan

Background and description of the activity

The Board draws an annual work plan each year. This work plan is prepared in line with the Board's five year strategic plan, the vision, mission, core values and the mandate to the Board. Once the work plan is drawn, it is presented in all the committee meetings for discussion before final approval by the Board.

2.1.1 Status of the Activity

Completed

Ref	Sub-Activity	Responsible	Timing
1	<p>Preparation and approval of the work plan</p> <p>The secretariat prepares the annual work plan and presents it to the various committees for discussion and later presents it to the Board for approval.</p>	Secretariat/ Board	Approved on 18 th August 2017.
2	<p>Review and Monitoring of the work plan</p> <p>The work plan is reviewed on a quarterly basis to ensure that the activities envisioned at the beginning of the year are on course. Where necessary, the plan is amended to reflect the changes arising from different factors at the time of the review.</p>	Secretariat/ Board	Done quarterly.

2.1.2 Planned activity going forward

The Board will continue to develop and monitor its activities through the annual work plans as derived from the Board's five year strategic plan. The annual work plans will assist the Board to meet its strategic plan objectives and therefore contribute to meeting the Board's mandate.

2.2 Activity 2: Prepare Annual Report for FY 2015/2016

2.2.1 Background and description of the activity

The PFM Act requires all National Government Entities to prepare financial statements for each financial year. The Government fiscal year commences every 1st July to 30th June. The PSASB has been operating as a department in the Accountant General's Department at the National Treasury. Its financial report is therefore consolidated under the National Treasury financial statements which were audited by the Auditor General and issued with a qualified audit opinion for the year 2015/2016. The Board's annual report largely consists of the Board's work plan, successes, challenges and budget execution for the year. The report also details planned activities going forward.

2.2.2 Status of the Activity

Completed

2.2.3 Detailed activities and progress to date

The PSASB annual report was prepared in April 2017 and approved by the Board on 6th June 2017.

Ref	Sub-Activity	Responsible	Timing
1	<p>Collection of input from each committee</p> <p>Each of the secretaries to the committees collected and collated information on activities undertaken by the Board Committees in the period for inclusion in the final annual report.</p>	Secretaries of the Committee	February 2017
2	<p>Compilation of the annual report</p> <p>Once all the information was obtained, the Secretariat compiled the annual report and ensured all information was factual.</p>	Secretariat	April 2017
3	<p>Approval, adoption and publishing of the annual report</p> <p>The Board discussed, approved and adopted the annual report on 7th June 2017. As at 30th June 2017, the report was with the publisher for publishing.</p>	Board/ Secretariat	June 2017

2.3 Activity 3: Performance Evaluation for the Board and Board members of FY 2014/2015

2.3.1 Background and description of the activity

The Board's Charter, the Mwongozo Code and best practice requires that the Board and the members are evaluated each year. The evaluation results are then supposed to be discussed and members guided on areas that may require improvement.

2.3.2 Status of the Activity

Not completed as at 30th June 2017. The activity was carried out in September 2017 for all prior years.

2.4 Activity 4: Conduct education programs, stakeholder consultation and public awareness

2.4.1 Description of the activity

The Public Sector Accounting Standards Board's principal mandate is to set generally accepted accounting and auditing standards. This requires the Board to carry out extensive training for public sector accountants and auditors. In carrying out its activities, the Board interacts with various stakeholders who include preparers / implementers of the standards, users of the financial statements, accounting and auditing professional bodies, policy makers among others. There is need for Board to engage all stakeholders to gain their buy in and support the Board in its mandate.

2.4.2 Status of the Activity

Ongoing

2.4.3 Summary on the progress to date

Ref	Sub-Activity	Responsible	Timing
1	<p>Training of public sector finance and audit officers</p> <p>Trainings were conducted during the year for Public sector accountants drawn from the National Government Ministries, Departments and Agencies, State Corporations and SAGAs and County Governments.</p> <p>The training programmes were geared at improving financial reporting within the public sector through application of the prescribed accounting standards and formats by the Board.</p>	Board/ Secretariat	<p>Bi- annual training workshops were in the year held for the MDAs, County Governments and State Corporations, SAGAs and public funds.</p> <p>These trainings were held in the months of June, November and December 2016 and January 2017.</p>

2	<p>Training of Audit Committee members of Boards</p> <p>As at year end, 11 Audit Committees which included 8 County Executives and 3 County Assemblies. None of the MDAs had recruited an Audit Committee as at year end.</p>	Board	<p>Owing to the prolonged period on 2017 general elections, it was quite difficult to organise a training workshop for the Audit Committees. This training has been scheduled for the second quarter in year 2017/2018.</p>
3	<p>County Governments visits</p> <p>County Governments are relatively new entities that came into being in the year 2013 following the enactment of the new constitution in 2010. There is need to ensure that sound financial reporting structures are instituted in their formative stage. For this reason, the Board had planned to visit County Governments to create awareness of its mandate in financial reporting and auditing and to meet the governors in order to gain a buy in. However, this activity is yet to be carried out.</p>	Board	<p>This activity has been planned for FY 2017/2018</p>

2.4.4 Planned activity going forward

Training Audit Committees: Members of County and National Government Audit Committees will be trained on their responsibilities as per the PFM Act and the Audit Committee guidelines, their role and interaction with the internal audit department and the executive and their role and interaction with the external auditors. This training workshop is scheduled for quarter 2 in FY 2017/2018.

2.5 Activity 5: Communication strategy and awareness

2.5.1 Description of the activity

In order to communicate effectively to its stakeholders and the Kenyan Public Sector, PSASB needs a communication strategy that will assist in achieving its mission, vision and core values. This strategy should assist the Board to communicate its plans, activities, pronouncements, successes and strategies to the stakeholders.

2.5.2 Status of the Activity

Partially completed

2.5.3 Summary on the progress to date

Ref	Sub-Activity	Responsible	Timing/ Action
1	Procurement of banners, fliers, pens, note books e.t.c	Secretariat	This activity will be carried out in FY 2017/2018, once the PSASB logo has been finalised and approved.
2	Print media supplementary	Secretariat	The Board published an article in the ICPAK's Accountant Journal and the e- connect magazine on migration from cash to accrual accounting.
3	Development of a website and communication strategy for the Board	Secretariat/ Board	Currently, the Board uses the National Treasury's website to disseminate information to its stakeholders. The Board has planned to develop a website in FY 2017/2018.
4	Hold regular conferences with key stakeholders	Secretariat/ Board	In FY2015/2016, the Board engaged in the following activities: <ul style="list-style-type: none"> 1. Partnered with ICPAK as a sponsor in the 2016 FiRe award scheme. 2. Trained at ICPAK seminars particularly on public finance management and accrual accounting in the public sector 3. Invited ICPAK and ICPSK facilitators to train at the workshops organised for public sector accountants. 4. Invited IIA to train at the County Internal Auditors training.

2.5.4 Planned activities going forward

Meeting with key stakeholders: The Board has identified key stakeholders and has arranged to hold an awareness creation meeting with these stakeholders which includes the Governors, Council of Governors CEO and CEC members.

Creation of a Board website: In order to create public awareness and disseminate Board communication and financial reporting templates easily, the Board is in the process of creating a corporate website. This website will also facilitate quick and seamless communication with the stakeholders. This activity will be preceded by the approval and operationalisation of a Board logo.

2.6 Activity 6: FiRe Awards

2.6.1 Description of the activity

FiRe Award is a joint initiative of ICPAK, CMA, NSE and PSASB jointly referred to as promoters. These promoters commit both financial resources and technical expertise with the primary objective of promoting financial reporting excellence, sound corporate governance practices, corporate reporting and enhancing environmental reporting in both public and private entities within the East African region. In FY 2016, PSASB became a promoter of the award alongside ICPAK, CMA and NSE who had been promoters of the award for 15 years prior. During the 2016 FiRe award evaluation, a total of 305 public sector entities that included Ministries, Departments and Agencies, Development Projects, State Corporations, Semi- Autonomous Government Agencies and public funds.

2.6.2 Status of the Activity

Completed

2.6.3 Summary on the progress to date

Ref	Sub-Activity	Responsible	Timing
1	Launch	Board	The Board held a series of meetings with ICPAK to agree on the categories under which the public sector entities would be awarded, to review award checklists and organise training for evaluators. These discussions were culminated by a joint press conference on 7 th July 2016 by all promoters to launch and accept submissions for the FiRe awards.
2	Evaluation of entries	Secretariat	Public sector entries were evaluated in the month of October 2016 at the Maanzoni Lodge. The total number of entries was 305 from public sector and 96 from the private sector.
3	Event conference and gala dinner	Secretariat/ ICPAK	Successful entities in Financial Reporting Excellence were awarded in a colourful ceremony held on 27 th October 2016.

2.6.4 Planned activity going forward

The PSASB will continue to be a promoter of the FiRe award in conjunction with ICPAK, CMA and NSE. In addition, more evaluators from the public sector will be trained so as to ensure that as they evaluate their peers, they will also be learning in the process.

The Board will also continue to create awareness to the public sector entities to continue to participate in the evaluation process in order to improve the quality of financial statements and to increase compliance to international accounting standards as prescribed by PSASB.

2.7 Activity 7: Development and update financial recording tools and guidelines

2.7.1 Description of the activity

The PFM Act Section 194(d) requires PSASB to prescribe formats for financial statements and reporting by all state organs and public entities. Due to changes in accounting standards and the financial reporting environment, the financial reporting tools are revised from time to time and uploaded onto the National Treasury's website. The PSASB then communicates these changes to the preparers of the financial statements through circulars, guidelines and (or) through the regular training workshops organised by the Board.

2.7.2 Status of the Activity

This is an ongoing process.

2.7.3 Summary on the progress to date

The following is a brief on the activities carried out during the subject period details of which are covered in the section that ensue.

Ref	Sub-Activity	Responsible	Timing
1	Re-issue of updated tools	Board/ Secretariat	In June 2016, the Board reviewed annual reporting templates used by MDAs, SCs, SAGAs, and County Governments and updated them with new developments and standards pronouncements. These revised templates were used in the preparation of FY 2016/2017 financial statements.
2	Development of a school's reporting template	Board/ Secretariat	As at the end of the year in June 2017, a draft reporting template for Secondary Schools had been prepared and presented to the Board for approval. This template was subsequently approved in September 2017.
3	Development of a receivers of revenue template	Board/ Secretariat	The Board approved a template for receivers of revenue in July 2016. This template was used by the appointed receivers of revenue to prepare financial statements for years 2015/2016 and 2016/2017.

2.7.4 Planned activity going forward

In the 2017/2018 work plan, the Board, pursuant to its mandate, has planned to develop reporting templates for the following public sector entities to enable a wider coverage of the public sector entities as mandated by the PFM Act, 2012:

- i. Primary schools;
- ii. Tertiary Institutions (TVETs);
- iii. Public Funds
- iv. Hospitals; and
- v. Health Centres.

2.8 Activity 8: Roadmap towards accrual basis of accounting

2.8.1 Description of the activity

Currently, the MDAs and County Government Entities apply IPSAS Cash basis of accounting while preparing their financial statements. The IPSAS Cash Standard is a transitional standard aimed at developing a good foundation for entities to ultimately adopt accrual accounting. In this respect, the Board has identified the need to move towards accrual accounting in order for these entities to prepare more complete and comprehensive financial statements.

2.8.2 Status of the Activity

On going

2.8.3 Summary on the progress to date

The following is a brief on the activities carried out during the subject period details of which are covered in the section that ensue.

Ref	Sub-Activity	Responsible	Timing
1	Consultation with key stakeholders	Board	The Board approved a Cabinet Memo on Migration to accrual accounting in June 2017. This memo was scheduled to be presented to cabinet through the CS National Treasury. However, owing to the prolonged political period, the activity was postponed to 2 nd Quarter of FY 2017/2018.
2	Hiring a consultant	Board	As at the end of the year on 30 th June 2017, the Board was in the process of preparing terms of reference to hire a consultant on developing an assets and liabilities policy for the public sector and liabilities which is a good starting point towards migration to accrual accounting.

2.8.4 Planned activities going forward

The Board has planned to carry out the following activities with relation to adoption of accrual accounting:

1. Present a cabinet memo recommending the adoption of accrual accounting due to the benefits it has over cash accounting.
2. Develop and an asset and liabilities policy.
3. Ensure the public sector entities are able to identify and account for all their assets.
4. Develop an asset valuation policy.
5. Conduct awareness training and capacity building for public sector accountants on accrual accounting.
6. Gazette the application date and roadmap to full adoption of accrual accounting.

2.9 Activity 9: Benchmarking and training for the Board and secretariat members

2.9.1 Description of the activity

Training and capacity building is a key activity for the PSASB. The members and the secretariat are sponsored to attend trainings and workshops locally and internationally. These forums are geared towards equipping the members and secretariat with technical, administrative, governance and soft skills which are useful as the Board executes its mandate. The Board has benefited immensely by taking the members to training workshops and conferences as evidenced by the improvement of the Board's operations over the years.

2.9.2 Status of the Activity

Continuous

2.9.3 Summary on the progress to date

Ref	Sub-Activity	Responsible	Timing
1	Attendance of Seminars/Workshops	Board/ Secretariat	The Board and the Secretariat attended a total of 15 training workshops and seminars during FY 2016/2017. These programmes are as outlined in below.
2	Facilitating at training workshops	Board/ Secretariat	Members of the Board and Secretariat were involved at facilitating at training sessions organised by ICPAK and those organised by PSASB in conjunction with the National Treasury.

Members and Secretariat attended the following training workshops and conferences during the year:

NO	DETAIL	VENUE	WORKSHOP DATE/S	BOARD MEMBERS	SECRETARIAT MEMBERS	REMARKS
1	International Conference for Institute of Internal Auditors	New York - USA	17th - 20th July 2016	Mr. A. Mogaka, Mrs. E. Maiyo Mr. Lazarus Kimanga	None	Attended
2	Preparation and interpretation	Kampala Uganda	27 th June - 15th July 2016	N/A	Mr. B. Mathu	Attended

NO	DETAIL	VENUE	WORKSHOP DATE/S	BOARD MEMBERS	SECRETARIAT MEMBERS	REMARKS
	ations of Financial Statements					
3	Governance Risk and control conference- ISACA	USA	20 th August to 25 th August 2016	Sophie Moturi	None	Attended
4	IPSAS- First time Adoption by IASeminars	London, UK	26 th - 28 th September 2016	Lazarus Kimang'a David Gichana	None	Attended
5	The C-suite seminar-ICPAK	Singapore	September 27 th to 1 st October	Mr. Charles Cheruiyot Anne Owuor	Patrick Abachi	Attended
6	Art and customer care in corporate office by African Capacity and Development Institute	Kampala, Uganda	September 19 to 7 th October 2016	N/A	Irene Ndungu	Attended
7	Electronic Document and Record Management for Executive assistants by ESAAMI	Arusha, Tanzania	3 rd - 21 st October 2016	N/A	Rose Wanja Diana Ng'ang'a	Attended
8	International Executive Seminar	Malaysia Kuala-Lumpur	22 nd - 25 th November 2016	Esther Maiyo	Paul Chege Jona Wala	Attended
9	ESAAG Conference	South Africa	27 th Feb to 1 st March 2017.	Macklin Ogolla Bernard Ndungu	Billy Mathu Patrick Abachi	Attended
10	Computerized Financial	Kampala Uganda	May 29 th to 16 th June 2017	N/A	Billy Mathu	Attended

NO	DETAIL	VENUE	WORKSHOP DATE/S	BOARD MEMBERS	SECRETARIAT MEMBERS	REMARKS
	Analysis and Reporting by ACADRI					
11	Public Finance Management Conference for Africa by ICPAK	Mombasa	19 th to 21 st April 2017	Sophie Moturi	None	Attended
12	Board Audit Committee Workshop and retreat- IIA	Mauritius	23 rd to 26 th May 2017	None	Faith Waithera	Attended
13	Corporate Governance and Board effectiveness-PAI	London, UK	22 nd to 26 th May 2017	Esther Maiyo Lazarus Kimanga	Georgina Muchai	Attended
14	ICPAK 2 nd Annual Chapter Seminar	London, UK	13 th - 16 th June 2017	Simon Mundu	Cheryl Majiwa	Attended
15	CAG and IPSASB meeting	Luxembourg and Switzerland	23 rd to 30 th June 2017	David Gichana	Patrick Abachi Paul Chege	Attended



(Board and PSASB Secretariat at a Board retreat in Enashipai Naivasha on 13th September 2016)



(Members of the Board and Secretariat following a presentation on Governance Audits at the PSASB Board retreat in Enashipai, Naivasha on 14th September 2016)



(FiRe Award evaluators during an evaluator training session at Maanzoni Lodge in October 2016 facilitated by PSASB, ICPAK and Matengo Githae and Associates)



(2017 FiRe award evaluators during an evaluators training at Maanzoni lodge in Machakos in October 2016)



(Evaluators who participated in evaluation of over 300 Public Sector Entities for the 2017 Financial Reporting Excellence Award)

3 Way forward

3.1 Strengthening structures of the Board and Secretariat

The Secretariat to the Public Sector Accounting Standards Board is constituted by National Treasury staff in line with Section 193(5) of the PFM Act, 2012. The members of staff seconded to the Secretariat are National Treasury employees who have other duties besides the technical and administrative support they offer the PSASB.

There is need therefore to establish a Secretariat as an independent organisation from the National Treasury. This will ensure that its staff members are fully dedicated to their tasks and therefore better contribute to the achievement of the Boards mandate.

During the year, the Public Service Commission (PSC) in collaboration with the PSASB Secretariat developed A Board Organisational and Salary Structure. The structure defines the roles of the departments envisioned, job description for each position and the salary structure for each of the roles.

The Board's Organisational and Salary Structure was submitted to the Salaries and Remuneration Commission (SRC) seeking its approval of the PSASB's salary structure.

Beginning year 2017, the PSASB opened and operationalised its bank account and is in the process of laying structures to recruit members of staff.

3.2 Strengthening legal and policy framework

Having operated since 2014, the Board intends to review the existing legal and policy framework within the enabling act which is the PFM Act, 2012. This review will focus on the existing mandate of the Board, corroboration with the Office of the Auditor General and the Office of the Controller of budget, reporting requirements by public sector entities, ability to move to accrual within the existing policy among others. This review is aimed at enhancing the effectiveness of the Board as it executes its mandate and improve compliance to PFM Act requirements by public sector entities.

3.3 Transition from cash to accrual based reporting

In an effort to enable the public sector to improve its financial management, the Board is considering moving towards accrual-based accounting for MDAs and County Governments that are currently using cash based IPSAS.

Adopting accrual accounting in the public sector enhances transparency and accountability especially on information relating to Government assets and liabilities. As a result, decision makers would be able to make more informed decisions.

In order to successfully migrate to accrual accounting, the Board has laid out six key elements that will guide this process. These elements include:

- **Legal and policy framework-** The current legal and policy framework needs to be assessed and considerations made as to whether the framework adequately supports accrual accounting. The PFM Act, 2012 gives the PSASB the mandate to set generally accepted and accounting standards. To prepare ground for accrual accounting adoption and to gain a buy in from top leadership, the Board is in the process of preparing a Cabinet Memo. Subsequently the Board will gazette accrual adoption including the process and the effective dates through the Cabinet Secretary, National Treasury. Other attendant issues such as the budgeting process will also be considered.

- **Assets and liabilities-** Accrual accounting requires the recognition, measurement and presentation of assets and liabilities in an entity's financial statements. To arrive at a complete record of government assets and liabilities, the Board notes that there is need to develop an assets and liabilities policy, have an inventory of government assets and liabilities, institute a tagging system and prescribe an asset valuation policy. In carrying out these activities, the Board will benchmark with other countries that have succeeded in doing so and also apply the applicable accounting standards and best practices.
- **Accounting systems-** The Government uses the Integrated Financial Management Information System (IFMIS) as the transactional and financial reporting system. Currently, the system supports cash based accounting and therefore some of its modules such as the asset module have not been activated. The Board will therefore liaise with the National Treasury to ensure that IFMIS is configured to support accrual accounting. In addition, there is need to explore integration of IFMIS with other Government systems such as KRA's I-Tax system, the debt system, pension system among others in order to make it easy for entities to transact and prepare their accrual based financial statements.
- **Stakeholder engagement-** The PSASB recognizes that there are stakeholders at the policy level such as the Cabinet, Public Accounts Committee and Public Investment Committee which are Parliament committees dealing with finance matters, the Council of Governors among others. There are stakeholders at technical level that include the Accounting Officers, preparers of the financial statements, other accounting and auditing professional bodies such as ICPAK and IIA and users of the financial statements. For a smooth transition to accrual, the Board needs to develop a communication strategy and create awareness to all its stakeholders and the general public.
- **Training and capacity building-** There is need to train the public sector accountants on accrual accounting through training workshops and on the job training. The Board will develop the training content, training materials and curriculum development. The Board will also partner with other professional and academic organisations to ensure that government accrual accounting forms part of their curriculum and continuous professional development(CPD)
- **Resource allocation-** Migration to accrual requires a lot of resources for systems enhancement, training and capacity building, stakeholder engagement among others. The Board will source for and allocate sufficient funds for the migration to accrual.

3.4 Review of financial reporting and internal auditing systems

Financial reporting

There is a need for the Board to be kept apprised on the level and extent of compliance on the prescribed accounting standards. This will serve to inform the Board of the areas that require further capacity building.

To achieve this, the Board intends to identify existing gaps and put in place measure to address them. This shall be done using the following means:

- i. Analysing the OAG reports to identity common gaps relating to compliance to prescribed standards.

- ii. Reviewing and regularly updating annual and quarterly financial reporting templates.
- iii. Developing financial reporting templates for all learning institutions and health facilities in order to increase coverage of public sector entities.
- iv. Contributing to the international standard setting process through response to Exposure Drafts and Consultation Papers issued by International Standard Setters.
- v. Partnering with ICPAK to improve on the FiRe evaluation criteria to ensure that it highlights capacity gaps in compliance to prescribed standards.

Internal auditing systems

In order to improve internal auditing systems PSASB intends to take the following steps:

1. Enhance mechanisms to disseminate and promote IPPF standards
2. Conduct regular training programs for the audit committees and public sector internal auditors.
3. Hire a consultant to promote application of audit standards in the public sector in line with IPPF.
4. Corroborate with IIA to develop a mechanism to ensure quality assurance of internal audit mechanism in the public sector.

3.5 Monitoring compliance to the prescribed standards

In order for the Board to assess the uptake and compliance of the prescribed accounting and auditing standards there will be need for a monitoring and evaluation mechanism. This mechanism will include developing a tool to regularly monitor and review compliance.

4 Overview of 2017/2018 work plan

	Task /Objective	Responsibility	2017/18			
			Quarter 1: July-September 2017	Quarter 2: October-December 2017	Quarter 3: January-March 2018	Quarter 4: April-June 2018
1.	Develop the Annual Work Plan					
	(a) Preparation and approval	GSC				
	(b) Monitoring and review	ALL				
2.	Prepare Annual Report					
	(a) Collection of input from each committee	GSC				
	(b) Compilation of the annual report 2016/2017	GSC				
	(c) Approval and adoption of the annual report	FULL BOARD				
3.	Strengthening structure of the Board & Secretariat					
	(a) Reorganization of the current secretariat against the approved structure	GSC				
	(b) Recruitment of critical secretariat positions	GSC				
4.	Strengthening legal and policy framework	ALL				
	(a) Performance Evaluation of Board and Members	GSC				
	(b) Review the existing PFM legal framework	ALL				
5	Transition from Cash to Accrual based reporting					
	(a) Development of Cabinet Memo	FULL BOARD				
	(b) Consultation with key stakeholders	FULL BOARD				
	(c) Develop terms of reference and engage a consultant to develop the assets and liabilities policy for public sector		Develop terms of reference	Call for expression of interest	Hire a consultant	
	(d) Develop terms of reference for the migration to accrual consultancy	NCG/ FULL BOARD				
	(e) Hiring of a consultant to champion the migration	NCG/ FULL BOARD				

	Task /Objective	Responsibility	2017/18			
			Quarter 1: July-September 2017	Quarter 2: October-December 2017	Quarter 3: January-March 2018	Quarter 4: April-June 2018
	(f) Assessment of IFMIS and the chart of accounts to support accrual accounting	ALL				
6	Communication and stakeholders engagement					
	(a) Procurement of promotion materials and stationary	SECRETARIAT				
	(b) Print media supplementary	GSC	Strategic plan	Annual report	Article & Journals	Article & Journal
	(c) Development of a communication strategy for the Board	GSC				
	(d) Development of the Board's website					
	(e) Hold regular consultative meetings with key stakeholders and press briefings	ALL				
7	Monitoring compliance with Accounting Standards					
	1) Financial reporting compliance					
	(a) Launch of FiRe Award	GSC				
	(b) Evaluation of entries	NCG. GOE				
	(c) Event conference and gala dinner	FULL BOARD				
	2) Quality assurance					
	a) Assessment of Internal audit function-County governments	IAC				
	b) Assessment of internal audit function-National Government	IAC				
8.	Update financial recording tools and guidelines	GOE & NCG				
	(a) Review and amendment of quarterly reporting templates	SECRETARIA T				
	(b) Develop a reporting template for public	SECRETARIA				

	Task /Objective	Responsibility	2017/18			
			Quarter 1: July-September 2017	Quarter 2: October-December 2017	Quarter 3: January-March 2018	Quarter 4: April-June 2018
	funds- National and County Governments	T/ FULL BOARD				
	(c) Develop template for schools and tertiary institutions and their implementation	SECRETARIA T/ FULL BOARD				
	(d) Review and update of annual reporting templates	SECRETARIA T				
9.	Strengthening Internal Audit Standards					
	(a) Dissemination and promotion of IPPF standards	IAC				
	(b) Training of County Audit Committee members	IAC				
	(c) Hiring a consultant to promote application of audit standards in the public sector in line with IPPF.	IAC/ FULL BOARD				
10.	Promotion and dissemination of Financial Reporting Standards					
	(a) Training and dissemination of IPSAS cash standards	NCG/ FULL BOARD				
	(b) Training and dissemination of IPSAS accrual standards	GOE/ FULL BOARD				
	(c) Training and dissemination of IFRS standards	GOE/ FULL BOARD				
11.	Training and capacity building for members and secretariat					
	a) Attendance of Seminars/Workshops	ALL				
	b) Training by the Secretariat	ALL				