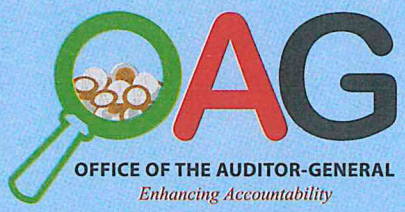
REPUBLIC OF KENYA



REPORT

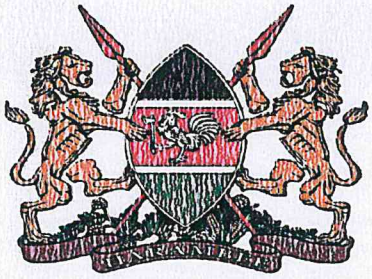
OF

THE AUDITOR-GENERAL

ON

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

FOR THE YEAR ENDED 30 JUNE, 2026



PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2026

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

Table of Contents **Page**

1 Table Of Contents

1. Acronyms and Definition of Key Terms iii

2. Who we are iv

3. Report of the Chairman viii

4. Report of the Chief Executive Officer / Board Secretary xii

5. Corporate Governance Statement xvi

6. Financial Performance Overview xlv

7. Board's Operational Performance liii

8. Environmental and Sustainability Reporting xcviii

9. Report of the Directors cxi

10. Statement of Directors' Responsibility cxii

11. Report of the Auditor General for the Financial Statements of PSASB for the year ended 30th June 2026 cxiv

12. Statement of Financial Performance for The Year Ended 30 June 2026 1

13. Statement of Financial Position as at 30 June 2026 2

14. Statement of Changes in Net Assets for the Year Ended 30 June 2026 3

15. Statement of Cash Flows for The Year Ended 30 June 2026 4

16. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2026 5

17. Notes to the Financial Statements 8

18. Appendix 45

List of Tables

Table 1: PSASB Core Values v
Table 2: Summary of Full Board and Special Meeting xxxv
Table 3: Summary of Governance and Strategy Committee Meetings xxxvi
Table 4:Summary of Accounting Standards Committee Meetings xxxvi
Table 5: Summary of Internal Audit Standards Committee xxxvii
Table 6: Summary of Audit and Risk Committee Meetings xxxviii
Table 7: Summary of Board Meetings xxxviii
Table 8:Training Programmes Attended by Board of Directors xl
Table 9:Key Management Personnel In Charge of Directorates and Departments xliii
Table 10:Summary of Submission in Response to IPSASB Exposure Drafts liii
Table 11: New Standards Released by IPSASB during the Period and Effective Date in Kenya lv
Table 12: Public Sector Entities Participating in FiRe Awards Per Category lviii
Table 13: Number of Public Sector and Private Sector Entities Participating in FiRe Awards Yearly. lix
Table 14: Audit Opinions for Participating Entitles by Category. lx
Table 15: FiRe Awards Winners for 2025 lx
Table 16:FiRe Award Sector Reports lxii
Table 17: Number of Participants Sensitised on Transition to Accrual Basis of Accounting During the Period lxiv
Table 18:Internal Audit Guidelines Developed/Reviewed lxvi
Table 19: Developed Internal Audit Templates and Procedures: lxvii
Table 20:Audit Programmes and their Generic Processes lxix
Table 21:Sensitization Conducted For Internal Audit Standards, Risk Management by Target Group lxx
Table 22:Number of Participants in the Internal Audit and Risk Awards. lxxvi
Table 23: Internal Audit Awards Winners for 2025 lxxvii
Table 24: Key Thematic Areas for Evaluation in the Internal Audit and Risk Awards. lxxx
Table 25:Summary of Performance Per Key Result Area for FY 2025/2026 lxxxv
Table 26: Key Highlights of Achievements Per Key Result Area lxxxvii
Table 27:PSASB Annual Performance Against Set Targets for the Year lxxxix

1. Acronyms and Definition of Key Terms

ACCA	Association of Chartered Certified Accountants
AFIIA	African Federation of Institutes of Internal Auditors
APSEA	Association of Professional Societies in East Africa
CCIOs	Constitutional Commissions and Independent Offices
CEO	Chief Executive Officer
CMA	Capital Markets Authority
CPA	Certified Public Accountant
CS	Certified Secretary
FCPA	Fellow Certified Public Accountant
FCS	Fellow Certified Secretary
FiRe	Financial Reporting
GBE	Government Business Enterprises
GIAS	Global Internal Audit Standards
IBEC	Intergovernmental Budget and Economic Council
ICIFA	Institute of Certified Investment and Financial Analysts
ICPAK	Institute of Certified Public Accountants
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IPPF	International Professional Practice Framework
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KASNEB	Kenya Accountants & Secretaries National Examination Board
MDACs	Ministries, Departments, Agencies and Counties
MDAs	Ministries, Departments and Agencies
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
PFM	Public Finance Management
PFMR	Public Finance Management Reforms
PSASB	Public Sector Accounting Standards Board
TNT	The National Treasury
WEF	With Effect From

2. Who we are

a) Background information

The Public Sector Accounting Standards Board (PSASB) is established and constituted in accordance with sections 192 and 193 of the PFM Act, 2012. PSASB is a Semi-Autonomous Government Agency (SAGA) under the National Treasury. The Board is constituted by the representatives of each of the following bodies who serve on a part-time basis:

1. The National Treasury
2. The Controller of Budget
3. The Intergovernmental Budget and Economic Council
4. The Auditor-General
5. The Institute of Certified Public Accountants of Kenya
6. The Association of Professional Societies of East Africa
7. The Capital Markets Authority
8. The Institute of Internal Auditors
9. The Institute of Certified Public Secretaries of Kenya

Vision Statement

Transparent and Accountable Public Sector.

Mission Statement

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

Tag line

Promoting Accountability.

Core Values

Table 1: PSASB Core Values

Professionalism:	Upholding the highest moral standards and professional competence in service delivery. The Board shall ensure fair competition and merit as the basis of appointments and promotions.
Accountability:	The Board shall take responsibility for its actions in the delivery of services.
Collaboration:	The Board shall endeavour to provide an enabling environment to achieve desired results promptly in a participatory approach and remain customer-focused on the delivery of its mandate.
Transparency:	The Board shall conduct its business and render services to its stakeholders openly.

Principal Activities

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

The Accounting Standards Board shall provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities, and in particular, perform the following functions:

a) Set generally accepted accounting and financial standards;
b) Prescribe the minimum standards of maintenance of proper books of account for all levels of Government;
c) Prescribe internal audit procedures which comply with the PFM Act;
d) Prescribe formats for financial statements and reporting by all state organs and public entities;
e) Publish and publicize the accounting and financial standards and any directives and guidelines prescribed by the Board;
f) 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;
g) Perform any other functions related to advancing financial and accounting systems management and reporting in the Public Sector.

1. In setting the standards, the Board shall take into account any relevant factors, including, but not limited to:
    a) International accounting best practices; and
    b) The capacity of the relevant entity to comply with the standards.
2. The Board may set different standards for different categories of entries to which these standards apply, including the development of content, structure, and format for county frameworks, as well as accounting and financial guidelines aligned with the setting of county standards.
3. The Board shall monitor the adherence to the standards by all state organs and public entities.
4. The standards set by the Board shall promote transparency and other Constitutional values and principles in the practical, prudent, and efficient management of revenue, expenditure, assets, and liabilities of the institutions to which these standards apply.

b) Assurance and Audit

PSASB applies a combined assurance model to enhance the reliability of this report. Assurance is provided through:

a. Internal audit assessments overseen by the Board's Audit and Risk Committee
b. Engagement of external service providers to provide assurance services for specialized audits.

External audit of financial statements by the Office of the Auditor-General (OAG).Legal, Compliance, and Corporate Governance Audits are conducted biannually to ensure adherence to applicable laws, regulations, and governance standards. The Board has applied its collective judgment to this report and confirms that it provides a balanced and accurate reflection of PSASB's performance, strategies, and has a performance management system in place to track the performance of each key activity under each Key Result Area and its attendant strategies deployed.

c) PSASB 's Headquarters

CPA Centre 8th Floor
Ruaraka, Thika Road
P.O. Box 38831-00100
Nairobi, KENYA

d) Contacts

Telephone: (254) 020 251 1557
E-mail: info@psasb.go.ke
Website: www.psasb.go.ke
Facebook: https://www.facebook.com/psasbke/
LinkedIn: https://www.linkedin.com/company/PSASBke
X: https://x.com/PSASBKe

Banker

Co-operative Bank of Kenya
Parliament Road branch
P.O. Box 5772
City Square 00200
Nairobi, Kenya

e) Independent Auditor

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

f) Principal Legal Adviser

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

3. Report of the Chairman

It is my pleasure to present the Annual Report and Financial Statements of the Public Sector Accounting Standards Board (PSASB) for the financial year ended 30 June 2026. This report highlights the Board's achievements, progress in implementing its mandate, and key milestones attained during the third year of the Board's Third Strategic Plan (2023–2027).

The year under review marked another important milestone in strengthening public financial management in Kenya. Guided by its strategic priorities and statutory mandate under the Public Finance Management Act, 2012, the Board continued to promote transparency, accountability, and sound financial governance by prescribing and developing public sector accounting, financial reporting, internal audit, sustainability and risk management standards, frameworks, templates, and guidelines. The Board remained committed to supporting the Government's reform agenda and enhancing the quality and credibility of financial reporting across the public sector.

Key Activities and Achievements During the Year

During the financial year, the Board successfully implemented its planned programmes and activities in line with its Annual Work Plan and the Third Strategic Plan (2023–2027).

A major focus during the year was supporting the Government's transition from the cash basis to the accrual basis of accounting. The Board supported the National Steering Committee in developing and issuing Year Two Accrual Implementation Guidelines for the National Government, County Governments, and their respective entities. In line with year two of the transition to accrual accounting, the Board developed and issued guidelines on IPSAS 12 - Inventories and provided capacity-building to public sector entities on the accounting and recording of inventories, which is a required element for recognition in the financial statements as per the transition roadmap. In addition, the Board continued to facilitate the National Steering Committee on the Transition from Cash to Accrual Accounting by coordinating implementation activities, monitoring progress against the national transition roadmap, and evaluating the outcomes and lessons from the first year of

implementation (FY 2024/2025). These efforts have significantly strengthened institutional preparedness for the successful implementation of accrual accounting.

Recognizing the growing importance of sustainability reporting in the public sector, the Board established the Public Sector Sustainability Reporting Working Group in November 2025. This multi-agency technical platform is coordinating Kenya's preparedness for adopting the International Public Sector Accounting Standards Board's Sustainability Reporting Standard (IPSASB SRS 1). The Working Group is spearheading the development of a national sustainability reporting framework, implementation guidance, and reporting templates to facilitate the structured adoption of sustainability reporting across public-sector entities.

The Board also strengthened governance and assurance systems by issuing the Model Internal Audit Manual for Public Sector Entities (2025) in consultation with the Cabinet Secretary responsible for the National Treasury and Economic Planning. The Manual aligns public sector internal audit practices with the revised International Professional Practices Framework (IPPF) and the Global Internal Audit Standards (GIAS), which became effective in January 2025. This initiative represents a significant milestone in enhancing the effectiveness of internal audit, governance, and risk management across public institutions and has informed the review of related internal audit guidelines and templates.

Stakeholder collaboration remained central to the Board's success during the year. The Board continued to work closely with the National Treasury, the Office of the Auditor-General, the Office of the Controller of Budget, the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Internal Auditors Kenya (IIA Kenya), the Council of Governors, public sector entities, development partners, and Parliamentary oversight committees.

The Board successfully conducted the Financial Reporting (FiRe) Awards, alongside ICPAK, CMA, NSE and RBA, which continue to promote excellence and compliance in financial reporting across both the public and private sectors. Similarly, the Board partnered with the Institute of Internal Auditors Kenya to conduct the Third Internal Auditors and Risk Management Practitioners Awards, which recognized exemplary institutions and professionals for their excellence in internal auditing and risk management. These initiatives continue to promote best practices and foster a culture of accountability within the public sector.

Further, during the year, the Board undertook a Mid-Term Review of its Third Strategic Plan (2023–2027). The review assessed progress achieved during the first three years of implementation, identified emerging priorities and implementation challenges, and realigned the remaining strategic objectives to ensure greater focus and impact. The revised Strategic Plan places renewed emphasis on supporting accrual accounting reforms, institutional capacity building, digital transformation, and the implementation of sustainability reporting across the public sector.

Challenges

Despite the significant progress made during the year, the Board continued to face several challenges that slowed the implementation of some strategic initiatives. These included resource constraints stemming from competing national priorities, varying levels of institutional capacity across public-sector entities, and the complexity of implementing large-scale reforms, such as the transition to accrual accounting and the introduction of sustainability reporting. In addition, the successful implementation of these reforms requires sustained stakeholder engagement, continuous development of technical capacity, and coordinated institutional support.

The Board remains committed to working collaboratively with the National Treasury, county governments, development partners, professional bodies, and other stakeholders to address these challenges and ensure the successful implementation of the reforms.

Future Outlook

Looking ahead, the Board will continue to strengthen public financial management by prioritizing the successful implementation of accrual accounting across all public sector entities, deepening institutional capacity, enhancing compliance with prescribed standards, and supporting the adoption of sustainability reporting in Kenya's public sector.

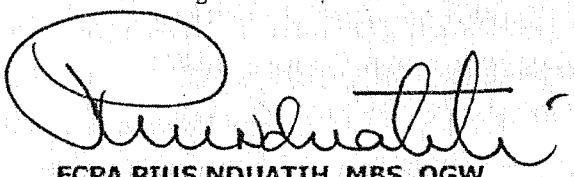
The Board will also continue to review and update accounting, financial reporting, internal audit, and risk management frameworks to align them with international best practices and emerging developments. Greater emphasis will be placed on digital transformation, stakeholder engagement, monitoring compliance, and strengthening governance systems to improve transparency, accountability, and value for money in the management of public resources.

Appreciation

On behalf of the Board, I wish to express my sincere appreciation to the Cabinet Secretary for the National Treasury and Economic Planning for the continued policy guidance and financial support extended to the Board. I also acknowledge the invaluable support of the Public Finance Management Reforms Secretariat (PFMRS) and all our stakeholders whose collaboration has been instrumental in the successful implementation of our programmes.

I extend my gratitude to my fellow Board Members, Management, and Staff of the Public Sector Accounting Standards Board for their professionalism, commitment, and dedication throughout the year.

As we move forward, I remain confident that through continued collaboration and shared commitment, we will successfully implement Kenya's transition to accrual accounting, institutionalize sustainability reporting, and further strengthen transparency, accountability, and good governance in the management of public resources.



FCPA PIUS NDUATIH, MBS ,OGW,
BOARD CHAIRMAN

4. Report of the Chief Executive Officer / Board Secretary

It is with great honour that I present the Annual Report and Financial Statements of the Public Sector Accounting Standards Board (PSASB) for the financial year ended 30th June 2026.

During the year under review, the Board made significant progress in advancing its mandate of promoting transparency, accountability, and good governance in the management of public resources. Guided by the Public Finance Management Act, 2012, the Board continued to prescribe and promote the adoption of accounting, financial reporting, internal audit, risk management, and sustainability reporting standards, frameworks, manuals, guidelines, and templates across the public sector.

The Board implemented the third year of its Strategic Plan (2023–2027), which focuses on four key result areas: Standard Setting, Capacity Development, Compliance Monitoring, and Institutional Strengthening. I am pleased to report that the Board achieved **92%** of its Annual Work Plan targets, demonstrating our continued commitment to delivering quality services and supporting public financial management reforms.

Financial Performance

The Board maintained a sound financial position during the year through prudent financial management and continued support from the National Treasury and Economic Planning. The Board received an Exchequer allocation of **KShs 240.59 million** in FY 2025/2026. Interest income of **KShs 7.88 million** was earned in the year and the Public Finance Management Reforms Secretariat (PFMRS) supported the Board's work plan with **KShs 5.98 million.** The Board had rollover funds of **KShs 357.62 million** from FY 24/25, bringing the total approved expenditure budget to **KShs 612.07 million.**

During FY 2025/26, the actual total expenditure amounted to **KShs 491.87 million**, resulting in a budget absorption rate of **79%**. The lower absorption was, among other things, due to delays experienced during the first phase of implementing the Electronic Government Procurement (eGP)

system, particularly in the procurement of goods and services. Despite these challenges, the Board successfully implemented most of its planned activities, at 92% of its workplan, and remains committed to prudent utilization of public resources.

Operational Performance

The Board continued to strengthen public sector financial reporting by developing and reviewing **59 Financial Annual and Quarterly Reporting Templates** for the National Government, County Governments, and other public sector entities, including templates that support the transition to accrual accounting. In addition, the Board developed **three Accounting Standards Implementation Guidelines** to facilitate the consistent application of prescribed accounting standards across public institutions.

With respect to standard setting, the Board ensured continued engagement with the International Standard setting bodies through responses to the consultation papers, the exposure drafts, attending international meetings and roundtables as well as training the public sector entities on new and applicable standards for FY 2025/26.

To strengthen governance, internal control, and accountability, the Board issued the **Model Internal Audit Manual for Public Sector Entities (2025)** and supported its implementation through the review of **29** Internal Audit Templates and the development of **26** Quality Assurance and Improvement Programme (QAIP) Templates aligned to the revised International Professional Practices Framework (IPPF) and the Global Internal Audit Standards (GIAS).

Capacity development remained a key strategic priority. During the year, the Board trained **8,751** accountants, Trainers of Trainers, finance officers, bursars, secondary school accountants, and officers from the Office of the Auditor-General in accounting standards and the transition to accrual accounting. In addition, **2,468** members of governing bodies, audit committees, senior management, heads of internal audit, and risk management practitioners were trained on governance, internal audit, and risk management frameworks. These programmes continue to strengthen institutional capacity and improve compliance with prescribed standards.

The Board also continued to monitor compliance with prescribed standards. The Board evaluated **1,389 public-sector entities** under the Financial Reporting (FiRe) Awards, a steady increase from **1,020** the previous year. This growing participation reflects the increasing commitment by public institutions to improving the quality of financial reporting.

Similarly, the Board, with the Institute of Internal Auditors Kenya, hosted the **Third Internal Auditors and Risk Management Practitioners Awards**, where **267 participants** registered for the award, **133 organizations and practitioners** were evaluated, and **70 assessment reports** were issued to support continuous improvement in governance, internal audit, and risk management practices.

On institutional strengthening and sustainability, the Board obtained approval of its Human Resource Instruments from the Public Service Commission in October 2025. The organizational structure particularly is an important document that seeks to provide optimal staffing levels for the Board in line with its mandate and the strategic vision. As at the end of the year, the Board was in the process of implementing the approved tools, which included recruitment of additional officers to strengthen the institutional capacity.

The Board also continued to leverage on technology to facilitate its capacity development and compliance monitoring objectives/ mandates. During the year, the Board rolled out its e- learning platform https://masomo.psasb.go.ke and also developed and automated tools for monitoring the Internal Audit and Risk activities within the public sector.

Challenges and Outlook

Although the Board continues to face challenges related to low budgets as a result of the shrinking fiscal space, we are committed to continuing to provide services to the public sector through innovative means. This includes more collaboration with our key partners, leveraging on technology to deliver on our mandate, and resource mobilization, among others.

Looking ahead, the Board will continue implementing the remaining priorities under its Strategic Plan (2023–2027), with particular emphasis on supporting nationwide implementation of accrual accounting, strengthening compliance monitoring, enhancing institutional capacity, and operationalizing sustainability reporting. The Board will also continue reviewing accounting, financial reporting, internal audit, and risk management frameworks to align them with international best practices and emerging public-sector needs.

Appreciation

I wish to express my sincere appreciation to the Cabinet Secretary, the Principal Secretary, and the Management of the National Treasury for the continued policy guidance and financial support extended to the Board. I also acknowledge the invaluable support of the Public Finance Management Reforms Secretariat (PFMRS), the Office of the Auditor-General, the Office of the Controller of Budget, the Council of Governors, professional bodies, public sector entities and all our stakeholders for their collaboration during the year.

I extend my gratitude to the Chairperson and Members of the Board for their strategic leadership, and to Management and Staff for their professionalism, dedication, and commitment in delivering the Board's mandate.

As we move forward, the Board remains steadfast in its commitment to strengthening public financial management through high-quality financial reporting, effective internal audit, sound risk management, and sustainability reporting, thereby promoting greater transparency, accountability, and prudent stewardship of public resources in line with the Constitution of Kenya, 2010.

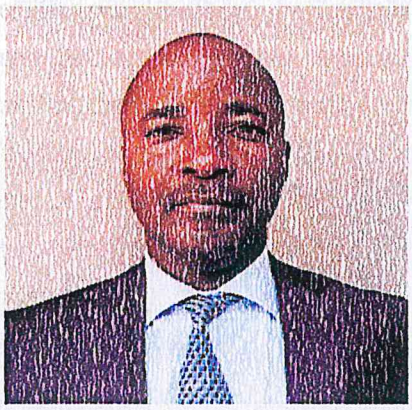
FCPA GEORGINA MUCHAI
CHIEF EXECUTIVE OFFICER / SECRETARY

5. Corporate Governance Statement

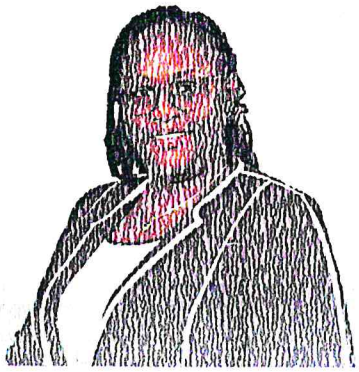
Part A: Board of Directors' Profile

The Board of Directors of the Public Sector Accounting Standards Board, as constituted, is highlighted below:

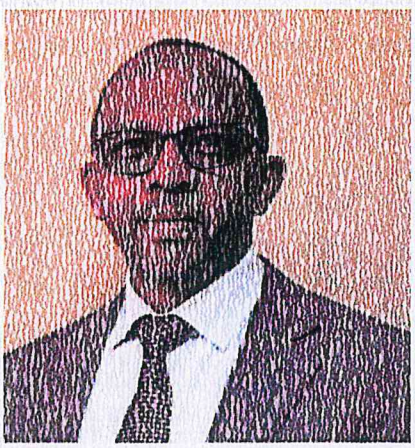
FCPA Pius Nduatih, MBS, OGW, was first appointed to the Board on 1st April 2022 and reappointed effective 1st April 2025, in line with Section 193 1 (a) of the PFM Act. He represents the National Treasury in the Board. FCPA Pius holds a Bachelor of Commerce degree from the University of Nairobi and an MBA from the University of Leeds (UK). He is a corporate governance trainer, board evaluator, and accredited governance auditor. He is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries of Kenya (ICS), and the Institute of Certified Investment and Financial Analysts (ICIFA), and a member of the Kenya Institute of Management (KIM).FCPA Pius previously served as the Chief Executive Officer (CEO) of KASNEB, having joined earlier as Chief Officer, Finance. FCPA Pius was a member of the team that developed Mwongozo: *The Code of Governance for State Corporations.* He has also served on various Boards, including the Kenya National Examinations Council (KNEC), the Kenya Education Management Institute (KEMI), ICPAK, ICS, ICIFA, RCPSB, and the Academic Board of the Kenya Institute of Curriculum Development (KICD). Currently, FCPA Pius is a Consultant with Dorion Associates LLP and a facilitator for the Women on Boards Network. In recognition of his contribution to nation-building, FCPA Pius was conferred with the Order of the Grand Warrior of Kenya (OGW) by His Excellency, the President of Kenya, in 2013 and Moran of the Order of the Burning Spear (MBS) in 2025. On 30th August 2024, FCPA Pius Nduatih was appointed as the Vice Chairman to the National Steering Committee on the Transition from Cash to Accrual Accounting by the Cabinet Secretary, National Treasury and Planning, where he deputizes the PS, National Treasury.



FCPA Stephen Masha, EBS, was first appointed to the Board on 8th October 2021 and reappointed on 13th September 2024 in accordance with the Public Finance Management Act Section 193 1(b) to represent the Office of the Controller of Budget in the Board. FCPA Masha chairs the Accounting Standards Committee and is a member of the Governance and Strategy Committee of the Board. FCPA Masha holds a Master of Science in Finance from Leicester University, a Bachelor's Degree in Education from Kenyatta University, and is a Certified Public Accountant. He is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), where he served as the convener of the Public Finance Sub-committee and a member of the Devolution and Branches Work stream and the Public Policy and Governance Committee. FCPA Masha has over twenty-five (25) years of experience in the finance and accounting sector, having worked as the Director, County Fiscal Affairs at the Commission on Revenue Allocation (CRA) before joining the Office of the Controller of Budget. Prior to joining CRA, he worked as the Regional Chief Fiscal Analyst at USAID, Audit Manager at Action Aid Kenya, Internal Auditor at Family Health Options Kenya (FHOK), and Auditor at Price Waterhouse, now Price Waterhouse Coopers. FCPA Masha is a Geneva-based UNAIDS Advisory Group (UAG) member on AIDS Response Financing. He has also served as an expert at the UN Expert Group Meeting on budgeting and planning to support effective institutions for the Sustainable Development Goals (SDGs) in 2019. Currently, he serves as the Deputy Controller of Budget at the Office of the Controller of Budget.

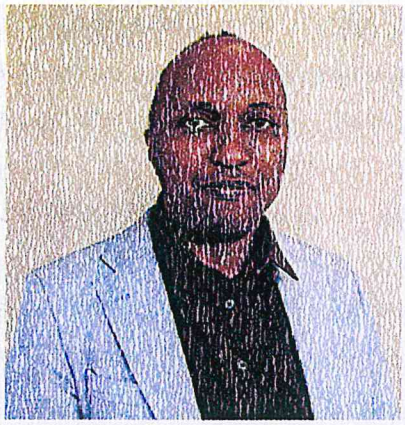


CPA Risper Olick was appointed on 5th October 2021 and reappointed on 13th September 2024 in accordance with the Public Finance Management Act Section 193 1(e) to represent the Institute of Certified Public Accountants of Kenya (ICPAK) on the Board. During the year, CPA Risper chaired the Audit and Risk Assurance Committee and served in the Accounting Standards Committee of the Board until 24th March 2026, when she tendered her resignation. She holds a Master of Business Administration (Finance) from the University of Nairobi and a Bachelor of Commerce degree from the same University. CPA Risper is currently pursuing a Doctor of Philosophy in Business Administration (DBA) at USIU-A, specializing in Leadership and organizational change. She is a Certified Public Accountant of Kenya, a Certified Secretary, and a Certified Grants Accountant. She is a member of the Certified Public Accountants of Kenya, the Institute of Certified Secretaries, and the Association of Women Accountants of Kenya (AWAK). She is a resourceful and accomplished professional with over twenty (20) years of work experience in financial management, administration, operations, compliance checks, and project management. Until recently, CPA Risper served as a council member of the Institute of Certified Public Accountants of Kenya. She is the deputy chairperson of the Siaya County Assembly Audit Committee, a member of board at the Kenya Revenue Authority and Media Council of Kenya.



FCPA Edwin Njamura was first appointed to the Board on 8th October 2021 and was reappointed on 13th September 2024 in accordance with the Public Finance Management Act Section 193 1(g) and represents the Capital Markets Authority. FCPA Edwin Njamura serves as the Chairman of the Governance and Strategy Committee and a member of the Accounting Standards Committee of the Board. He holds an Executive MBA from Moi University and a Bachelor of Commerce degree from the University of Nairobi. FCPA Njamura, until recently, served at the Capital Markets Authority from July 2012 as Director, Corporate Services, where he played a pivotal role in strengthening the Authority's institutional capacity. His leadership was instrumental in advancing transformational programs and embedding high standards in Accounting & Finance, Human Capital & Administration, Information Technology, and Procurement. His career spanning over twenty-seven (27) years has included working for other major brands such as Deloitte East Africa, Lonrho, Mitchell Cotts, and Exxon (locally Esso). FCPA Edwin is a pioneering AIRC – Africa Integrated Reporting Council committee member. He is also a Fellow of the Institute of Certified Public Accountants of Kenya.

CPA Leonard Okoth was first appointed to the Board on 1st April 2022 and was re-appointed on 1st April 2025 in accordance with the Public Finance Management Act Section 193 1(h) to represent the Institute of Internal Auditors of Kenya (IIA). CPA Leonard chairs the Internal Audit Standards Committee and is a member of the Audit and Risk Assurance Committee at the Board. He holds a Bachelor of Business Administration degree in Accounting from Maseno University and a Master of Business Administration in Strategic Management from United States International University. He is a Certified Internal Auditor (CIA), Certified Public Accountant (CPA-K), Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE). He holds a certificate in Senior Management Leadership from Strathmore University and Nanyang Business School, Singapore. He is an audit leader with over twenty (20) years' experience in Assurance, Governance, and Risk Management. He has extensive assurance and governance experience serving on various Boards and organizations across several sectors, namely Telecommunication, Financial Services, Professional Audit Service, and Public Sector. He is a member of the Institute of Internal Auditors Kenya (IIA), the Institute of Certified Public Accountants of Kenya (ICPAK), the Information Systems Audit and Control Association (ISACA), the Association of Certified Fraud Examiners (ACFE), and the Institute of Directors (IoD) Kenya. CPA Leonard works at the Central Bank of Kenya as the Director, Internal Audit and Risk. Previously, Leonard was an Internal Audit Leader at Safaricom PLC. Leonard is the immediate past President of the Institute of Internal Auditors of Kenya and the Vice President in the Africa Federation of the Institute of Internal Auditors (AFIIA) and a member of the IIA Global Nominations Committee.



CPA CS John Njoka was appointed to the Board on 13th September 2024 in accordance with the Public Finance Management Act Section 193 1 (i) and represents the Institute of Certified Secretaries. He chairs the Audit and Risk Committee and serves on the Board's Internal Audit Standards Committee. He holds a Master of Business Administration Degree in Finance and Strategic Management from Daystar University and a Bachelor of Science Degree in Mathematics from Egerton University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries (ICS), the Institute of Human Resources Management (IHRM), and the Institute of Internal Auditors (IIA). He is also a trained trustee with the Retirement Benefits Authority (RBA) of Kenya. He has over twenty-seven (27) years of experience in cost, management, and financial accounting, financial reporting, governance, administration, operations, assets, and inventory management. He has had oversight and responsibility over human resources, legal, logistics, and ICT functions. He has worked in several public and private sectors, including manufacturing, hospitality, publishing, higher education, and religious bodies. He is currently serving as one of the founding directors of Innovative Business Process Solutions, Strategic Human Resource Solutions, Human Capital Analytics Management Consultants, and Okal Githinji Consultants, a partnership dealing with talent development and reporting; return on investment on non-capital Investments; development of policies and procedures for optimal performance; change management; and organizational and personnel performance management.

CPA Damaris Mumo Kavoi was appointed to the Board on 1st April 2025 in accordance with the Public Finance Management Act Section 193 1(c) and represents the Inter-Governmental Budget and Economic Council (IBEC). She holds a Master of Business Administration (MBA) from the University of Nairobi and a Bachelor of Business Administration (BBA) in Accounting and Finance from Kenya Methodist University (KeMU). CPA Kavoi is a Certified Public Accountant (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She is also a member of the Association of Women Accountants of Kenya (AWAK). CPA Kavoi has thirty-one (31) years of extensive experience in the public sector, is highly proficient in budgeting, financial reporting, donor-funded project management, and policy advisory within the public sector. She currently serves as the County Executive Committee (CEC) Member for Finance, Planning, Budget, and Revenue in the Makueni County Government, a position she has held since November 2022. In this role, she leads the county's fiscal and economic planning functions, revenue mobilization, and financial compliance. She is widely recognized for her leadership in public-sector financial management, spearheading revenue automation initiatives, advancing budget transparency, and supporting national and county-level development frameworks.CPA Kavoi serves in the Accounting Standards Committee and the Governance and Strategy Committee of the PSASB Board.

FCPA Edwin Kamar, CISA, CIA, CFE, was appointed to the Board on 1st April 2022 in accordance with the Public Finance Management Act Section 193 1(d) and represents the Office of the Auditor General. He holds a Bachelor of Commerce degree and is pursuing a Master of Public Policy and Management from Strathmore University. He is a Certified Information Systems Auditor (CISA), a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), and a Certified Public Accountant (CPA-K). FCPA Kamar is a Fellow at the Institute of Certified Public Accountants of Kenya (ICPAK), is a member of the Information Systems Audit and Control Association (ISACA), the Institute of Internal Auditors (IIA Global), and the Association of Certified Fraud Examiners (ACFE).He currently serves as a Deputy Auditor-General at the Office of the Auditor General and has over twenty-five (25) years of experience in public financial management, governance, risk management, internal controls, and external audit. Edwin is recognized for his strategic leadership and innovation in public sector accountability. In November 2024, he was recognized and conferred Fellow of the Institute of Certified Public Accountants of Kenya for his contribution to the accountancy profession. FCPA Edwin Kamar is also a strong advocate for innovation in public sector audit, having led digital initiatives such as the OAG automation project and mobile audit tools. FCPA Kamar serves in the Accounting Standards and the Internal Audit Standards Committees of the Board.

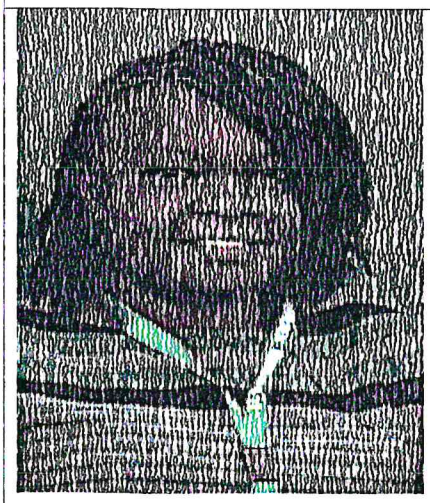
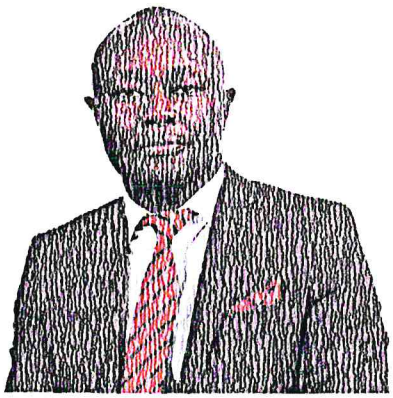
FCPA Kipkoech Andrew Tanui was appointed on 1st April 2025 in accordance with the Public Finance Management Act Section 193 1(e) and represents the Association of Professional Societies of Eastern Africa (APSEA). He holds a Master of Public Administration (MPA) from the University of Nairobi and a Master of Business Administration (MBA) from Moi University. He earned his Bachelor of Commerce (Accounting) degree from the University of Nairobi. FCPA Tanui is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA), a Certified Secretary (CS), and a Certified Financial and Investment Analyst (FA). He is also a Fellow of the Kenya Institute of Management (FKIM). His professional affiliations include membership in the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Secretaries of Kenya (ICPSK), Institute of Certified Financial and Investment Analysts (ICIFA), Kenya Institute of Management (KIM), Institute of Directors of Kenya (IoD(K)), and the Kenya Association of Public Administration and Management (KAPAM). He currently serves as the Deputy Director/Chief Executive for Corporate Affairs at a government agency. FCPA Tanui has over 28 years of experience in the private and public sectors. He has also chaired audit committees of constitutional commissions, including the Teachers Service Commission (2023 to date) and the Kenya National Commission on Human Rights (2015–2022). He is also the current Chair of ICPAK's Legislative Affairs Committee and a long-standing member of its Public Policy and Governance Committee. FCPA Tanui is a member of the Governance and Strategy and the Internal Audit Standards Committees of the Board.

FCPA Georgina Muchai is the Chief Executive Officer and Secretary of the Public Sector Accounting Standards Board, effective 1st May 2025. Before this, she was the Ag. Chief Executive Officer from 1st February 2024. She holds a Master of Science in Finance from the University of Nairobi and a Bachelor of Commerce Degree from Kenyatta University. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She is also a member of the Institute of Internal Auditors (IIA). She has over eighteen (18) years of experience in audit, finance, accounting, financial reporting, and public finance management. She has in the past served as technical advisor to the International Public Sector Accounting Standards Board (IPSASB), contributing to the setting of international public sector accounting standards . She is also the Deputy Chairperson of the Public Value Management – Technical Advisory Group (PVM- TAG) at the Pan African Federation of Accountants. FCPA Georgina Muchai also serves as a member of the National Steering Committee on the Transition from Cash to Accrual Accounting.

Part B: Management Profile

Team Member	Member's Profile
	FCPA Georgina Muchai is the Chief Executive Officer and Secretary of the Public Sector Accounting Standards Board, effective 1st May 2025. Before this, she was the Ag. Chief Executive Officer from 1st February 2024. She holds a Master of Science in Finance from the University of Nairobi and a Bachelor of Commerce Degree from Kenyatta University. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She is also a member of the Institute of Internal Auditors (IIA). She has over eighteen (18) years of experience in audit, finance, accounting, financial reporting and public finance management. She has in the past served as technical advisor to the International Public Sector Accounting Standards Board (IPSASB), contributing to the setting of international public sector accounting standards . She is also the Deputy Chairperson of the Public Value Management – Technical Advisory Group (PVM- TAG) at the Pan African Federation of Accountants. FCPA Georgina Muchai also serves as a member of the National Steering Committee on the Transition from Cash to Accrual Accounting.

Team Member	Member's Profile
	CPA Jabes Kotieno- Director, Corporate Services CPA Jabes is a Chartered Certified Accountant (ACCA) and a Certified Public Accountant of Kenya (CPA-K) with a Master's Degree in Business Administration (Finance) from the University of Nairobi. He has over eighteen (18) years of accounting and finance experience, having worked with various corporate firms and organizations including, Oshwal Education and Relief Board, Kapa Oil Refinery, Shankar Investment Ltd, among others. He has extensive experience in financial and management accounting, taxation, investment analysis, and risk management. He also holds professional certifications in International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) awarded by ACCA. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Internal Auditors (IIA), and the Association of Chartered Certified Accountants (ACCA).
	CPA Edwin Tito – Director, Internal Audit and Risk Management Standards CPA Tito is a member of the Institute of Internal Auditors (IIA) and Institute of Certified Public Accountants Kenya (ICPAK). He serves as a 2nd Vice Chair for the Institute of Internal Auditors Kenya.. He holds a Master of Science in Project Management and a Bachelor of Commerce (Finance). He is a Certified Internal Auditor (CIA), Certified Public Accountant (CPA), An accredited Corporate Governance Trainer, Accredited Internal Audit Quality Assessor, and a Quality Management Systems Auditor. He has over seventeen (17) years' experience in Internal Audit, Risk Management, Compliance, and Quality

Team Member	Member's Profile
	Assurance obtained from a variety of international and local organizations drawn from the Private, Charity and Public Sectors.
	**CPA Linda Nyageng'o – Deputy Director, Internal Audit Standards** CPA Linda holds MBA – Financial Management from University of Nairobi and B. Com (Accounting Option) from Kenyatta University. She also holds IPSAS and IFRS Certifications from ACCA. She is a Certified Public Accountant, Certified Internal Auditor, Certified Public Secretary and IRMCert. Previously, she has worked with the County Government of Kisii as the Head of Internal Audit. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and the Institute of Certified Secretaries of Kenya (ICS).
	**CPA Stanley Igati – Deputy Director, Accounting Standards** CPA Stanley holds an MBA (Finance) from Kenyatta University and a Bachelor of Education (Arts) from the University of Nairobi. He is a Certified Public Accountant and is a member of the Institute of Certified Public Accountant of Kenya (ICPAK). Stanley also holds an IPSAS and IFRS certification from ACCA. Stanley previously worked at the National Treasury and has over seventeen (17) years in experience in the public sector.

Team Member	Member's Profile
	CPA Vincent Ayaya – Deputy Director, Finance and Accounts CPA Ayaya holds a Master of Science (Finance) from University of Nairobi and Bachelor of Commerce (Finance Option) from the same university. He is a Certified Public Accountant and is currently pursuing PhD in Business Administration. Previously, he worked with the Kenya Film Classification Board as Head of Finance and Accounts. He has sixteen (16) years of experience in Public Finance management, Public Procurement, Budgeting, Risk Management and Human Resource Management and Administration. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a trainer in Corporate and Public Finance Management.
	CS Frankie Welikhe – Deputy Director Board &, Legal Services CS Frankie Welikhe is an Advocate of the High Court of Kenya and was entered in the Roll of Advocates on 9th October 2009. She has seventeen (17) years' post admission experience as a Legal & Corporate Governance practitioner in the private and public sector. She holds a Master of Public Policy and Management (MPPM) from Murdoch University (Australia) and Bachelor of Laws (LLB) (Hons) from the Moi University and a Post Graduate Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary of Kenya CPS (K), an Associate Arbitrator, a Governance and Legal Auditor, a Legislative Drafter, a Commissioner of Oaths and a Notary Public. She is a member of the Law Society of Kenya, the East Africa Law Society, the Chartered Institute of Arbitrators – Kenya and the Institute of Certified Secretaries (ICS)..

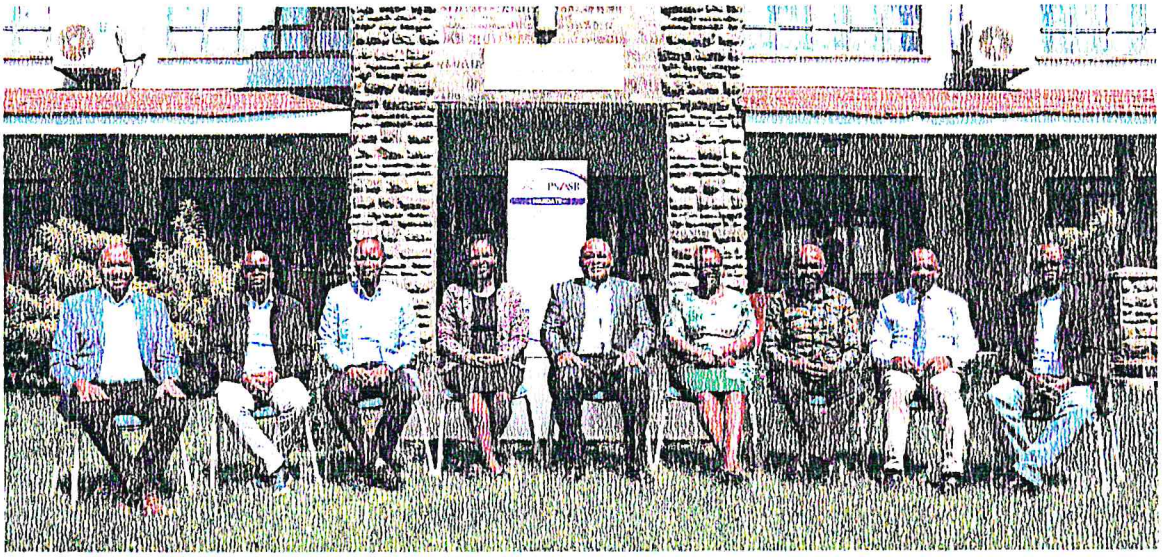
Part C: Governance Arrangements

a. Corporate Governance Statement

During the year, the Board was fully constituted pursuant to Sections 192 to 195 of the Public Finance Management Act, 2012 until 24th March 2026, when one member of the Board, FCPA Risper Olick tendered her resignation, exiting the Board. As at the end of the year, the Cabinet Secretary, National Treasury and Economic Planning, was in the process of filling the position.

b. Composition of the Board

The Board consists of representatives from nine institutions who serve on a part-time basis. These institutions are: The National Treasury, Office of the 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 Secretaries of Kenya.



PSASB Board of Directors during a retreat program held in Kisumu on 6th May 2026.

c. Appointment to the Board

The appointment of members to the Board begins with nominations from institutions specified in Section 193 of the Public Finance Management (PFM) Act. The nominees undergo a vetting process to confirm their suitability and competence to discharge the responsibilities of the office. Upon successful vetting, the Cabinet Secretary for the National Treasury formally appoints and gazettes

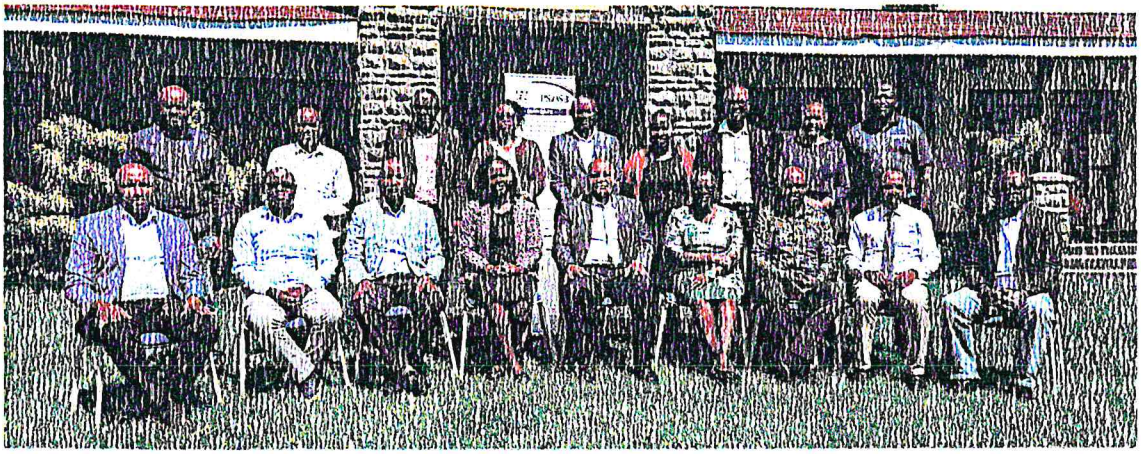
the members. The Cabinet Secretary appoints the Chairperson of the Board from among the gazetted members. The current Board was constituted during the 2021/2022 financial year. A portion of the Board's membership completed their terms on 31st March 2025, and their positions were subsequently filled by newly appointed members on 9th May 2025, with the appointments effective 1st April 2025.

d. Board Diversity

The Board comprises members with expertise in accounting, auditing, corporate governance, public financial management, financial analysis, investment, human resources, public policy, and management. In line with its mandate to prescribe accounting and internal audit standards for all state organs and public entities, the Board is required to maintain a strong technical capacity in accountancy and audit. The composition of the Board reflects diversity in professional backgrounds, ethnicities, and regional representation, broadly aligning with national values of inclusivity. While efforts have been made to enhance gender representation, the current membership falls slightly short of the two-thirds gender principle, which remains a priority for future appointments.

e. Roles and Responsibilities of Directors

The roles and responsibilities of Board members are set out under Section 194 of the Public Finance Management (PFM) Act, 2012. These responsibilities are further articulated in the Board's five-year Strategic Plan, Annual Work Plans, and the Board Charter. Upon appointment, members are issued with key documents to support their understanding of the Board's mandate and expectations. Additionally, induction training is conducted to facilitate effective onboarding. The Public Sector Accounting Standards Board operates through a committee structure, with each committee guided by defined Terms of Reference.



PSASB Board of Directors and senior staff members during a Board Retreat in Kisumu on 6th May 2026. The programme was aimed at reviewing the revised strategic objectives, key policies, and ongoing initiatives.

i. Governance and Strategy Committee

The Governance and Strategy Committee of the Board is responsible for the Board's achievement of its strategic objectives and ensures that annual work plans are implemented. The Terms of Reference for the Governance and Strategy Committee shall include, but not limited to:

a. Promote good governance practices in the operations of the Board and Secretariat.
b. Advise the Board on strategy matters.
c. Enhance the corporate image of the Board.
d. Oversee the development and monitoring of Enterprise Risk Management (ERM) for PSASB.
e. Enhance the capacity of the Board.
f. Overseeing the operations of the Secretariat.
g. Carry out the nominating and remuneration functions.
h. Spearhead Board induction, evaluation, and governance audits.
i. Ensure the Secretariat is compliant in all matters.
j. Ensure PSASB's compliance with all applicable laws and regulations.
k. Oversee the management of the Financial Reporting Excellence Award and
l. Any other functions that the Board may delegate.

ii. Accounting Standards Committee

The Terms of Reference for the Accounting Standards Committee shall include but not limited to:

a. Oversee the development, adoption, and implementation of standards and guidance.

b. Oversee preparation of technical guides/financial recording tools for implementing financial reporting standards.

c. Oversee research and provide thought leadership on financial reporting.

d. Monitor education and awareness programs with stakeholders through public participation.

e. Monitor adherence to the standards.

f. Oversee consultative meetings with constituents from the Government Owned Enterprises, as well as national and county governments.

g. Any other functions that the Board may delegate.

iii. Internal Audit Standards Committee

The Terms of Reference for the Internal Audit Standards Committee shall include but not limited to:

a. Oversee the development and promotion of the implementation of internal audit standards and internal auditing procedures for use in the public sector.

b. Oversee the development of due processes and guidelines for enforcing internal audit standards.

c. Review and assess the adequacy of management research and recommend best practice frameworks and standards for internal audits in the public sector.

d. Review technical guides/templates for implementing internal audit standards and risk management in public sector entities (Government Owned Enterprises; National Government; County Governments etc.).

e. Promote best practice guidance for audit Committees.

f. Monitor adherence to Internal Audit Standards, guidelines and procedures.

g. Monitor education programs on internal audit standards issued.

h. Oversee consultative meetings with constituents in the Public Sector on Internal Audit standards; and

i. Any other functions that the Board may delegate.

iv. Audit and Risk Assurance Committee

The Terms of Reference for the Audit and Risk Assurance Committee shall include but not limited to:

a. Evaluating whether processes are in place to address key roles and responsibilities in relation to PSASB risk management.

b. Evaluating the adequacy of PSASB's control environment to provide reasonable assurance that the internal control systems are of a high standard and functioning as intended.

c. Performing an independent review of PSASB's financial statements to ensure the integrity and transparency of the financial reporting process.

d. Monitoring the effectiveness of PSASB 's performance information and compliance with the performance management framework and performance reporting requirements.

e. Evaluating the quality of PSASB's internal audit function, particularly in planning, monitoring, and reporting.

f. Engaging with external audits and assessing the adequacy of management response to issues identified by the audit.

g. Review the effectiveness of PSASB in monitoring compliance with relevant legislative and regulatory requirements and promoting a culture committed to lawful and ethical behavior.

h. Any other functions that the Board may delegate.

f. Board Transactions/Attendance in the Financial Year

(i) Full Board meeting and Special Meetings for the Year ended 30th June 2026

The annual attendance register shows that the Board held **six (6)** full board meetings during the year, summarised below.

Table 2: Summary of Full Board and Special Meeting

	Full Board and Special Meetings Summary FY 2025/2026					
No	**Name**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
1	FCPA Pius Nduatih, MBS, OGW,	2	1	2	1	6/6
2	FCPA Stephen Masha, EBS	2	1	2	1	6/6
3	FCPA Risper Olick*	2	1	2	-	5/6
4	CPA CS John Githinji Njoka	2	1	2	1	6/6
5	FCPA Edwin Njamura	2	1	2	1	6/6
6	CPA Leonard Okoth	2	1	2	1	6/6
7	CPA Damaris Mumo Kavoi	2	1	1	1	5/6
8	FCPA CS FA Kipkoech Andrew Tanui	2	1	2	1	6/6
9	FCPA Edwin Kamar	2	1	2	1	6/6
10	FCPA Georgina Muchai	2	1	2	1	6/6
	***Member resigned from the Board on 24th March 2026.**					

(ii) Board Committee Meetings for the year ended 30th June 2026

During the year, the committees attended meetings as shown below.

a. Governance and Strategy Committee

The Governance and Strategy Committee held **five (5)** meetings during the year as summarized below.

Table 3: Summary of Governance and Strategy Committee Meetings

No	Board Committee Attendance Summary FY 2025-2026					
	Name	Governance & Strategy Committee				
		Q1	Q2	Q3	Q4	Total
1	FCPA Edwin Njamura	1	1	2	1	5/5
2	FCPA Andrew Tanui	1	1	2	1	5/5
3	CPA Damaris Kavoi	1	1	2	1	5/5
4	FCPA Stephen Masha, EBS	1	1	2	1	5/5
5	FCPA Georgina Muchai	1	1	2	1	5/5

b. Accounting Standards Committee

The Accounting Standards Committee held **four (4)** meetings during the year, as summarized below.

Table 4: Summary of Accounting Standards Committee Meetings

No	Accounting Standards Committee Attendance Summary FY 2025-2026					
	Name	Accounting Standards Committee				
		Q1	Q2	Q3	Q4	Total
1	FCPA Stephen Masha, EBS	1	1	1	1	**4/4**
2	FCPA Risper Olick*	1	1	1	-	**3/4**

No	Accounting Standards Committee Attendance Summary FY 2025-2026					
	Name	Accounting Standards Committee				
		Q1	Q2	Q3	Q4	Total
3	FCPA Edwin Njamura	1	1	1	1	4/4
4	FCPA Edwin Kamar	1	1	1	1	4/4
5	CPA Damaris Kavoi	1	1	1	1	4/4
6	FCPA Georgina Muchai	1	1	1	1	4/4
	*** Member of the committee resigned with effect from 24th March 2026.**					

c. Internal Audit Standards Committee

The Internal Audit Standards Committee held **four (4)** meetings during the year, as summarized below.

Table 5: Summary of Internal Audit Standards Committee

No	Board Committee Attendance Summary FY 2025-2026					
	Name	Internal Audit Standards Committee				
		Q1	Q2	Q3	Q4	Total
1	CPA Leonard Okoth	1	1	1	1	4/4
2	CPA CS John Njoka	1	1	1	1	4/4
3	FCPA Andrew Tanui	1	1	1	1	4/4
4	FCPA Edwin Kamar	1	1	1	1	4/4
5	CPA Georgina Muchai	1	1	1	1	4/4

d. Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee held **five (5)** meetings during the year, as summarised below.

Table 6: Summary of Audit and Risk Committee Meetings

No	Name	Board Committee Attendance Summary FY 2025-2026				
		Audit & Risk Assurance Committee				
		Q1	Q2	Q3	Q4	Total
1	FCPA Risper Olick*	1	1	2	-	**4/5**
4	CPA John Njoka	1	1	2	1	**5/5**
5	CPA Leonard Okoth	1	1	2	1	**5/5**
6	FCPA Georgina Muchai	1	1	2	1	**5/5**
	*** Member ceased to be a member of the committee with effect from 24th March 2026 following resignation.**					

Further analysis of attendance of the Board meetings was as indicated in the table below:

Table 7: Summary of Board Meetings

S/No	Committee/Full Board	BOARD MEETINGS ATTENDANCE ANALYSIS FOR THE YEAR ENDED 30TH JUNE 2026				
		Audit & Risk Assurance	Accounting Standards	Internal Audit Standards	Governance & Strategy	Full Board
1	No. of Regular Meetings	4	4	4	4	**4**
2	No. of Special Meetings	1	0	0	1	**2**
	Total Meetings held	5	4	4	5	**6**

g. Term of the Board

The term of the Board is outlined under the amended provision of the 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.

h. Compliance with 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 with the PFM Act, 2012, by public sector entities through sensitization and training.

i. 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. Details of Board and committee allowances are included in these financial statements.

j. Board Charter

The Board's Charter outlines the powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, committees' terms of reference, and conflict of interest, among other things. The Charter is premised on the Mwongozo Code and the best Corporate Governance Practices. The revised Board charter was approved on 7 June 2024.

k. Board trainings and development

The Board supports the members and the Secretariat in attending training and seminars on financial reporting and internal auditing in the public sector to improve the Board's technical expertise.

During the year, some of the programmes attended by the board are include in the table below:

Table 8:Training Programmes Attended by Board of Directors

SN	TRAINING ATTENDED	TRAINING PERIOD	TRAINING INSTITUTION
1	AFIIA Conference	25th-29th May	IIA Global
2	ICPAK Conference	22nd-26th September 2025	ICPAK
3	45th African Corporate Governance Cape Town	17th-20th March 2026	Advantage Training
4	Ethics Training	13th-17th April 2026	ICPAK
5	IIA Conference, Canada	14th-16th July 2025	IIA Global
6	ICPAK Masterclass	25th-29th August 2025	ICPAK
7	Return on Investment (ROI)	Virtual Course	ROI Institute
8	ICPAK transition to accrual accounting	16th-20th February 2026	ICPAK
9	ICPAK internal Audit, Risk and Fraud	1st-5th December 2025	ICPAK
10	IPSASB Meeting in Portugal	6th-13th September 2025	IPSASB
11	IIA Annual Global Conference Singapore	22nd -26th June 2026	IIA Global

l. Board Evaluation

The performance of the Board and its members is evaluated regularly. In November 2025, a board evaluation was conducted under the guidance of the State Corporations Advisory Committee (SCAC). Each board member, the CEO, and the Board Secretary were evaluated. The cumulative Board's score was 97.94%, indicating the Board's commitment to deliver on its mandate. The board adopted these results, and a roadmap for improvement was drawn.

m. Succession Planning

During the FY2025/2026, the Board continued to strengthen its institutional sustainability by developing a Succession Management Policy and a Succession Management Plan. The policy and the Plan were developed in line with the PSASB Strategic Plan (2023–2027), the PSASB Human Resource Policies and Procedures Manual, and applicable public service human resource management principles. These policies seek to ensure continuity in leadership and critical technical functions by identifying key positions, assessing potential succession risks, and establishing structured programmes for talent identification, leadership development, coaching, mentoring, and knowledge transfer. In addition, the Board implemented the approved organisational structure following the Public Service Commission's approval of the Human Resource Instruments and commenced phased recruitment to address critical staffing gaps.

These initiatives are expected to strengthen institutional capacity and enhance continuity in the execution of the Board's mandate.

n. Policy to manage conflict of interest

The Board is committed to maintaining the highest standards of transparency, integrity and accountability in the discharge of its mandate. To safeguard the independence and objectivity of Board Members, Management, and staff, the Board has established mechanisms to identify, declare, and manage actual, potential, and perceived conflicts of interest. Board Members are required to declare any conflict of interest at the commencement of meetings or whenever matters in which they have a direct or indirect personal interest are under consideration. Such declarations are recorded in the minutes of the respective meetings, and Members with declared conflicts recuse themselves from deliberations and decision-making on the affected agenda items. Board members are also required to sign a conflict of interest register as evidence of their declaration. Similarly, members of staff are required to disclose any actual or potential conflicts that may arise in the course of performing their official duties in accordance with the Human Resource Policies and Procedures Manual, the Code of Conduct and Ethics, the Public Officer Ethics Act, and other applicable legal and regulatory requirements. The Board continues to review its governance policies to strengthen conflict of interest management as part of its commitment to good corporate governance.

o. Ethics and Conduct

The Board upholds high standards of ethical conduct and professionalism in accordance with the Constitution of Kenya, the Leadership and Integrity Act, the Public Officer Ethics Act, the Public Service (Values and Principles) Act, and the Mwongozo Code of Governance for State Corporations. In this regard, the Board has established policies and procedures that promote ethical behaviour, safeguard confidential information, prevent abuse of office, and encourage responsible stewardship of public resources. During the year under review, the Board continued to strengthen its ethical governance framework by implementing approved human resource policies, continuously sensitizing staff on ethical standards, enhancing governance structures, and reinforcing internal controls. The Board also continued to comply with statutory requirements

relating to leadership and integrity, declaration of income, assets and liabilities, and other ethical obligations applicable to public officers.

p. Governance Audit

In line with the Mwongozo Code of Governance for State Corporations, the Board commissioned an independent Governance Audit to assess its compliance with established corporate governance principles and identify opportunities for continuous improvement. During the Financial Year 2025/2026, the Governance Audit was successfully completed. The final Governance Audit Report, together with the Governance Audit Implementation Matrix, was presented to and approved by the Full Board. The audit confirmed good governance practices and identified recommendations to strengthen governance structures, Board effectiveness, policy frameworks, risk management, stakeholder engagement, and institutional performance. The Board has since commenced implementation of the approved Governance Audit recommendations through a structured implementation matrix, with progress being monitored by the Audit and Risk Assurance Committee and reported periodically to the Full Board. The implementation of the recommendations is expected to further strengthen accountability, transparency, strategic oversight, and compliance with the Mwongozo Code and other applicable governance standards.

q. Legal Audit

As part of its commitment to strengthening legal and regulatory compliance, the Board commissioned an independent Legal Audit to evaluate its compliance with applicable laws, regulations, contractual obligations, and internal legal governance frameworks, and to identify areas requiring legal and institutional enhancement and opportunities for strengthening legal and institutional compliance. During the Financial Year 2025/2026, the Legal Audit was successfully completed and adopted by the Full Board. The implementation of the audit recommendations is done through an appropriate action plan to further strengthen the Board's legal compliance framework, governance processes, risk management, and institutional accountability.

r. Existing Key Management structure and its key Roles

PSASB's leadership rests with the Board of Directors, the supreme decision-making body. The Board appoints the Chief Executive Officer (CEO), who is the accounting officer and is responsible for the day-to-day running of the organization. The approved organisztion structure comprises

the Chief Executive Officer's Office and four (4) direct reports: Board and Legal Services, Internal Audit, Supply Chain Management, and Corporate Communication Division. In addition, there are three (3) Directorates, namely: Accounting Standards; Internal Audit and Risk Management Standards; and Corporate Services Directorate. The Corporate Services directorate oversees the Human Resource and Administration Division, Finance and Accounts Division, Information and Communication Technology Division, and Planning and Risk Management Section. Each Directorate is headed by a Director, divisions by a Deputy Director, and sections by an Assistant Director.

s. Fiduciary Oversight Arrangements

The Board of Directors is responsible for ensuring the achievement of the strategic objectives, the organisation's mandate, and financial accountability as set out in the PFM Act, 2012. This responsibility is achieved through the various committees of the Board, which are given specific terms of reference to carry out the Board's mandate. The Board also ensures that strategic direction is provided to management, who are responsible for the organisation's day-to-day operations, to achieve a common purpose. The Board has constituted the following committees to assist in the discharge of the mandate of the Board:

i. **Governance and Strategy Committee**

ii. **Accounting Standards Committee**

iii. **Internal Audit Standards Committee**

iv. **Audit and Risk Assurance Committee**

The Board is accountable to various parliamentary committees through the National Treasury.
To enhance accountability and oversight on management by the board of directors, the following key management personnel were in charge of the various functions of the board during the year;

Table 9:Key Management Personnel in Charge of Directorates and Departments

No.	Designation	Name
1.	Chief Executive Officer/Secretary	FCPA Georgina Muchai
2.	Director, Internal Audit and Risk Management Standards	CPA CIA Edwin Tito
3.	Director, Corporate Services	CPA Jabes Kotieno

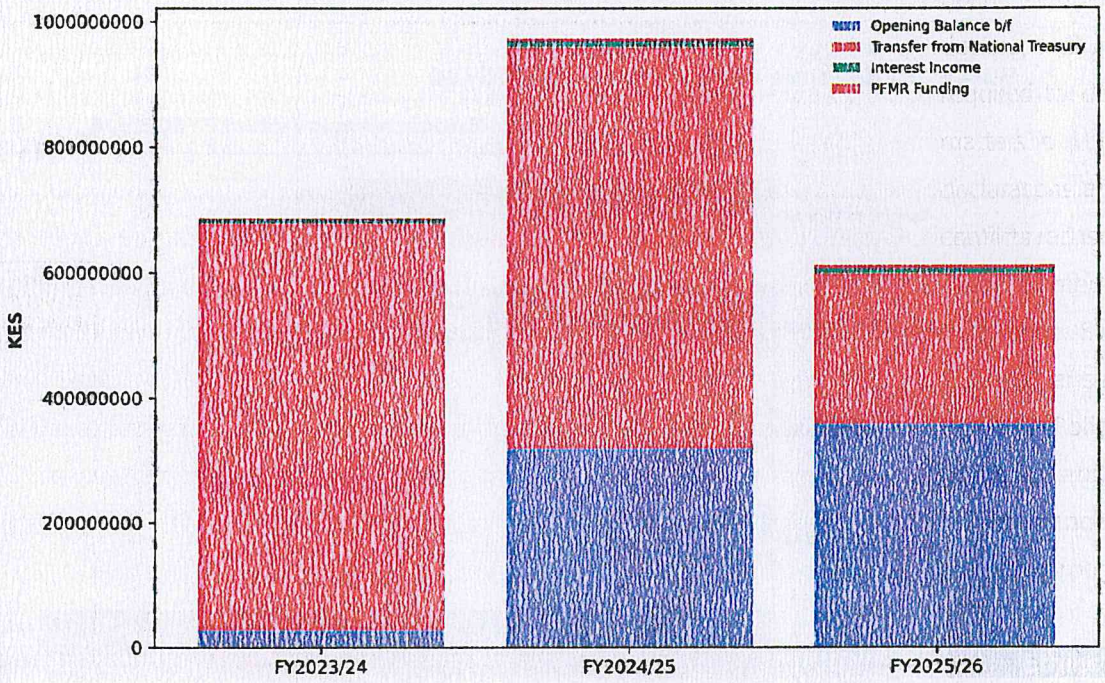
No.	Designation	Name
4.	Deputy Director, Internal Audit Standards	CPA Linda Nyageng'o
5.	Deputy Director, Accounting Standards	CPA Stanley Igati
6.	Deputy Director, Board and Legal Services	CS Frankie Welikhe
7.	Deputy Director, Finance and Accounts	CPA Vincent Ayaya
8.	Ag. Deputy Director, Supply Chain Management	Dr. Mary Kariuki, MCIPS

6. Financial Performance Overview

a) Revenue Analysis

The Board derives its revenue solely from the government, as a government entity. The graph below shows the categories of revenue the Board received to finance its activities and operations over the last three financial years.

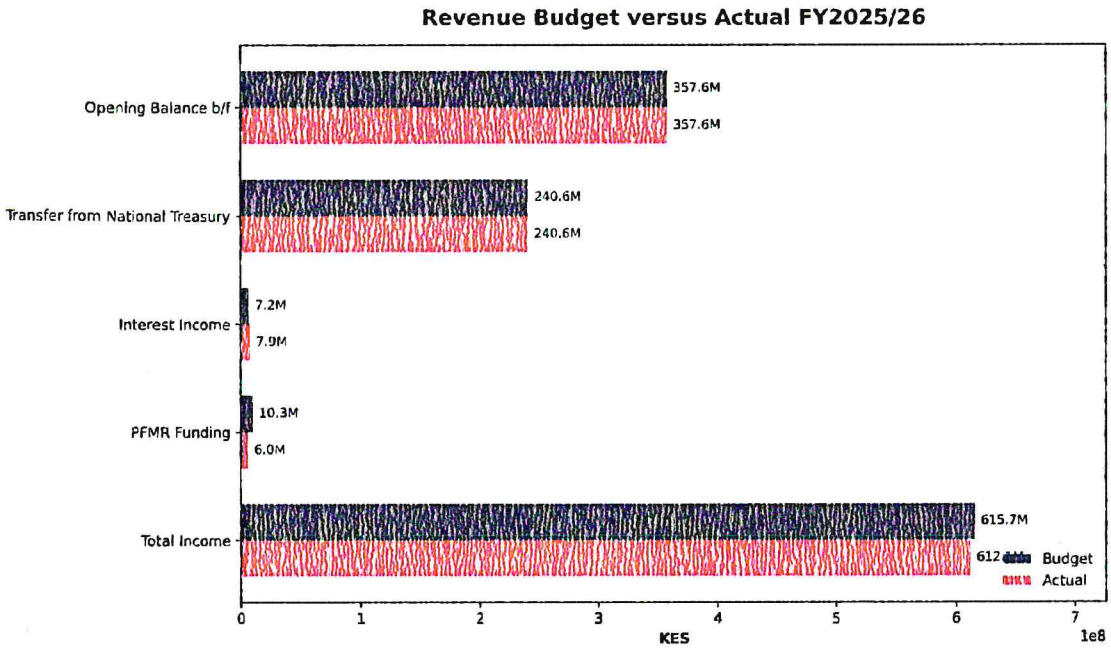
Composition of Income by Source (FY2023/24-FY2025/26)



The Board's revenue profile changed significantly during the financial year, primarily due to a reduction in Exchequer funding. Transfers from the National Treasury declined from KShs 640.90 million in FY2024/25 to KSh 240.59 million in FY2025/26, representing a decrease of KShs 400.31 million (62.5%). Despite this decline, Exchequer funding remained the Board's principal source of current-year revenue, accounting for approximately 95.1% of total revenue received during the year. The reduction was largely mitigated through prudent cash management and the utilisation of accumulated cash balances brought forward from the previous financial year, thereby enabling the Board to continue implementing its planned programmes and activities.

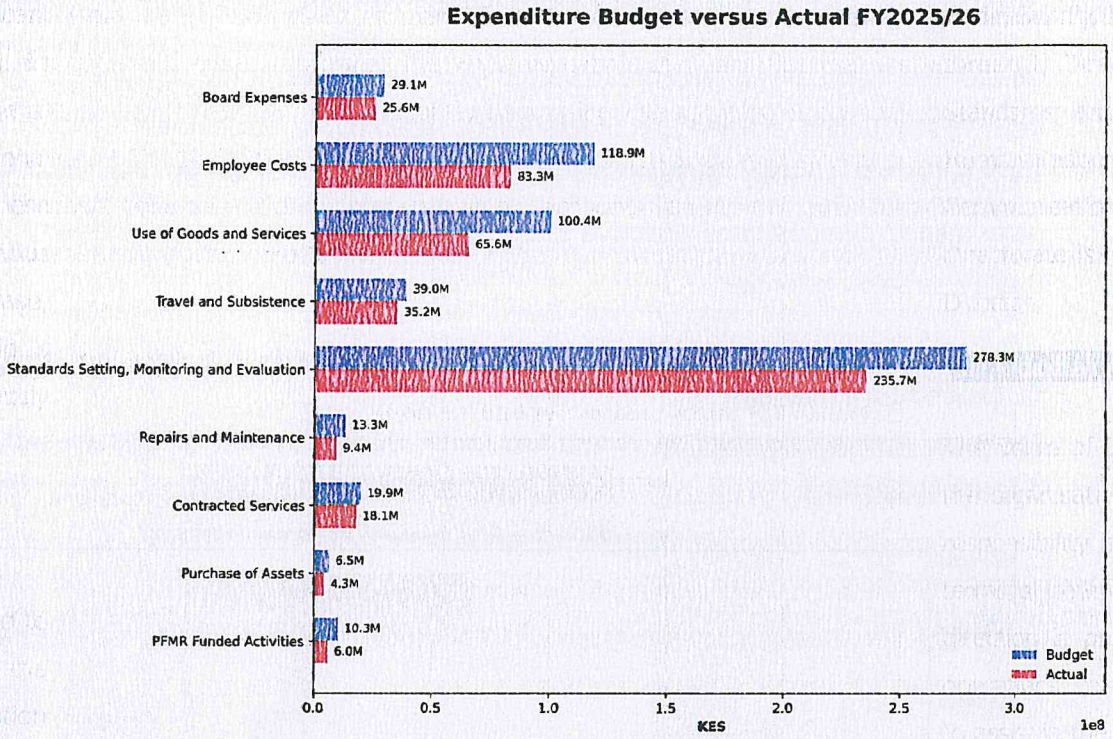
Funding received under the Public Financial Management Reforms (PFMR) Programme increased from KShs 5.33 million to KShs 5.98 million, representing a 12.3% increase, reflecting enhanced support towards the implementation of public financial management reform initiatives. Conversely, other income, comprising interest earned on bank deposits, declined from KShs 10.55 million to KShs 7.88 million (25.3% decrease), mainly due to lower average cash balances held in interest-bearing accounts during the year following the utilisation of accumulated resources.

b) Budgeted Revenue versus Actual FY2025/26



The Board realised total revenue of KShs 612.07 million against a budget of KShs 615.74 million, representing an overall revenue performance of **99.4%**. Opening balances and National Treasury transfers were fully realised, while interest income exceeded the budget by **9.0%**, reflecting effective cash management. However, PFMR funding achieved **57.9%** of the budget due to lower-than-anticipated disbursements. Overall, the Board maintained a strong revenue performance, ensuring adequate resources to support the implementation of its planned programmes and activities.

c) Budgeted Expenditures versus Actual FY2025/26



The Board incurred total expenditure of KSh 483.24 million against an approved budget of KSh 615.74 million, representing an overall budget absorption rate of 79%. The expenditure pattern reflects prudent financial management and prioritisation of resources towards the implementation of the Board's core mandate while maintaining expenditure within the approved budget.

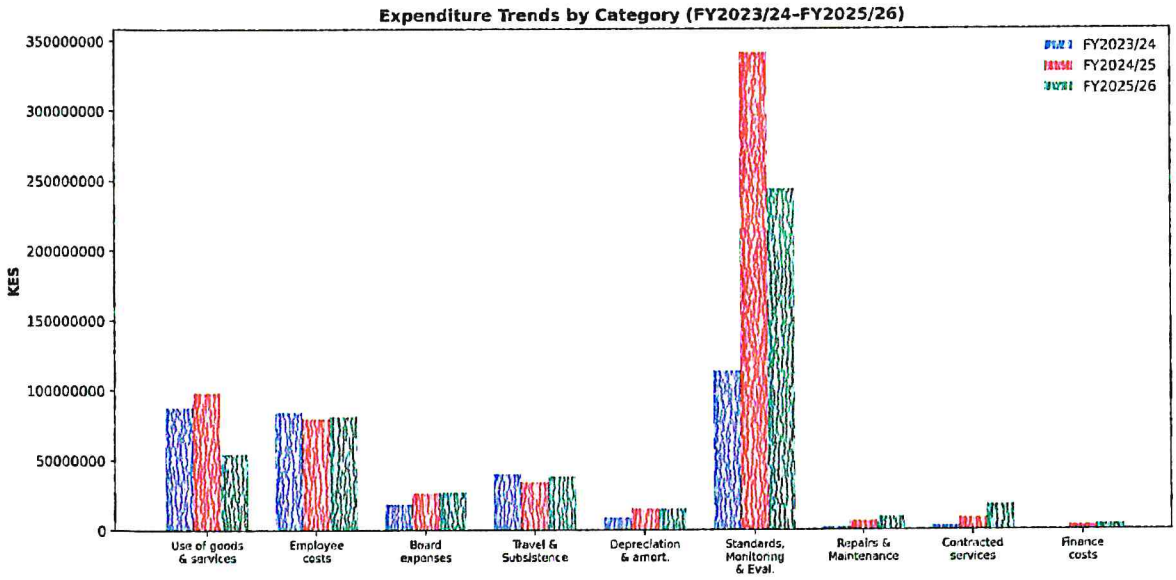
Expenditure on Standards Setting, Monitoring and Evaluation recorded the highest budget utilisation at KSh 235.69 million, representing 84.7% of the approved budget, underscoring the Board's continued focus on delivering its core technical mandate. Similarly, contracted services (90.7%), travel and subsistence (90.4%), and Board expenses (88.0%) achieved high absorption rates, reflecting effective implementation of planned governance, stakeholder engagement, and technical activities.

Conversely, expenditure on employee costs recorded an absorption rate of 70.1%, while use of goods and services attained 65.3%, reflecting savings realised through prudent

expenditure management and operational efficiencies. Purchase of assets achieved 67.2% absorption as capital investment, intangible assets were still in progress at the close of the financial year and are expected to be completed in the subsequent financial year. PFMR-funded activities recorded 57.9% absorption, attributable to lower-than-anticipated programme disbursements during the year. Overall, the expenditure performance demonstrates effective budgetary control while ensuring delivery of the Board's strategic priorities.

d) Expenditure Analysis

The Board incurred expenses on various line items. The chart below outlines an analysis of different budget lines.



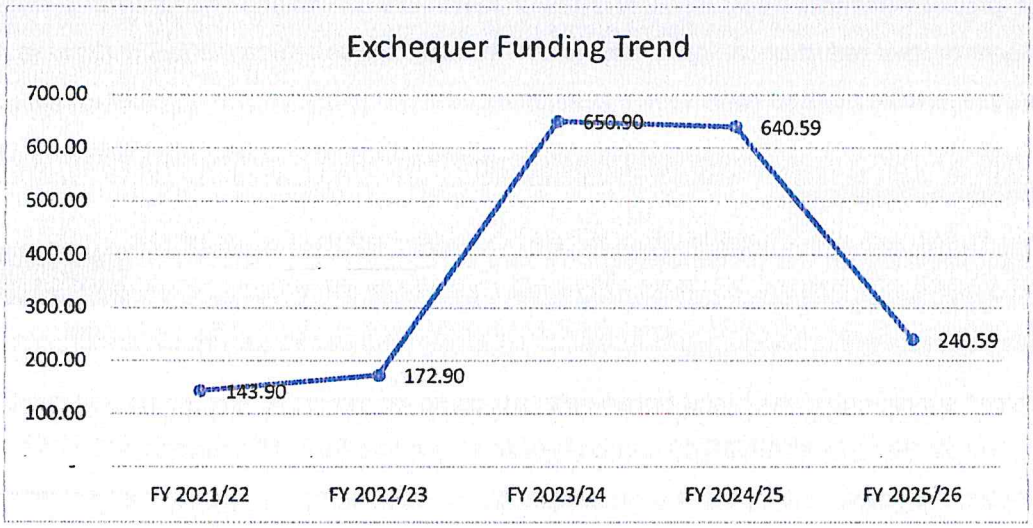
The Board's expenditure profile over the three-year period reflects a shift in resource allocation towards the delivery of its core mandate while maintaining prudent control over administrative costs. Total expenditure increased from KShs 358.99 million in FY2023/24 to KShs 614.75 million in FY2024/25 before declining to KShs 491.87 million in FY2025/26, representing a 20.0% reduction compared to the previous year. The decline is primarily attributable to reduced expenditure on standards development, monitoring and evaluation activities following the completion of key implementation milestones under the national accrual accounting transition programme.

Standards Development, Monitoring and Evaluation remained the largest expenditure category throughout the period, accounting for 31.7% of total expenditure in FY2023/24, increasing to 55.5% in FY2024/25 before reducing to 49.6% in FY2025/26. This trend reflects the Board's continued prioritisation of its core technical mandate, notwithstanding the moderation in expenditure during the current year.

Employee costs remained relatively stable, reducing marginally from KShs 84.59 million in FY2023/24 to KShs 79.86 million in FY2024/25 before increasing slightly to KShs 81.25 million in FY2025/26, reflecting a sustainable staffing cost structure. Expenditure on Board activities and contracted services increased over the three-year period, consistent with enhanced governance oversight and greater reliance on specialised technical services to support implementation of strategic initiatives. Repairs and maintenance expenditure also increased, reflecting continued investment in maintaining the Board's ICT infrastructure and operational assets.

Conversely, expenditure on the use of goods and services declined significantly from KShs 98.61 million in FY2024/25 to KShs 54.45 million in FY2025/26, a reduction of approximately 44.8%, demonstrating the Board's continued emphasis on expenditure rationalisation and operational efficiency. Depreciation and amortisation remained broadly stable over the period, while finance costs increased moderately due to lease-related obligations recognised under IPSAS 43. Overall, the expenditure trend demonstrates a deliberate focus on directing resources towards strategic programmes while exercising prudent control over recurrent administrative expenditure.

e) Trends in NT transfers



The chart illustrates a five-year trend in grant receipts, showing a significant upward trajectory from FY 2023/24 through FY 2024/25, followed by a slight decline in FY 2024/25 and a significant decrease in FY 2025/26. Transfers from the exchequer rose from **KShs 143.9 million in 2021/22** to **KShs 172.9 million in 2022/23**, before experiencing a substantial increase to **KShs 650.9 million in 2023/24**. This increase aligns with enhanced support from the National Treasury during the IPSAS accrual transition implementation scale-up phase. In **2024/25**, these transfers dipped slightly to **KShs 640.59 million**, a marginal 1.6% decline from the previous year. A subsequent **62%** reduction was recorded in **FY 2025/2026.** Despite the sharp decrease, current grant levels remain significantly above pre-2023 levels, underscoring that funding is sustaining implementation of the transition to accrual accounting for public entities previously reporting on a cash basis.

f) Deficit/ Surplus for the Financial Year

The deficit for the year ended June 30th, 2026, amounted to KShs 238.59 million, compared to a surplus of KShs 40.2 million in FY2024/25, reflecting reduced exchequer funding during the period. Activities for FY 2025/26 were funded from the National Treasury Exchequer allocation and balances carried forward from the previous year.

g) Assets Analysis

The total assets for the period ending 30th June 2026 amount to KShs. 219.48 million compared to the previous financial Year, FY 2024/2025 of KShs. 459.52 million. This decline is largely explained by the reduction of cash and cash equivalents from KShs. 357.62 million in FY 2024/2025 to KShs. 128.83 million in FY 2025/2026.

h) Liabilities Analysis

The total liabilities for the period ending 30th June 2026 are KShs. 38.82million compared to KShs. 40.27 million in the prior year. The liabilities comprise the current liabilities and non-current liabilities for the period. The current liabilities show the liabilities emanating from the use of goods and services, while the long-term liability accounts for the lease of the offices at the CPA Centre in compliance with IPSAS 43 on leases-right of use liabilities. The current liability for the current year is KShs. 11.88 million compared to KShs. 9.60 million in FY 2024/2025. Whereas

the non-current liabilities are KShs. 24.29 million, compared to KShs 30.66 million in the previous period, reflecting the settlement of lease obligations in the past year.

i) Risk Analysis

The board has classified and assessed its risk as follows:

a. **Strategic risk**

Changes in the operating environment may make PSASB's strategy less effective in facilitating the achievement of its mandate. PSASB regularly monitors its strategic plan to advise the Board on risk mitigation strategies. During the Financial Year 2025/2026, the Board successfully concluded the Mid-Term Review of the Strategic Plan (2023-2027), which assessed progress in implementation, validated the continued relevance of the strategic priorities, and identified emerging opportunities and risks. The review informed strategic adjustments to ensure that the Board remains responsive to the evolving public sector environment and well positioned to deliver its mandate.

b. **Compliance risk**

As a public sector entity, PSASB is required to comply with applicable laws, regulations, government circulars, and other statutory requirements governing its operations. The Board continually monitors compliance with these requirements through established internal controls, periodic compliance reviews, and implementation of relevant government directives. As an additional mitigation measure, the Board commissioned an independent Legal Audit during the FY2025/2026 to assess compliance with applicable legal and regulatory requirements and identify areas for strengthening the legal and compliance framework. The audit was completed during the year, and its recommendations will be implemented to enhance the board's legal compliance.

c. **Financial risk**

The Board is primarily funded through Exchequer allocations from the National Treasury and is therefore exposed to the risk of reductions in Government funding. Although the Board experienced a significant reduction in Exchequer funding during the Financial Year 2025/2026, it continued to implement its strategic priorities through prudent financial management, effective prioritisation of programmes and activities, and optimal utilisation

of available resources. To further mitigate this risk, the Board undertakes robust budget planning, continuously monitors resource utilisation, prioritises core mandate activities, and maintains prudent cash flow management to support continuity of operations despite funding constraints.

d. **Operational risk**

The Board faces various operational risks emanating from the limitations in our enabling legislation, the PFM Act,2012, compliance with statutory requirements in other legislative frameworks, inadequate human resources, budgetary cuts, threats emanating from cyber security and privacy and managing the organizational brand visibility. This operation risks calls for the Board to develop mitigation strategies such as initiating legal reforms though our parent ministry, the National Treasury, resource mobilisation, undertake legal compliance audits, engaging, the National treasury on how to increase the number of staff required for the Board and implementing a cyber security management system to detect the threats and putting in place a business continuity plan for the operations of the Board.

7. Board's Operational Performance

7.1 Standards Development and Compliance Monitoring

SECTION A: ACCOUNTING STANDARDS MANDATE

Section A outlines the Board's operations in relation to its mandate to set generally accepted accounting standards for the public sector and to monitor adherence to these standards by public sector entities.

I. Summary of Submissions in Response to IPSASB Exposure Drafts for FY 2025/26

The International Public Sector Accounting Standards Board (IPSASB) issues Consultation Papers (CPs) and Exposure Drafts (EDs) from time to time. PSASB is committed to responding to 100% of exposure drafts from IPSASB, which is one of the key result areas in the strategic planning of standard-setting and research. In responding to these EDs, the Secretariat seeks views from constituents, especially entities that apply the IPSAS Accrual accounting framework. During the FY 2025/26, the Secretariat responded to all the EDs that were issued by IPSASB, as shown in the table below:

Table 10:Summary of Submission in Response to IPSASB Exposure Drafts

Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
Exposure Draft (ED) 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3 and the Conceptual Framework)	15th May 2025	The objective of the ED is to align the definition of material between the Conceptual Framework and IPSAS Accounting	PSASB	14thth July 2025	Comments were submitted on 14th July 2025
IPSASB 2025 Work Program Consultation	16th Oct 2025	The objective of the consultation paper is to seek feedback from stakeholders on which projects are most important to them in	PSASB and National Treasury's-FRU	4th May 2026	Comments were submitted on 4th May 2026

Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
		delivering the IPSASB's Strategy and Work Plan 2024-2028.			
Exposure Draft (ED) 94, Linkages between IPSAS Standards and the Government Finance Statistics Manual 2014 (Amendments to IPSAS 22)	17th Feb 2026	The objective of the exposure draft is to strengthen the alignment between IPSAS Standards and the Government Finance Statistics Manual 2014 (GFSM 2014).	PSASB and National Treasury's- FRU	22nd June 2026	Comments were submitted on 22nd June 2026
Exposure Draft 95 – Improvements to IPSAS Accounting Standards – Volume 10	23rd April 2026	The objective of the exposure Draft is to propose a series of targeted amendments to several IPSAS Standards to improve consistency, clarify application requirements, and align IPSAS with recent developments in IFRS where appropriate. The amendments cover financial instruments, foreign exchange, lease accounting, consolidation, hedge accounting and editorial improvements.	PSASB and National Treasury's - FRU	30th June 2026	Comments were submitted on 26th June 2026
Exposure Draft 96 – Definition of an Operation and Recognition of Acquired Liabilities and Contingent Liabilities (Amendments to IPSAS 40)	23rd April 2026	The objective of the ED is to propose amendments to IPSAS 40 (Public Sector Combinations) to align it with recent amendments to IFRS 3 while reflecting public sector circumstances.	PSASB and National Treasury's - FRU	30th June 2026	Comments were submitted on 29th June 2026

II. New Standards Issued by IPSASB and IASB

The Board issued guidance that when an IPSAS becomes effective on 1st January, it is applicable in Kenya from 1st July that year. When new standards are issued by the IPSASB and IASB, PSASB conducts the following activities:

i. Sensitisation of the preparers of financial statements to the changes and how they will be affected.
ii. Development of guidelines for the new standards.
iii. Update/ revision of the annual and quarterly financial reporting templates to capture the changes.

During the year , PSASB developed and issued three guidelines which included a guideline to IPSAS 48 on Transfer Expenses, guideline to IPSAS 49 on Retirement Benefit Plans and guideline to IPSAS 12 on Inventories to guide entities transitioning from cash to accrual accounting in line with the transition roadmap.

III. The new standards are as follows:

Table 11: New Standards Released by IPSASB during the Period and Effective Date in Kenya

S/no	Standard	Objective	Entities expected to be affected	Applicable date (Globally)	Applicable date (Kenya)
1.	IPSAS 51- Tangible Natural Resources Held for Conservation	The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.	All public sector entities under IPSAS accrual that have tangible natural resources held for conservation	1st January 2028	1st July 2028

S/no	Standard	Objective	Entities expected to be affected	Applicable date (Globally)	Applicable date (Kenya)
		It was issued in January 2026.			
2.	IPSASB SRS 1: Climate Related Disclosures	This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets. It was issued in January 2026.	All public sector entities under IPSAS accrual holding assets for sale	1st January 2028	1st July 2028

IV. Establishment of the Public Sector Sustainability Reporting Working Group

In a landmark step toward anchoring Environmental, Social, and Governance (ESG) principles within government operations, the Board approved establishing the Public Sector Sustainability Reporting Working Group in November 2025. This multi-institutional mechanism is designed to drive, harmonize, and support the structured adoption of sustainability reporting across Kenya's public sector.

a) Institutional Architecture and Membership

To ensure balanced technical oversight, the Working Group comprises 17 member institutions strategically aligned across the three core pillars of sustainability:

- **Environment Pillar (7 Entities):** State Department for Environment & Climate Change; National Environment Management Authority (NEMA); The Co-operative University of Kenya; Kenya Marine & Fisheries Research Institute (KMFRI); National Drought Management Authority (NDMA); The National Treasury; and Kenya Electricity Generating Company (KenGen).
- **Social Pillar (3 Entities):** State Department for Social Protection; State Department for Labour and Skills Development; and the Public Service Commission (PSC).

- **Governance Pillar (7 Entities):** Public Sector Accounting Standards Board (PSASB); Institute of Certified Secretaries (ICS); Central Bank of Kenya (CBK); Capital Markets Authority (CMA); Office of the Auditor-General (OAG); Institute of Certified Public Accountants of Kenya (ICPAK); and the Council of Governors (CoG).

b) Core Mandate and Terms of Reference

The Working Group is tasked with supporting PSASB in delivering a comprehensive national sustainability reporting framework through the following strategic mandates:

1. **Framework Alignment & Customization:** Reviewing and contextualizing global sustainability reporting standards, laws, and policies to suit the Kenyan public sector environment.
2. **Standardization & Reporting Tools:** Developing standardized templates, reporting guidelines, and model sustainability reports to ensure data consistency and comparability.
3. **Capacity Building & Knowledge Transfer:** Conducting capacity needs assessments, developing localized training/awareness materials, and offering direct technical assistance to public entities.
4. **Stakeholder Engagement & Advocacy:** Hosting inclusive stakeholder forums and documenting domestic best practices in sustainability disclosures.
5. **Quality Assurance & Tracking:** Reviewing submitted public sector sustainability reports to provide technical feedback and monitoring emerging global reporting trends.
6. **Accountability & Rewards:** Establishing a clear implementation roadmap and designing an evaluation and award criteria to recognize top-performing public entities.

V. Financial Reporting Excellence (FiRe) Award 2025

Section 194(4) of the Public Finance Management Act 2012 requires the Board to monitor the adherence to the standards by all State organs and public entities. To achieve the above objective, PSASB continues to implement the financial reporting excellence award as a tool to monitor adherence with the standards in the public sector.

The Award was founded in 2002. Currently, it has five (5) promoters, namely the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Market Authority (CMA), the Nairobi Securities Exchange (NSE), the Public Sector Accounting Standards Board of Kenya (PSASB) and the Retirement Benefits Authority (RBA). PSASB joined the award as a promoter in 2015.

The Financial Reporting (FiRe) Excellence Award recognises the most compliant financial reporting entities, thereby institutionalising a sound financial reporting culture. The Award provides participating entities with an avenue to subject their financial reports to an objective assessment, with the expected outcome of identifying financial reporting gaps. As entities comply with the relevant standards, the disclosures provided enhance the information content of the reports, thereby improving understanding of financial reports.

a) FiRe Award 2025

The 24th edition of the FiRe Awards was launched on 1st August 2025. And held on 5th December 2025 with the theme of "**Fostering Compliance to International Standards to Enhance Transparency, Comparability and Accountability.**"

i. FiRe Award Entries

PSASB received a total of **1,389** annual reports and financial statements from the public sector for the FiRe Award 2025. Participating entities per category are as follows:

Table 12: Public Sector Entities Participating in FiRe Awards Per Category

Category.	2025	2024
Ministries Departments and Agencies (MDAs)	31	54
SAGAs reporting under IPSAS Accrual	197	165
State Corporations and SAGAs reporting under IFRS	81	50
Commissions and Independent offices	19	7
County Assemblies and Executives	67	91
National Government-Constituency Development Funds	287	286
Public Universities	38	38
Water Companies	84	50
Technical and Vocational Training Institutes (TVETS)	231	14
Public Hospitals	247	200
Political Parties	45	47
Cities and Municipalities	62	18
Total	**1,389**	**1,020**

ii. Public Sector Entries and Private Sector Entries

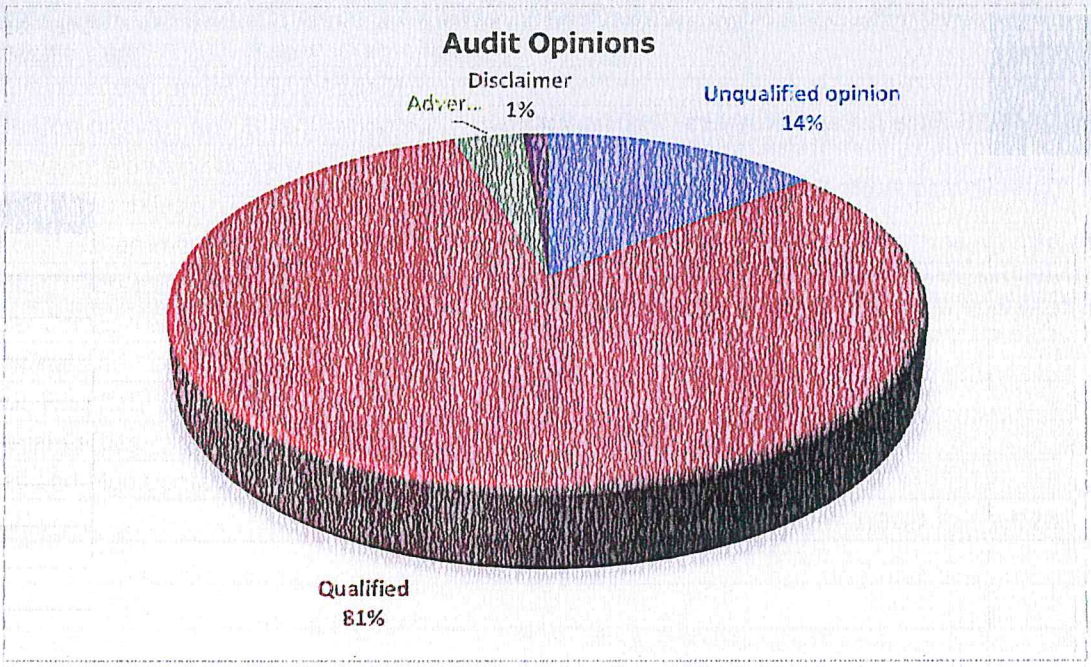
The table below shows that the number of entries in both the public and private sectors has increased significantly over the last seven years indicating the public sector appreciation of the award which has also facilitated the Board's role in monitoring compliance.

Table 13: Number of Public Sector and Private Sector Entities Participating in FiRe Awards Yearly.

Year	Public Entities	Private Entities
2019	505	97
2020	244	50
2021	289	60
2022	793	100
2023	841	150
2024	1,020	112
2025	1,389	118

iii. Audit opinion of the participating entries in the public sector.

The majority of the entries had a qualified opinion from the office of the Auditor General at 81% of the 1,389 reports received.



iv. Overview of Audit Opinions of Participating Entities

The audit opinions were spread across the different categories of participating entities as follows:

Table 14: Audit Opinions for Participating Entitles by Category.

Category	Unqualified opinion	Qualified	Adverse	Disclaimer	Total entries
Commissions and Independent offices	18	1	-	-	**19**
County Assemblies and Executives	8	57	2	-	**67**
MDAs	20	11	-	-	**31**
Municipalities	8	52	2		**62**
NGCDFs	24	259	3	1	**287**
Political Parties	24	17	4	-	**45**
Public Hospitals	2	222	19	4	**247**
Public Universities	10	26	2	-	**38**
State Corporations Reporting Under IFRS	14	62	3	2	**81**
SAGAs Reporting Under IPSAS Accrual	89	103	4	1	**197**
TVETs		221	1	9	**231**
Water Companies	**1**	73	**9**	1	**84**
TOTAL	**194**	**1.104**	**49**	**18**	**1,389**

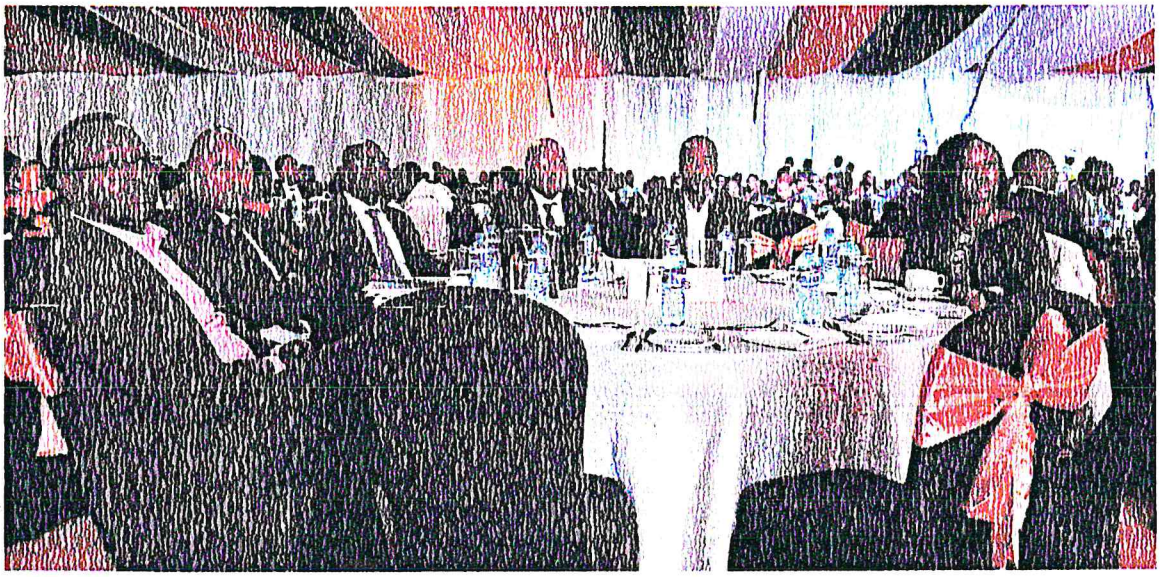
v. 2025 FiRe Award Winners- Public Sector

The following Public Sector Entitles were winners in the FiRe Award of 2025

Table 15: FiRe Awards Winners for 2025

Category And Entity	Rank
State Corporations and Sagas Reporting Under IPSAS Accrual	
New Partnership for Africa Development Kenya Secretariat	Winner
Kenya National Innovation Agency (KENIA)	1st Runner up
National Council for Nomadic Education in Kenya	2nd Runner Up
Regulatory Agencies	
Insurance Regulatory Authority	Winner
Kenya Dairy Board	Ist Runner up
National Environment Management Authority	2nd Runner up
County Assemblies and Executives	

Category And Entity	Rank
County Assembly of Kitui	Winner
County Assembly of Kericho	Ist Runner up
County Assembly of Kwale	2nd Runner up
MDAS Reporting under IPSAS Cash	
Ministry of Defense	Winner
State Department for Roads	Ist Runner up
State Department for Technical, Vocational Education and Training	2nd Runner Up
Commissions and Independent Offices Under IPSAS Cash	
Judicial Service Commission	Winner
Office of the Controller of Budget	Ist Runner up
Kenya National Commission on Human Rights	2nd Runner up
Commissions and Independent Offices Under IPSAS Accrual	
Salaries and Remuneration Commission	Winner
Ethics and Anti-Corruption Commission	1st Runner up
Commission on Revenue Allocation	2nd Runner Up
National Govt Constituency Development Funds	
Kibwezi East Constituency	Winner
Ikolomani Constituency	Ist Runner Up
Cherangany Constituency	2nd Runner Up
Public Universities	
Alupe University	Winner
Tom Mboya University	1st Runner Up
Mama Ngina University College	2nd Runner Up
Environmental And Social Reporting	
Kenya Electricity Generating Company Plc	2nd Runner Up
State Corporations and SAGAs Reporting Under IFRS	
Kenya Deposit Insurance Corporation	Winner
The Kenya Power and Lighting Company Plc	Ist Runner Up
Kenya Electricity Generating Company Plc	2nd Runner Up
Public Hospitals	
Tom Mboya Memorial Level 4 Hospital	Winner
Chepareria Level 4 Hospital	1st Runner Up
Overall, Winner Public Sector	
Ministry of Defence	



PSASB Chief Executive Officer, FCPA Georgina Muchai (right), with a section of the Board Members during the FiRe Award 2025 Ceremony and Gala Dinner held at Safari Park Hotel on 5 December 2025.

vi. FiRe Award Sectoral Evaluation

During the year under review. The Board also conducted the FiRe award sectoral evaluation with the support of the National Treasury's Financial Reporting Unit. The entries received were categorised by sector, and significant non-compliance areas were identified, analysed, and published on PSASB's website.

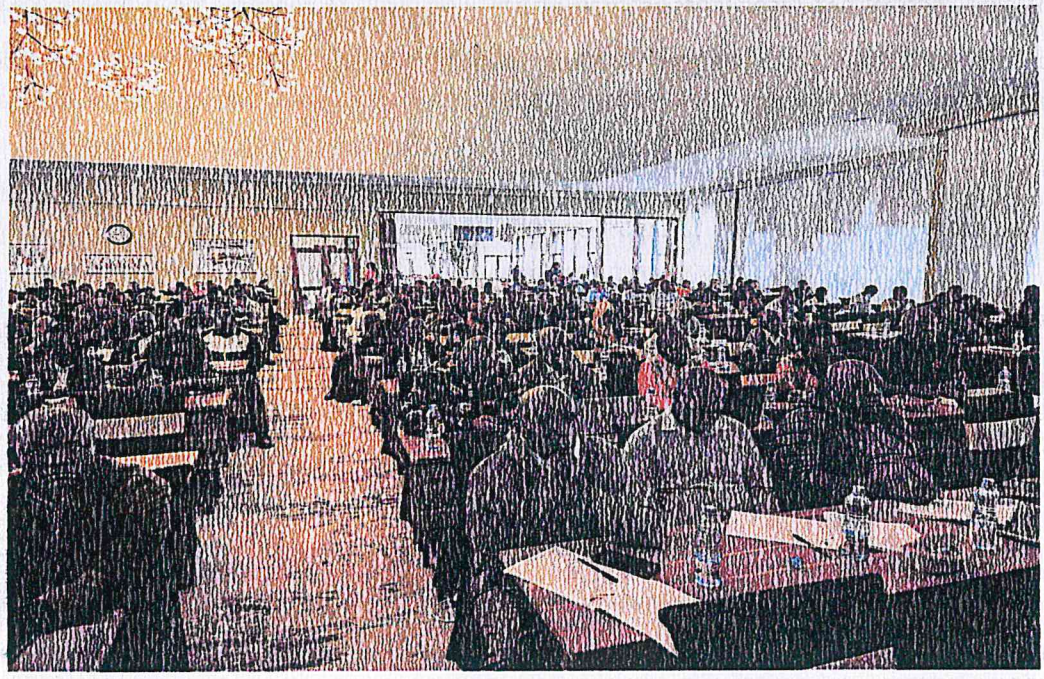
Table 16:FiRe Award Sector Reports

S/No.	Sector
1.	Cities and Municipalities Sector Report
2.	Commissions on Accrual Sector Report
3.	Political Parties Sector Report.
4.	Public Hospitals Sectoral Report
5.	Public Universities Sector Report.
6.	State Corporations and Regulatory Agencies - IPSAS Sector Report
7.	State Corporation Reporting under IFRS Sector Report
8.	Water Companies Sector Report
9.	TVETs and TTCs Sector Report

The Board continues to focus on the following key areas:

a) **Accounting guidelines, templates, and tools to steer the transition process-** The Board has included in its immediate and short-term plans to revise accrual-based financial reporting templates for the national and county government entities and continue to prepare guidelines on new standards, as well as complex existing standards. on recognition of assets and liabilities and the transition roadmap along other tools. This will aid the transitioning organisations to conduct a smooth transition and in their financial reporting.

b) **Sensitisation, dissemination of standards and capacity building**- The Board in collaboration with key stakeholders will continue to sensitise, disseminate and capacity build public sector accountants and players within the PFM cycle on the accrual accounting standards and the requirements of the transition process. The capacity building will be done in the transition period and beyond.



Officers drawn from the County Governments during the cash to accrual sensitization forum in Naivasha on 16 May 2025.

c) Summary of Sensitisation Report on Transition to Accrual Basis of Accounting

During the year, the Board sensitised a total of 8,751 public sector PFM players, largely comprised of accountants and auditors. The table below provides a summary of the number of participants sensitised each quarter.

Table 17: Number of Participants Sensitised on Transition to Accrual Basis of Accounting During the Period

No.	Details	Number of Participants Sensitised
	Quarter One, FY 2025/2026	1,749
	Quarter Two, FY 2025/2026	961
	Quarter Three, FY 2025/2026	1,758
	Quarter Four, FY 2025/2026	4,283
	Total	**8,751**

Other Monitoring activities in FY2025/26

During the financial year 2025/26, the Board undertook two county monitoring visits to Machakos and Makueni Counties. The purpose of the visits was to monitor the progress made by the devolved units in implementing the transition from the cash basis to the accrual basis of accounting. Specifically, the Board sought to establish the achievements recorded by the counties and the challenges they continue to face in the transition process, with a view to informing targeted interventions and support measures during the final year of the transition period, FY2026/27. The insights gathered from the visits will guide the Board's engagement with county governments to ensure a successful conclusion of the transition roadmap.

Development of Financial Reporting Templates

During the financial year 2025/26, PSASB developed four new financial reporting templates, namely: the Revenue Accountability Template for the Kenya Revenue Authority (KRA), the Revenue Accountability Statement for E-Citizen, the External Loans and Grants Template, and the MDA Consolidation Template. In addition, templates supporting the transition from cash basis to accrual basis of accounting were upgraded to incorporate the Year Two requirements of the transition roadmap. Other existing templates based on IPSAS and IFRS were revised to reflect changes in the international standards as well as comments received from various stakeholders, including Parliament, the National Treasury, the Office of the Auditor-General (OAG), and implementing institutions, among others. In total, thirty-two (32) annual financial reporting

templates were issued through a National Treasury circular dated 15th June 2026. In undertaking these activities, the Board fulfilled the constitutional requirement of public participation and stakeholder engagement.

Capacity building efforts

During the financial year 2025/26, the Board undertook a series of capacity-building and sensitization initiatives. At the beginning of the financial year, the Board conducted a virtual sensitization session on the newly issued standards, IPSAS 43, 44,45 and 46. In collaboration with the National Treasury and the Office of the Auditor-General (OAG), the Board conducted a Training of Trainers (ToT) program for Ministries, Departments and Agencies (MDAs) and Constitutional Commissions and independent offices (CCIOs) in April 2026, as well as a separate ToT training for public senior schools in Kenya.

The Board also held a number joint events with the Institute of Certified Public Accountants of Kenya (ICPAK) targeting institutions transitioning from cash basis to accrual basis of accounting and undertook further engagements with the Institute of Internal Auditors (IIA) Kenya and the Institute of Certified Investment and Financial Analysts (ICIFA). In addition, the Board conducted a virtual sensitization on the IPSASB Sustainability Reporting Standard, SRS 1, to raise awareness among public sector entities on the new climate-related disclosures standard. Beyond these structured programs, the Board conducted numerous demand-driven capacity-building sessions in response to requests from public sector entities and provided technical guidance to those seeking clarification on the application of the standards.

SECTION B: INTERNAL AUDIT STANDARDS MANDATE

Section B outlines the Board's operations in relation to its mandate to set internal auditing standards, prescribe internal audit procedures, and mainstream best practices in governance, risk management, and internal control processes for the public sector, and monitor adherence to these standards.

The Board, through the Internal Audit Standards directorate, undertook the following programs;

i. Development/ Review of Internal Audit Guidelines

In collaboration with key stakeholders, the Board developed two critical guidelines. Their core objectives are summarized in the table below:

Table 18:Internal Audit Guidelines Developed/Reviewed

S/No.	Guideline	Objectives of Guideline
1.	Guideline on establishing of an internal audit function	a. Support public sector entities comply with relevant public finance management legislation, regulations, guidelines and frameworks. b. Promote adherence to best practices and the adoption of the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA) from time to time. c. Enhance governance by ensuring the internal audit function is appropriately positioned to strengthen the ability of public sector entities to create, protect and sustain value. d. Enable internal audit functions to operate independently and objectively to provide credible insights into the operations of public sector entities, supporting achievement of mandate and strategic objectives. e. Establish a basis for the evaluation of internal audit performance and drive continuous quality improvement programs to ensure the function is effective and reliable.
2.	Public Sector Internal Audit Quality Assurance Improvement Program Guidelines (Revised)	To enable Heads of Internal Audit, establish Quality Assurance Improvement Programs that facilitates an evaluation of; a. Conformance with the Global Internal Audit Standards and Topical requirements, achievement of performance objectives. b. The adequacy of the internal audit function's Charter, goals, objectives, policies, and procedures. c. The contribution to improving the entity's governance, risk management, and control processes. d. Completeness of coverage of the entire audit universe. e. Compliance with applicable laws, regulations, and government or industry standards to which the IAF internal audit function may be subject. f. The risks affecting the operation of the internal audit function itself.

S/No.	Guideline	Objectives of Guideline
		g. The effectiveness of continuous improvement activities and the adoption of best practices. h. Whether the internal audit function adds value, improves the entity's operations, and contributes to attaining objectives. i. Strength of relationships with senior management and other key stakeholders.

ii. Development of Internal Audit Templates and Procedures

a. Model Internal Audit Manual attendant templates

In the preceding year, a model internal audit manual aligned with the 2024 Global Internal Audit Standards was developed to enhance the effectiveness and efficiency of public sector internal audit operations. The model manual references specific templates designed to bring a systematic, disciplined approach to evaluating and improving risk management, control, and governance processes. During the period under review, the Board developed the following templates to support implementation of the manual.

Table 19: Developed Internal Audit Templates and Procedures:

S/No	Template	Objective
1.	Ethics and Professionalism Acknowledgement Form	To document declaration by internal auditors to abide by the ethical and professionalism principles, declaration of conflict of interests and threats to objectivity.
2.	Coordination and Reliance Framework	To define the approach and methodology of coordination with other assurance providers and relying on their work.
3.	Audit Notification	To Inform audit client of engagement dates, objectives, scope, documentation and other requirements/information on engagement.
4.	Engagement Plan	Summarize audit objective, scope, key risks, controls, audit approach, audit client, team etc. for consideration and approval by the Head Internal Audit
5.	Internal Audit Planning Memorandum	To inform the audit client of the audit objective and scope

S/No	Template	Objective
6.	Request for Audit Information	A template to request for a list of documents to be prepared in advance by the audit client for the audit
7.	Information request monitoring checklist	To track when information requested was provided and returned
8.	Business Process Analysis Form	To document an understanding of the process being reviewed
9.	Sample Engagement Audit Program	To document audit steps and procedures to be undertaken by internal auditors
10.	Entrance Meeting Agenda	To discuss and record audit objectives, scope and audit client and audit team expectations
11.	Entrance Meeting Minutes	
12.	Exit Meeting Agenda	To discuss and record audit draft findings and recommendations
13.	Exit Meeting Minutes	
14.	Workpaper	To document internal audit work carried out
15.	Draft Finding Sheet	A record of potential audit comments for discussion with audit client
16.	Findings Database	A repository of all previous audit findings
17.	Internal Audit Final Report	Audit report format for final communications
18.	Workpaper File Checklist	Used in wrapping up audit file to ensure completion of audit tests and recording and maintain of workpapers file
19.	Action Plan Reporting	Database for monitoring implementation of management action plans
20.	Internal Audit Quarterly Report	Quarterly summary report to the Audit Committee and Senior Management
21.	Internal Audit Annual Report	Summary of all audit activities compared to the audit plan during the FY under review
22.	Review Notes	To record supervisors' comments and disposal of the comments
23.	Audit Client Satisfaction Survey	To obtain feedback from the audit client after the end of the assignment on Internal Audit services.
24.	Periodic Audit Committee Survey	To obtain feedback from the audit committee on the internal audit function as part of the QAIP
25.	Periodic Senior Management Survey	To obtain feedback from the senior management on the internal audit function as part of the QAIP

S/No	Template	Objective
26.	Periodic Internal Audit Staff Survey	To obtain feedback from the internal audit staff on the internal audit function as part of the QAIP
27.	Performance measurement matrix	To identify performance metrices that support performance appraisal or measurement
28.	External Assessors TOR	To define the scope and qualification of an assessment team

b. Internal Audit Programs for Generic Processes

Responding to the dynamic nature of the public sector audit landscape and evolving criteria, the Board collaborated with key stakeholders to develop sample engagement work programs for generic processes. The audit programs are designed to ensure continued relevance and maximize value addition. The main objective for developing the audit programs for generic processes is to;

1. Equip internal auditors to conform with the International Professional Practice Framework and improve the quality of audit evidence and reporting.
2. Facilitate the systematic knowledge transfer and technical guidance required for entry-level internal audit staff
3. Promote a standardized and consistent approach to auditing similar processes
4. Address capacity gaps noted during stakeholder engagements

The table below provides a listing of the audit programs developed around generic processes;

Table 20:Audit Programmes and their Generic Processes

S/No.	Draft Audit Program for Generic Processes
1	Accounts Payables and Receivables Audit Program
2	Expenditure Management Audit Program
3	Budgeting and Budgetary Control Audit Program
4	Financial Reporting Audit Program
5	ICT Governance Audit Program
6	Revenue Management Audit Program
7	Corporate Planning Processes Audit Program
8	Supply Chain Management Audit Program

S/No.	Draft Audit Program for Generic Processes
9	Communications Audit Program
10	Human Resource Processes Audit Program
11	Assets And Administration Audit Program
12	Occupational Safety and Health Audit Program
13	PPP Audit Program
14	Projects Audit Program
15	Transport Management Audit Program
16	Records Management Audit Program

iii. Stakeholder Sensitizations

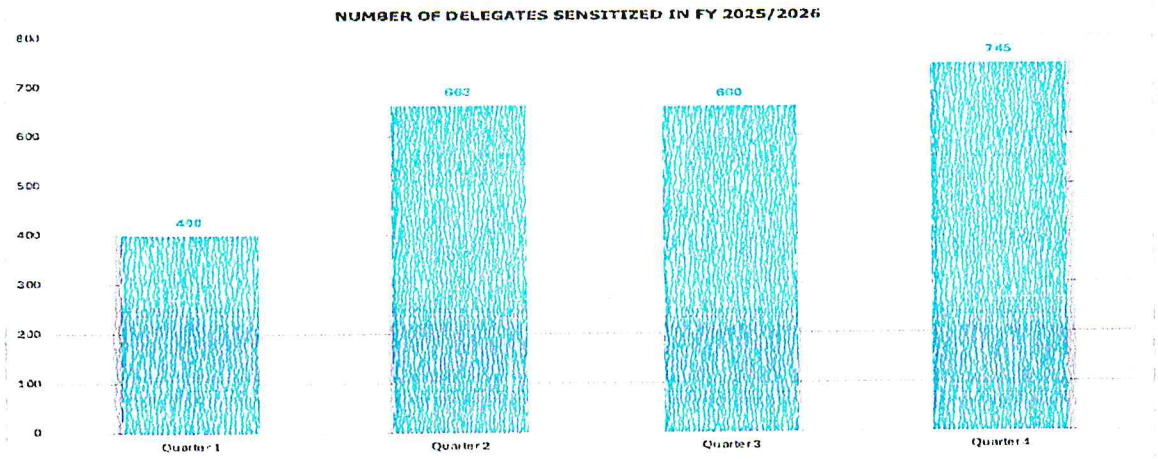
To fulfil its mandate and enhance transparency and accountability, the Board spearheaded a range of stakeholder engagement initiatives. The initiatives included sensitization sessions focused on rolling out the prescribed internal audit standards, risk management frameworks, templates, the 2024 International Professional Practices Framework (2024 GIAS), and the approved model internal audit manual. During the financial year, the Board targeted and trained the following stakeholder groups;

Table 21:Sensitization Conducted For Internal Audit Standards, Risk Management by Target Group

S/No.	Sensitization	Target Group	Dates Undertaken
1.	Internal Auditors and Risk Management Officers	Technical and Vocational Education and Training Institutes	22nd – 26th June 2026 30 Institutions
2.	Governing Bodies, Audit Committee Members, Senior Management and Heads of Internal Auditors	State Corporations, Independent Offices and Commissions, County Executives and County Assemblies	8th – 12th September 2025 55 Institutions
			10th – 14th November 2025 46 Institutions
			2nd – 6th February 2026 59 Institutions
			20th – 24th April 2026 30 Institutions

S/No.	Sensitization	Target Group	Dates Undertaken
3.	Internal Auditors	State Corporations, Independent Offices and Commissions, County Executives and County Assemblies	22nd – 26th September 2025 21 Institutions
			9th – 13th March 2026 25 Institutions
			27th April to 1st May 2026 30 Institutions
4.	Risk Management Officers	State Corporations, Independent Offices and Commissions, County Executives and County Assemblies	25th – 29th August 2025 34 Institutions
			23rd to 27th February 2026 35 Institutions
			2nd – 5th June 2026 40 Institutions
5.	Internal Auditors and Risk Management officers	Trainers of Trainers	18th – 23rd May 2026 24 Institutions
6.	Internal Auditors	Internal Auditors General's Department	17th March 2026
7.	Internal Auditors and Risk Management Officers	Ministries, Departments and Agencies (MDAs)	15th to 19th December 2025 87 Institutions

The diagrams below provide statistics on the sensitizations undertaken in the financial year under review

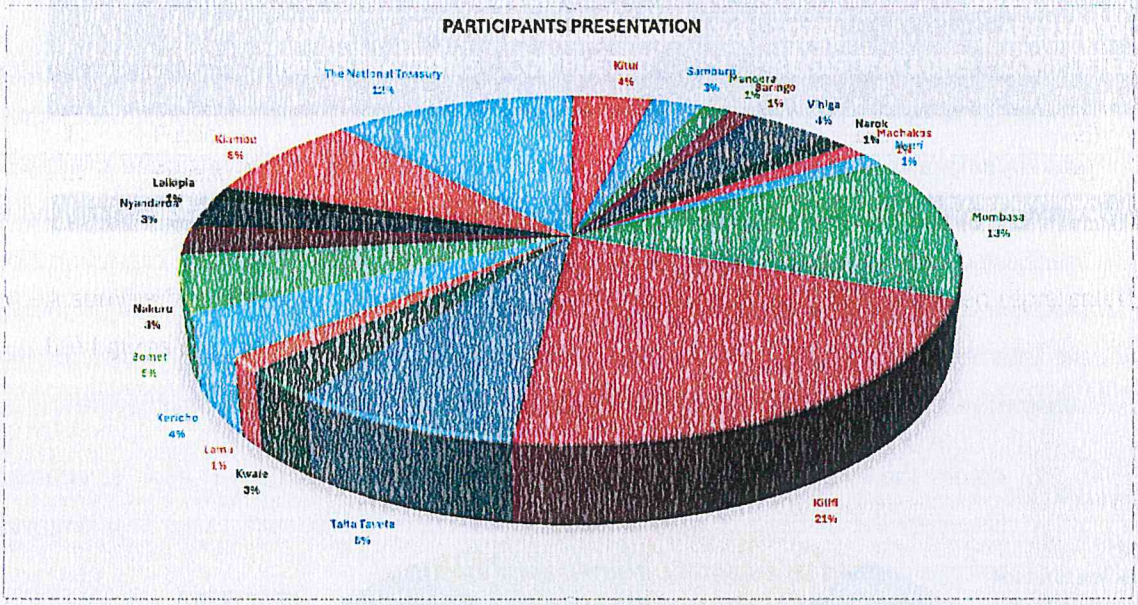


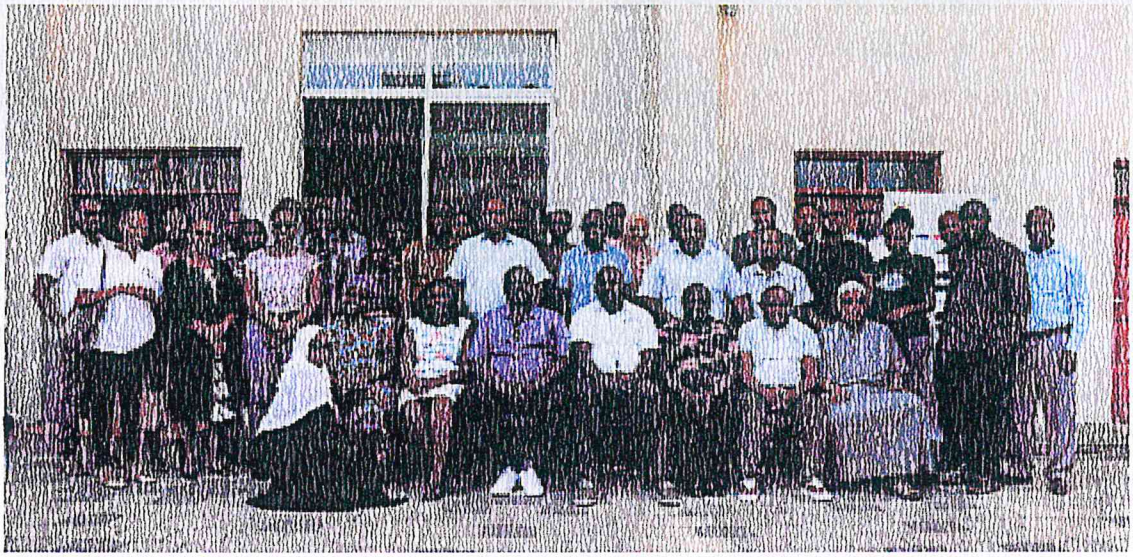
Audit Committee Members, Senior Management, and Heads of Internal Audit in Naivasha on 8th to 13th September 2025, during a sensitization forum on the prescribed standards and frameworks.

iv. Regional County Visits

In line with its monitoring mandate, the Board leveraged an automated Global Internal Audit Standards and Risk Management assessment tool while conducting regional county visits. The assessment tool serves as a critical mechanism for evaluating the level of compliance within public sector entities regarding prescribed standards, frameworks, and guidelines. The tool continues to undergo continuous refinement to enable systematic self-assessments, ensuring robust follow-up

mechanisms and long-term compliance monitoring. During the financial year, the Board conducted compliance monitoring and consultative engagements across the Coastal and Rift Valley regions. The engagements covered the following counties:





The PSASB Internal Audit Standards team, with officials from the Coastal region, during the Regional County Compliance Monitoring Visit held at the Kenya School of Government, Mombasa, from 2nd to 6th March 2026.

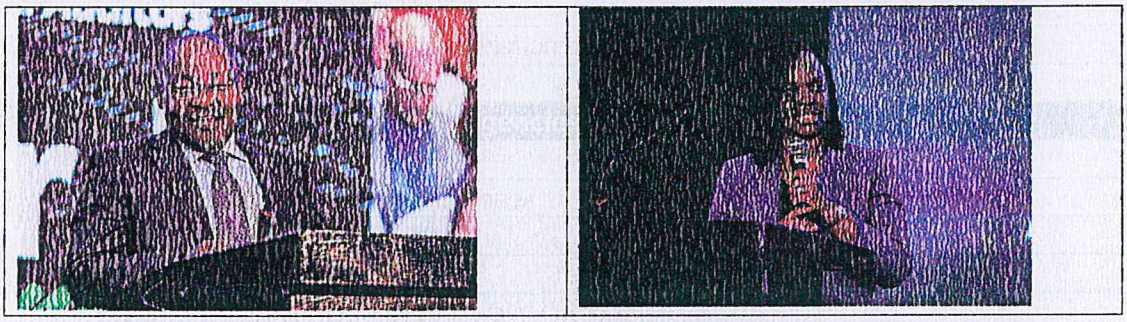
v. Collaborations with Key Institutions in elevating governance, risk management, and internal control processes

a) 2026 Internal Audit and Risk Awards

To advance its strategic mandate, the Board continues to leverage its partnership through a formalised Memorandum of Understanding with the Institute of Internal Audit (Kenya Chapter), with an emphasis on addressing emerging issues within the public-sector internal audit and risk professions. This partnership has facilitated coordination on critical public sector issues, specifically the development of internal audit and risk management frameworks, capacity building programs and the oversight of compliance programs. The partnership's impact is highlighted by the Internal Audit and Risk Management Awards that has been successfully hosted for three consecutive cycles since 2024. The award is designed to achieve the following objectives;

1. Assess the of status of appreciation and implementation of internal audit standards as issued by the Institute of Internal Auditors from time to time with a view to adding value to organizations by respective internal audit functions.
2. Recognize excellence and professionalism in internal audit and risk management by awarding internal audit functions and individuals in the various categories in line with the respective pre-determined evaluation criteria.
3. Form a basis of providing technical support on areas of non-conformance through reporting to entities that participated and undertake follow ups from the assessments.
4. Motivate internal auditors and risk management practitioners towards continual improvement.

The Board, alongside IIA(K), successfully hosted the 3rd Annual Internal Audit and Risk Awards on 10th April 2026 at the Ole Sereni Hotel, Nairobi.



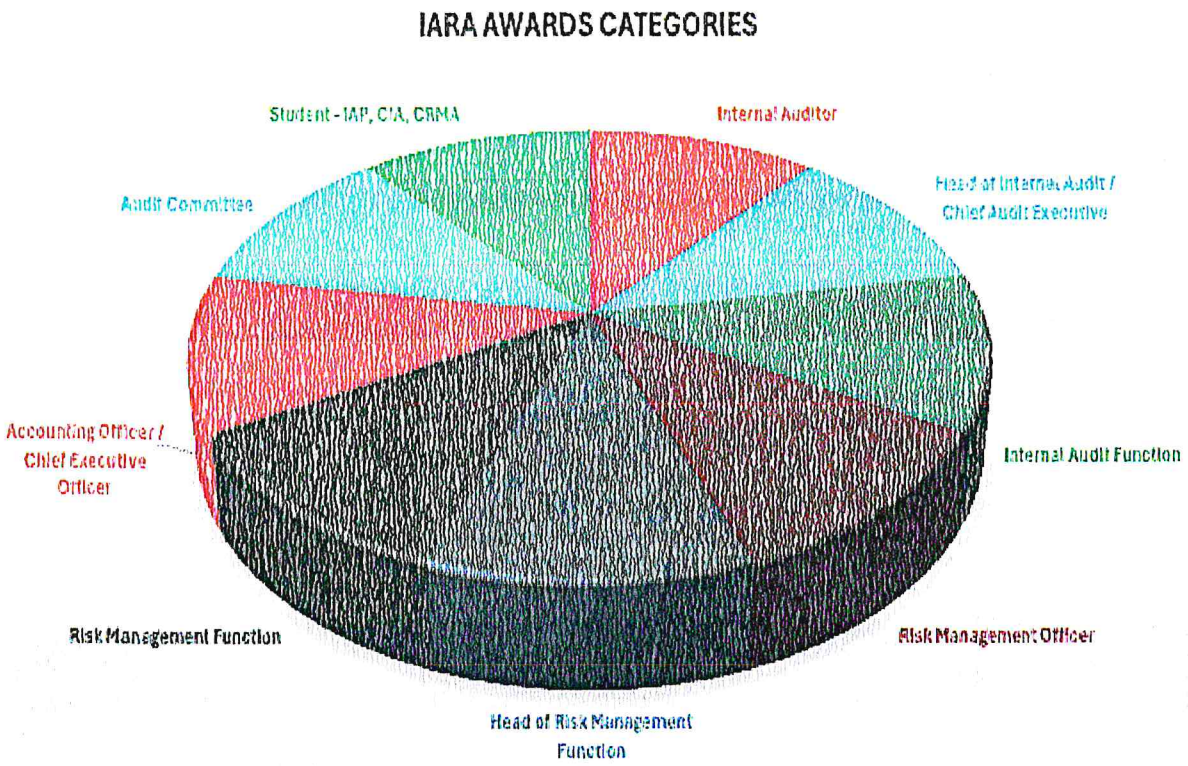
Moments captured during the 3rd Internal Audit and Risk Awards 2026 - an event focused on honouring excellence, integrity, and innovation within the internal audit and risk management profession - held on Friday, April 10, 2026, at Emara Ole-Sereni, Nairobi. The awards were jointly organised by the Public Sector Accounting Standards Board (PSASB) and the Institute of Internal Auditors (IIA) Kenya.

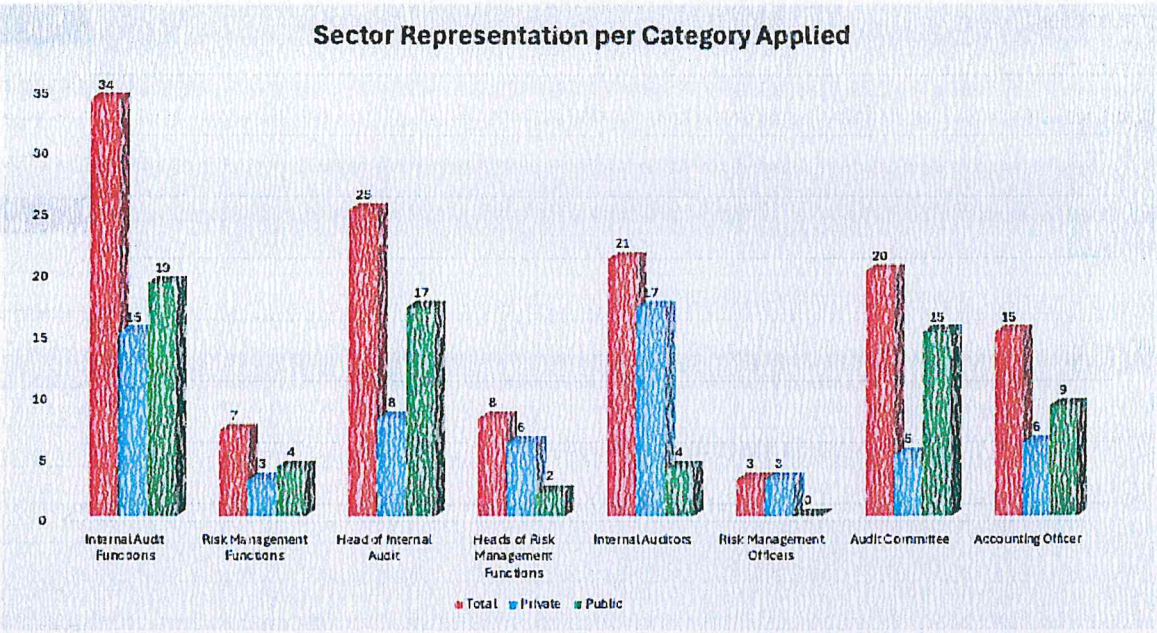
Reflecting the growing prestige of the event, the number of entries submitted for evaluation has steadily increased. The table below provides a comparative summary of applications received over the last two years.

Table 22:Number of Participants in the Internal Audit and Risk Awards.

S/NO	SECTOR	CURRENT YEAR 2026			COMPARATIVE YEAR 2025		
		TOTAL REGISTRATIONS	APPLICATIONS COMPLETED	%	TOTAL REGISTRATIONS	APPLICATIONS COMPLETED	%
1.	Public	147	70	53	153	29	41
2.	Private	120	63	47	116	41	59
	Total	**267**	**133**		**269**	**70**	

A summarized analysis of the categories and the applications received has been represented in the figures provided below;





The following table provides an extract of the entities recognized during the internal audit and risk awards for exceptional performance among them are public sector entities;

Table 23: Internal Audit Awards Winners for 2025

A.	INSTITUTIONAL CATEGORIES
1.	**Overall Institution of the Year**
a.	Winner
	CPF Financial Services
b.	1st Runners Up
	Kenya National Highways Authority
c.	1st Runners Up
	Commission on Revenue Allocation
d.	2nd Runners Up
	Safaricom PLC
2.	**Risk Management Function of the Year (Public Sector)**
a.	Winner
	Kenya Reinsurance Corporation

A.	**INSTITUTIONAL CATEGORIES**
b.	1st Runners Up
	Universities Fund
3.	**Internal Audit Function of the Year (Public Sector)**
I	**County Assemblies & County Governments**
a.	Winner
	County Assembly of Bungoma
II	**Commissions and Independent Offices**
a.	Winner
	Commission on Revenue Allocation
b.	1st Runners Up
	Teachers Service Commission
c.	2nd Runners Up
	Kenya National Commission on Human Rights
III	**Non- Regulatory Agencies**
a.	Winner
	Kenya Revenue Authority
b.	1st Runners Up
	Kenya National Highways Authority
c.	2nd Runners Up
	Kenya Universities and Colleges Central Placement Service
IV	**Polytechnic**
a.	Winner
	Mawego National Polytechnic
4.	**Audit Committee of the Year (Public Sector)**
I	**County Governments**
a.	Winner
	Makueni County Executive
II	**Commissions and Independent Offices**
a.	Winner

A.	**INSTITUTIONAL CATEGORIES**
	Commission on Revenue Allocation
b.	1st Runners Up
	Teachers Service Commission
c.	2nd Runners Up
	Office Of The Auditor General
III	**Regulatory Agencies**
a.	Winner
	Communication Authority of Kenya
b.	1st Runners Up
	Kenya Maritime Authority
c.	2nd Runners Up
	Kenya Dairy Board
IV	**Other State Corporations**
a.	Winner
	Kenya National Highways Authority
b.	1st Runners Up
	Konza Technopolis Development Authority
c.	2nd Runners Up
	Kenya Universities and Colleges Central Placement Service
5.	**Audit Committee of the Year (Private Sector)**
I	**Microfinance**
a.	Winner
	Caritas Microfinance Bank
II	**Insurance Companies/ Pension Administrators**
a.	Winner
	CPF Financial Services
b.	1st Runners Up
	First Assurance Kenya

A.	INSTITUTIONAL CATEGORIES
c.	2nd Runners Up
	GA Insurance Limited
III	NSE Listed Entities
a.	Winner
	Safaricom PLC
b.	1st Runners Up
	Kenya Electricity Generating Company PLC (KenGen)

b) Public Finance and Management Act and Regulations Review

To strengthen Public Financial Management (PFM) across public sector entities, the Principal Secretary for the National Treasury established a multi-agency taskforce, spearheaded by the Internal Auditor General's Department, and PSASB and to review the existing legal and regulatory frameworks governing internal audit and audit committees.

The task force, during the year, conducted a comprehensive desktop review of the current legal framework to identify statutory gaps, inconsistencies, and the impact of emerging global trends. The findings from this review culminated in the drafting of a proposed Bill and consequential amendments to the PFM Regulations. In line with the constitutional mandate for governance and transparency, the legislative drafts have been subjected to public participation (both virtual and in-person) as required under **Article 118** of the Constitution of Kenya.

The resulting key thematic areas under consideration for review is largely structured as follows:

Table 24: Key Thematic Areas for Evaluation in the Internal Audit and Risk Awards.

S/No	THEMATIC AREA	MATTERS SOUGHT FOR ADDRESS
1.	PSASB mandate	▪ The need to expand the Board's mandate to cover risk management standards among other responsibilities.
2.	Establishment of the Internal Auditor	▪ Establishing and strengthening the OIAG to oversee all public sector institutions.

S/No	THEMATIC AREA	MATTERS SOUGHT FOR ADDRESS
	General's Office and its functions	
3.	Establishment of audit and risk management committees	▪ Establishment of separate statutory provisions to constitute the Risk Management Committee at the management level and the Audit Committee at the Governing Body level. ▪ Recognition of both functions expressly with provision for seniority, authority, capacity, resources and dedicated budget line where appropriate.
4.	Audit Committee Establishment, Appointment, Composition, Performance Appraisal and Facilitation	▪ Alignment of the proposed amendments to the audit committee establishment guidelines given the uniqueness of sectorial governance ▪ Membership to the audit committee to attract varied skills beyond financial, audit and risk management and express an age limit ▪ Clear and transparent mechanisms for appraising the performance of the audit committees ▪ Provisions and clear guidelines on how external auditors engage with the audit committee
5.	Head of Internal Audit Appointment, Positioning, Roles and Facilitation	▪ Clear positioning of the Head of Internal audit ▪ Outlining of guidelines to describe the Head of Internal Audit's functional and administrative roles ▪ Outline guidelines for the evaluation of HIA performance ▪ Strengthen legal provisions to guarantee financial resources for internal audit functions and audit committees, thereby securing their operational independence.
6.	Internal Audit Functions Quarterly reporting to the	▪ Guidelines for quarterly reporting and consolidation of the annual reports in National Treasury ▪ Guidelines on the timelines for reporting

S/No	THEMATIC AREA	MATTERS SOUGHT FOR ADDRESS
	Internal Auditor General's Office	
7.	Sanctions	Enhancing sanctions for non-compliance with the PFM provisions.

7.2 Key Projects and Investment Decisions by the Board

Cash to Accrual Migration Project: The Cabinet approved the Cash to Accrual migration on 7th March 2024. This paved the way for all entities on a cash basis to transition to accrual accounting. Further, the Cabinet Secretary, National Treasury on 30th August 2024, vide gazette notice number 10892, gazetted the Steering Committee to coordinate and oversee the transition project, with the Chairman of the Board being the vice chairman of the Steering Committee and the CEO being a member of the Committee. Joint secretaries to the Committee are drawn from the PSASB and the National Treasury. Additionally, on the same date, the transition to accrual was gazetted by the chairman of the Board vide gazette notice 11033.

PSASB has a pivotal role in this project. The Board is in charge of Training, Communication, and Monitoring the project. This is one of the workstreams formed by the Steering Committee to undertake the day-to-day implementation of the project. This is in addition to the board's mandate to develop financial reporting templates for entities transitioning to accrual accounting.

The Board, in collaboration with the National Treasury, developed the accrual road map and transition guidelines. The committee has since approved the roadmap. During the year, the board supported the public sector entities transitioning from the cash basis to the accrual basis of accounting supporting the steering committee to issue year 2 transition guidelines, development of a guideline on IPSAS 12- inventories, development of financial reporting templates for year 2 of the transition and training and capacity building.

Sensitization of the transitioning entities has been and continues to be coordinated through the Training, Communication, and Monitoring workstream. A pool of Trainer of Trainees (TOTs) has been trained to increase the number of trainers for the preparers of financial statements in the transitioning entities.

E-learning Platform: The Board developed its E-learning Platform and uploaded content to assist entities with Year One and Two reporting under the transition. The platform has been expanded with a dedicated module focused on the "Cash to Accrual Transition - Year 2," including the application of IPSAS 12 - Inventory. Further, the platform has additional modules on the treatment of the other assets, which will be brought on board in the third year of transition. These self-paced modules enable participants to gain a deep understanding of new reporting requirements through videos, case studies, and practical exercises. By engaging with this platform, preparers can enhance their knowledge to prepare IPSAS-compliant financial statements and ensure their entities meet the critical milestones of the three-year transition roadmap. Additional modules in relation to sustainability reporting internal audit and risk management will be developed as uploaded for access by the public sector accountants and auditors.

7.3 Board's Compliance with Statutory Requirements

PSASB has complied with its establishing Act, the PFM Act, 2012. The Board's procurement is also undertaken in accordance with the provisions of the Public Procurement and Assets Disposal Act, 2015. It has also complied with other legal requirements regarding the submission of statutory deductions to KRA, as well as its internal policies and procedures.

7.4 Review of the Economy, Sector, and Future Developments

Review of the Economy

During the financial year under review, the Public Sector Accounting Standards Board's (PSASB) macro-operational environment and exchequer-backed budget implementation were closely tied to Kenya's shifting economic landscape.

However, broader macroeconomic headwinds presented challenges for the Board's resource utilization. Prevailing inflationary pressures directly increased the operational costs of standard-setting, compliance monitoring, and countrywide capacity-building workshops across the public sector. Additionally, the fiscal consolidation policies managed by the National Treasury required the Board to execute aggressive cost-rationalization measures. Despite these budget pressures, the Board leveraged strategic reallocations during Supplementary Budget cycles to protect its

core statutory mandate under Section 194 of the Public Finance Management (PFM) Act, 2012, ensuring that standard-setting and public-sector oversight functions remained uncompromised.

Review of the Sector

PSASB is an anchor institution within the Public Financial Management (PFM) sub-sector, aligned with the broader Public Finance Management Program within the Medium-Term Expenditure Framework (MTEF) . The Board's strategic performance during the reporting period focused on enhancing the uniform quality of financial reporting, improving audit outcomes, and strengthening public financial governance in line with the Fourth Medium-Term Plan (MTP IV) of Kenya Vision 2030.

Financially, the Board achieved an overall budget absorption rate of 79% for recurrent expenditures, ensuring the continuous delivery of its institutional programs. No funds were allocated for Development expenditure. The Board continued to contribute to the Public Finance Management reforms through its mandate of prescribing financial and internal audit standards for the public sector with a view to promoting transparency and accountability.

Future Developments

Looking to the future, PSASB has aligned its operational matrix with its Strategic Plan to drive accountability, lower risk, and support sustainable economic development. The Board's primary strategic focus remains steering all public sector reporting entities through the three-year transition from Cash-basis to Accrual-basis of Accounting. This shift is expected to structurally improve asset management and liability tracking across both tiers of government.

Concurrently, the Board is moving forward with implementing IPSAS standards. This includes monitoring early adoption and preparing for the implementation of the International Public Sector Sustainability Reporting Standard (IPSASB SRS 1) ahead of its effective date in 2028. To ensure institutional resilience, PSASB will focus on strengthening its compliance monitoring capabilities, expanding targeted technical training for preparers, and exploring alternative resource mobilization strategies to supplement its exchequer funding.

7.5 Statement of the Board's Performance Against Predetermined Objectives FY 2025/2026

PSASB Strategic Plan aligns the policy goals, priority programs, and fiscal framework to support the achievement of the objectives of the Fourth Medium Term Pan (MTP IV), the Kenya Vision 2030, and amplifying the Bottom-up Transformational Agenda (BETA) espoused by providing mechanisms for transparency and accountability for resources allocated for transforming the country.

The PSASB strategic Plan contributes to the National Development Agenda by setting accounting, internal audit, and risk management standards for all public sector entities. The application of these standards in the public sector will lead to increased transparency and accountability, better relationships with development partners, effective asset management, and prudent liabilities management. PSASB has four strategic focus areas and five (5) strategic objectives within its Strategic Plan 2023-2027. These strategic focus areas are as follows:

Key Result Area 1: Standards Setting
Key Result Area 2: Capacity Development.
Key Result Area 3: Compliance Monitoring.
Key Result Area 4: Institutional strengthening and sustainability.

Table 25: Summary of Performance Per Key Result Area for FY 2025/2026

Key Result Area	Weighted Performance Score		Computed Cumulative Actual Score for, the FY 2025/26	Actual Achievement, FY 2025/2026					Actual Target Achievement FY2025/26
	Annual Target	Quarterly Target		Quarterly				Annual	Annual
				Q1	Q2	Q3	Q4		
KRA 1	30%	7.50%	38.89	15.00	5.00	14.51	4.88	38.89	28.30
KRA 2	20%	5.00%	31.34	7.35	6.42	7.03	10.54	31.34	17.00
KRA 3	20%	5.00%	20.00	3.00	7.00	5.00	5.00	20.00	20.00
KRA 4	30%	7.50%	30.59	4.12	5.84	9.93	10.71	31.59	27.30
Total	**100%**	**25.00%**	**120.83%**	**29.48%**	**24.26%**	**36.46**	**31.63**	**120.83%**	**92.60%**

Overall, the Board recorded strong performance in implementing its FY 2025/2026 Annual Work Plan, with all four Key Result Areas (KRAs) substantially achieving their planned objectives to a performance of **92.6%** of the targeted objectives.

In addition, the board pursues the following strategic objectives in the implementation of key activities under each Key Result Area mentioned above;

1) Enhance the uniformity of financial, internal audit, and risk management information in the public sector.
2) Improve accuracy and completeness of financial and internal audit reports.
3) Enhance financial reporting, internal auditing, and risk management skills and knowledge.
4) Strengthen compliance with prescribed standards, guidelines, and frameworks.
5) Enhance institutional productivity, efficiency, and effectiveness

PSASB developed its annual work plans to implement year three targets in the strategic plan, based on the four key results areas of focus above. The Board's performance against its annual work plan is assessed quarterly. The performance is then reported continuously, culminating in an annual report. PSASB achieved its performance targets for FY 2025/2026 for its four strategic focus areas. The following are the key highlights of the performance under the four thematic are

Table 26: Key Highlights of Achievements Per Key Result Area

Key Result Area	Strategic Achievements (FY 2025/2026)
KRA 1: Standards Setting	• Developed and reviewed 59 Quarterly and Annual Financial Reporting Templates for MDACs, Constitutional Commissions, Independent Offices, State Corporations (IPSAS and IFRS), and TVET institutions to support implementation of the FY 2025/2026 financial reporting framework. • Strengthened public sector accounting through the development of three IPSAS implementation guidelines (IPSAS 12, IPSAS 48 and IPSAS 49), supporting inventory reporting, transfer expenses and retirement benefit plans. • Strengthened the Internal Audit Framework through the review of 29 Internal Audit Templates, development of 26 Quality Assurance Improvement templates, publication of the Internal Audit Guidelines on Establishment of the Internal Audit Function, Quality Assurance Improvement Programme (QAIP) Guidelines, the Internal Audit and Risk Management Guideline Framework, and 16 generic audit programmes for Public Sector Entities. • Maintained implementation of two public sector reporting frameworks (IPSAS Accrual and IFRS) and achieved 100% implementation of the second year of the phased accrual transition for MDACs, Constitutional Commissions and Independent Offices. • Enhanced Kenya's contribution to international standard-setting through participation in four IPSASB Board meetings and submission of responses to three IPSASB Exposure Drafts and the IIA Organisational Behaviour Topical Requirement Exposure Draft.
KRA 2: Capacity Development	• Enhanced public sector capacity through virtual and physical training, sensitizing 8,751 participants on accrual transition, accounting standards, financial reporting templates and sustainability reporting,

Key Result Area	Strategic Achievements (FY 2025/2026)
	and 2,468 Governing Body, Audit Committee, Senior Management, Internal Audit and Risk Management practitioners on governance, internal audit and risk management frameworks. • Expanded digital learning through the development of Year One and Year Two Accrual Transition e-learning modules and the launch of the Masomo e-Learning Platform (https://masomo.psasb.go.ke/) to improve accessibility and sustainability of capacity development programmes. • Provided technical assistance on financial reporting to 12 public sector entities and internal audit and risk management support to 20 public sector institutions, strengthening implementation of Board-issued standards, guidelines and frameworks.
KRA 3: Compliance Monitoring	• Strengthened compliance oversight through a national survey on the first year of accrual accounting implementation and regional compliance assessments covering 19 County Governments and County Assemblies. • Promoted excellence in public financial reporting and internal audit by evaluating 1,389 public entities for the FiRe Awards and conducting the 3rd Internal Audit and Risk Awards, involving 267 participants, 133 institutional evaluations, and 70 detailed assessment reports. • Enhanced evidence-based monitoring through automation of the Internal Audit Compliance Monitoring Tool within the Capacity Development Information Management System (CDMIS) and automation of the Internal Audit and Risk Awards Evaluation Tool.
KRA 4: Institutional Strengthening and Sustainability	• Strengthened institutional governance through approval and implementation of the Board's Human Resource Instruments by the Public Service Commission, including the Organisation Structure, Staff Establishment, Human Resource Procedures Manual, and Career Progression Guidelines.

Key Result Area	Strategic Achievements (FY 2025/2026)
	• Enhanced organisational resilience and operational efficiency through automation of the Risk Management Process using TeamMate and automation of corporate target setting and performance measurement within the ERP system. • Continued to strengthen institutional capacity through implementation of staff capacity development initiatives and an enhanced performance management framework supporting organisational accountability and delivery of strategic objectives.

The table below shows the performance of the PSASB against its annual work plan for FY 2025/2026 in details.

PSASB Annual Performance for the year ended 30th June 2026.

The table below shows the performance of the board against set targets for the period year ended 30th June 2026

Table 27:PSASB Annual Performance Against Set Targets for the Year

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
KRA 1: Standard Setting							
Enhance uniformity of financial, internal audit and risk management information	Develop/Review financial reporting and internal audit templates	Financial reporting and internal audit templates developed/reviewed	No. of financial reporting templates	30	30	59	+29
			No. of internal audit templates	12	12	15	+3
	Develop/Review accounting and internal audit guidelines and frameworks	Accounting and internal audit guidelines and frameworks developed/reviewed	No. of accounting guidelines developed/reviewed	5	5	3	-2
			No of accounting frameworks prescribed	2	2	2	-

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
			No. of internal audit guidelines developed	1	1	1	-
			No. of Internal Audit Frameworks developed	1	1	1	-
			% of exposure drafts responded to on accounting standards.	100%	100%	100%	-
			% of exposure drafts responded to on internal audit standards	100%	100%	100%	-
			% of MDACs, Constitutional Commissions and Independent Offices reporting on prescribed accounting framework	100%	100%	100%	-
			% of MDACs, Constitutional Commissions and Independent Offices reporting on prescribed internal audit guidelines	100%	100%	100%	-
	Participate in Quarterly Board Meetings for International Public Sector Accounting Standards Board (IPSASB)	Quarterly Meetings attended at International Public Sector Accounting Standards Board on standard setting	No. of meeting attended	4	4	4	-

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
	Transition Ministries, Departments, Agencies and Counties (MDACs), Independent Offices and Constitutional Commissions to accrual accounting	Ministries, Departments, Agencies and Counties (MDACs), Independent Offices and Constitutional Commissions transitioned to accrual accounting	% level of transitioning to accrual accounting	50%	50%	50%	-
			No. of categories of MDACs, Constitutional Commissions and Independent Offices	9	9	9	-
	Prescribe risk management reporting templates	Risk management reporting templates developed	No. of Risk management reporting templates	5	5	6	+1
Improve accuracy and completeness of financial and internal audit	Prescribe internal audit procedures for public entities	Internal audit procedures prescribed	No. of internal Audit programs developed and reviewed	6	6	16	+10
KRA 2: Capacity Development							
Enhance skills and knowledge in financial reporting, internal auditing and risk management guidelines	Undertake training needs assessment	Training needs assessment undertaken	Training needs assessment for accountants and PFM officer's report	4	4	4	-
			Training needs assessment for internal auditors and Risk practioners report	4	4	4	-
	Develop and disseminate appropriate training/capacity building materials	Training/Capacity building materials developed	Approved training curriculum for capacity development	1	1	0.5	(0.5)
			No. of training modules	1	1	0.5	(0.5)
			% of standards, templates, guidelines,	100%	100%	100%	-

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
		Training/Capacity building materials disseminated	procedures and frameworks disseminated				
			No. of IFRS/IPSAS books	200	200	0	(200)
	Sensitize implementing entities on prescribed standards, guidelines and frameworks	Implementing entities sensitized on prescribed standards, guidelines and frameworks	No. of internal auditors and risk practioners trained/sensitized on prescribed standards	1,800	1,800	2468	+668
			No. of Accountants trained/sensitized on prescribed standards	1,200	1,200	8,751	+7,551
			No. of MDACs, Constitutional Commissions and Independent Offices trained/sensitized	750	750	1,513	+763
	Undertake post-training assessment	Post-training and sensitization assessment undertaken	Post-training and sensitization assessment report for internal auditors and risk practioners	4	4	4	-
			Post-training and sensitization assessment report for accountants and PFM practitioners.	4	4	4	-
	Create/Develop E-learning platforms	Developed e-learning Platforms	No. of e-learning Platforms	1	1	1	-

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
	Provide technical support on implementation of standards, guidelines and framework	Technical support offered to MDACs, Constitutional Commissions and Independent offices	% of MDACs, Constitutional Commissions and Independent Offices supported on accounting standards, guidelines and frameworks	100%	100%	100%	-
			% of MDACs, Constitutional Commissions and Independent Offices supported on internal audit standards, guidelines and frameworks	100%	100%	100%	-
	Undertake research for adoption of standards	Research undertaken	No. of research on internal audit standards, guidelines and frameworks	1	1	-	-1
			No. of research on accounting standards, guidelines and frameworks	1	1	-	-1
		Developed capacity to undertake research	% of staff trained	100%	100%	0	(-100%)
			No. of programs developed for research on internal audit standards, guidelines and frameworks	1	1	1	-
			No. of programs developed for research on accounting	1	1	1	-

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
			standards, guidelines and frameworks				
KRA 3: Compliance Monitoring							
Strengthen compliance with prescribed standards, guidelines and frameworks	Conduct financial report evaluation for MDACs, Constitutional Commissions and Independent Offices	Financial evaluation conducted	Financial evaluation tool	1	1	1	-
			% of FiRe Awards entries evaluated.	100%	100%	100%	-
	Undertake quality review of financial reports	Quality review undertaken for MDACs, Constitutional Commissions and Independent Offices	No. of Quality Reviews Report	1	1	1	-
	Conduct Internal Audit and Risk Awards	Internal Audit and Risk Awards undertaken	Internal audit and risk evaluation tool	1	1	1	-
			% of Internal audit awards entries evaluated	100%	100%	100%	-
			No of quality review reports	1	1	1	-
	Develop quality Assurance Improvement Guidelines for public entities	Quality Assurance Improvement Guidelines developed	No. of Quality Assurance Improvement Guidelines	1	1	1	-
	Monitor compliance on standards, guidelines, frameworks and risk management	Compliance programs undertaken	No. of internal audit standards compliance reports	4	4	4	-
			No. of accounting standards compliance reports	4	4	1	(3)
KRA 4: Institutional strengthening and sustainability							

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
Enhance institutional efficiency, productivity and effectiveness.	Implement HR policies and Instruments	HR Policies and Instruments Implemented	Level of Implementation	100%	100%	100%	-
	Undertake capacity development programs	Capacity development programs undertaken	% of staff trained	100%	100%	100%	-
			No. of staff recruited	9	9	0	(9)
	Conduct employee satisfaction and work environment survey	Implemented Employee satisfaction and environment surveys recommendations	% of implementation	85%	85%	85%	-
	Implement staff performance management systems	Staff performance appraisal conducted	Annual staff performance score	100%	100%	-	-
	Automate business processes	Business processes Automated	No. of business processes automated	1	1	1	-
	Upgrade ICT infrastructure	ICT infrastructure upgraded	% of ICT infrastructure upgrade	100%	100%	100%	-
	Carry out annual legal compliance audit	Annual legal compliance Audit conducted	No. legal audits conducted	1	1	1	-
	Develop amendments to the PFM Act on accounting and internal audit standards	PFM Act Amendments developed /Reviewed	% of Amendments undertaken	100%	100%	100%	-
	Develop/Review institutional policies	Policies developed/reviewed	No. of policies developed/reviewed	5	5	5	-

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
	Conduct annual governance audit	Annual governance audit conducted	No. of annual governance Audits	1	1	1	-
	Budgeting, Monitoring and financial reporting	Annual report and financial statements submitted	No. of reports	1	1	1	-
		Corporate budget prepared	No. of budgets	1	1	1	-
		Quarterly financial reporting	No. of reports	4	4	4	-
	Implement Board's Strategic Plan 2023-2027	Strategic Plan implementation report	No. of reports	1	1	1	-
	Implement Board's Almanac	Board Almanac implementation report	No. of reports	4	4	4	-
	Formulate and implement three (3) year internal audit strategic plan	Internal audit strategic plan implementation reports	No. of reports	5	5	5	-
	Implement internal and external audit recommendations	internal and external Audit recommendations Implemented	% of implementation	100%	100%	100%	-
	Conduct annual board of directors self-evaluation	Board of Directors self-evaluation conducted	Performance Score	90%	90%	97.9	7.9%
	Implement supply chain management plan	supply chain management plan implemented	% level of implementation	100%	100%	100%	-
	Conduct Corporate Risk Assessment	Corporate Risk Assessment conducted	No. of reports	4	4	4	-
			Corporate Risk Register	1	1	1	-
			No. of sensitizations	4	4	3	(1)

KRA/Strategic objective	Activities	Expected Output	Output Indicator	Annual Target (A)	Achievement for the year		
					Target (B)	Actual to date (C)	Variance(B-C)
			% level of risk plan implemented	100%	100%	100%	-
			% of implementation of risk action plan	100%	100%	100%	-
	Undertake Corporate Social Investment Activities	Corporate Social Investment Undertaken	No. of CSI activities	2	2	4	+3
	Implement signed MOUs with partners	MOUs Implementation Report	No. of report	1	1	2	+1

8. Environmental and Sustainability Reporting

Below is an outline of PSASB's policies and activities that promote sustainability.

8.1 Sustainability strategy and profile

The Public Sector Accounting Standards Board plays a pivotal role in advancing sustainability in Kenya's public sector by enhancing accountability, transparency, and prudent financial management. By setting high-quality accounting, reporting, and internal audit standards, the Board promotes value for money and effective utilisation of public resources, ensuring that fiscal decisions contribute to long-term national development.

As part of its sustainability commitment, the Board reviewed its Strategic Plan (2023/24–2027/28). The plan emphasizes environmental stewardship, social equity, inclusive growth, and improved governance across the public sector. These efforts are aligned with Kenya Vision 2030, the Sustainable Development Goals (particularly SDG 16 – Peace, Justice and Strong Institutions), and the Climate Change Act (2016). Furthermore, PSASB actively engages with the International Public Sector Accounting Standards Board (IPSASB) to stay abreast of global developments in sustainability and natural resource reporting.

Internally, PSASB has embedded sustainability into its strategic and operational planning processes. Performance management frameworks include sustainability indicators, and internal reviews assess progress on energy efficiency, digitization, and inclusive staff development. The Board's ongoing digital transformation, particularly the rollout of the Enterprise Resource Planning (ERP) system and the capacity development information management system, has significantly reduced paper usage, enhanced operational efficiency, and contributed to the Board's environmental goals.

Social inclusion is a key tenet of PSASB's sustainability strategy. The Board continues to promote youth employability and professional growth through Public Service Commission (PSC) structured internship programmes and capacity-building support for early-career professionals. Additionally, PSASB has embraced diversity, equity, and inclusion through fair and transparent recruitment practices, ensuring equal access to opportunities across gender, age, and ability.

Notably, the Board has employed a person with a disability, who is offered equal opportunities, resources, and responsibilities as all other staff. This reinforces PSASB's commitment to an inclusive

workplace where every team member is valued, empowered, and equipped to contribute meaningfully to the institution's goals.

The Board fosters a shared commitment to sustainable public financial management through collaboration with stakeholders, including the National Treasury, Office of the Auditor-General, ICPAK, and public sector entities. These partnerships not only strengthen PSASB's ability to deliver on its mandate but also contribute to a culture of transparency and accountability that underpins national development and long-term public value.

8.2 Environmental Performance

Though PSASB is not a resource-intensive institution, it recognizes the critical role that public entities play in advancing environmental sustainability and climate resilience. The Board actively champions environmental conservation through institutional practices and community-based initiatives, reflecting its commitment to responsible governance and long-term public value.

8.3 Reforestation and Community Conservation Efforts

In support of the Government's national tree growing initiative and Kenya's target of attaining 30% tree cover by 2032, the Public Sector Accounting Standards Board (PSASB) participated in the Kaptagat Forest tree growing exercise held in Elgeyo Marakwet County on 12 July 2025. As part of its commitment to environmental sustainability and climate action, the Board sponsored and planted 10,000 tree seedlings at a cost of KSh 300,000, contributing to national efforts to restore forest ecosystems, enhance biodiversity, and mitigate the effects of climate change. PSASB continues to work with environmental stakeholders and agencies to promote conservation awareness, carbon sequestration, and sustainable land use practices, reflecting its belief that sustainability is best achieved through collective action.ee**6.4 Eco-Conscious Institutional Practices**

In parallel with external initiatives, PSASB is equally committed to minimizing its environmental footprint. Notable efforts include:

- **Energy Efficiency:** Adoption of LED lighting and cultivation of staff awareness on electricity conservation practices.
- **Water Conservation:** Use of low-flow fixtures and staff sensitisation on responsible water use.

- **Paper Reduction:** Transition to digital workflows, with meeting documents, memos, and reports shared electronically to reduce printing needs.
- **Digital Transformation:** The enhanced deployment of the Enterprise Resource Planning (ERP) system across key operations, finance, HR, and procurement has significantly reduced paper use, improved efficiency, and streamlined compliance reporting.

8.4 Employee welfare

Employees are the most valuable asset. The Board is committed to fostering a work environment that is productive but also conducive, inclusive, engaging, and responsive to its staff's professional and personal needs. A people-centred culture remains at the heart of the Board's sustainability strategy, ensuring that every employee has the opportunity to grow, thrive, and contribute meaningfully to the Board's mandate.

8.5 Capacity Building and Professional Growth

During the year, the Board invested in staff development initiatives to strengthen technical capacity, leadership skills, and professional excellence. These included, but not limited to:

- **Continuous Professional Development (CPD)**: Staff were supported in attending CPD workshops, seminars, and technical forums relevant to their roles, helping them meet professional certification requirements and stay up to date with industry developments.
- **Mentorship and Coaching**: The Board continued its internal mentorship and knowledge-sharing efforts to prepare junior staff for leadership roles and foster a collaborative learning culture.

8.6 Conducive Work Environment and Team Cohesion

PSASB prioritizes a work environment that promotes employee satisfaction, performance, and psychological safety. Notable features include:

- **Safe, ergonomic, and well-ventilated office spaces** that support healthy working conditions.
- **Clear workplace policies** on ethics, harassment prevention, and grievance redressal to ensure fairness and dignity at work.

- **Open-door management style**, promoting accessibility, feedback, and shared problem-solving.
- **Team-building activities** to enhance staff morale, cohesion, and organizational loyalty.

8.7 Health, Wellness, and Safety

PSASB recognizes that employee wellness is central to sustained productivity and institutional success. The Board maintained the following wellness interventions:

- **Comprehensive Medical Insurance**: All staff and their dependents are covered under a scheme that includes inpatient, outpatient, dental, optical, and specialist care.
- **Mental Health and Drug Awareness**: Staff received sensitization on mental health and substance abuse, including preventive education and information on support services.
- **Occupational Safety**: Risk assessments and compliance with occupational health and safety guidelines were maintained to ensure a safe workplace.

8.8 Inclusivity, Diversity, and Equal Opportunity

PSASB remains committed to diversity and inclusivity in its workforce, in line with national values and sustainability principles.

- The Board maintains a gender distribution of 56% male and 44% female, reflecting intentional progress toward gender equity across operational and leadership functions.
- In support of disability inclusion, the Board has employed a staff member living with a disability, who is fully integrated into the workforce and has been supported through tailored training and equal access to professional opportunities and responsibilities.
- PSASB is equally committed to ethnic diversity, ensuring fair representation across Kenya's communities. The Board fosters a culture of respect for all backgrounds, with employment and career advancement based strictly on merit, competence, and institutional values.
- Recruitment and performance appraisal processes are transparent and merit-based, ensuring that all staff, regardless of gender, ethnicity, age, or physical ability, have equal access to opportunities for growth and leadership.

8.9 Employee Engagement and Feedback

To foster trust and continuous improvement, the Board promotes open dialogue and staff involvement in the Board's development:

- Regular staff feedback forums, surveys, and team meetings are held to capture employee insights and identify areas for enhancement.
- The Board's leadership maintains an open-door policy, encouraging communication, shared responsibility, and a strong sense of belonging.

These approaches contribute to a high-performance culture rooted in mutual respect, transparency, and shared values, making PSASB a centre of excellence in public sector financial reporting and a model employer in the public service.

8.10 Marketplace practices

PSASB is committed to fostering transparent, ethical, and inclusive practices in all its interactions with the marketplace. Whether engaging suppliers, stakeholders, or public sector constituents, the Board promotes fairness, compliance, and value for public resources. The following practices were implemented during the financial year 2025/26 to support sustainable and accountable marketplace conduct:

a. Responsible Competition Practices

To uphold integrity, transparency, and a level playing field in its operations, PSASB has established a robust policy and ethical framework that guides its engagements:

- **Stakeholder Engagement Policy**: Ensured structured, transparent, and inclusive consultation with all external actors.
- **Fraud and Corruption Prevention Policy**: Reinforced the Board's zero-tolerance stance on unethical procurement and stakeholder relations conduct. It also provided early detection and mitigation mechanisms to address potential risks.
- **Communication Strategy**: Enhanced open, accurate, and timely communication with stakeholders, promoting trust and accountability. The Board maintained proactive and

consistent engagement with its stakeholders by communicating key developments, policy updates, and upcoming training opportunities through its various communication channels.

These instruments collectively ensure that all external engagements are conducted with professionalism, fairness, and in compliance with public sector governance standards.

b. Supplier Engagement

PSASB's procurement processes are strictly guided by the Public Procurement and Asset Disposal Act (PPADA), 2015, and its attendant regulations. The Board actively promotes transparency, cost effectiveness, competitiveness, fairness, inclusivity and economic empowerment in public procurement, particularly for disadvantaged groups.

Key measures implemented during the financial year included:

- **Compliance with AGPO and Preference Regulations**: 54.89% of PSASB's procurement opportunities were allocated to preference and reservation groups, including youth, women, and persons with disabilities, in line with the requirements of PPADA, 2015.
- **Electronic Government Procurement**: The Board has implemented the electronic Government Procurement (e-GP) system in compliance with the National Treasury's directive. The approved Procurement plan for the FY 2026- 2027 will be uploaded in July 2026.
- **Clear and Precise TORs**: Development of detailed and unambiguous Terms of Reference and technical specifications helped reduce the risk of misinterpretation and encouraged high-quality responses from bidders.
- **Supplier sensitisation and Registration**: The Board continuously sensitised and updated its supplier list to expand its vendor base and stimulate fair competition.
- **Open Tendering and Transparency**: All open tender opportunities were published on the PSASB and the PPIP portal to ensure equal access to information for all interested parties.
- **Efficient Payment Practices**: The Board maintained a strong record of financial discipline by ensuring that no significant pending bills were carried forward during the financial year. This reflects PSASB's commitment to timely payment, supplier trust, and responsible public financial management.

c. Customer and Constituent Engagement

As a body serving public sector accountants, internal auditors, and reporting entities, PSASB is dedicated to delivering stakeholder satisfaction and responsive service. During the year, the following measures were undertaken:

- **Public Participation**: The Board facilitated engagement with constituents in the development and review of financial reporting templates, tools, and implementation guidance.
- **Timely Technical Support**: All technical queries from constituents relating to financial reporting and internal auditing standards were addressed within 14 calendar days.
- **Resource Accessibility**: To ensure wide access, all reports, standards, templates, and guidance tools were disseminated through the PSASB website and other stakeholder forums.
- **Continuous Communication**: The Board maintained proactive and consistent engagement with its stakeholders by communicating key developments, policy updates, and upcoming training opportunities through its various communication channels. During the financial year, PSASB recorded significant growth across its digital platforms, reflecting increased stakeholder engagement and visibility. LinkedIn followers grew by 83.9%, increasing from 3,025 as of 1 July 2025 to 5,563 as of 30 June 2026. Similarly, Facebook followers increased by 209%, rising from 776 to 2,300 over the same period. To keep stakeholders informed, the Board published three editions of its newsletter during the year, with the fourth edition scheduled for release in mid-July 2026. In addition, PSASB maintained a steady media presence, with four news stories published in the print media, averaging one publication per quarter, thereby enhancing public awareness of the Board's mandate, initiatives, and achievements.

8.11 Strategic Stakeholder Relations

Delivering on its national mandate requires deep collaboration with public institutions, regulators, and professional bodies. PSASB advanced strategic partnerships through the following efforts:

- **Stakeholder Mapping and Onboarding**: Systematic identification of key institutional partners and outreach to build awareness of the Board's mandate and offerings.

- **Regular Consultations**: Throughout the year, stakeholder engagements were held to ensure alignment, clarify expectations, and co-develop implementation strategies.
- **Technical Support and Field Assistance**: The Board supported counties, national government ministries, state corporations, and semi-autonomous government agencies (SAGAs) in applying IPSAS and GIAS standards and meeting reporting requirements.
- **Participation in External Forums**: PSASB contributed to forums organized by peer institutions and partners, delivering presentations and engaging in sector-wide dialogue.
- **Collaborative Partnerships**: The Board pursued partnerships on matters of mutual interest, such as capacity building, ESG integration, digital transformation, and public finance reforms, and entered into a memorandum of understanding with the Office of the Auditor General.

On 5 March 2026, the Office of the Auditor-General (OAG) and the Public Sector Accounting Standards Board (PSASB) formalised their strategic partnership by signing a Memorandum of Understanding (MoU) to strengthen public sector accountability and transparency. The MoU provides a framework for collaboration in reinforcing financial accountability systems and promoting the consistent adoption and effective implementation of high-quality public sector accountability standards across government entities.

8.12 Sponsorships for Mutual Objectives

8.12.1 Institute of Certified Secretaries

PSASB sponsored the 2025 Champions of Governance Award to bring together leaders, visionaries, and champions from across sectors to honors the transformative power of ethical leadership. The specific objectives of the awards were to;

a) Recognise the practice and application of good governance in public and private sector entities.
b) Recognise innovations in organizations that support good governance
c) Encourage organizations to focus on the enhancement of good governance.

8.12.2: The African Association of Accountants General (AAAG)

As part of its stakeholder engagement and strategic partnerships aimed at advancing high-quality public sector financial reporting across Africa, PSASB sponsored the African Association of Accountants General (AAAG) during the 2025 AAAG Conference held in Accra, Ghana, from 24 to 27 November 2025.

The conference brought together more than 2,000 delegates, including Accountant Generals, senior public finance professionals, standard setters, development partners, innovators, and investors from across the continent to exchange knowledge and discuss emerging trends in public financial management. PSASB's USD 1,000 sponsorship aimed to strengthen regional collaboration, support professional networks, and promote the adoption of international best practices in public sector accounting and financial reporting.

8.12.3: Kimore Boys Senior School

As part of its efforts to promote education and capacity development, PSASB provided financial support to Kimore Boys Senior School in Eldoret to purchase computers to enhance the school's ICT infrastructure and strengthen students' digital literacy skills. Kimore Boys Senior School is a newly established national school located in Keiyo North Sub-County, Elgeyo Marakwet County, with a current enrolment of 60 students. Through this support, the Board seeks to contribute to improved access to digital learning resources and equip learners with essential technology skills for the future.

8.12.4: Association of Women Accountants-Kenya- Annual Conference

As part of its strategic partnerships aimed at strengthening public financial management, PSASB supported the Association of Women Accountants of Kenya (AWAK) during its 8th Annual Public Finance Management Conference held in November 2025.

The conference brought together public finance professionals, policymakers, accountants, auditors, and other stakeholders to discuss emerging issues, best practices, and innovations in public financial management. The stakeholder engagement aimed at promoting public sector financial reporting, good governance, accountability, and the adoption of public sector accounting standards. The partnership also provided an opportunity for the Board to share knowledge on public sector financial reporting reforms, and strengthen collaboration with key stakeholders working towards improved public financial management in Kenya.

8.13 Community Engagements

As part of its commitment to public value and sustainability, PSASB actively participates in community initiatives that support environmental conservation, social development, and financial literacy. The Board recognizes its role extends beyond standard setting to include responsible corporate citizenship, guided by Kenya's Vision 2030 and national climate and inclusion goals.

During the year, as part of its community engagement initiatives, PSASB delivered mentorship and professional talks to members of the Accounting Students Association of Kenyatta University (ASA-KU). The engagement provided a platform for students to interact with experienced public sector professionals and gain practical insights into public financial management, public sector accounting standards, internal auditing, ethics, governance, and career opportunities within the public sector.

The sessions were designed to bridge the gap between academic learning and professional practice by exposing students to emerging trends in public sector financial reporting, accountability, and transparency. The initiative forms part of PSASB's broader commitment to nurturing the next generation of accounting professionals through strategic partnerships with institutions of higher learning.

In October 2025, a team from PSASB delivered an engaging career mentorship talk to members of the Kenyatta University Accounting Students' Association at the University's main campus. The session provided students with valuable insights into careers in public sector accounting, financial reporting, governance, and internal auditing, while highlighting the critical role of professional ethics and leadership.

8.14 Environmental Restoration and Climate Action

The Kaptagat Forest initiative forms part of PSASB's broader commitment to environmental sustainability and responsible corporate citizenship. Beyond increasing forest cover, the initiative strengthened collaboration with public-sector institutions, community forest associations, and other environmental stakeholders, promoting collective action towards climate change mitigation and sustainable natural resource management. Through such partnerships, the Board continues to support national environmental priorities while demonstrating leadership in integrating sustainability into public sector governance and institutional practice.

8.15 Public Financial Literacy and Knowledge Sharing

In addition to environmental initiatives, PSASB contributes to the broader empowerment of communities through financial literacy and public sector education:

- The Board supports community knowledge through awareness campaigns and public sensitisation sessions during its stakeholder engagements.
- The PSASB website and forums share tools, templates, and simplified financial reporting and accountability guides, helping devolved units, civil society, and the public better understand public finance processes.

8.16 Future Outlook

As PSASB continues to evolve as a values-driven public institution, the Board envisions a more structured and impactful approach to sustainability, environmental responsibility, and community engagement. The following priorities define its forward-looking strategy:

a. Institutionalizing Community Engagement and CSR

- CSR initiatives will be aligned with national development priorities, including youth empowerment, gender equity, and inclusion of persons with disabilities.
- Development of a sustainability policy aligned to the Board's strategic plan.
- Partnerships will be pursued with peer public sector agencies, professional bodies, and non-state actors to co-create and implement high-impact, cross-cutting community and sustainability projects.
- Community impact metrics will be integrated into PSASB's strategic performance indicators to enhance transparency and outcome-based reporting.

b. Advancing Environmental Sustainability

- The Board is exploring the adoption of green procurement practices, preferring vendors that demonstrate environmentally friendly processes and sustainable supply chains.
- PSASB will institutionalize environmental performance indicators within its internal performance management system to better track energy use, paper reduction, waste minimization, and carbon-conscious operations.

- Sensitization programs, digital workflows, and paperless initiatives will enhance staff engagement in climate change awareness and environmental stewardship.
- The Board plans to participate in national and global sustainability reporting platforms, including contributions to the IPSASB's sustainability standards, particularly in the areas of natural resource accountability and climate-related disclosures.

c. Promoting Inclusion, Wellness, and Flexible Work Culture

- PSASB will continue promoting equity and inclusion through staff development programs and affirmative action in employment, supplier engagement, and public participation.
- The Board will expand its support for youth, women, and persons with disabilities through targeted sponsorships, internship opportunities, and access to economic empowerment programs.
- Explore wellness programs to promote work life balance.

Together, these initiatives will ensure that PSASB fulfils its regulatory mandate and serves as a model institution for demonstrating public-sector leadership in transparency and accountability, sustainability, community impact, and responsible governance.

9. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2026, which show the state of the Board's affairs.

i) Principal activities

The Board's principal activities are to set generally accepted accounting and internal auditing standards for public sector entities in Kenya.

ii) Results

The Board's results for the year ended June 30, 2026, are set on pages 1 to 47 of this Annual Report and financial statements.

iii) Directors

The members of the Board of Directors who served during the year are shown from page xvi to xxiv

iv) Auditors

The Auditor General is responsible for the Board's statutory audit for the year ended June 30, 2026, in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board.

Chief Executive Officer/Secretary to the Board

Date 14/07/2026

10. Statement of Directors' Responsibility

Section 81 of the Public Finance Management Act, 2012 requires the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records that disclose the financial position of the Board with reasonable accuracy. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on 30th June 2026. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Public Sector Accounting Standards Board's Annual report and financial statements were approved by the Board on **14th July 2026** and signed on its behalf by:

FCPA Pius Nduatih MBS, OGW,

14th July 2026
Chairman PSASB

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 JUNE, 2026

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Public Sector Accounting Standards Board set out on pages 1 to 45, which comprise the statement of financial position as at 30 June, 2026 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Public Sector Accounting Standards Board as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Sector Accounting Standards Board Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Under Funding

The statement of comparison of budget and actual amounts reflects actual total receipts of Kshs.240,590,000 from The National Treasury against an original budget of Kshs.641,000,000 approved by the Board resulting in an overall under-funding of Kshs.400,410,000 or 62% of the original budget.

The significant under-funding of the budget affected planned activities and may have impacted negatively on service delivery to the Public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the Other Information set out on pages iv to cxiii which comprise of Key Board Information and Management, Report of the Chairman, Report of the Chief Executive Officer/Board Secretary, Corporate Governance Statement, Financial Performance Overview, Board's Operational Performance, Environmental and Sustainability Reporting, Report of the Directors, and Statement if Directors' Responsibility. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and, accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-compliance with the Constitutional Two-Thirds Gender Principle in the Composition of the Board

Review of the composition of the Board revealed that during the year, the Board comprised of nine (9) directors, of whom seven (7) equivalent to 77% were of the same gender. This was contrary to Article 27(8) of the Constitution of Kenya, 2010, which requires that not more than two-thirds of the members of an appointive body shall be of the same gender.

In the circumstances, the appointing authority was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Understaffing

As previously reported, the Board had an approved staff establishment of sixty-five (65) staff as per authorization referenced PSC/GEN/22/XI/(71) dated 8 October, 2025. However, during the year under review, only twenty-three (23) staff members were in post resulting in understaffing by forty-two (42) staff members. Although Management indicated that the Board was in the process of recruiting an additional thirteen (13) staff members, the process had not been concluded by the time of audit.

In the circumstances, the understaffing may hinder the realization of the Board's mandate as provided for under Section 194 of the Public Finance Management Act, 2012.

2. Weaknesses in the Operating Legal Framework

As previously reported, Section 193(5) of the Public Finance Management Act, 2012 provides that The National Treasury shall provide secretariat services to the Board and assign or appoint such support staff as may be necessary for the Board to effectively perform its functions. As previously reported, this provision limits the efficiency of the organization as the Board does not have control over its staffing needs.

In the circumstances, the secretariat's efficiency may be impaired and the operations of the Board affected as they are dependent on the support of The National Treasury.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

5 August, 2026

12. Statement of Financial Performance for The Year Ended 30 June 2026

Description	Notes	Year ended 30 June 2026	Year ended 30 June 2025
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the National Treasury	6	240,590,000	640,590,000
Grants from Government Entities (PFMR)	7	5,981,800	5,325,000
Revenue from exchange transactions			
Other Incomes	8	7,681,720	10,553,685
Total revenue		**254,453,520**	**656,468,685**
Expenses			
Use of goods and services	9	54,449,220	98,611,044
Employee costs	10	81,245,027	79,862,461
Board Expenses	11	27,154,110	26,639,408
Travel and Subsistence Cost	12	38,341,498	34,336,828
Depreciation and amortization expense	13	15,149,014	15,444,743
Standard Development, Monitoring, and Evaluation	14	243,964,026	341,139,052
Repairs and maintenance	15	9,391,583	6,397,405
Contracted services	16	18,078,115	8,835,430
Finance Cost	17	4,094,901	3,487,986
Total expenses		**491,867,494**	**614,754,355**
Deficit/Surplus before tax		**(237,413,973)**	**41,714,330**
Taxation	18	(1,179,396)	(1,494,246)
Net Deficit/surplus for the period		**(238,593,370)**	**40,220,084**

The financial statements set out on pages 1 to 49 were signed on behalf of the Board of Directors by:

FCPA Pius Nduatih MBS, OGW,
Chairman of the Board
Date: 14th July 2026

FCPA Edwin Njamura
Chairman – GSC
Date: 14th July 2026

FCPA Georgina Muchai
Chief Executive Officer
Date: 14th July 2026
ICPAK M/No.13725

13. Statement of Financial Position as at 30 June 2026

Description	Note	Year ended 30 June 2026	Year ended 30 June 2025
Assets		**KShs**	**KShs**
Current assets			
Cash and cash equivalents	19	128,827,661	357,617,791
Receivables from exchange transactions	20	697,403	675,875
Prepayments	21	10,036,809	10,641,983
Inventories	22	5,285,868	5,192,094
Total current assets		**144,897,741**	**374,127,742**
Non-current assets			
Property, plant, and equipment	23	34,211,319	35,758,459
Right of Use Asset	24	28,398,050	35,497,563
Intangible Assets	25	11,969,560	13,136,056
Total Non-Current Assets		**74,578,929**	**85,394,078**
Total Assets		**219,476,670**	**459,521,820**
Liabilities			
Current liabilities			
Trade and other payables	26	8,150,246	3,940,121
Lease Liability	27	6,369,643	5,661,905
Total Current Liabilities		**14,519,890**	**9,602,026**
Non-Current Liabilities			
Long term Lease Liability	27	24,296,706	30,666,349
Total Non-Current Liabilities		**24,296,706**	**30,666,349**
Total Liabilities		**38,816,595**	**40,268,375**
Net Assets		**180,660,075**	**419,253,445**
Represented by:			
Accumulated surplus		180,660,075	419,253,445
Net Assets		**180,660,075**	**419,253,445**

The Financial Statements set out on pages 1 to 49 were signed on behalf of the Board of Directors by:

FCPA Pius Nduatih MBS, OGW
Chairman of the Board
Date: 14th July 2026

FCPA Edwin Njamura
Chairman – GSC
Date: 14th July 2026

FCPA Georgina Muchai
Chief Executive Officer
Date: 14th July 2026
ICPAK M/No.13725

14.Statement of Changes in Net Assets for the Year Ended 30 June 2026

Period	Accumulated Surplus KShs
At July 1, 2024	**379,033,361**
Surplus for the year	40,220,084
At June 30, 2025	**419,253,445**
At July 1, 2025	**419,253,445**
Deficit for the year	(238,593,370)
At June 30, 2026	**180,660,075**

15 Statement of Cash Flows for The Year Ended 30 June 2026

Description	Notes	Year ended 30 June 2026	Year ended 30 June 2025
		KShs	KShs
Receipts			
Transfers from National Treasury		240,590,000	640,590,000
Other income		7,881,720	9,055,674
Total Receipts		**248,471,720**	**649,645,674**
Payments			
Use of goods and services		55,825,973	100,010,105
Employee costs		83,338,175	77,525,878
Board Expenses		25,618,399	26,808,992
Travel and Subsistence Cost		35,224,227	34,336,828
Standard Dissemination, Monitoring and Evaluation		235,694,707	335,610,160
Repairs and maintenance		9,391,583	6,397,405
Contracted services		18,078,115	8,835,430
Total payments		**463,171,179**	**589,524,799**
Net cash flows used in operating activities	**28**	**(214,699,459)**	**60,120,875**
Cash flows from investing activities			
Purchase of PPE		(4,048,265)	(5,690,172)
Purchase of intangible assets		(285,600)	(5,299,000)
Net cash flows used in investing activities		**(4,333,865)**	**(10,989,172)**
Cash flows from Financing activities			
Lease Repayments (interest and principal)		(9,756,806)	(9,756,806)
Net cash flows used in Financing activities		**(9,756,806)**	**(9,756,806)**
Net increase in cash and cash equivalents		**(228,790,130)**	**39,374,897**
Cash and cash equivalents at 1st July 2025	**19**	**357,617,791**	**318,242,893**
Cash and cash equivalents at 30th June 2026	**19**	**128,827,661**	**357,617,791**

16. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2026

Description	Original Annual Budget	Adjustments	Final Annual Budget	Actual Amounts on comparable basis	% Utilization	Notes
	A	B	C=a+b	d	E=d/c%	
	KShs	KShs	KShs	KShs		
Opening Balance blf from FY2024/2025	286,352,888	71,264,903	357,617,791	357,617,791	100%	a
Receipts						
Transfer from National Treasury	641,000,000	(400,410,000)	240,590,000	240,590,000	100%	b
Interest income	6,000,000	1,200,000	7,200,000	7,881,720	109%	c
PFMR Funding	12,000,000	(1,666,667)	10,333,333	5,981,800	58%	d
Total income	**945,352,888**	**(329,611,764)**	**615,741,124**	**612,071,311**		
Payments						
Board Expenses	29,200,000	(100,950)	29,099,050	25,618,399	88%	e
Employee costs	136,377,470	(17,476,452)	118,901,018	83,338,175	70%	f
Use of goods and services	138,796,068	(38,354,247)	100,441,821	65,582,779	65%	g
Travel and subsistence Cost	111,239,600	(72,272,800)	38,966,800	35,224,227	90%	h
Standard Setting, Monitoring and Evaluation	443,060,950	(164,736,148)	278,324,802	235,694,707	85%	i
Repairs and maintenance	29,125,100	(15,836,000)	13,289,100	9,391,583	71%	j
Contracted services	29,553,700	(9,618,500)	19,935,200	18,078,115	91%	k
Purchase of Assets	16,000,000	(9,550,000)	6,450,000	4,333,865	67%	l
PFMR Funded activities	12,000,000	(1,666,667)	10,333,333	5,981,800	58%	m
Total expenditure	**945,352,888**	**(329,611,764)**	**615,741,124**	**483,243,650**	**79%**	n
Surplus for the period	**-**	**-**	**-**	**128,827,661**		

16(a) Budget notes: Explanation of differences between actual and budgeted amounts

a) The balances from the previous FY 2024/2025 were utilised as first charges to settle all total liabilities, and the residual was incorporated into the FY 2025/2026 budget.

b) The Board received 100% of the exchequer allocation for the period. The changes in the budget result from reduction in approved budget by Kshs.400 million.

c) Interest income for the year was 109% above projections. This is due to the opening balances from the previous financial year and the prompt allocation from the exchequer for FY 2025/2026.

d) The agreed work plan for PFMR-funded activities was KShs 10.33 million, of which 58%, KShs 5.98 million, of the PFMR funding had been received to pay for PFMR-funded activities aligned with mutual objectives, according to the work plan. Budget reductions affected the PFMR budget, hence the Board's allocation. These funds were utilised for capacity building to develop the IPSAS 48 guidelines and to train the School Auditors in the Ministry of Education.

e) The Board expenses were KShs. 25.62 million, with an 88% absorption rate. This performance results from the board's implementation of its Board Almanac and development activities. The expenditure was within the board's planned almanac for the period, with a slight decrease in board medical cover due to one member exiting the board.

f) The employee costs for the year were KShs.83.34 million, with an absorption rate of 70%. The under-absorption is due to the budget provision for recruitment not being utilised. The recruitment process was ongoing by the end of the period.

g) The budget utilization for goods and services was 65% for the period under review. The low absorption is attributed to initial challenges that arose in the uptake and processing of procurement of goods and services through the Electronic Government Procurement (e-GP) system.

h) The travel and subsistence costs for the year were within budget at KShs 35.22 million, with an absorption rate of 90%. This included costs relating to staff development and training.

i) Standard Development, Monitoring, and Evaluation stood at KShs 235.69 million, with an absorption rate of 85%. This performance results from monitoring and capacity-building activities for public entities transitioning to accrual accounting, including the development of accounting standards, guidelines, and frameworks, as well as internal audit and risk management standards.

j) Repair and maintenance accounted for 71% of the budget. This absorption was occasioned by the low absorption in the purchase of computer accessories and toner, whose procurement processes were still ongoing during the period.

k) The cost of contracted services includes security guards, cleaning services, and professional services provided by the Board. The absorption was 91%. This absorption results from contracting professional services, such as research on the adoption of Accounting, Internal Audit, and Risk Management standards in the public sector covering 2019 -2024, and Legal Audit and Governance Audit, including research, governance, and legal audit.

l) The budget absorption under the acquisition of fixed assets was 67%, reflecting payments made towards the acquisition of property, plant and equipment (PPE) and the development of intangible assets. The outstanding works are ongoing and are expected to be completed in the next financial year..

m) PFMR-Funded Activities were utilised in line with the total funded activities during the period, at a cost of KShs 5.98 million, representing 58% absorption rate of the budget. However, the remaining budget was not provided since the budget allocations for the PFMR Secretariat were reduced during the Supplementary budget for FY 2025/2026.

n) The Board attained a budget absorption rate of 79% while achieving 92% of its Annual Work Plan targets. This is an improvement from previous FY 2024/25 (61%). This demonstrates efficient utilisation of available resources, enabling the Board to substantially deliver its strategic objectives while maintaining prudent financial management and value for money.

16(b) Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	**128,827,661**
1	Reason for differences.	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**128,827,661**

17. Notes to the Financial Statements

1. General Information

The Public Sector Accounting Standards Board (PSASB) Board is established by and derives its authority and accountability from the Public Finance Management Act 2012. The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The Board's principal activity is to set generally acceptable accounting and internal auditing standards for the Kenyan Public Sector.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The Board did not have items of property, plant, and equipment for which to measure at re-valued amount. There were no marketable securities and financial instruments to be measured at fair value, nor impaired assets to be measured at their estimated recoverable amounts and actuarially determined liabilities measured at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in **Note 5** of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 43: Leases	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. *The Standard has changed how the Board accounts for its leased office premises: rental payments previously expensed as incurred have been replaced by the recognition of a right-of-use asset, which is depreciated over the lease term, and a lease liability measured at the present value of future lease payments, on which interest expense is recognized. This has increased the Board's reported assets and liabilities and changed the presentation of lease-related costs in the statement of financial performance from operating expenses to depreciation and finance costs. The Board has also provided enhanced disclosures on its leasing activities in accordance with the Standard.*
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. *The Board does not ordinarily hold non-current assets for sale and does not have discontinued operations; disposals of assets are infrequent and are typically affected through donation to other government agencies. However, where assets are not donated to other government agencies and are instead disposed of through sale in accordance with the Public Procurement Act, the Standard will apply, and such assets will be classified, measured and presented as held for sale in accordance with its requirements.*

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e. g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. *The Standard has changed how the Board accounts for its property, plant and equipment: the Board has adopted current operational value, the public sector-specific measurement basis introduced under the Standard read together with IPSAS 46, Measurement, in the measurement of its property, plant and equipment, and has reviewed its depreciation methods and rates to ensure they reflect the pattern in which the assets' service potential is consumed. The Board does not hold heritage or infrastructure assets, and the new guidance on those asset categories therefore has no effect on its financial statements. The Board has also provided the enhanced disclosures required by the Standard.*
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. *The Standard has introduced a public sector-specific measurement basis, the current operational value, which the Board has adopted in the measurement of its assets and liabilities. The impact on the Board's financial statements has therefore arisen mainly through the application of the enhanced measurement guidance, the consistent treatment of transaction costs and the related disclosures.*

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.

IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. *The Standard will significantly change how the Board accounts for revenue. The Board will be required to re-assess all its revenue streams — including government grants and transfers and other revenue — under the new classification model, and to recognize revenue from binding arrangements with performance obligations only as those obligations are satisfied, which may change the timing of revenue recognition and result in the recognition of liabilities for amounts received before the related obligations are fulfilled. Enhanced disclosures on the nature, amount and timing of revenue will also be required. The Board will assess the full impact on each revenue stream and quantify any transition adjustments ahead of the effective date.*
IPSAS 48- Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. *The provision of transfers is not a major activity of the Board; however, on rare occasions the Board may donate unused assets and inventory to other government agencies, and the Standard would apply to such transactions. The impact on the Board's financial statements is therefore expected to be limited to the recognition, measurement and disclosure of such occasional transfers, with no significant effect on the Board's financial position or performance. The Board will apply the Standard to any qualifying transfer expense transactions from its effective date.*
IPSAS 49- Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

	The Board does not operate an in-house retirement benefit plan; its employees' retirement benefits are administered by an independent scheme which prepares its own financial statements. Accordingly, the Standard will have no impact on the recognition or measurement of the Board's assets, liabilities, revenue or expenses, and no changes to the Board's financial statements are expected upon adoption. The Board will continue to account for its contributions to the scheme as an expense in accordance with IPSAS 39, Employee Benefits.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. *The Board does not engage in the exploration for or evaluation of mineral resources and does not incur any related expenditure. Accordingly, the Standard will have no impact on the recognition or measurement of the Board's assets, liabilities, revenue or expenses, and no changes to the Board's financial statements are expected upon adoption.*
IPSAS 51: Tangible Natural Resources Held for Conservation	***Applicable 1st January 2028*** The objective of this Standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation. *The Board's assets are administrative in nature, and PSASB does not hold any naturally occurring tangible assets managed for conservation purposes. Accordingly, the Standard will have no impact on the recognition or measurement of the Board's assets, liabilities, revenue or expenses, and no changes to the Board's financial statements are expected upon adoption.*
IPSASB SRS 1: Climate Related Disclosures	Applicable 1st January 2028 This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets.

	The impact will be on the Board's annual reporting, where the Environmental and Sustainability Reporting (ESR) section will become more detailed than is currently the case, to capture climate-related disclosures on the risks and opportunities arising from the Board's activities and operations. Given the administrative nature of the Board's operations, climate-related risks are assessed as limited, mainly to physical risks to premises and operational continuity. The Board is putting in place governance structures, risk management integration and emissions measurement capacity to support the enhanced disclosures and will apply the Standard from its effective date.

iii. Early adoption of standards

The Board did not early adopt any new standard during FY2025/26.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably.

Unconditional recurrent grants are recognised in the statement of financial performance.

Other revenues

Other revenue for the board includes interest income earned on cash balances at month-end. The board recognizes such income once it is earned.

ii) Budget information

The original budget for FY 2025-2026 was approved by the National Assembly in June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board. The Board's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

b. Taxes

i. **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount

expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Board operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c. Property, plant, and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.Depreciation on property, plant and equipment is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life. Depreciation is done quarterly with assets acquired in the course the quarter being depreciated from the subsequent quarter using the following annual rates;

Asset	Rate (%)
Computers, Computer Accessories and Infrastructure	33.33
Motor Vehicles	25
Furniture, Fittings and equipment	12.5

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The value of intangible asset is amortized over its useful life at a rate of 20% per annum using reducing balance method on quarterly basis.The useful life of the intangible assets is assessed as either finite or indefinite.

e. Leases

The Board early adopted IPSAS 43 – Leases with effect from 1 July 2024, replacing the previous IPSAS 13. The new standard introduces a comprehensive lessee accounting model that requires most leases to be recognized on the statement of financial position. The rental lease commencement date was 1st July 2024. According to IPSAS 43, at the commencement date of a lease, PSASB recognizes a lease liability, representing the present value of future lease payments, and a corresponding right-of-use (ROU) asset, measured at cost. Lease payments include fixed payments and exclude variable lease payments linked to future performance or usage. For purposes of discounting, PSASB applies an incremental borrowing rate of 12.5% per annum, as the interest rate implicit in the lease is not readily determinable.

f. Lease Liability

The lease liability is measured at the present value of lease payments over the non-cancellable lease term. As of the reporting date, the option to extend or renew the lease is not considered reasonably certain and therefore has not been included in the lease term. The ROU asset includes: the amount of the initial lease liability, lease payments made at or before the commencement date, initial direct costs, and an estimate of costs to dismantle or restore the leased premises (if any), less any lease incentives received. The ROU asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, unless it is reasonably certain that ownership will transfer to PSASB at the end of the lease term. The asset is also assessed for impairment in accordance with IPSAS 21 or IPSAS 26. Subsequently, the lease liability is measured at amortized cost using the effective interest method and reduced by lease payments. Interest expense is recognized in the statement of

financial performance. Leases of 12 months or less and leases for low-value assets are not recognized on the statement of financial position but are instead expensed on a straight-line basis over the lease term.

g. Financial instruments

IPSAS 41 addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting, and a new impairment model for financial assets. PSASB does not have any hedge relationships; therefore, the new hedge accounting rules have no impact on the entity's financial statements. A financial instrument is any contract that gives rise to one entity's financial asset and another's financial liability or equity instrument. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit. These transaction costs are directly attributable to the acquisition or issue of the financial asset or financial liability.

1. Financial assets

Classification of financial assets

An entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments. The Board's financial assets are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

Subsequent measurement

Based on the business model and the cash flow characteristics, the Board classifies and measures its financial assets at amortized cost.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at amortised cost less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The Board assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Board recognizes a loss allowance for such losses at each reporting date where applicable.

2. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Board.

i. Provisions

Provisions are recognized when the Board has a present obligation (legal or constructive) as a result of a past event, 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 of the amount of the obligation. Where the Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

j. Contingent liabilities

The Board does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

k. Contingent assets

The Board does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l. Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. Currently, the Board's retained earnings comprise the surplus from prior periods.

m. Changes in accounting policies and estimates

The Board recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

n. Employee benefits

Retirement benefit plans

The Board provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Board pays fixed contributions into a separate Board (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

o. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

p. Related parties

The Board regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

NOTES TO THE FINANCIAL STATEMENTS

q. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held in various commercial banks at the end of the financial year.

r. Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

s. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2026.

NOTES TO THE FINANCIAL STATEMENTS

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Board's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Judgments, estimates and assumptions are as discussed below:

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

i) The condition of the asset based on the assessment of experts employed by the Board.

ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

iii) The nature of the processes in which the asset is deployed.

iv) Availability of funding to replace the asset.

v) Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

d) Provision for bad debts

It is the board's policy to assess the impairment of individual debts on an annual basis and provide for each of them on the prevailing circumstances.

NOTES TO THE FINANCIAL STATEMENTS

6. Transfers from the National Treasury

a) Transfer from the National Treasury

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Unconditional grants		
Operational grants, Quarter 1	60,147,500	160,147,500
Operational grants, Quarter 2	60,147,500	160,147,500
Operational grants, Quarter 3	60,147,500	160,147,500
Operational grants, Quarter 4	60,147,500	160,147,500
Total government grants and subsidies	**240,590,000**	**640,590,000**

The Board received all the allocated and approved funds during FY2025/2026.

b) Transfers from the National Treasury as Recognised

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 30 June 2026	Prior Period 30 June 2025
	KShs	KShs	KShs	KShs	KShs
The National Treasury and Economic Planning	240,590,000	-	-	240,590,000	640,590,000
Total	**240,590,000**	**-**	**-**	**240,590,000**	**640,590,000**

7. Grants from other Government Entities

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
PFMR Funding	5,981,800	5,325,000
Total	**5,981,800**	**5,325,000**

During the year, the Board participated in preparing a work plan with the Public Finance Management Reforms (PFMR) for areas of reform as per their strategic plan. The approved work plan had activities costing KShs. 10.33 million out of which about KShs. 5.98 million was utilized to develop the IPSAS 48 guidelines and to train the School Auditors in the Ministry of Education.

The 4.35 million balance was not funded despite being included in the approved work plan due to reduced PFMR budgets for the same period.

8. Other Income

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Interest Income from Co-operative Bank of Kenya	7,862,641	9,961,641
Decrease in prior year provisions	19,079	592,044
Total Other income	**7,881,720**	**10,553,685**

Interest income relates to income earned during the year from the monthly closing bank balances on the account held at the Co-operative Bank of Kenya. These are gross amounts before withholding income tax. The additional income results from the reduction in prior year provisions upon settlement.

9. Use of Goods and Services

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Training	16,133,196	27,001,323
Insurance	11,879,251	10,697,956
Hire of conference facility costs	8,517,256	9,203,984
Software Licenses	5,541,141	13,427,096
Telecommunication and postage	2,739,322	3,244,883
General supplies, Accessories for computer and printers	2,024,600	2,170,955
Fuel and oil	1,715,761	1,997,315
Printing and stationery	992,254	1,950,782
Parking Costs	871,680	871,680
Bank charges & Commission	840,310	1,059,918
Electricity	695,932	628,763
CSR activities	664,700	731,525
Internet Connections	512,256	512,256
Advertising and Publicity	500,138	6,693,746
Newspaper and periodicals	443,234	-
Subscriptions fees	398,189	426,204
Specialist materials (Library books)	-	17,992,658
Total	**54,449,220**	**98,611,044**

NOTES TO THE FINANCIAL STATEMENTS

The use of goods and services expenditures included hospitality and catering, advertising and publicity, insurance, training, fuel and oil, and, significantly, software licenses, which resulted from the acquisition of ICT infrastructure to facilitate process automation and to maintain the existing infrastructure with required updates and security enhancements. Software costs also decreased due to the non-purchase of license upgrades and payment for new licenses during the financial year. Training costs decreased due to limiting the number of training and continuous professional development (CPD) programmes for the year per staff member. In addition, specialist material costs decreased because the purchase of GIAS and IFRS books for distribution to public sector entities transitioning to accrual accounting was not undertaken during the period.

10.Employee Costs

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Salaries and wages	54,402,451	55,291,651
Employer contribution to pension scheme	7,177,247	7,077,977
Housing allowance	12,009,000	12,531,134
Social contributions	1,447,382	906,850
NITA employer	18,500	19,250
Housing Levy Employer	999,213	1,012,953
Gratuity	5,191,235	3,022,646
Employee costs	**81,245,027**	**79,862,461**

Increased staff costs are largely due to the annual increases to staff in line with the salary structure.

NOTES TO THE FINANCIAL STATEMENTS

11. Board Expenses

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Chairman/Directors' Honoraria	720,000	720,000
Board sitting allowance	7,679,855	7,693,000
Board Member's Medical Insurance	766,029	734,864
Induction and Training	6,142,591	4,317,880
Travel and accommodation	11,845,635	13,173,664
Total	**27,154,110**	**26,639,408**

During FY 2025/2026, the Board of Directors aligned the training and development activities with the approved Board Almanac for the year.

12. Travel and Subsistence Costs

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Travel cost	5,178,331	4,289,864
Daily Subsistence Allowance	33,163,167	30,046,964
Total travel and subsistence cost	**38,341,498**	**34,336,828**

The travel and subsistence costs relate to expenses incurred for the mid-year review of the strategic plan, onboarding e-GP training, reviewing HR Instruments with PSC, setting targets, staff capacity development, development of policies, and continuous professional development, which occurred during the period. The staff capacity development and continuous professional development plans for FY 2025/2026 have been conducted, and 98% of the staff have attended the training.

NOTES TO THE FINANCIAL STATEMENTS

13. Depreciation and Amortization Expense

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Property, plant, and equipment	6,595,405	6,559,981
Intangible assets	1,454,096	1,785,249
Right of use -Depreciation	7,099,513	7,099,513
Total depreciation and amortization	**15,149,014**	**15,444,743**

14. Standard Development, Monitoring, and Evaluation Expenses

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Standard Development and capacity building Expenses	216,681,769	304,680,852
Promoters' contributions	4,376,000	4,000,000
Evaluation expenses	22,906,257	32,458,200
Total Standard Development, Monitoring and Evaluation	**243,964,026**	**341,139,052**

Standard development, monitoring, and evaluation costs relate to standard-setting, monitoring compliance, and capacity building for public entities in relation to the adoption of standards, guidelines, and frameworks prescribed by the Board from time to time. The Board undertook sensitisation programs for public entities throughout the financial year. This includes training of accountants and internal auditors on standards, guidelines, and frameworks prescribed, development of accounting and internal audit guidelines and frameworks, training of internal audit committees in the public sector, technical assistance provided to entities that require technical support and capacity building of public entities to transition from cash to accrual accounting. The decrease in dissemination costs resulting from reduced sensitisation activities in preparation for the transition to accrual accounting in public sector entities, which were undertaken virtually. Evaluation costs relate to the Financial Reporting Excellence Award (FiRe Award) activity and the Internal Audit and Risk Awards conducted in the year. The total number of entities evaluated for FiRe Awards was one thousand three hundred and eighty-nine (1389) compared to one thousand and twenty (1020) entries from the public sector in the previous year. This number is higher by three hundred and sixty-nine (369) in the previous year, indicating an

increase in the number of public entities participating in the award. In addition, the board conducted the 3rd Internal Audit and Risk Awards. The event drew 267 initial participants, with 133 successfully completing the rigorous application process. PMFR activity costs are also included in this programme. These activities are funded by the Public Finance Management Reform (PFMR) Secretariat to promote accountability in the public sector.

15. Repairs and Maintenance

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Motor Vehicles	1,505,886	1,020,717
Furniture and fittings	-	18,500
Computers and Accessories	7,885,697	5,358,188
Total repairs and maintenance	**9,391,583**	**6,397,405**

The cost comprises motor vehicle repair and maintenance resulting from overhauling the engine and gearbox of the one of the PSASB's vehicles. Computer and accessory costs increased due to the upgrading of the Local Area Network for the Office and the replacement of security systems during the year.

16. Contracted Services

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Security Cost	751,680	751,680
Contracted professional services	16,826,435	7,583,750
Accrued Audit fees	500,000	500,000
Total contracted services	**18,078,115**	**8,835,430**

The cost of contracted services includes cleaning, audit, and professional services. The increase in costs is a result of the research undertaken during the period on the adoption of Accounting, Internal Audit, and Risk Management standards in the public sector, covering 2019 -2024. Legal and governance audits were also conducted during the year hence also contributing to the increased costs.

NOTES TO THE FINANCIAL STATEMENTS

17.Finance Costs

Description	Year ended 30th June 2026 KShs	Year ended 30th June 2025 KShs
Interest on Lease Contracts	4,094,901	3,487,986
Total finance costs	**4,094,901**	**3,487,986**

The finance cost relates to interest on lease contracts emanating from the lease of office space at CPA Centre, effective date being 1st July 2024, for a period of six (6) years.

18.Taxation

Description	Year ended 30 June 2026 KShs	Year ended 30 June 2025 KShs
Interest Income from Co-operative Bank of Kenya	7,862,641	9,961,641
Withholding tax at source 15%	1,179,396	1,494,246
Tax Paid (15% of Net Interest Income)	**1,179,396**	**1,494,246**

The tax paid is the withholding tax at source of fifteen per cent (15%) paid on interest income received from the Co-operative Bank of Kenya Ltd. Interest for the period decreased due to lower bank balances.

19.Cash and Cash Equivalents

Description	Year ended 30 June 2026 KShs	Year ended 30 June 2025 KShs
Current account	128,818,661	357,617,791
Staff pension & gratuity account	9,000	-
Total cash and cash equivalents	**128,827,661**	**357,617,791**

NOTES TO THE FINANCIAL STATEMENTS

(a) Detailed analysis of the cash and cash equivalents

Description/Financial institution	Account number	Year ended 30 June 2026	Year ended 30 June 2025
		KShs	KShs
a) **Current account**			
Cooperative Bank of Kenya	01141xxxxx1000	128,818,661	357,617,791
Cash in hand		-	-
Sub- total		**128,827,661**	**357,617,791**
b) Others(specify)			
Staff pension & gratuity account	01141xxxxx1001	9,000	-
Sub- total		**128,827,661**	**357,617,791**
Grand total		**128,827,661**	**357,617,791**

The cash balances result from the remaining funds during the year. These funds are sufficient to settle outstanding liabilities for the period.

20. Receivables from Exchange Transactions

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Current receivables		
Staff debtors-Temporary Imprests	-	185,308
Salary advance	697,403	490,567
Total current receivables	**697,403**	**675,875**

Staff debtors relate to salary advances at the end of the financial year. The increase is the result of salary advances granted to members of staff in accordance with the human resource policy section 4.8. In addition, the balances conform to the policy requirement in section 4.8.4, which states that an advance of salary will be made only to an employee who has served for more than one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

21. Prepayment

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Current payables		
Motor Vehicle Insurance and WIBA	311,432	268,913
Newspapers	260,357	257,265
Board of Directors -Medical Cover	263,072	678,336
Staff Medical Cover	7,400,744	7,586,263
Back-up Server services-Konza City	1,851,205	1,851,205
Total	**10,086,809**	**10,641,983**

Prepayments relate to medical and motor vehicle insurance prepaid during the year. They also include the prepayment for the online daily newspaper subscription. The decrease in staff medical cover is due to one (1) employee leaving during the period and to a reduction in prepayment of board medical cover, as the number of members who qualify for the medical cover decreased from three (3) to two (2) after the exit of one member in March 2026. The rest of the board members are covered by the nominating institutions.

22. Inventories

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Supplies & accessories for computers, printing, and communication	1,523,580	1,746,826
Office and General supplies & Hospitality expenses	3,762,288	3,445,268
Total inventories	**5,285,868**	**5,192,094**

Inventory Movement:

Item Description	Opening balance	Acquisitions	Issued	Closing
Supplies & accessories for computers, printing, and communication	1,746,826	-	(223,246)	1,523,580
Office and General supplies & Hospitality expenses	3,445,268	317,020	-	3,762,288
Total Inventory	**5,192,094**	**317,020**	**(223,246)**	**5,285,868**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Property, Plant and Equipment

(a) Current Year, FY 2025/2026

Description	Motor vehicles	Furniture and fittings	Computer	Office Equipment	Total
Depreciation Rate	**25%**	**12.50%**	**33.30%**	**12.50%**	
Cost	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
As at 1 July 2025	23,751,000	28,671,529	19,489,681	17,161,733	89,073,943
Additions	-	-	-	4,048,265	4,048,265
As at 30th June 2026	**23,751,000**	**28,671,529**	**19,489,681**	**21,209,998**	**93,122,208**
Depreciation and Impairment					
As at 1 July 2025	**19,503,633**	**13,811,405**	**11,547,972**	**7,452,473**	**52,315,484**
Depreciation	966,377	1,773,710	2,334,129	1,521,189	6,595,405
As at 30th June 2026	**20,470,010**	**15,585,115**	**13,882,101**	**8,973,662**	**58,910,889**
Net Book Value as at 30th June 2026	**3,280,990**	**13,086,414**	**5,607,581**	**12,236,336**	**34,211,319**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Previous Year, FY 2024/2025

Description	Motor vehicles	Furniture and fittings	Computer	Office Equipment	Total
Depreciation Rate	**25%**	**12.50%**	**33.30%**	**12.50%**	
Cost	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
As at 1 July 2024	23,751,000	28,671,529	14,580,382	16,731,161	83,734,072
Additions	-	-	4,909,300	430,572	5,339,872
As at 30th June 2025	**23,751,000**	**28,671,529**	**19,489,681**	**17,161,733**	**89,073,943**
Depreciation and Impairment					
As at 1 July 2024	**18,252,622**	**11,808,193**	**9,513,929**	**6,180,759**	**45,755,503**
Depreciation	1,251,012	2,003,212	2,034,043	1,271,715	6,559,981
As at 30th June 2025	**19,503,633**	**13,811,405**	**11,547,972**	**7,452,473**	**52,315,484**
Net Book Value as at 30th June 2025	**4,247,367**	**14,860,124**	**7,941,710**	**9,709,259**	**36,758,459**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24.Right of Use Asset

Description	Period Ended 30th June 2026	Period Ended 30th June 2025
Right of Use Asset as at the beginning of the year	35,497,563	42,597,075
Depreciation for the year	(7,099,513)	(7,099,513)
Right of Use Asset at the close of the year	**28,398,050**	**35,497,563**

Right of use is determined by the contract lease of leasing office space at CPA Centre for a period of six years beginning 1st July 2024. The amount recognized at inception is the present value of future rental expenses for the same period, discounted at the incremental borrowing rate of 12.5% p.a., as an annuity. The amortization table is as shown below:

Amortization schedule

Year	Lease Payment	Interest Expense	Principal Repayment	Lease Liability Closing Balance	Depreciation Expense
01-07-2025	2,439,202	1,085,618	1,353,584	34,974,671	1,774,878
01-10-2025	2,439,202	1,045,168	1,394,034	33,580,637	1,774,878
01-01-2026	2,439,202	1,003,509	1,435,692	32,144,945	1,774,878
01-04-2026	2,439,202	960,606	1,478,596	30,666,349	1,774,878
Total (2025/2026)	**9,756,806**	**4,094,901**	**5,661,905**		**7,099,513**
01-07-2024	2,439,202	-	2,439,202	40,157,873	1,774,878
01-10-2024	2,439,202	1,200,061	1,239,141	38,918,733	1,774,878
01-01-2025	2,439,202	1,163,031	1,276,171	37,642,562	1,774,878
01-04-2025	2,439,202	1,124,894	1,314,307	36,328,254	1,774,878
Total (2024/2025)	**9,756,806**	**3,487,986**	**6,268,821**		**7,099,513**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25.Intangible Assets

(a) Current Year: FY 2025/2026

Description/Rate	Indefinite life	Definite life	Work in Progress	Total
Cost	**N/A**	**20%**	**N/A**	
As at 1 July 2025	**-**	**7,839,056**	**5,299,000**	**13,138,056**
Additions	-	-	285,600	285,600
As at 30th June 2026	**-**	**7,839,056**	**5,584,600**	**13,423,656**
				-
Depreciation and Impairment				-
As at 1 July 2025(				
Amortization	-	(1,454,096)	-	**(1,454,096)**
As at 30th June 2026	**-**	**(1,454,096)**	**-**	**(1,454,096)**
Net Book Value as at 30th June 2026	**-**	**6,384,960**	**5,584,600**	**11,969,560**

The work-in-progress intangible asset relates to the internally developed Capacity Development Management Information System (CDMIS). Once completed, this system will enhance engagement with public-sector accountants through auditors by providing an e-learning platform. It is being developed internally with the support of the ICT Authority.

NOTES TO THE FINANCIAL STATEMENTS

(b) Previous Year: FY 2024/2025

Description/Rate	Indefinite life	Definite life	Work in Progress	Total
Cost	N/A	20%	N/A	
As at 1 July 2024	-	9,624,305	-	9,624,305
Additions	-	-	5,299,000	5,299,000
Disposals	-	-	-	-
Transfers/Adjustments	-	-	-	-
Revaluation Adjustments	-	-	-	-
As at 30th June 2025	-	9,624,305	5,299,000	14,923,305
				-
Depreciation and Impairment				-
As at 1 July 2024				-
Amortization	-	(1,785,249)	-	(1,785,249)
Impairment	-	-	-	-
Transfers/Adjustments	-	-	-	-
As at 30th June 2025	-	(1,785,249)	-	(1,785,249)
Net Book Value as at 30th June 2025	-	7,839,056	5,299,000	13,138,056

26. Trade and Other Payables

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Current payables		
Trade payables	6,493,311	1,488,809
Provisions	1,081,357	65,000
Provision of Audit fees	500,000	500,000
PPRA Levy	18,695	-
Staff payables	47,882	-
PAYE and Other Payroll Liabilities	-	1,886,312
Customer Deposits	9,000	-
Total current payables	**8,150,246**	**3,940,121**

Trade and other payables comprise electricity bills, Trade payables, provision of audit fees for FY 2025/2026, PPRA Levy, staff claims, payroll liabilities and customer refunds from disposal processes for FY 2025/2026. Provisions include expenses for goods and services offered to the board, but invoices have not been delivered and cannot be reliably measured. All

registered payables are listed below, and the board is able to settle them in the preceding period.

27.Lease Liability

Description	Period ended 30th June 2026 KShs	Period ended 30th June 2025 KShs
At the beginning of the year	**36,328,254**	**42,597,075**
Lease principal repayment for the period	(5,661,905)	(6,268,821)
Lease Principal Liability	**30,666,349**	**36,328,254**

Comprising:

Description	Period ended 30th June 2026 KShs	Period ended 30th June 2025 KShs
Lease Principal liability	30,666,349	36,328,254
Less: Current Lease Liability	(6,369,643)	(5,661,905)
Non-current Lease Liability	**24,296,706**	**30,666,349**

28.Cash Generated from Operations

Description	Period ended 30th June 2026 KShs	Period ended 30 June 2025 KShs
(Deficit)/Surplus for the period before tax	**(237,413,973)**	**41,714,330**
Adjusted for:		
Depreciation	15,149,014	15,444,743
Non-cash grants received	(5,981,800)	(5,325,000)
Tax on Interest income deducted at source	(1,179,396)	(1,974,140)
Non-cash expenses	5,981,800	5,325,000
Working Capital adjustments.		
Increase in inventory	(93,774)	(968,598)
Increase/decrease in receivables	(21,528)	654,168
Decrease/increase in prepayments	734,211	(1,077,218)
Increase in payables and accruals	4,031,087	2,839,607
Finance lease interest payment	4,094,901	-
Net cash flow from operating activities	**(214,699,459)**	**56,632,892**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Financial Risk Management

The Board's activities expose it to a variety of financial risks, including credit and liquidity risks, and effects of changes in foreign currency. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Board does not hedge any risks and has policies in place to ensure that credit is extended only to customers with an established credit history.

The Board's financial risk management objectives and policies are detailed below:

i) Credit risk

The Board has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, deposits with banks, and trade and other receivables. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Board's management based on prior experience and their assessment of the current economic environment The carrying amount of financial assets recorded in the financial statements, representing the Board's maximum exposure to credit risk without taking account of the value of any collateral obtained, is made up as follows:

Description	Total amount KShs	Fully performing KShs
At 30 June 2026		
Receivables from - exchange transactions	-	-
Staff debtors	697,403	697,403
Bank balances	128,827,661	128,827,661
Total	**129,619,564**	**129,619,564**
At 30 June 2025		
Receivables from - exchange transactions	10,641,983	10,641,983
Staff debtors	2,294,975	2,294,975
Bank balances	357,617,893	357,617,893
Total	**370,554,659**	**370,554,659**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The fully performing category is active and realizable receivables. The credit risk associated with these receivables is minimal, and the allowance for uncollectible amounts recognized by the Board in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors, through the risk management framework, sets the Board's credit policies and objectives and establishes parameters within which the various aspects of credit risk management are carried out.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board's directors, who have established an appropriate liquidity risk management framework to meet the Board's short, medium], and long-term funding and liquidity requirements. The board manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Board under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30th June 2026				
Trade payables	8,150,246	-	-	8,150,246
Lease Liability		1,522,782	29,143,567	30,666,349
Total	**8,150,246**	**1,522,782**	**29,143,567**	**38,816,595**
At 30th June 2025				
Trade payables	3,940,121	-	-	3,940,121
Lease Liability		1,353,584	34,974,670	36,328,254
Total	**3,940,121**	**1,353,584**	**34,974,670**	**40,268,375**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Board on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, and foreign exchange rates which will affect the Board's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Board's Directorate of Corporate Services is responsible for the development of detailed risk management policy and for the day-to-day implementation of those policies. There has been no change to the Board's exposure to market risks or the manner in which it manages and measures the risk.

iv) Foreign currency risk

The Board has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Board manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments. The Board did not have foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

v) Interest rate risk

Interest rate risk is the risk that the Board's financial condition may be adversely affected as a result of changes in interest rate levels. The Board's interest rate risk arises from bank deposits. This exposes the Board to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Board's deposits.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates on its deposits.

Sensitivity analysis

The Board analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end-of-year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by 1% percentage point, resulting in a decrease/increase of KShs **78,626** (2025: KShs **99,616**). A 5% rate increase/decrease would result in a corresponding increase/decrease in profit before tax of KShs **393,132** (2025: KShs **498,082**).

vi) Capital Risk Management

The objective of the Board's capital risk management is to safeguard the Board's ability to continue as a going concern. The Board capital structure comprises of the following funds:

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Retained earnings	180,660,075	419,253,445
Debt	-	-
Total funds/Net Assets	**180,660,075**	**419,253,445**
Gearing	**0**	**0**
Percentage	**0%**	**0%**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Board include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Description	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Transactions with related parties		
a) Grants from the Government		
Grants from National Treasury & Planning	240,590,000	640,590,000
Grants from PFMR	5,981,800	5,325,000
Total	**246,571,800**	**645,915,000**
b) Amounts due from Related Parties	-	-
c) Amounts due to Related Parties		
Kenya Airways	2,884,080	239,070
Kenya School of Government -EMBU	2,287,520	-
Kenya Utalii Hotel	292,500	-
Kenyatta International Conference Centre	170,780	-
Government Advertising Agency-MyGov	-	615,135
Total	**5,634,880**	**854,205**
d) Key management compensation		
Board of Directors' emoluments	8,399,855	8,413,000
Payments for Board of Directors transport and other expenses	18,666,564	18,226,408
Compensation to key management	14,822,971	14,422,341
Total	**41,889,390**	**41,061,749**

NOTES TO THE FINANCIAL STATEMENTS

Government of Kenya

The Government of Kenya is the principal shareholder of the Board, holding 100% of the Board's equity interest.

Other related parties include:

i) The National Treasury and Planning
ii) National Government State Corporations
iii) Other Ministries, Departments and Agencies
iv) County Governments
v) Semi-Autonomous Government Agencies
vi) Key management; and
vii) Board of Directors

31. Capital Commitments

Capital commitments	Year ended 30 June 2026	Year ended 30 June 2025
	KShs	KShs
Authorised for	-	-
Authorised and contracted for	6,996,230	-
Total	6,996,230	-

As at 30 June 2026, the Board had outstanding capital commitments relating to the procurement of ICT equipment and consumables, printing and publishing services, software subscriptions, ICT infrastructure support, branding materials, office equipment and conduct of legal audit, for which procurement processes were at various stages of completion. These commitments primarily support the Board's digital transformation initiatives, statutory reporting requirements, operational efficiency, and institutional visibility, and will be financed through the approved budget upon completion of the respective procurement processes.

32. Events after the Reporting Period

There were no adjusting or non-adjusting events after the reporting period.

33.Ultimate And Holding Entity

The Public Sector Accounting Standards Board is a Semi-Autonomous Government Agency under the Ministry of National Treasury and Planning. Its ultimate parent is the Government of Kenya.

34.Currency

The financial statements are presented in Kenya Shillings (KShs).

18. Appendix

APPENDIX I: Implementation Status of Auditor-General's Recommendations

The Board received a clean audit report. However, the auditor had the following emphasis and key audit matter, which management implemented in the financial year.

Reference No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
A.	**Emphasis of Matter**			
a)	Under-absorption of budget and the potential impact on service delivery	Management reviewed budget implementation processes to improve execution by incorporating the balance of activities from the prior year. The budget absorption improved in the current financial year	Resolved	N/A
b)	Failure to meet targets in the annual workplans	Unachieved activities were prioritized in the current year's work plan. These were implemented prior to the current year's activities	Resolved	N/A
B.	**Lawfulness & Effectiveness in the Use of Public Resources**			
a)	Non-adherence to the requirements of the Data Protection Act, 2019	Management appointed the data protection officer upon recruitment of the Manager Legal and Board services. Also appointed is the alternate to the data protection officer. The board was also registered as data controller and processor.	Resolved	N/A
C.	**Effectiveness of Internal Controls, Risk Management & Governance**			
a)	Under staffing	Management got approval to recruit additional staff and address capacity gaps. After aligning with the recommended structure from public service commission - PSC, the Board shall recruit the staff to support IPSAS implementation.	In progress	Q2 FY 2026/27
b)	Weakness in operating environment	The National Treasury approved the appointment of substantive CEO.	Resolved	N/A

Chief Executive Officer

Date: 14/07/2026

APPENDIX II: Projects Implemented by The Board

There were no projects implemented by the PSASB Funded by development partners and/ or the Government during FY2025/2026.

APPENDIX III: Transfers from The National Treasury

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - Kshs	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Statement of financial position	Deferred Income	Others - must be specific	
National Treasury	18th September 2025	Recurrent	60,147,500	60,147,500	-	-	-	60,147,500
National Treasury	7th November 2025	Recurrent	60,147,500	60,147,500	-	-	-	60,147,500
National Treasury	13th February 2026	Recurrent	60,147,500	60,147,500	-	-	-	60,147,500
National Treasury	25th May 2026	Recurrent	60,147,500	60,147,500	-	-	-	60,147,500
Total			**240,590,000**	**240,590,000**	**-**	**-**	**-**	**240,590,000**

APPENDIX IV: Reporting of Climate-Relevant Expenditures

During the Year ended 30th June 2026, Board sponsored and planted 10,000 tree seedlings at a cost of KShs 300,000, contributing to national efforts to restore forest ecosystems, enhance biodiversity, and mitigate the effects of climate change.

APPENDIX IV: Disaster Expenditure Reporting Template

The board did not incur any expenditures relating to any disasters within the Year ended 30th June 2026.