

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**PUBLIC SECTOR ACCOUNTING
STANDARDS BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2022**



Republic of Kenya



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

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

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1. KEY BOARD INFORMATION AND MANAGEMENT

a) Background information

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

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

Vision Statement

Globally acceptable standards on public sector financial accountability.

Mission Statement

To prescribe and promote adoption of financial reporting, internal auditing, and risk management standards in the public sector

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Core Values

1	Integrity:	Honest, ethical, and forthright behavior in relationships with all stakeholders
2	Professionalism:	Recognizing that we must uphold professional accounting and internal audit conduct and ethics in all our activities
3	Responsiveness:	The Board is committed to participatory approach and remain customer-focused in delivery of its mandate
4	Teamwork and Collaboration:	Our teams work in close collaboration with each other
5	Transparency:	An open process that encourages and values public participation in setting Public Sector standards

Principal Activities

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

- a) Set generally accepted accounting and financial system 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 Act.
- d) Prescribe format 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 the 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.

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b) Key Management

The Board is supported in its functions by a full time Secretariat which has been set up pursuant to Section 193 (5) of the PFM Act, 2012. The Secretariat provides administrative and technical support to the Board and its committees in the execution of its mandate and functions. Senior Staff members who served in the Secretariat during the year are as follows:

No.	Name of the Staff	Responsibility
1.	FCPA Fredrick Riaga	Chief Executive Officer
2.	CPA Georgina Muchai	Director, Accounting Standards
3.	CPA Jabes Odhiambo	Manager, Finance and Accounts
4.	CPA Linda Nyageng'o	Manager, Internal Audit Standards
5.	CPA Stanley Igati	Manager, Accounting Standards

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	FCPA Fredrick Riaga
2.	Director, Accounting Services & Acting Director Training and Corporate Services	CPA Georgina Muchai
3.	Manager, Finance and Accounts	CPA Jabes Odhiambo
4.	Manager, Internal Audit Standards	CPA Linda Nyageng'o
5.	Manager, Accounting Standards	CPA Stanley Igati
6.	Principal Officer, Internal Audit Standards	CPA Rose Sambu

d) Fiduciary Oversight Arrangements

THE BOARD OF DIRECTORS

The Board of Directors has the overall responsibility to ensure the achievement of the strategic objectives and mandate of the organisation as set out under the PFM Act. 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 given to management who are responsible for the day-to-day operations of the organisation to achieve commonality of 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**

e) Other Board's Key details

i. Headquarters

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

ii. Contacts

Telephone: (254) 020 251 1557/0757924842

E-mail: info@PSASB.go.ke.

Website: www.PSASB.go.ke.

Facebook: <https://www.facebook.com/PSASB/254/>.

LinkedIn: <https://www.linkedin.com/company/PSASBkenya>.

Twitter: <https://twitter.com/PSASBKe>.

iii. Bankers

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

iv. Independent Auditors

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

v. Principal Legal Adviser

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

2. THE BOARD MEMBERS

Section 193 of the PFM Act stipulates the constitution of the Board as nine (9) members from representative Public Finance Management Institutions and Professional Bodies. The first term of the first board members having ended on 20th February 2020, four new members of the Board were subsequently appointed with effect from 8th October 2021. Five other members were appointed effective from 1st April 2022. The Board Members of the Public Sector Accounting Standards Board as constituted are as highlighted below:



**FCPA Pius M. Nduatih, OGW
Board Chairman**

FCPA Pius Nduatih is the immediate former Chief Executive Officer (CEO) of KASNEB. He had earlier joined KASNEB as Chief Officer Finance. Prior to that, he had served as Head of Finance with the Commission for Higher Education (now Commission for University Education), Finance Officer, Kenya Science Teachers College and as Accountant, Kenya Railways Corporation. He holds a BCom degree from the University of Nairobi and an MBA degree from the University of Leeds (UK) and is a trained Corporate Governance Trainer, Board Evaluator and accredited Governance Auditor. Currently, Pius is a Consultant with

Dorion Associates LLP and a facilitator for Women on Boards Network. He is the Chairperson of the Audit Committee of the Ministry of Public Service, Gender, Senior Citizens Affairs and Special Programmes. . Pius 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). He is a member of the Kenya Institute of Management (KIM). He has previously served on various Boards, including Kenya National Examinations Council (KNEC), Kenya Education Management Institute (KEMI), ICPAK, ICS, ICIFA, RCPSB and the Academic Board of Kenya Institute of Curriculum Development (KICD). Pius was a member of the team that developed *Mwongozo: The Code of Governance for State Corporations*. In recognition of his contribution to national building, Pius was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency, The President of Kenya, in 2013. His appointment is with effect from 1st April 2022.

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CPA Stephen Masha
Board Member

CPA Stephen Masha is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Mr. 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 member of the Institute of Certified Public Accountants of Kenya (ICPAK), where he recently served as the convener of Public Finance Sub-committee and a member of the Devolution and Branches Work stream and the Public Policy and Governance Committee. Mr. Masha has over 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. Mr. Masha is a member of the Geneva-based UNAIDS Advisory Group (UAG) 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. At the Board, CPA Masha is a member of the Accounting Standards Committee and Audit and Risk Assurance Committee. His appointment is with effect from 6th October 2021.



CPA Mary Kimanzi Koki
Board Member

CPA Mary Koki Kimanzi is the County Executive Committee Member (CECM) for Finance and Socio-Economic Planning and Head of County Treasury at the Government of Makueni County. Mary has over 20 years' experience in public finance management. She holds a Master of Business Administration in Finance from the University of Nairobi and a Bachelor of Business Administration (Finance and Accounting) from Kenya Methodist University. She is a Certified Public Accountant, CPA (K) and a Member of the Institute of Certified Public Accountants in Kenya (ICPAK). She is currently pursuing

Master's degree in Public Policy and Management at the Strathmore Business School. She represents the Inter- Governmental Budget and Economic Council in the Board with effect from 3rd August 2018. At the Board, CPA Mary is a member of the Governance & Strategy Committee and Accounting Standards Committee. She was re-appointed to serve a second term of three years with effect from 1st April 2022.



FCPA Nicholas Letting', PhD
Board Member

FCPA DR. Nicholas K. Letting', Ph.D., EBS, HSC, currently the Kenya Accountants and Secretaries National Examination Board (KASNEB) Secretary/Chief Executive Officer and is the immediate past Vice – Chancellor/Chief Executive Officer of the Management University of Africa (MUA). He joined KASNEB on 2nd May 2019. He is responsible for providing strategic leadership to KASNEB fraternity. He is a member of Public Sector Accounting Standards Board (PSASB) representing the Association of Professional Societies of Eastern Africa (APSEA).

He holds a Doctor of Philosophy (PhD) in Business Administration (Strategic Management), MBA and B. Com Degrees from the University of Nairobi. He is a holder Final Certificates from KASNEB as follows: Certified Public Accountant (CPA); Certified Public Secretary (CPS) and Certified Investments and

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Financial Analyst (CIFA). He holds several short – term Certificates from Kenya School of Government and Strathmore Business School. He has over 24 years' experience in industry and academia in both private and public sector organizations having worked with KASNEB, MUA, KIM and BAT Kenya. As an industry practitioner, he has been a CEO for over 10 years. As a scholar, he has taught in several Universities in Kenya and has facilitated in several international conferences, published widely in refereed Journals and supervised several PhD and Masters Students in both public and private Universities. He is External Examiner at the University of Nairobi and Honorary Treasurer at APSEA. He has travelled widely to over 10 countries globally on to attend seminars and workshops and for exchange programmes. For his contribution to the development of the country, in 2020 he was awarded the Elder of the Order of the Burning Spear (EBS) and the Head of State of Commendation (HSC) in 2012. He is an active contributor in governance, Education and Training Sectors in University and Technical Training Institutions and occasionally presents on emerging issues on academia and corporate governance in both electronic and print media. He has been a Board/Council Member of several private and public sector organizations including the Kenya Institute of Curriculum Development (KICD) and the National Commission for Science Technology Innovations (NACOSTI). He was Chairman of the Institute of Certified Public Secretaries of Kenya (ICPSK) in 2014-2016. He is a Fellow of ICPAK, ICS and KIM and a Member in good standing of Institute of Certified Investments and Financial Analysts (ICIFA), Institute of Directors (IoD) and Institute of Human Resource Management (IHRM). He is a member of Council in ICPAK, ICS and ICIFA and chairs Audit, Risk and Compliance Committees. At the Board, FCPA Letting Chairs the Audit and Risk Assurance Committee and is a member of Internal Audit Standards Committee. He was re-appointed to serve another term of three years with effect from 1st April 2022

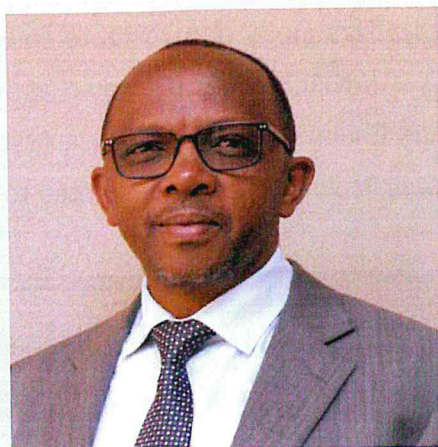
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CPA Sylvester Kiini
Board Member

CPA Sylvester Ngei Kiini holds an MBA and B. Com in Accounting from the University of Nairobi and currently pursuing PhD from the same university. He`s a member in good standing of the Institute of Certified Public Accountants and often facilitates ICPAK Workshops and Seminars. He boasts of thirty-two (32) solid years` experience in audit of which fifteen (15) years have been in private audit firms and seventeen (17) years at the Office of the Auditor General. He`s currently the Deputy Auditor General; Financial Audit Services at the OAG, a position he has held for the last seven (7) years. CPA Sylvester represents the Office of the Auditor General at the Board. At the Board, CPA Sylvester is a member of the

Accounting Standards and Internal Audit Committees of the Board. His appointment is with effect from 1st April 2022.



CPA Edwin Njamura
Board Member

CPA Edwin Njamura holds an Executive MBA from Moi University and a Bachelor of Commerce from the University of Nairobi. He joined the Capital Markets Authority in July 2012 as Director, Corporate Services. With tremendous support of CMA colleagues and the Board through its various organs, he has been instrumental in the development of the institutional capacity of the Authority by leading transformational programs and maintaining high standards around Accounting & Finance, Human Capital & Administration, Information Technology, and Procurement operations. Prior to this he was the Chief Finance Officer of

Deloitte Eastern Africa and Finance Manager of Deloitte Africa Board. His career spanning over 25 years has included working for other major brands such as Lonrho, Mitchell Cotts and Exxon (locally Esso). CPA Edwin sits on the Council of ICIFA – Kenya`s Institute of Certified Investment and Financial Analysts and is a pioneering committee member of the AIRC – Africa Integrated Reporting

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Council. He is also a member of the Institute of Certified Public Accountants of Kenya. CPA Edwin represents the Capital Markets Authority at the Board. At the Board, CPA Edwin Chairs the Governance & Strategy Committee and is a member of the Accounting Standards Committee. His appointment is with effect from 6th October 2021.



CPA Risper Olick is a resourceful and accomplished professional with over fifteen years work experience in financial management, administration, operations, compliance checks, and project management. Currently a consultant in finance and tax matters and is also studying for a Doctor of Business Administration (DBA) at USIU-A intending to specialize in Leadership and organization change. Until December 2020, she was the Finance and Administration Manager at Amnesty International Kenya where she worked for ten years and was able to among other things set up an efficient accounting system for the organization from scratch and rolled out an e-system that

enabled staff to work smoothly from home when Covid-19 struck. She was also the coordinator of the *Wapi Nduru* program that trained over 400 accountants on Safe whistle blowing in partnership with UNDP, Amnesty International Kenya and ICPAK among other partners. Previously she has also worked with World Vision Kenya in charge of Finance and Supply Chain in Nyanza, Western and part of the Rift Valley. CPA Risper currently serves ICPAK as a Council member and is the Chairperson of the Finance and Strategy Committee, a member of the Member Services Committee which she previously chaired, and also a member of Devolution work stream. She is the deputy chairperson Siaya County Assembly Audit committee. Previously she has also served in the board of Young Women Leadership Institute (YWLI) as a trustee and treasurer. CPA Risper represents ICPAK in the Board. At the Board, CPA Risper Chairs the Accounting Standards Committee and is a member of the Audit, Risk & Assurance Committee of the Board. Her appointment is with effect from 6th October 2021.



CPA Leonard Okoth Ouma
Board Member

CPA Leonard Okoth is an audit leader with over 16 years' experience in Assurance, Governance and Risk Management. He has extensive assurance and governance experience serving in various Boards and organisations across several sectors namely Telecommunication, Financial Services, Professional Audit Service and Public Sector. Leonard holds a Bachelor of Business Administration degree in Accounting from Maseno University and a Master's degree in Strategic Management from United States International University. He is also 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 a member of the Institute of Internal Auditors Kenya (IIA), Institute of Certified Public Accountants of Kenya (ICPAK), Information Systems Audit and Control Association (ISACA), Association of Certified Fraud Examiners (ACFE) and Institute of Directors Kenya. Currently, he is an Internal Audit Leader at Safaricom PLC and Board Secretary of the Institute of Internal Auditors Kenya. At the Board, CPA Leonard Chairs the Internal Audit Standards Committee and is a member of the Audit, Risk & Compliance Committee. His appointment is with effect from 1st April 2022.



CPA Rosemary Njogu
Board Member

CPA Rosemary Njogu represents the Institute of Certified Secretaries in the Board. She is a managing partner at Njogu Professional Consultants. She is a Certified Public Accountant-Kenya, Certified Public Secretary-Kenya, Chartered Global Management Accountant and Associates of Cost and Management Accountants (UK) professional. At the Board, CPA Rosemary is a member of the Governance & Strategy and Internal Audit Standards Committees. Her appointment is with effect from 6th October 2021.

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FCPA Fredrick Riaga
Secretary of the Board

FCPA Fredrick Riaga the Chief Executive Officer of the Public Sector Accounting Standards Board and secretary to the Board. FCPA Riaga has cumulative experience spanning twenty (20) years in private and public sectors. Prior to joining the Board, Fredrick was the Chief Manager, Public Policy and Research at the Institute of Certified Public Accountants of Kenya, a position he held for ten (10) years. While at ICPAK, he was the long serving Head of Secretariat of the East Africa Community Institute of Accountants; a platform for the regional Professional Accountancy Organizations to engage with the East Africa Community on policy matters informing regional integration, specifically on mobility of professional accountants within the region.

Fredrick had previously worked for PricewaterhouseCoopers, the University of Nairobi Enterprises and Services Limited and NIC Bank Limited. Fredrick is currently serving as a member of the County Executive Audit Committee for the County Government of Makueni, the first County Government to obtain an unmodified audit opinion from the Office of the Auditor General of the Republic of Kenya. He has also supported the elections processes at the Stima and Mwalimu National, the two leading SACCOs with joint asset base of close to KES 100 billion, as an affective member of their respective Nominations Committees. FCPA Fredrick Riaga holds an MBA in Finance, a Bachelor of Commerce degree with a major in Accounting, a registered professional accountant, a holder of IPSAS Certificate by ACCA and a member of the Institute of Internal Auditors of Kenya.


3. MANAGEMENT TEAM

Team Member	Member's Profile
	<p>FCPA Fredrick Riaga- Chief Executive Officer</p> <p>FCPA Fredrick Riaga was appointed the Chief Executive Officer and Secretary to the Board effective 1st August 2019. FCPA Riaga holds an MBA in Finance, a Bachelor of Commerce degree with a major in accounting both from the School of Business of the University of Nairobi and is a registered professional accountant and a member of ICPAK of good standing. He holds IPSAS Certification from ACCA. Prior to joining the Board, Mr. Riaga was the Chief Manager and Head of Public Policy and Governance the Institute of Certified Public Accountants (ICPAK). He has vast experience in public accounting having led ICPAK's advocacy in the areas of governance and accountability. He previously worked for PricewaterhouseCoopers, UNES Limited and NIC Bank.</p>
	<p>CPA Georgina Muchai Director, Accounting</p> <p>CPA Georgina is the Director, Accounting Standards at the Public Sector Accounting Standards Board. She joined PSASB in 2016 as a technical services advisor and appointed as Director Accounting Standards in June 2019. Prior to joining the PSASB, she worked as an external auditor for eight years with Deloitte and Touche, PKF East Africa and KK&CO. Georgina has a master's degree 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).</p>

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Team Member	Member's Profile
	<p>CPA Jabes Kotieno- Manager, Finance and Accounts</p> <p>CPA Jabes is a Chartered Certified Accountant (ACCA) and a Certified Public Accountant (CPA) with a master's degree in Business Administration (Finance) from the University of Nairobi. He has over fourteen years accounting and finance experience having worked in and with different corporate firms and organizations including Oshwal Education and Relief Board, Kapa Oil Refinery, Shankar investment Ltd among others. He has experience in Financial and Management Accounting, Taxation, Investment and Risk evaluation. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Chartered Certified Accountant (ACCA)</p>
	<p>CPA Linda Nyageng'o – Manager, Internal Auditing Standards</p> <p>CPA Linda holds MBA – Financial Management from University of Nairobi and B. Com (Accounting Option) from Kenyatta University. She also holds IPSAS Certification from ACCA. She is a Certified Public Accountant, Certified Public Secretary and is currently pursuing certification of internal audit (CIA). 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).</p>

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Team Member	Member's Profile
 A circular portrait of a man with short hair, wearing a white shirt, a dark tie, and a grey sweater. The background of the portrait is a light blue gradient.	<p>CPA Stanley Igati – Manager, Accounting Standards</p> <p>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 certification from ACCA.</p> <p>Stanley previously worked at the National Treasury and has over twelve years in experience in the public sector.</p>

4. MESSAGE FROM THE BOARD CHAIRMAN



The Public Sector Accounting Standards Board is pleased to present the Annual Report and Financial Statements for the year ended June 30, 2022. During the period under review the Board registered significant growth in its operations. The Board established structures to deliver its mandate and I am happy to note that we successfully attained most of the objectives set in our Strategic Plan and Annual Workplan.

The Board is mandated under section 194 of the PFM Act, 2012 to prescribe frameworks and set generally accepted standards for the development and management of accounting and financial systems for all State organs and Public Entities. The Board also prescribes internal audit procedures and mainstreams best practices for good governance, internal controls, and risk management. The Board has taken this responsibility with utmost seriousness, giving our best to achieve set targets. Our hope, vision and purpose is to ensure globally acceptable standards on public sector financial accountability.

In a bid to fulfil its mandate, the Board's Strategic Plan sets out outcome-oriented goals and objectives which the Board endeavours to achieve. Great emphasis has been laid on transition to accrual accounting framework by the National and County Governments Entities. The Board has identified and is committed to pursuing four (4) thematic areas as a guide in the implementation of the strategic plan. These key focus areas are Standards Setting and Research; Stakeholder Engagement and Capacity Building; Monitoring Compliance; and Institutional Strengthening and Sustainability.

The effective implementation of the Board's strategy is integrated in a robust risk management system in order to ensure that risks are identified and mitigated in a timely manner to minimise their negative impact. In particular, the Board has identified the key risks that might affect the achievement of the strategic objectives as stated in the Plan. These key risks are monitored and reported on quarterly basis to facilitate appropriate, proactive, and prompt mitigating actions. The Board has registered key milestones in implementing planned activities to enhance conformance with the International Professional Practices Framework in the practice of internal auditing. Further,

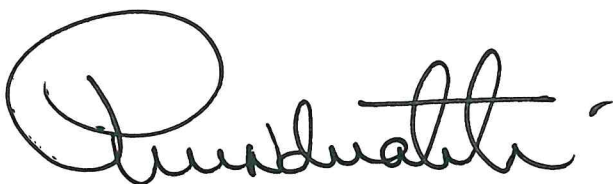
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transparency and accountability has been enhanced through sound financial reporting in the public sector.

The Board acknowledges and recognizes the vital role played by key stakeholders in pursuit of its mandate. Stakeholder collaboration and partnerships serve as the nexus between PSASB dream of realising *Globally acceptable standards on public sector financial accountability* and its attainment. This comes in a situation of constrained funding space for the Board. Consequently, we singled out creating and leveraging on networks to effectively deliver on the mandate. In view of the priority to transition the public sector entities from cash accounting to full accrual accounting, the Board is committed to gradually build capacity of the public sector players, despite funding constraints.

The Board continues to take advantage of Information Technology to conduct capacity building activities through E-learning platforms. The Board further appreciates the impact of Environmental, Social and Governance (ESG) as key components of reporting. Above prescribing standards and issuing pronouncements, the Board is keen on ensuring that public sector adopts a more integrated approach to reporting to enhance information content of the financial statements with a view to supporting better decision making.

I take this opportunity to thank all our stakeholders for their continued support throughout the year. In particular, I recognise The National Treasury and Planning, The Public Finance Management Reforms (PFMR), Board Members, Management and Staff for their invaluable contribution towards the achievement of our planned activities during the year under review.



FCPA PIUS NDUATIH, OGW
BOARD CHAIRMAN

5. REPORT OF THE CHIEF EXECUTIVE OFFICER / BOARD SECRETARY



I am delighted to present the Annual Report and Financial Statements of the Public Sector Accounting Standards Board (PSASB) for the year ended 30th June 2022. Since its establishment, the Board has continued to play its transformative role in the accounting and auditing sector in the country as mandated in the PFM Act 2012.

During the financial year, the Board received 100% of the budget allocation from National Treasury (NT) to enable the execution of its activities in line with its Strategic Plan and workplan for the year.

The allocations has increased from Ksh. 113m in FY2017/18 and FY2018/19 to Ksh 142.9m in FY2020/21 and FY2021/22 indicating a net increase of 26% over the years. In a bid to ensure great realization of its strategic objectives, the Board made tremendous progress in pursuing strategic partnerships and collaborations with key stakeholders in co-funding the endeavours of mutual interests. This saw a great boost in execution of the Board's mandate.

I am happy to report that the Board embarked on a new strategic road map during the FY2021/22. Having achieved 84% of its maiden Strategic Plan objectives, with opportunities realised and challenges appreciated, the Board framed its new Strategic Plan 2021/22 to 2025/26. It is worth noting that it was with immense support of the stakeholders and their timely interventions that the huge performance was possible. With this support, we are confident that the performance will be higher for the new Strategic Plan.

For the period under review, the Board made remarkable improvements in areas including, reviewing of service delivery systems, risk management, performance management, enhancing the capacity of human resources, providing conducive working environment, and strengthening ICT infrastructure.

Let me take this early opportunity to thank the Cabinet Secretary, the National Treasury and Planning, for ensuring that the Board is fully constituted. This has positively contributed to the realisation of Board's mandate. We attain a fully quorate Board at the beginning of Q4 and within the quarter to 30th June 2022, the Board took tremendous steps to deal with all pending approval

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requests to facilitate FY 2021/22 financial reporting. To this end some of the key framework documents that have been considered by the Board include:

- a. The Public Sector Risk Management Guidelines which upon implementation shall secure a more focussed approach to implementing risk management in the public sector in Kenya.
- b. The Public Sector Internal Audit Manual whose implementation is targeted to enhance professional excellence in internal audit across all public sectors for efficient, effective, and economic use of resources.
- c. The County Internal Audit Manual and its attendant templates as well as guidelines to develop the audit programs for implementation. The Board approved for issue the County Audit Programs to assist County auditors to perform their duties with ease.
- d. Accrual-based public secondary school's financial template and guidelines which has led to increase in accountability and prudent management of resources at secondary school level. For the first time in the history of financial reporting, we shall see a structured audit of the public secondary schools, a process to be guided by the published reporting template.
- e. Accrual-based Financial Reporting templates for Municipal Boards and Cities, whose application targets to enhance uniformity and quality of financial information in that sector of the public sector.
- f. Accrual-based financial reporting templates for Levels 4 & 5 hospitals of the County Government. The templates were benchmarked against level six reporting which have overtime reported on accrual-based standards.
- g. Cash-based financial reporting templates for the County Receivers of Revenues. It is expected that with the formalization of reporting on county revenues, we expect to better accountability reports in this respect.
- h. Cash-based financial reporting template for the County Revenue Fund. Prescription of the template will ensure that we obtain a comprehensive position on the overall county funding.
- i. Updated the quarterly and annual reporting templates in light of amendments to the standards or in response to the prevailing reporting situations.
- j. Draft Government-wide Integrated Risk Management Policy to guide national discuss discussions in an environment fraught with uncertainties.

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Over the reporting period, the Board noted increased uptake of the prescribed templates, a fact which has contributed to increased quality of financial reporting. The total number of 289 entries in FiRe Awards which was slightly higher compared to 244 public sector entities received in the FiRe Award 2020 indicated the continued urge for public entities to improve the quality of their financial reporting. The Board's robust facilitative role has seen the quality of the financial statements by public sector institutions significantly improve in terms of presentation and information content. Moreover, there has been a steady decline in the number of public sector reports attracting modified audit opinions from the Office of the Auditor General based on non-compliance with accounting standards. These are indicators of Board's milestone we achieved during the year in line with its Strategic Plan and mandate.

In a bid to strengthen its institutional capacity and operational efficiency, the Board recruited eight (8) members of staff who took up key positions as new employees. Through the Government internship program, the Board absorbed seven (7) interns from the Public Service Commission (PSC). This resulted to enhanced capacity that improved service delivery to the internal and external stakeholders. It is my belief that with the enhanced number and diversity of skills, the Board will strive to be more efficient in pursuit of its mandate and broaden its reach to cover the state organs whose reporting has not been formalized.

To compliment investment in human capital development, we equally sought to streamline process-flow to secure seamless transition to generate the much-sought after efficiency. This was achieved by carrying on with the automation of the internal processes initiated in the previous financial year. There was equally demonstrable effort to reform the policy framework to make it more responsive to the demands of the operating environment.

The reported successes notwithstanding the Board experienced a few bottlenecks in execution of some of its planned activities. The budget has continued to be a limiting factor resulting in dismal realisation of strategic and operational objectives. The effects of Covid-19 pandemic could not be overstated as it caused unprecedented disruptions in executing the workplans. As a Board we appeal to all public sector entities to embrace the transition from cash to Accrual accounting in view of the global need and trend in public sector financial reporting.

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Finally, let me take this opportunity, on behalf of Board to appreciate the support it has received from the National Treasury and Planning, the Public Finance Management Reforms (PFMR) and all our stakeholders, not to forget strategic direction given by the Board of Directors, and support from Management and staff.



FCPA FREDRICK RIAGA
CHIEF EXECUTIVE OFFICER / BOARD SECRETARY

6. STATEMENT OF THE BOARD'S PERFORMANCE AGAINST ITS STRATEGIC OBJECTIVES FY 2021/22

The Board prepares its Financial Statements under the accrual basis as per the International Public Sector Accounting Standards (IPSAS).

PSASB has four strategic focus areas and objectives within its Strategic Plan for the FY 2021/2022-2025/2026. These strategic focus areas are as follows:

Key Result Area 1: Standards Setting and Research.

Key Result Area 2: Stakeholder Engagement and Capacity Building.

Key Result Area 3: Monitoring Compliance.

Key Result Area 4: Institutional strengthening and sustainability.

PSASB develops its annual work plans based on the above four key results areas of focus. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The performance is then reported continuously culminating into annual report. PSASB achieved its performance targets set for the FY 2021/2022 for its four strategic focus areas, as indicated in the table below:

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
KRA 1: Standards Setting and Research	1.1. To enhance uniformity and quality of financial information in the public sector	<ul style="list-style-type: none"> ▪ Revised, circulated, and sensitized on revised annual reporting templates for FY 2020/2021. ▪ Developed a template for Road Maintenance Levy fund ▪ Published and publicized the secondary schools' template and guidelines ▪ Developed guidelines for implementation of Public Secondary Schools Reporting Template. ▪ Provided responses to IPSASB-issued Exposure drafts ▪ Developed and validated reporting template for Levels 4 and 5 Hospitals and the attendant guidelines ▪ Developed reporting templates for National Government Car Loan and Mortgage Funds. ▪ Developed reporting templates for County Receivers of Revenue and County Revenue Funds 	<ul style="list-style-type: none"> ▪ Approved Reporting templates for application ▪ Increased accountability in reporting of the Road Authorities ▪ Increased Accountability at Secondary School Level ▪ Increased Accountability at Secondary School Level ▪ Responded to 5 exposure drafts namely ED 76,77,78,79 & 81. ▪ Enhanced transparency and accountability by level 4 and 5 hospitals. ▪ Improved financial accountability by National Government Car Loan and Mortgage Funds. ▪ Improved and more transparent Revenue Reporting by County Government

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		<ul style="list-style-type: none"> ▪ Developed reporting templates for cities/municipalities and water companies. ▪ Training entities on technical issues such as financial statements preparation, implementation of applicable standards, financial reporting templates, preparation of financial manuals and technical queries. ▪ Entities trained include Private Security Regulatory Authority, Credit Guarantee Scheme and Konza Technopolis and CMA among others 	<ul style="list-style-type: none"> ▪ Enhanced transparency and accountability for the respective devolved units. ▪ Improved quality of financial reports prepared by the trained entities.
		<ul style="list-style-type: none"> ▪ Revised 18 annual reporting templates for FY 2021/2022 	<ul style="list-style-type: none"> ▪ Provided public sector entities with templates and tools to guide their reporting as required by law.
	1.2. To enhance professional excellence in internal audit across all public sectors for efficient, effective and	<ul style="list-style-type: none"> ▪ Developed the County Internal Audit Manual and its attendant templates ▪ Developed the Audit Programs ▪ The Board provided submissions to the Institute of the Internal Auditors Global, on the current relevance of the International Professional Practices Framework (IPPF) and the Standards. 	<ul style="list-style-type: none"> ▪ Provided guidance to public sector internal auditors on IPPF application ▪ Contributed to the standard setting process

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
	economic use of resources.	<ul style="list-style-type: none"> ▪ Developed County Audit Programs under 8 processes and 30 sub-processes ▪ Developed the Public Sector Internal Audit Manual 	<ul style="list-style-type: none"> ▪ To guide County Internal auditors in undertaking specialised audits ▪ To enhance the quality and effectiveness of internal auditors in conforming with the International Professional Practices Framework (IPPF)
1.3 To promote effective risk management, internal control frameworks and governance processes		<ul style="list-style-type: none"> ▪ Developed the Government Wide Integrated Risk Management Policy and Public Sector Risk Management Guidelines. 	<ul style="list-style-type: none"> ▪ Once approved, these documents are expected to provide public sector entities with a framework that will guide in better identification and management of risks
1.4 To conduct research on topical issues to inform policy and to support best practices as per the Board's mandate		<ul style="list-style-type: none"> ▪ Benchmarked with ICPAK on research relating to accounting and finance to inform policy on research and standard setting. ▪ Conducted a survey on application of IPSAS 1 to inform policy on presentation of Financial Statements. 	<ul style="list-style-type: none"> ▪ The recommendations from the benchmarking activity are ready for implementation in the FY 2022/2023. ▪ Survey conducted with 71 respondents taking part and recommendations thereto be implemented in the FY 2022/2023.
KRA 2: Stakeholder		<ul style="list-style-type: none"> ▪ Undertook consultative meetings with OAG and Internal Auditors 	<ul style="list-style-type: none"> ▪ Development of the Collaboration Framework between the OAG and the

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
<p>Engagement and Capacity Building.</p>	<p>2.1 To establish effective relationships with key stakeholders</p>	<ul style="list-style-type: none"> ▪ Held a Collaboration meeting with Institute of Internal Auditors to enhance the internal audit profession in Kenya and beyond. ▪ Adopted a collaborative approach in developing the Public Sector Internal Audit Manual and County Audit programs with Counties and State corporations. ▪ Held consultative meetings with IAGD, National treasury. ▪ Enhanced the Board's visibility through Social Media Articles on Accounting and Internal Audit standards updates ▪ Held consultative meetings with Kenya Education Management Institute. ▪ Supported RBA whose mandate is to regulate Pension Schemes in Kenya in development of 	<p>Internal Auditors scheduled for the FY 2022/2023</p> <ul style="list-style-type: none"> ▪ On implementation there will be inclusion of relevant public sector trainings and increased uptake of IIA Global certifications by public sector auditors. ▪ Development of an all encompassed acceptable Internal audit manual and county audit programs. ▪ Collaborative working relationship for impact ▪ Increased number of key stakeholders accessing PSASB's social media sites for technical briefs ▪ Improved stakeholder engagement especially on secondary school reporting and training ▪ Improved transparency and accountability

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		<p>Reporting Templates for pension schemes in Kenya.</p> <ul style="list-style-type: none"> ▪ Supported the National Treasury in the preparation of Government-wide Consolidated Financial Statements. ▪ Held a Post FIRE Award Conference on 19th and 20th May 2022 to communicate the results and feedback of the year's review of the financial statements. ▪ Upgraded the PSASB website ▪ Organised media breakfast to enhance visibility and knowledge on the Board's mandate and enhance media relations. ▪ Created LinkedIn social media page to post financial reporting and internal audit content ▪ Content creation and uploading the content on PSASB social media pages ▪ Populated content for Help Desk System 	<ul style="list-style-type: none"> ▪ Increased collaboration and brand visibility in Public Sector Reporting. ▪ Increased collaboration and standards dissemination ▪ Interactive website for better stakeholders' engagement and access of technical and other briefs/materials ▪ A strong media relations established ▪ Active linkedin page with 674 followers ▪ Updated social media webpages. ▪ More informative and interactive social media pages. ▪ Active Help Desk System

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
<p>2.2. To enhance skills and knowledge in financial reporting and internal auditing resulting to improved quality of financial and internal audit reports</p>		<ul style="list-style-type: none"> ▪ Facilitated the design and printing of PSASB Infographics and Fact Sheets on FAQs for publicity. 	<ul style="list-style-type: none"> ▪ Facts sheets published and delivered (about 700 copies) ▪ PSASB Infographics copies published and delivered (about 700 copies)
		<ul style="list-style-type: none"> ▪ As dissemination of standards PSASB issued IFRS books to Turkana University and disseminated IPPF Books to County Heads of Internal Audit. ▪ Undertook IPPF sensitization for County Heads of Internal Audit ▪ Training 5 members of staff from Cooperative University of Kenya Internal Auditors. ▪ In collaboration with the Kenya School of Government, Trained counties on Public Sector Finance Management Program. ▪ Sensitized School Auditors on the application of the Secondary schools reporting template as Trainers of Trainers on IPSAS. Over 250 auditors trained 	<ul style="list-style-type: none"> ▪ 50% of the purchased IPPF Books disseminated to Heads of Internal Audit in Public Sector Entities. ▪ 80% of County Heads of Internal Audit equipped with knowledge on IPPF ▪ Effectively sensitized on the Public Sector Internal Audit Manual ▪ Counties Finance Officers trained on PFM ▪ Better uptake of the issued public secondary schools financial reporting template

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		<ul style="list-style-type: none"> ▪ Facilitated APSEA webinar on professionalism where 10 staff of PSASB participated ▪ Published 4 technical articles on the Standard and Nation newspapers. ▪ Developed PSASB Service Charter, a promise to our stakeholders, in both Swahili and English languages. ▪ Developed PSASB Strategic Plan (2021/22 - 2025/26) ▪ Created three (3) features and one (1) advertisement for the Accountant Journal, an ICPAK publication 	<ul style="list-style-type: none"> ▪ PSASB gained visibility by having its logo exposed to about 100 participants (professionals). ▪ Enhanced brand visibility and sensitization of Board's mandate to the public. ▪ Enhanced service delivery to key stakeholders ▪ Enhanced communication of Board's objectives to key stakeholders ▪ Content exposed to about 20,000 accountants to enhanced brand visibility
KRA 3: Monitoring Compliance.	3.2 To enhance compliance with accounting and financial reporting standards	<ul style="list-style-type: none"> ▪ Supported NG-CDF Board in monitoring compliance with Reporting templates and standard application ▪ Reviewed 289 annual reports and financial statements entries for FIRE Award 2021. ▪ Conducted a training session for FIRE Award Evaluators on 25th -26th November 2021 	<ul style="list-style-type: none"> ▪ Improved financial reports by the NG-CDF ▪ Enhanced compliance with accounting and transparency in the public sector ▪ Undertaken on 25th-26th November 2021. Enhanced the Evaluators skills and

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		<ul style="list-style-type: none"> ▪ Held the FiRe Award Ceremony ▪ Undertook a survey when sensitizing the county executive heads of internal audit on IPPF implementation with the internal audit functions. 	<p>knowledge in undertaking the Financial Reports evaluations.</p> <ul style="list-style-type: none"> ▪ Organizing and inviting participating entities to the event held on 17th December 2021. ▪ An action plan to enhance the implementation of IPPF within the Internal Audit functions in the Counties was done.
KRA 4: Organizational strengthening and sustainability	3.3 To enhance conformance with internal auditing standards 4.1 To enhance employee productivity and efficiency	<ul style="list-style-type: none"> ▪ Training on International Certificate in Enterprise Risk Management exams. ▪ Finalised the implementation of ERP system in the finance department ▪ Compliance with MoH Guidelines on Covid- 19 including vaccination and adequate office space and other PPEs ▪ Training of staff to enhance their capability to deliver on mandate through CPD training 	<ul style="list-style-type: none"> ▪ Certification in Enterprise Risk Management ▪ Improved the quality of financial reports generated ▪ Facilitation to work from home hence meeting Boards objectives ▪ Promoted employee welfare ▪ Ensured compliance with Continuous Professional Development for all staff and attainment of relevant skills

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		<ul style="list-style-type: none"> ▪ Filing of two-year Declaration of Income Assets and Liabilities ▪ Staff retreat and team building exercise. ▪ Recruitment of additional members of staff. ▪ Induction of new members of staff ▪ Provision of Medical Cover to Staff by Heritage Insurance Ltd for a further period of one year ▪ Effective implementation of the procurement Plan 2021/2022 ▪ Identification and resolution of gaps to improve on existing E-DMS system 	<ul style="list-style-type: none"> ▪ Ensured compliance with the PSC guidelines ▪ A more cohesive team and better appreciation of team's diversity and improved team dynamics to deliver on the Board's mandate ▪ This has enhanced support to the technical functions to prescribe and oversee implementation of accounting and internal auditing standards across the entire public sector. ▪ Seamless onboarding of new staff to the PSASB. ▪ Seamless provision of medical insurance coverage for all staff ▪ Easy access to health facilities ▪ Employee job satisfaction ▪ 100% compliance with the budgetary allocation based on the procurement Plan ▪ Integration with MS Dynamics 365 BC ▪ Better document management
	4.2. To leverage on technology to improve		

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KRAs	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
	operational efficiency of the Board	<ul style="list-style-type: none"> ▪ CCTV equipment installed ▪ Instituted the operational control in cash management through petty cash control ▪ Facilitated the implementation of the ICT resolution of the ERP system gaps identified and organised an ERP training of the users within the Board ▪ Reviewed and approved the finance and accounting policy and procedures manual ▪ Integration of zoom meeting room and e-learning solution. Upgraded the zoom plan 	<ul style="list-style-type: none"> ▪ Improved premises security ▪ Achieved a guaranteed and improved safety management of cash of the Board ▪ Effective, reliable, and dependable ERP system to guarantee reliable and dependable financials data and report <p>On implementation it will improve the financial and accounting procedures withing the Board.</p> <ul style="list-style-type: none"> ▪ Enhanced communication and virtual trainings for public sector entities.
	4.3. To entrench good corporate governance practices	<ul style="list-style-type: none"> ▪ Undertook Internal Audits to assess the effectiveness of governance, risk management and Controls. ▪ Developed the Internal Audit Strategy 2022-2025 and Internal audit work plan FY 2022/2023. ▪ Annual Report and Financial Statement FY2020/21 prepared and audited 	<ul style="list-style-type: none"> ▪ Improved governance, risk management and control process within the Board. ▪ Internal Audit Strategy 2022-2025 and Internal audit work plan FY 2022/2023 approved for implementation ▪ Produced Financial report in view of the forthcoming audit procedures

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KRAS	STRATEGIC OBJECTIVE	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		<ul style="list-style-type: none"> ▪ Undertook the PSASB Risk Assessment and updated the departmental risk registers. ▪ Presented submissions on amendments to the Accountants Acts and the Accountants Act Regulation. ▪ Presented submissions on amendments to the Retirement Benefits Act ▪ Presented submissions on amendment to PFMA Act on date of submission of audit reports to the Auditor General ▪ Secured funding from PFMR to supplement disbursements from exchequer. ▪ Participated in the MTEF Budget preparation and defense for FY 2022/2023-2023/2024 and PFMR work plan development FY 2022/23 	<ul style="list-style-type: none"> ▪ Obtained an unqualified audit opinion indicating effectiveness of resource application at the Board ▪ Updated PSASB risk registers ▪ PSASB's Risk Assessment Report ▪ Memorandum submitted to The National Treasury ▪ Memorandum submitted to The Retirement Benefits Authority ▪ Memorandum submitted to National Assembly ▪ Ksh 12M funding was received to develop reporting templates, Public Sector Internal Audit Manual and County Audit Programs. This was had 80% utilization ▪ Defended the PSASB expenditure budget and estimates with an aim of realising an improved budget funding for the increased Board's activities

7. CORPORATE GOVERNANCE STATEMENT

The Board is fully constituted pursuant to Sections 192 to 195 of the Public Finance Management Act, 2012.

7.1 Composition of the Board

The PSASB 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.

7.2 Appointment to the Board

Appointment of members to the Board commences with nomination of members from institutions listed under PFM Act section 193. The nominees are then vetted to ensure they have the requisite capabilities to carry out their responsibilities. They are then gazetted by the Cabinet Secretary, National Treasury. The chairman of the Board is appointed by the Cabinet Secretary from among the nominated members. During the FY2021/2022 The Cabinet Secretary, National Treasury and planning appointed new Board members for PSASB and currently the Board is fully constituted.

7.3 Board diversity

The Board is constituted by members who have experience in accountancy, auditing, corporate governance, public finance management, financial analysis, investment, and management. The Board's mandate is to prescribe accounting and internal audit standards for all state organs and public entities and therefore the members are required to have technical knowledge in accountancy and /or audit. The diversity of the Board members also encapsulates the gender distribution, and ethnicity depicting the face of Kenya. The biographies of the Board members are disclosed on pages **viii to xvi** of this report.

7.4 Roles and Responsibilities of directors

The roles and responsibilities of members are outlined in section 194 of the PFM Act, 2012. These roles and responsibilities are also detailed in the Board's five-year strategic plan, in the Board's annual work plans and in the Board Charter. New members, once appointed, are given these documents to familiarise themselves with the roles and responsibilities as outlined in the law. An induction training is also held for new Board members. The Public Sector Accounting Standards Board is comprised of the following committees with the respective term of reference.

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 corporate image of the Board.
- d. Oversee development and monitoring of Enterprise Risk Management (ERM) for PSASB.
- e. Enhance capacity of the Board.
- f. Overseeing the operations of the Secretariat.
- g. Carry out the nominating and remuneration function.
- h. Spearhead Board induction, evaluation, and governance audits.
- i. Ensure the Secretariat is compliant in all matters.
- j. Ensure compliance of PSASB to all applicable laws and regulations.
- k. Oversee 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:

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- a. Oversee 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. Monitor consultative meetings with constituents from the Government Owned Enterprises, and 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 development and promotion of implementation of internal audit standards and internal auditing procedures for use in public sector.
- b. Oversee 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 audit in 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 systems of internal control 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 the areas of planning, monitoring and reporting.
- f. Engaging with external audit and assessing the adequacy of management response to issues identified by audit.
- g. Reviewing the effectiveness of how PSASB monitors compliance with relevant legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior.
- h. Any other functions that the Board may delegate.

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7.5 Board Transactions/Attendance in the Financial Year

The attendance of the Board meetings was as indicated in the table below

MEETING	PIUS NDUATH	STEPHEN MASHA	NICHOLAS LETTING	RISPER OLICK	ROSEMARY NJOGU	EDWIN NJAMURA	MARY KIMANZI	SILVESTER KINI	LEONARD OKOTH	FREDRICK RIAGA
BOARD INDUCTION AND RETREATS										
PSASB Board induction held on-10 th November 2021		✓	✓	✓	✓	✓				✓
PSASB Strategic Plan retreat held on 19 th January 2022		✓	✓	✓	✓	✓				✓
PSASB Board induction held on -9 th May 2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PSASB Board workshop held on 30 th - 05-2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Board Stakeholder Engagement meeting held on 21 st -06-2022	✓	✓					✓	✓		✓
FULL BOARD MEETINGS										
Full Board meeting held on 15 th October 2021		✓	✓	✓	✓					✓
1 st Full Board meeting held on 12 th - 11-2021		✓	✓	✓	✓	✓				✓
2 nd Full Board meeting held on 15 th - 12-2021		✓	✓	✓	✓	✓				✓
3 rd PSASB full board meeting held on 25 th -02-2022		✓	✓	✓	✓	✓				✓
4 th PSASB full board meeting held on 10 th -05-2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5 th PSASB full board meeting held on 30 th -06-2022		✓	✓	✓	✓	✓	✓	✓	✓	✓
SPECIAL FULL BOARD MEETING										
First Special Full Board meeting on 8 th -03-2022,		✓	✓	✓	✓	✓				✓

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MEETING	PIUS NDUATHI	STEPHEN MASHA	NICHOLAS LETTING	RISPER OLICK	ROSEMARY NJOGU	EDWIN NJAMURA	MARY KIMANZI	SILVESTER KIINI	LEONARD OKOTH	FREDRICK RIAGA
BOARD COMMITTEE MEETINGS										
1 st GSC meeting held on 13 th -01-2022			✓		✓	✓				✓
2 nd GSC meeting held on 17 th -02-2022			✓		✓	✓				✓
3 rd GSC meeting held on 13 th -04-2022					✓	✓				✓
4 th GSC meeting held on 20 th -06-2022					✓	✓	✓			✓
1 st ASC meeting held on 15 th -02-2022		✓		✓	✓	✓				✓
2 nd ASC meeting held on 19 th -04-2022		✓		✓	✓	✓				✓
3 rd ASC meeting held on 22 nd -06-2022		✓		✓		✓	✓			✓
1 st IASC meeting held on 16 th -02-2022		✓	✓	✓						✓
2 nd IASC meeting held on 20 th -04-2022		✓		✓						✓
3 rd IASC meeting held on 21 st -06-2022			✓		✓			✓	✓	✓
Ad-Hoc Board Committee meeting held on 24-02-2022			✓		✓	✓				✓
Ad-Hoc Board Committee meeting held on 24 th -02-2022			✓		✓	✓				✓
Special GSC committee meeting held on 30 th -03-2022			✓		✓	✓				✓

The high number of meetings of the full Board is on account of the need for induction meetings for the new Board. First, appointments to the Board were made in two tranches; on 6th October 2021 at which point four (4) members were appointed and on 1st April 2022 when the final list of five (5) members was gazetted. The staggered appointment dates created a situation of repeated induction meetings. Secondly, PSASB operated without a Board for a period of twenty months. This created a backlog of approvals, thus necessitating more meetings of the full Board.

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Newly appointed Board of Directors of PSASB with staff during a lunch session in Nairobi. The Board is now fully constituted.

7.6 Term of Board Members

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

7.7 Compliance to Laws and other Legal Requirements

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

7.8 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.

7.9 Conflict of Interest and Declaration of Interest

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

7.10 Board induction

On their first appointment, new Board members undergoes an induction programme aimed at deepening their understanding of the secretariat and its mandate. During the Year there were two Board induction trainings held in November 2021 and May 2022 following appointment of Board members which was done in two batches. Members also attended an induction program organized by the Kenya School of Government and State Corporation Advisory committee in December 2021.



New Board members during induction. The program aimed to provide the members with all the information they need to be productive in their role.

7.11 Board Charter

The Board's Charter outlines powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, committee's terms of reference, conflict of interest among others. The Charter is premised on the Mwongozo Code and best Corporate Governance Practices. The revised Board charter was approved on 30th June 2022

7.12 Board trainings and development

The Board supports the members and the Secretariat to attend training and seminars relating to financial reporting and internal auditing within the public sector context to improve the technical expertise of the Board.

7.13 Board Evaluation

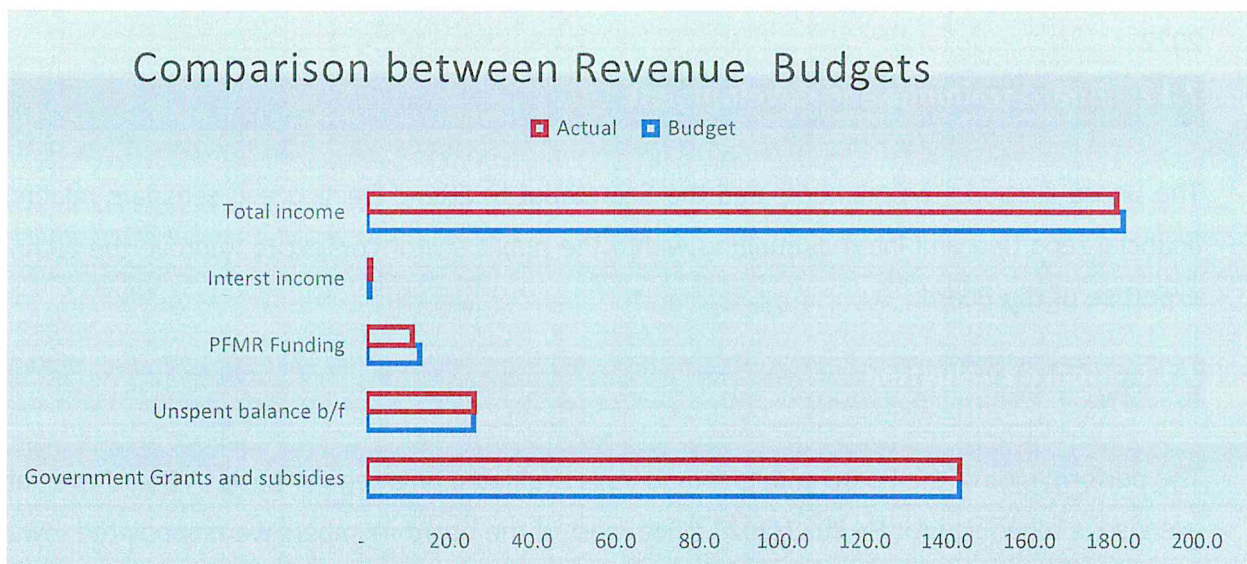
The performance of the Board and its members is evaluated on a regular basis. A Board evaluation exercise is scheduled for FY 2022/2023 since most of the board members were appointed towards the year end

8. MANAGEMENT DISCUSSION AND ANALYSIS

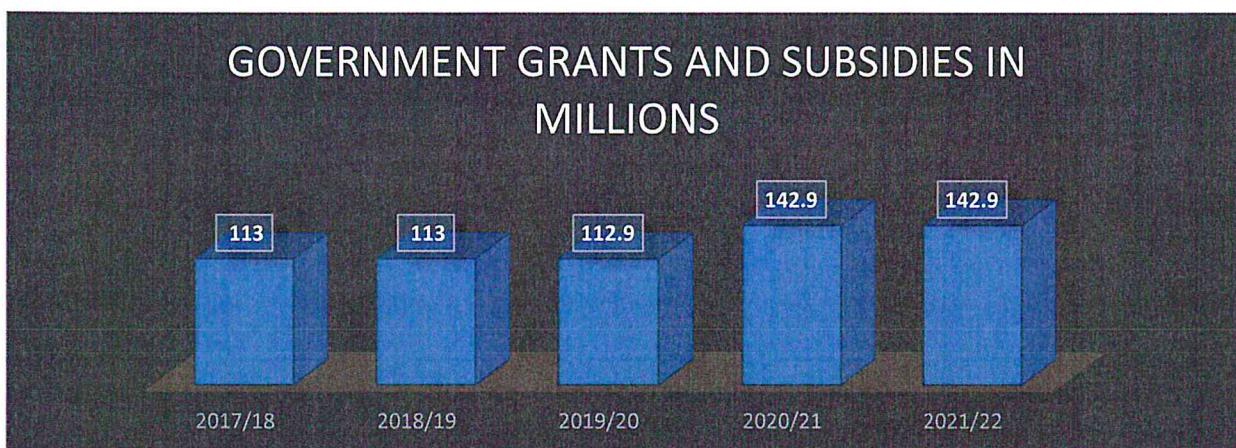
8.1 Board's Financial Performance Highlights

a) Budgeted Revenue and Government Grant and Subsidies

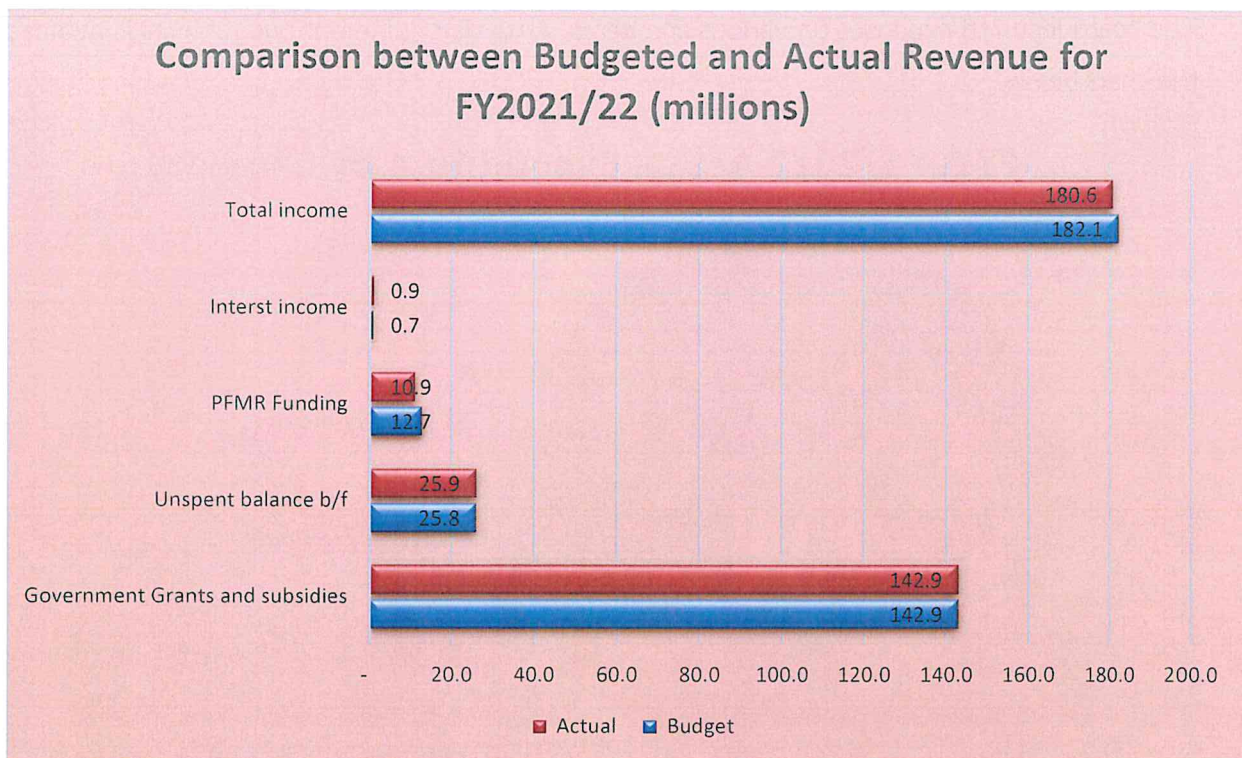
The graph below shows a comparison of budgeted funds over last two years



As an entity that entirely depends on National exchequer for funding, the chart above provides a comparison of final budgets over the last two years. From the chart, F2020/2021 had anticipated more sources of funding comparative to FY2021/2022. With Government grants remaining constant for the two financial periods, PFMR funding reduced by 68% and interest income going deep by 30% in budget terms. The following analysis indicates the total government grants and subsidies the Board has received over the last four years.



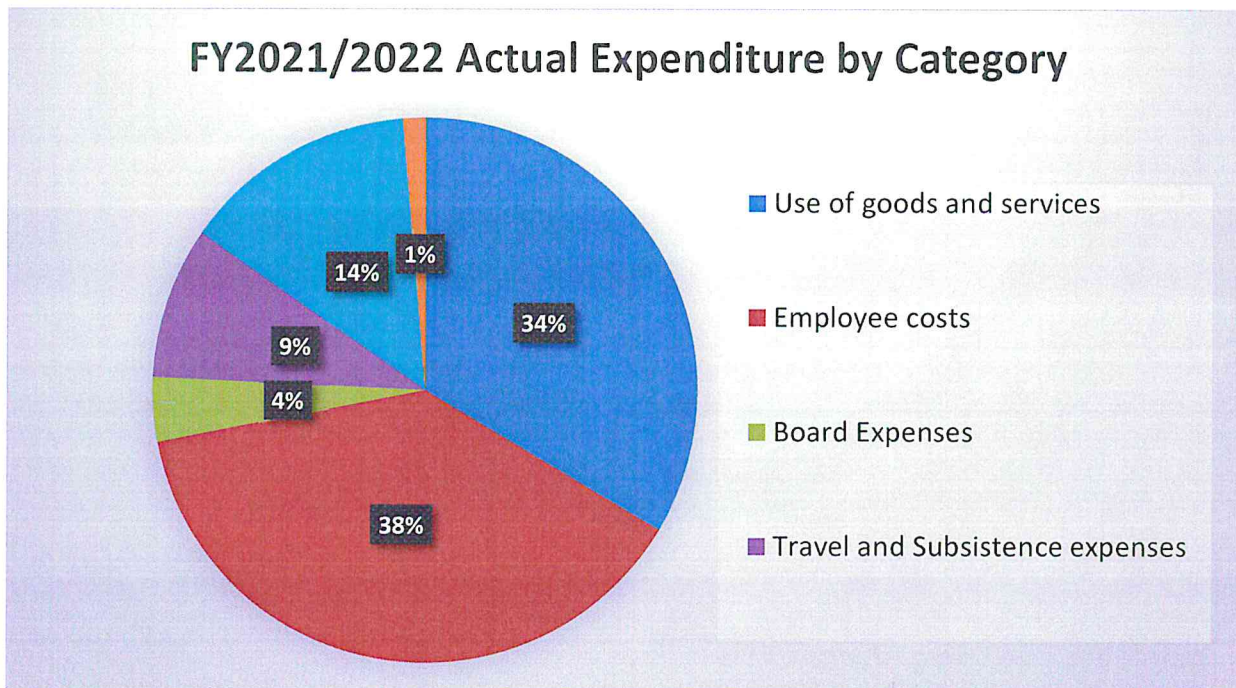
b) Actual and Budgeted Revenue



The chart above shows that the Board’s actual revenue was slightly below target, (1% dip), actual total revenue for FY2021/2022 being 99% of target. The decrease predominantly being as a result of PFMR funding reduction (realizing 86% of budget) due to the fact that the PFMR supplementary budget was reduced. The actual revenue includes Kshs 142.9m as transfer from the National Treasury for FY2021/2022, Kshs 25.9m brought forward from the FY2020/2021. Other incomes specifically from PFMR and bank interest income amounting Kshs 11m. This performance was an improvement from previous financial year in which only 83% of revenue target was realized. PSASB utilized 84% of the received funds indicating an under absorption of 16% against 15% of the previous year. Largely this under absorption was as a result of less absorption on Board expenses line. The Board was partially constituted in November 2021 and the rest of the Board members being Gazetted in April 2022. This meant that most of the board activities could not be actualized before the end of the financial year.

c) Actual Expenditures

The board incurred expenses on various line items. Analysis of different budget lines is outlined in the chart below.



The chart above shows that of the total expenditures for the FY2021/2022 was heavily constituted by employee costs and use of goods and services, at 38% and 34% respectively. Comparatively, FY2020/2021 employees cost constituted 37% of the total expenditure while use of goods and services taking 27% of the budget. The increase in employee costs in the reporting period was due to additional number of staff to increase the Board’s operational efficiency amidst its ever-increasing operational activities in pursuit of the humongous mandate. The increase in use of goods and services expenditure was occasioned by the easing of the Covid-19 protocols during the financial year allowing more activities to be conducted compared to the previous year which had tight protocols.

Travel and subsistence cost was 9% of the total compared to 13% FY2020/2021. Standard dissemination, monitoring and evaluation expenses constituted 14% of the budget. This was financed significantly by the PFMR funding.

d) Surplus for the Financial Year

The deficit for the year ended 30th June 2022 amounted to Ksh (9,595,818) compared to the Kshs 24,807,380. This was significantly because the non-cash grant from partners (PFMR) booked in revenue for FY2020/21 was used in the acquisition of fixed asset thus hitting revenue without corresponding expense. For this FY2021/22, the non-cash grant from PFMR was expensed in standard dissemination, monitoring, and evaluation expenses line.

8.2 Summary of the Board's Operational Performance

a) A Summary of Submissions in Response to IPSASB Exposure Drafts for FY 2021/22

The IPSASB issues Consultation Papers and exposure drafts from time to time. It is PSASB's commitment in its work plan to respond to 100% of Exposure Drafts from IPSASB as one of the key result areas in the strategic planning of on Standard Setting and Research. In responding to these exposure drafts, the Secretariat seeks views from the constituents, especially from entities that apply the IPSAS Accrual framework of accounting. During the FY 2021/22, the Secretariat responded to all the EDs that were issued by IPSASB as shown in the table below:

Exposure Draft	Issue date	Objective of the ED	Due date	PSASB Action- Responded/ not / scheduled
Exposure Draft (ED) 81, Proposed Update to Conceptual Framework	Feb 01, 2022,	The objective of ED 81 is to update Chapter 3, Qualitative Characteristics, and Chapter 5, Elements of Financial Statements, of the Conceptual Framework, in light of: 1) The IPSASB's experience in applying the Conceptual Framework to the development and maintenance of International Public Sector	Comments due by May 31, 2022	Responded to on 31 st May 2022

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Exposure Draft	Issue date	Objective of the ED	Due date	PSASB Action- Responded/ not / scheduled
		Accounting Standards (IPSAS); and 2) Developments in international thinking about conceptual issues since the Framework was approved in 2014. The changes included changing definition of assets and liabilities, expanding the understanding of qualitative characteristics and matching changes to IASB revised conceptual framework		
Exposure Draft (ED) 80, Improvements to IPSAS, 2021	Jul 30, 2021	Exposure Draft (ED) 80 proposed minor improvements to IPSAS to address issues raised by stakeholders and proposes minor amendments sourced from recent IFRS improvements and narrow scope projects.	Comments by September 30 2021	Responded on 29 th September 2021
ED 79, Non-Current Assets Held for Sale and Discontinued Operations	Issued in April 2021	ED 79 is aligned with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations and proposes new guidance how to account for non-current assets that are classified as held for sale, when they meet specific criteria.	Comments due by October 25, 2021	Responded on 25 th October 2021. This ED has now been finalized and

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Exposure Draft	Issue date	Objective of the ED	Due date	PSASB Action- Responded/ not / scheduled
		This means that there will be a separate classification for non-current assets held for sale which is separate from the PPE class and shown at the lower of carrying amount and fair value less costs to sell.		a new standard – issued – IPSAS 44 on Non-current Assets Held for Sale and Discounted Operations
ED 78, Property, Plant, and Equipment	issued in April 2021	ED 78 updates IPSAS 17, Property, Plant, and Equipment by adding general measurement guidance and measurement options when accounting for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and proposing new guidance on how these important types of public sector assets should be recognized and measured. The ED provided more guidance on heritage and Infrastructure assets currently not clear in IPSAS 17.	Comments due by October 25, 2021	Responded on 25 th October 2021.
ED 77, Measurement	issued in April 2021	ED 77 proposed new guidance in a single standard which addresses how commonly used measurement bases	Comments due	Responded on 25 th

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Exposure Draft	Issue date	Objective of the ED	Due date	PSASB Action- Responded/ not / scheduled
		are applied in practice. It brings in generic guidance on fair value for the first time, and it proposes a public sector specific current value measurement basis to respond to stakeholder views that a new measurement basis is required as an alternative to fair value for assets held for their operational capacity.	by October 25, 2021	October 2021.
ED 76, Conceptual Framework Update: Chapter 7 (Development Document)	issued in April 2021	ED 76 streamlines the measurement principles in the Conceptual Framework by eliminating unused measurement bases and enhancing focus on those that are commonly used. The ED proposes a clear measurement hierarchy to help stakeholders apply the principles in practice and aligns measurement concepts with the guidance provided in IPSAS.	Comments due by October 25, 2021	Responded on 25 th October 2021.

b) A Summary of FiRe Award Performance

i. Participating Entities

The Table below shows entries received for evaluation under Financial Reporting excellence award for 2021:

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Category	No of entries
MDAs	41
SAGAs reporting under IPSAS Accrual	64
State Corporations and SAGAs reporting under IFRS	28
Commissions and Independent offices	18
County Assemblies and Executives	21
National Government-Constituency Development Funds	4
Funds	68
Receivers of Revenue Statements	16
Projects	29
Total	289

The total number of 289 entries is slightly higher compared to 244 public sector entities received in the FiRe Award 2020. The low number of entries was attributed majorly to delay in issue of audit reports for FY 2020/21 that can be partly attributed to the backlog in the Office of The Auditor General following the delay in filling up the position when it fell vacant as a result of end of term of the office bearer and the outbreak of Covid-19. However, this number may surge in the coming months as the office races against time to clear the backlog. We noted that most of the entities had been audited but had not been issued with audit certificates. Some entities submitted their financial statements without certificates and requested to be evaluated for the purposes of obtaining a formal feedback report. 114 of the entities had clean audit opinions representing about 40% of the total population.

ii. Overview of Opinions by Participating Entities

Category	No of entries	Unqualified opinion	Unqualified Other matter	Unqualified Emphasis of matter	Qualified	Adverse	Disclaimer	Missing	Total
MDAs	41	0	8	1	28	3	1	0	41
SAGAs under Accrual	64	14	7	5	26	2	0	10	64
State Corporations under IFRS	28	3	2	10	10	0	0	3	28
Commissions and Independent offices	18	1	9	1	7	0	0	0	18
County Assemblies and Executives	21	0	0	0	20	0	0	1	21
National Government-Constituency Development Funds	4	0	0	0	3	1	0	0	4
Funds	68	22	3	3	20	8	11	1	68
Revenue Statements	16	5	0	1	8	1	1	0	16
Projects	29	17	1	1	9	1	0	0	29
Total	289	62	30	22	131	16	13	15	289

iii. Entities Awarded

No.	Award category	Entities Awarded in Ascending order
1.	Commissions and Independent Offices under IPSAS Cash	1. Office of the Registrar of Political Parties 2. Office of the Director of Public Prosecution (ODPP) 3. Kenya National Commission on Human Rights
2.	SAGAs under IPSAS Accrual	1. Competition Authority of Kenya 2. Kenya Universities and College Central Placement Service (KUCCPS) 3. Nursing Council of Kenya
3.	Ministries, Departments and Agencies (MDAs) under IPSAS Cash	1. The Presidency 2. State Department for Wildlife 3. State Department for Post Training Skills Development
4	State Corporations under IFRS	1. Jomo Kenyatta Foundation 2. Kenya Deposit Insurance Company 3. Kipchabo Tea Factory
5	Promoters Recognition- Most improved	1. Salaries and Remuneration Commission 2. Central Bank of Kenya

iv. General Areas of Noncompliance Noted

a) IPSAS Issued but not yet Effective

Disclosures on whether an entity has not applied a new IPSAS that has been issued but is not yet effective, some entities didn't disclose this fact and also the known or reasonably estimable information relevant to assessing the possible impact that application of the new IPSAS will have on the entity's financial statements in the period of initial application.

b) Early Application of IPSASs

Some entities failed to make disclosures on whether they adopted early application of the IPSAS issued but not yet effective.

c) Disclosure of Accounting Policies

Inadequate disclosures on all Key financial statement accounting policies that are relevant to an understanding of the financial statements. e.g. lease, biological asset, foreign exchange transactions. Other entities copy pasted policies from the template.

d) Structure

Few entities were unable to cross reference each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement to any related information in the notes

e) Risk disclosure

Failure to disclose Credit risk, Liquidity risk, Market risk or any other relevant risk, the methods and assumptions used in preparing the risk analysis and changes from the previous period in the methods and assumptions used.

f) Comparison of Budget & Actual

Few entities failed to make disclosures on explanation of changes between the budget and actual budget been presented in the notes, or in a report issued before, at the same time as, or in conjunction with the financial statements, with a cross-reference to the report in the notes

g) Authorization Date and Going Concern

Few entities failed to disclose the date when the financial statements were authorized for issue and assessment of the entity's ability to continue as a going concern.

h) Key Management Personnel

Disclosures on the aggregate remuneration of key management personnel, showing separately major classes of key management personnel and including a description of each class is still minimal.

i) Biological assets disclosures

Where the entity has biological assets, below disclosures should be provided on the notes

- i. A description of biological assets that distinguishes between consumable and bearer biological assets
- ii. The nature of its activities involving each group of biological assets
- iii. Non-financial measures or estimates of the physical quantities of:
- iv. Each group of biological assets at the end of the period?
- v. Output of agricultural produce during the period?

- vi. Disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets

Most of these disclosures were omitted where entities had biological assets

j) Sub-Classifications of the Line Items

Inadequate disclosures on further sub-classifications of the line items, classified in a manner appropriate to the entity's operations either on the face of the statement of financial position or in the notes especially where the items are material in amounts

k) Borrowing Cost Disclosures

Where borrowing costs featured the disclosures on following issues regarding borrowing cost using the alternative method were poorly disclosed

- i. the accounting policy adopted for borrowing costs
- ii. the amount of borrowing costs capitalized during the period
- iii. the capitalization rate used to calculate capitalized borrowing costs

l) Disclosures on provision -The nature and expected timing of outflows of provisions should have been disclosed.

m) Level of Rounding in the Financial Statements -The entities should include information on the level of rounding used in the financial statements for a proper understanding of the information presented. some entities failed to disclose this fact.

n) Related Party Disclosures

Some entities failed to disclose the nature and type of transactions that have occurred with related party relationships.

o) Public Finance Management Act 2012

The PFM Act 2012 is applicable to all public sector entities and seeks to ensure effective management of public finances by the national and county governments as well as state

corporations. The act lays down some of the disclosures that are to be provided by entities. During the evaluation the main non-compliance issues included: -

- i. Failure to include the name and signature of the accounting officer who signed the annual report and audited financial statements.
- ii. The disclosures of assets and liabilities require significant improvement to facilitate inventory of assets.

p) Pending Bills

Analysis of pending bills, outstanding imprest and other payables – several entities simply provided a listing as opposed to including aged analysis.

q) Entity's Performance against Predetermined Objectives

Very few entities presented a statement of the entity's performance against predetermined objectives – This can be achieved by providing a detailed performance reports template for MDAs and other entities to populate which links the strategies of the entities to its performance and budget(s). PSASB has included in the reporting template for FY 20/21 and beyond a statement of performance against predetermined objectives which cures this finding.

r) Environmental Sustainability Reporting

Majority of public sector entities did not make adequate disclosures under this area on the importance of sustainability and how it is integrated within their core activities. Entities should strive to report not only on achievements but also the challenges and failures as this enhances credibility and gives a balanced view on the situation.

s) Governance Reporting

The issue of governance reporting has continued to gain prominence and attention at the high echelons of various organizations. The same can be stated for most of the entities that participated in this year's award. Valuable lessons on governance can be learnt from the various corporate governance failures of the past. The number of entities dedicating a page(s) to report on governance related matters is increasing. This is an encouraging development since it does not only enhance the degree of information disclosed in the report but also sends a signal on the importance attached to this aspect.

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Public Sector Accounting Standard Board (PSASB) CEO, FCPA Fredrick Riaga, makes a presentation during the launch of the 19th edition of the Excellence in Financial Reporting (FiRe) Award 2021 in Nairobi, 22nd September 2021. The event marks the outset of Financial Reports submissions from reporting entities for assessment for this year's FiRe Award on the 17th December, 2021. The promoters of the FiRe Award are PSASB, the Institute of Certified Public Accountants of Kenya, Nairobi Securities Exchange, the Capital Markets Authority and Retirement Benefits Authority.

8.3 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 on submission of statutory deductions to KRA and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss.



The Auditor General, CPA Nancy Gathungu, receives International Professional Practice Framework books from FCPA Pius Nduatih, Chairman of Public Sector Accounting Standards Board during a stakeholder meeting between the Board and Office of the Auditor General on 21st June 2022.

8.4 Key Projects and Investment Decisions the Board is Implementing

The Board seeks to focus on the following key areas:

1. Migration from Cash to Accrual Accounting for National and County Government Entities

To facilitate the migration to accrual accounting by National and County Government entities, the Board is looking to ensure the following activities/ projects are carried out in the next financial year:

a) Stakeholder engagement – Migration to accrual accounting is a mega project that requires input from all key stakeholders and more so buy in from top leadership. Engaging stakeholders will involve discussions on establishment of a Project Steering Committee. The Committee will be responsible for coordinating, implementation of the project from a whole of Government approach. The committee will also be responsible for monitoring progress on activities. The Board has embarked on a consultation process with the National Treasury for buy-in into the project. It will also be responsible for key stakeholder engagement and management in the whole migration process. Other efforts to be undertaken by the Board include meetings, workshops, press releases, online webinars, and other forums to engage all the identified key stakeholders into the process.



Auditor General, Nancy Gathungu, presents a promoters recognition award to the Central Bank of Kenya (CBK) during a post FiRe Award 2021 breakfast meeting in Nairobi, February 3rd, 2022. Receiving the award on behalf of the CBK is Lucy Karanja, Internal Auditor, at the institution.

b) Standard Chart of Accounts (SCOA)– This is the systematic coding of transactions in the financial management system. The progress of setting up a chart of accounts that can support accrual reporting and programme reporting is ongoing at the National Treasury. The Board is keen on the development of the chart of accounts and is actively involved in the review and consultation of the progress. The SCOA is a key component to accrual migration since it will include economic items relating to Assets and Liabilities that will support accrual accounting in the Government Accounting System IFMIS.

c) The adoption of Accrual Accounting will lead to Changes in Information Systems- A systemic capability review of IFMIS has been undertaken and it has been demonstrated that for the system to support implementation of the project on transition to accrual accounting, the system would need to be re-coded taking into account, the new Standard Chart of Accounts highlighted above, specifically targeting assets and liabilities related modules within broader IFMIS system. This process will include development of specifications to translate the assets and liabilities policies as detailed in the documents into accounting information that can be coded in the system. This process may be time and resource consuming and should therefore be prioritised and well managed. This will be achieved through a detailed work plan within the IFMIS department to ensure that the specifications are developed, the system is updated and tested, and the users are trained, and capacity built.

d) Training and Capacity Building: In readiness for migration to Accruals accounting the Board has continued to Capacity build the public sector accountants on accrual related concepts. The Board seeks to train other accountants using the recently completed e- learning platform that is accessible to all through the Board's website. The Board is seeking to partner with like-minded entities to create content for the e- learning platform.

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Public Sector Accounting Standards Board CEO, FCPA Fredrick Riaga, with Kenya Roads Board Director General, CPA Rashid Mohammed, during a joint stakeholders' consultation meeting in Nairobi.

2. Strengthening Internal Audit and Risk Management Functions in the Public Sector.

Board has instituted the following programmes in a bid to enhance internal audit function of public entities;

a) Training Internal Audit Staff in the Public Sector: The Board has continued to undertake sensitization on the various framework documents published. To this end, it has prioritized training and guidance to internal auditors in the public sector on the IPPF and guidelines. During the year about 75 internal auditors were trained and internal audit manuals for county governments were validated by users. Going forward, the Board will continue training the internal audit staff, to advocate for their establishment, right placement in the organisational structure, funding and implementation of matters arising from the audit processes.



Heads of Internal Auditors from the County Executives during a capacity building workshop in Naivasha 8th – 12th November 2021. The International Professional Practices Framework (IPPF) workshop aims to enhance good corporate governance at the county levels.

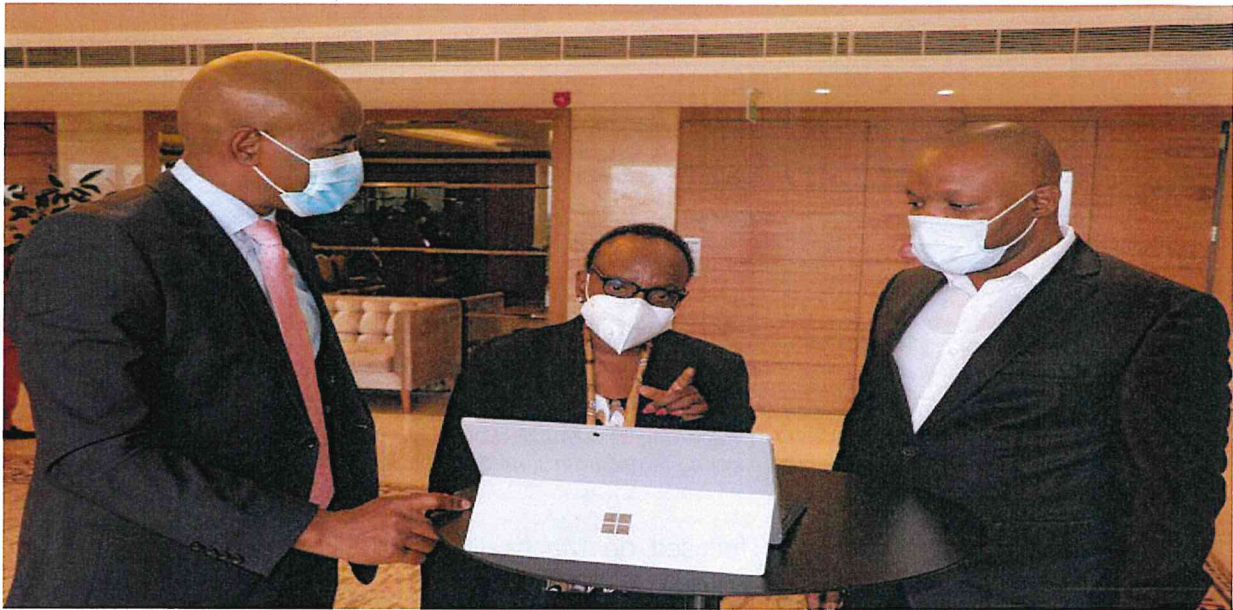
b) Guidelines on Risk Management for National and County Governments- As at year end, PSASB in collaboration with the Internal Auditor General’s Department the Board developed Government-wide Integrated Risk Management Policy, Public Sector Risk Management guidelines with attendant templates to guide public sector entities in establishing and implementing policy frameworks on risk management. The Board will undertake sensitizations on the guidelines and offer continuous support to the guideline’s implementers. The board has further developed a Government-wide integrated risk management policy to promote effective risk governance in the country by ensuring that national critical risks are managed through an integrated approach, and mechanisms that support the achievement of national interests and Government objectives as enshrined in the Constitution of Kenya 2010. The policy will facilitate the development of a national risk profile.



PSASB Directorate of Internal Audit team trains Heads of Internal Auditors, from the County Executives, on audit programme development in December 2021. Board has a mandate of prescribing internal audit procedures in the Public Sector. This is in line with the PFMR Act

c) Development of manuals, templates and tools – The Board prepared a model internal audit Manual for use by all internal auditors in State Corporations, Independent Offices and Commissions. The objective of the manual is to enhance the effectiveness of internal auditors in providing internal audit services and in conforming with the International Professional Practices Framework (IPPF) as prescribed by PSASB. To demonstrate a thorough understanding and ease of implementing the Manual, tools in form of templates have been provided for customization. The Board also developed county internal audit programs to serve as a source of reference as key audit steps in carrying out various types of audits such as financial statements review, procurement audit, financial audit, Human resource audit among others.

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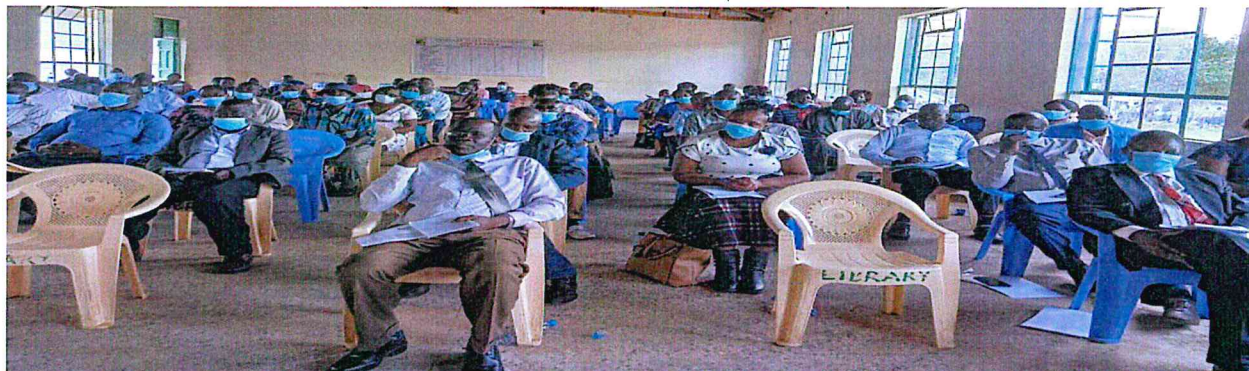
Auditor General CPA Nancy Gathungu discusses the Public Finance Management (Amendment) Bill 2020 with FCPA Fredrick Riaga (left) CEO of Public Sector Accounting Standards Board (PSASB), and Edwin Makori (right) CEO of Institute of Certified Public Accountants of Kenya (ICPAK) before meeting the Finance and Planning Committee of the National Assembly on 15th July 2021. The Bill requires reporting entities to submit annual reports, after the end of each financial year, to the Office of Auditor General within one month as opposed to three months

3. Increase Coverage of Public Sector Reporting Entities

The board seeks to increase coverage of entities that report using the prescribed accounting standards. These entities include:

a) Public Secondary Schools- The Principal Secretary, National Treasury approved the financial reporting template for Public Secondary Schools for application in the period ended 30th June 2021 and subsequent periods in accordance with the International Public Sector Accounting Standards. To facilitate the implementation of IPSAS in schools, the Board collaborated with the National Treasury (accounting services directorate) and the ministry of education (directorate of schools audit) and developed guidelines to enable schools to comply with this new directive. this collaboration saw over 250 school auditors trained in September and October 2021 as totos in order to sensitize school principals and bursars to provide seamless implementation of the new reporting requirements for the 9,000 public secondary schools in Kenya.

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15th September 2021, Public Sector Accounting Standards Board (PSASB) engaged School Principals and Board of Management on Governance and Financial Reporting at Nambale Boys High School, Nambale sub-county. The move comes after PSASB released the schools' reporting template in June 2021).

b) Public Hospitals- PSASB is focused on the health sector to ensure there is improved accountability for public resources. Health is a devolved function and therefore PSASB will seek to collaborate with the Council of Governors and the leadership of the 47 County Governments to prescribe a reporting framework for level 4 and 5 hospitals under the Counties. A financial reporting template under the accrual basis of accounting has already been prepared and views collected on the same.



PSASB Accounting Standards team with Reporting Accountants from County Treasuries and Level 4, 5 and 6 Hospitals during the validation and development of guidelines for Level 4 and 5 Hospitals Reporting Templates in Naivasha on 7th February 2022

c) Public Primary Schools- PSASB plans to develop and issue a simplified financial reporting template for Public Primary Schools. This will facilitate transparency and accountability of funds given as capitation by Government towards the Free Primary Education Programme in Kenya. The reporting template will also standardize reporting by close to 23,000 public primary schools in Kenya.

4. New Financial Reporting Templates

The board has in the past prepared and issued financial reporting templates in accordance with Section 194 of the PFM Act. These reporting templates are prepared for large clusters of users and may not consider the unique features of a particular public sector cluster. The Board prepared financial reporting templates for the following cluster of entities:

- Water Service Providers
- Cities/Municipal Boards
- County Receivers of Revenue
- County Revenue Fund
- Car and Mortgage for National Government Entities
- Level 4 and 5 Hospitals

These financial reporting templates were approved by the Board and issued for application for the year ended 30th June 2022. It is expected that the new templates will improve transparency and accountability in the public sector. The templates are accessible from the PSASB and the National treasury's websites

5. New Accounting Standards in Issue

The Secretariat is working to conduct the following activities in view of the implementation and application of the new standards.

- i. Sensitization of the preparers of financial statements of the changes and how they will be affected.
- ii. Training and capacity building of affected entities
- iii. Formation of a technical team to advise the Board on challenges especially for **IPSAS 41** and **IPSAS 43**.

The new standards are as listed below:

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	Standard	Objective	Entities expected to be affected	Applicable date
1.	IPSAS 41- Financial Instruments	The standard establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It aligns reporting to IFRS 9 that became effective in January 2018.	Most entities that have financial instruments e.g. loans such as uwezo or youth enterprise fund/ commodities including entities with significant investments and borrowings.	1 st January 2023
2.	IPSAS 42- Social Benefits	This standard provides for accounting of social benefits expenditure and cash transfers	Entities that do cash transfers e.g transfers to those aged over 70 and OVC. (although the ministry of labour and social protection is on cash basis of accounting.	1 st January 2023
3.	IPSAS 43- Leases	The standard proposes a right of use model for lessees (leased assets will now come in the balance sheet under an asset called the right of use an example is rent on a leased building) The standard seeks to eliminate off balance sheet financing which the current case under operating leases. There will no longer be distinction between finance and operating leases (under the	All entities that have leasing arrangements	1 st January 2025

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	Standard	Objective	Entities expected to be affected	Applicable date
		current IPSAS 13) and the standard will now be aligned to IFRS 16 that came into effect in 2018.		
4	IFRS 17- Insurance Contracts	Objective is to standardize insurance accounting globally to improve comparability and increase transparency , and to provide users of accounts with the information they need to meaningfully understand the insurer's financial position, performance and risk exposure.	NHIF, Kenya- Re	1 st January 2023

8.5 Major risks facing the Board

Strategic risk– PSASB’s strategy may become less effective in facilitating achievement of its mandate due to changes in the operating environment. PSASB regularly monitor its strategic plan with the aim of advising the Board on mitigation strategies. The Board has approved the strategic plan 2021/22 to 2025/26 for implementation. The launch is scheduled for 7th July 2022.

Compliance risk- PSASB as a Government institution is expected to comply to provisions of various laws and circulars. The Board complies with all relevant laws and circulars issued from time to time.

Financial risk- PSASB is fully funded by the National Treasury through transfers from the exchequer. Although the operations of the Board have increased over the years, the budgetary allocation has remained static. As highlighted above, the Board has approved training and capacity

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building as possible source of funding to supplement the transfers from the National Treasury in order to deliver effectively on its mandate.

Operational risk- Covid 19 pandemic has brought many challenges in the workplace. Staff members have been impacted in different ways. This has occasioned instances where staff members' operational efficiency is affected. Moreover, the occasional government directives on the protocols aimed at curtailing the spread of the virus including has meant for instance, staff working in shifts or from home. In a bid to comply with the ministry of health protocol, the Board conducted occasional fumigations that meant all members of staff working from home. The staff effectiveness in some operational activities that require individual's physical engagement was compromised. With the pandemic still not over, these operational exposures are still present. The staff, however, will be inducted to familiarize with the new circumstance and execute the board's mandate within new circumstances.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

PSASB exists to transform lives through prescribing financial Reporting, prescribing accounting standards, internal auditing standards, and mainstreaming risk management in the Public Sector. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

7.1 Sustainability Strategy and Profile

The Board plays a critical role in enhancing accountability through its standards and tools. The Board promotes value for money and effective use of resources by Government entities. To facilitate effective operations in realizing its mandate, the Board requires higher budget allocation than it is currently. Meanwhile, the Board strives to control its expenditures by complying with the National Treasury's cost-containment measures. It also collaborates with its stakeholders on areas of mutual interest in order to deliver its mandate within the constrained environment. The Board plays a critical role in promoting employability by providing internship programs to students. The Board has developed a new strategic plan for the next five years (2021/22- 2025/26). This strategic plan seeks to take the Board to the next level beyond the initial establishment and consolidate the gains achieved since 2014.

7.2 Environmental Performance

The strategy of the Board is to collaborate with like-minded institutions to conserve the environment through tree planting and other measures. Although this was not possible in FY 2021/2022, the Board has dedicated 10% of its CSR budget on tree planting which has been captured in the performance contract for FY2022/2023. In addition, The Board seeks to conserve, water, and electricity through effective use of these resources to conserve the environment and its elements. During the year, the Board, in its effort to leverage information technology installed high-end Servers to provide resources/services to other devices over a network. The functionality of the servers includes ERP System Server – Microsoft Dynamics 365 Enterprise Resource Planning System, Exchange Server – Email Account Mailboxes, Active Directory, E-Learning Server – Remote learning, disseminating knowledge and access to interactive training material, Helpdesk,

and Intranet server - to enhance stakeholder interaction, collaboration, and branding, E-Documents Management System server linked to ERP system for access, sharing & approvals of internal documentation, E-repository – for external stakeholders’ access and dissemination of audited financial statements. The IT strategy eliminated paper-based processes which resulted in improved turn-around time and reduced wastage of printing materials. The Board also anticipates enhancing the supply chain module to include a robust e-procurement platform where suppliers will interact with the Board online. This will eliminate the paper-based tendering process.

7.3 Employee welfare

Employees are the most important asset of the Board. The Board endeavours to create a conducive work environment where each of our employees feels valued as a member of the team. In FY 2021/2022 the Board undertook a team-building exercise for all its employees which also doubled up as an induction workshop for the newly recruited staff. The exercise was to synergize and promote team spirit towards the achievement of common goals. The Board sensitized the staff on the use of Microsoft Office 365 for HR-related modules such as leave application, therefore, increasing staff productivity and efficiency. The Board trained its staff on the approved Occupational Health and safety policy aimed at providing and maintaining a safe and healthy working environment. COVID- 19 essential supplies such as masks and sanitizers were provided for the staff. The office was also cleaned regularly in line with the Ministry of Health guidelines. All members of staff have medical insurance to cater to the well-being of themselves and their families that was enhanced to cover Covid-19.

7.4 Market place practices-

PSASB has put in the following practices with respect to:

(a) Suppliers

The Board’s procurement process is guided by the provisions of the Public Procurement and Asset Disposal Act, 2015. During the year the Board implemented the following strategies.

- a) Developed clear requirements, and TORs to discourage any misinterpretation by the supplier.
- b) Advertised for registration of suppliers to develop a pool of suppliers to enhance competition.
- c) Advertised all its open tender opportunities through its website to ensure interested

suppliers access similar information.

- d) Ensured that pending bills were maintained at their lowest at any given period.

(b) Customers/ constituents

The Board's key stakeholders who can also be termed as its customers are the public sector accountants and internal auditors. The following strategies were applied to ensure customer satisfaction:

- e) Ensured public participation in the development of reporting templates and tools
- f) Responded to all technical queries from constituents on financial reporting and internal auditing within 14 days.
- g) Ensured all reports, developed tools, templates, and resources are availed for use by our constituents through various forums including the PSASB website
- h) Ensured constant communication to our key stakeholders on any areas of development.

(c) Stakeholders

The Board's mandate requires key stakeholder engagement and management. The following strategies were implemented by the Board to ensure seamless operations with key stakeholders:

- i) Stakeholder mapping and reaching out to introduce the mandate of PSASB
- j) Regular meetings with the stakeholders
- k) Assisted Counties, National Government entities, State Corporations, and SAGAs in the application of standards and the use of financial reporting
- l) Presentations during stakeholders organised events
- m) Partnership in areas of mutual interest.

(d) Community Engagements

During the Covid-19 pandemic, the Board has ensured the implementation of the Covid-19 protocols at the office. In addition, the Board had planned a donation to Utafiti Primary School in Kericho County for the purchase of desks, however, this activity was not achieved and has been deferred to the FY 2022/2023.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Board's affairs.

i) Principal activities

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

ii) Results

The results of the Board for the year ended June 30, 2022, are set on page 1 to 38 of these Annual report and financial statements.

iii) Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Auditor General to carry out the audit of the Board for the year/period ended June 30, 2022, in accordance with the Public Audit Act, 2015.

By Order of the Board.



Chief Executive Officer/Secretary to the Board

Date: 28th July 2022

11. STATEMENT OF DIRECTORS' RESPONSIBILITY

Section 83 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 which disclose with reasonable accuracy the financial position of the Board. 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 2022. 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.

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Approval of the financial statements

The Public Sector Accounting Standards Board's Annual report and financial statements were prepared in accordance with Section 83 of the PFM Act and were approved by the Board on 15th July 2022 and signed on its behalf by:

Signed:

FCPA Pius Nduatih

Chairman

Sign:

Date:

CPA Edwin Njamura

Chairman, GSC

Sign:

Date:

FCPA Fredrick Riaga

CEO/Secretary to the Board

Sign:

Date:

REPUBLIC OF KENYA

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



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, 2022

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 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 Government achieves value for money and that such funds are applied for 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, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 39, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 the Public Sector Accounting Standards Board as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the 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 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.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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 control, 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 Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of consolidated 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 overall governance.

In preparing the consolidated financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or 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 are in compliance 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components, does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Board to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

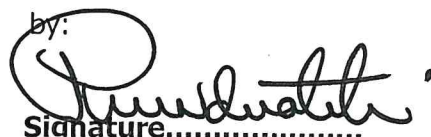
30 September, 2022

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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Year ended June 2022	Year ended June 2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Treasury	6	142,900,000	142,900,000
Public contributions and donations (PFMR)	7	10,970,682	23,579,147
		153,870,682	166,479,147
Revenue from exchange transactions			
Interest Income	8	908,238	1,479,867
Total revenue		154,778,920	167,959,014
Expenses			
Use of goods and services	9	42,560,590	39,082,824
Employee costs	10	63,099,381	59,088,459
Board Expenses	11	6,239,165	-
Travel and Subsistence expenses	12	14,831,509	18,326,440
Depreciation and amortization expense	13	11,944,787	11,033,376
Standard Dissemination, Monitoring and Evaluation Expenses	14	21,655,940	13,079,000
Repairs and maintenance	15	2,205,302	1,029,941
Contracted services	16	1,620,000	1,125,932
Total expenses		(164,156,676)	(142,765,972)
Surplus before tax		(9,377,756)	25,193,042
Taxation	17	(218,062)	(385,661)
Net Surplus/(deficit) for the Year		(9,595,818)	24,807,380

The financial statements set out on pages 1 to 38 were signed on behalf of the Board of Directors

by: 
 Signature.....

Name: FCPA Pius Nduatih
Chairman of the Board
Date: 28th July 2022


 Signature.....

Name: CPA Edwin Njamura
Convener – GSC
Date: 28th July 2022


 Signature.....

Name: FCPA Fredrick Riaga
Chief Executive Officer
Date: 28th July 2022
ICPAK M/No 5763

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		As at 30th June 2022	As at 30th June 2021
	Note	Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	34,527,432	12,401,833
Receivables from non-exchange transactions	19	-	20,725,000
Receivables from exchange transactions	20	445,833	2,920,250
Prepayments	21	5,898,676	5,696,765
Inventories	22	2,944,093	5,167,742
Total current assets		43,816,035	46,911,590
Non-current assets			
Property, plant and equipment	23	43,988,192	52,691,895
Intangible Assets	24	14,507,097	16,556,340
Total Non-Current Assets		58,495,289	69,248,235
Total Assets		102,311,323	116,159,825
Liabilities			
Current liabilities			
Trade and other payables	25	3,457,258	10,897,530
Taxation	26	101,827	163,681
Non-Current liabilities			
Non-Current employee benefit obligation	27	10,511,179	7,261,737
Total liabilities		14,070,264	18,322,948
Net assets			
Accumulated surplus		97,836,877	73,029,497
Surplus/(deficit) for the Year		(9,595,818)	24,807,380
Total net assets		88,241,059	97,836,877
Total net assets and liabilities		102,311,323	116,159,825

The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Directors by:


 Signature.....

Name: FCPA Pius Nduatih
Chairman of the Board
Date: 28th July 2022


 Signature.....

Name: CPA Edwin Njamura
Convener – GSC
Date: 28th July 2022


 Signature.....

Name: FCPA Fredrick Riaga
Chief Executive Officer
Date: 28th July 2022

ICPAK M/No 5763

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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

Period	Retained earnings	Total
	Kshs	Kshs
At July 1, 2020	73,029,497	73,029,497
Surplus for the year	24,807,380	24,807,380
At June 30, 2021	97,836,877	97,836,877
At July 1, 2021	97,836,877	97,836,877
Surplus for the year	(9,595,818)	(9,595,818)
At June 30, 2022	88,241,059	88,241,059

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Year ended June 30th 2022	Year ended June 30th 2021
	Kshs	KShs
Receipts		
Transfers from National Treasury	163,625,000	122,175,000
Interest income	908,238	1,479,867
Total Receipts	164,533,238	123,654,867
Payments		
Directors' remuneration	6,239,165	-
Remuneration to employees	61,395,855	59,367,932
Travel and subsistence cost	12,377,409	20,833,040
Use of Goods and Services	39,452,791	42,748,969
Repair and Maintenance	2,205,302	1,029,941
Dissemination, monitoring and evaluation of standards	11,877,100	13,079,000
Contracted Services	1,320,000	1,125,932
Total payments	134,867,622	138,184,814
Net cash flows used in operating activities	29,665,615	(14,529,947)
Cash flows from investing activities		
Purchase of property, plant, equipment, and intangible assets	(7,540,015)	-
Net cash flows used in investing activities	(7,540,015)	-
Net increase/(decrease) in cash and cash equivalents	22,125,600	(14,529,947)
Cash and cash equivalents at beginning of the year	12,401,833	26,931,779
Cash and cash equivalents at end of the year	34,527,432	12,401,833

The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Directors

by:

Signature.....

Name: FCPA Pius Nduatih

Chairman of the Board

Date: 28th July 2022

Signature.....

Name: CPA Edwin Njamura

Convener – GSC

Date: 28th July 2022

Signature.....

Name: FCPA Fredrick Riaga

Chief Executive Officer

Date: 28th July 2022

ICPAK M/No 5763

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original Annual Budget	Adjustments	Final Annual Budget	Actual Cumulative to date	% Utilization E=d/c%	Notes
	A	B	C=a+b	d		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	142,900,000	-	142,900,000	142,900,000	100%	a
Interest Income	800,000	(100,000)	700,000	908,238	130%	b
PFMR Funding	12,700,000	-	12,700,000	10,970,682	86%	c
Cash balance at beginning	25,865,096	-	25,865,096	25,865,096	100%	d
Total income	182,265,096	(100,000)	182,165,096	180,644,016		e
Expenses						
Remuneration of Directors	8,400,000	1,500,000	9,900,000	6,239,165	63%	f
Remuneration of Employees	76,547,874	(10,608,156)	65,939,718	61,395,855	93%	g
Travel Subsistence and other transport costs	15,339,775	4,385,000	19,724,775	12,377,409	63%	h
Use Goods and services	59,458,154	2,585,075	62,043,229	51,329,891	83%	i
Repair and Maintenance	1,295,747	1,400,000	2,695,747	2,205,302	82%	j
Contracted Services	714,500	638,081	1,352,581	1,320,000	98%	k
Purchase of Assets	7,809,046	-	7,809,046	7,540,015	97%	l
PFMR Funded activities	12,700,000	-	12,700,000	10,970,682	86%	m
Total expenditure	182,265,096	(100,000)	182,165,096	153,378,319	84%	
Surplus for the year				27,265,696		

Budget notes: Explanation of differences between actual and budgeted amounts

- a) The Board received full disbursement for the first four quarters from National Treasury according to the budget as of the close of the financial year.
- b) The interest income for the first three quarters were below the projections. Although the Board reviewed the interest income budget downwards, the expectation of the Board was however that further disbursements from National Treasury and effective cash management would improve the income for the remaining quarter of the FY 2021/2022 hence the 30% above the expectations
- c) 86% of the PFMR funding had been received towards payment of the PFMR activities by the close of the FY 2021/22.
- d) The cash balance included the disbursement of Ksh 20,725,000 from the National Treasury for the FY2020/2021 released after the close of the FY2020/2021
- e) The new Board was appointed on October 8th, 2021, with the rest of the members being Gazetted effective 1st April 2022 to complete the full constitution of the PSASB Board. The Board expenses are incurred towards the Board's activities
- f) The employee remuneration for the quarter was within the budget. The under-utilisation was due to new staff who were supposed to be recruited in Quarter 2 but the approvals for the same was received in Quarter three. They joined the Board in quarter four.
- g) Travel and other transport costs was due to high uptake of activities undertaken by the Board during the first three Quarters in line with its mandates. Some activities which were scheduled for quarter four were carried to the next financial year for execution hence the unabsorbed portion of the budget.
- h) Use of goods and services was at 83% of the budget absorption rate. During the year, some items prepaid from the previous financial year were expensed.
- i) The absorption of repair and maintenance was at 82% of the budget due to repairs and maintenance done mostly in the second and third quarters as planned.
- j) The contracted services cost relates to security guards contracted by the board. This had a good absorption the budget for the financial year at 98%.
- k) The utilization of 97% on this budget relates to the payments made during the first quarter for assets acquired in the last financial year
- l) PFMR funds, in (c) above, received as at the end of the quarter was a payment towards the PFMR funded training and asset acquisition, according to the work plan.

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18. 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 (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The management has assessed the expected effects of IPSAS 41 on its financial statements. It is expected that when adopted, impairment of receivables by the Board may be affected. However, these receivables are not material in nature and the collectability is certain and therefore the impact from its adoption may not be significant.</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p>

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Standard	Effective date and impact:
	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position, and cash flows. <p><i>The management has assessed the impact of IPSAS 42 on Social Benefits as insignificant since it is not involved in alleviating social problems through transfers.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>These changes have been assessed and have no effect on the operations of the Board.</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>These changes have been assessed and have no effect on the operations of the Board.</i></p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>These changes have been assessed and the Board's leased assets will be impacted upon application of this standard. The Board is in the process of assigning the standard for implementation.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p> <p><i>These changes have been assessed and at the moment they have no effect on the operations of the Board. Where the Board identifies assets for sale, they shall be classified separately from PPE in the year such decision is made.</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii. Early adoption of standards

The Board did not early – adopt any new or amended standards in year 2021/2022.

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. Recurrent grants are recognized in the statement of comprehensive income.

ii) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Note **31** of these financial statements.

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 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;

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Summary of Significant Accounting Policies (Continued)

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.

The useful life of the intangible assets is assessed as either finite or indefinite.

e. Financial instruments

1. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Board determines the classification of its financial assets at initial recognition.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

iii. Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

iv. Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a class of financial assets is impaired. A financial asset or a class of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the class of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or a class of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

2. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Board determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Summary of Significant Accounting Policies (Continued)

***ii.* Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f. 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.

g. 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.

h. 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.

i. 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.

j. Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. Currently, the board retained earnings comprise of surplus relating to prior periods.

k. 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.

l. 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.

m. 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

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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.

n. 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.

o. 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.

p. Comparative figures

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

q. 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, 2022.

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. State all judgements, estimates and assumptions made such as:

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. IPSAS 1.140

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.

Significant Judgments and Sources of Estimation Uncertainty (continued)

d) Provision for bad debts

It is the boards policy to assess the impairment of individual debts on an annual basis and provide for each of them on the prevailing circumstance.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from the National Treasury

Description	Year ended 30th June 2022 Kshs	Year ended 30th June 2021 Kshs
Unconditional Grant		
Quarter 1	35,725,000	40,725,000
Quarter 2	35,725,000	40,725,000
Quarter 3	35,725,000	40,725,000
Quarter 4	35,725,000	20,725,000
Total Grants Received	142,900,000	142,900,000

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2021/22 KShs	Prior year 2020/2021 KShs
The National Treasury and Planning	142,900,000	-	-	142,900,000	142,900,000
Total	142,900,000	-	-	142,900,000	142,900,000

7. Public Contributions and Donations

Description	Year ended 30th June 2022 KShs	Year ended 30th June 2021 KShs
Grants from PFMR	10,970,682	23,579,147
Total	10,970,682	23,579,147

During the year, the board prepared a work plan to the Public Finance Management Reforms secretariat (PFMR) on areas of reform as per PFMR's strategic plan. The approved work plan had activities costed at Kshs. 12.7 million out of which Kshs. 10.97million was funded. The balance of 1.73m was not funded in FY 2021/2022 despite being in the approved work plan due to the reduced PFMR supplementary budget for the same period.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

Description	Year ended	Year ended
	30 th June	30 th June
	2022	2021
	Kshs	KShs
Interest Income from Co-operative Bank of Kenya	908,238	1,479,867
Total interest income	908,238	1,479,867

Interest income relates to interest income accrued from the daily balances on the account held at the Co-operative Bank of Kenya. These are gross amounts before withholding tax.

9. Use of Goods and Services

	Year ended	Year ended
	30 June	30 June
	2022	2021
	Kshs	Kshs
Rent	9,756,804	9,836,856
Membership fees subscriptions to professional fees	194,537	176,000
Electricity	682,932	525,073
Hospitality & Catering costs	3,873,126	2,217,040
Internet connections	534,528	507,840
Bank charges & commission	181,363	194,329
Parking fee	780,440	663,730
General supplies, Accessories for computers and printers	1,979,022	1,128,585
Specialised materials (Library and non- Pharmaceutical)	415,008	3,714,003
Fuel & Oil	1,192,003	658,627
Insurance	9,765,968	6,534,275
Printing & stationery	2,247,526	1,482,014
Training	6,109,785	8,644,658
Telecommunication and postage	1,158,425	2,130,527
Software licenses	3,689,124	669,267
Total	42,560,590	39,082,824

The significant increase in the use of goods expenditures were majorly contributed by the increase in items including hospitality and catering expenses and fuel and oil, which resulted from more activities undertaken in line with the organizational work plan for the year. This resulted into more travelling leading to increased fuel and oil consumption and hospitality expenses.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Insurance cost also increased as a result of additional staff and dependants leading increased premium. The board recruited additional staff members to its team to facilitate its increased operations and activities implying increased expenditures on these items. The expensed general supplies, accessories for computers and printers were significantly as a result of the expensed inventories rather than acquisitions in the financial year. Software costs increased due to license renewals and acquisition of new licenses for new Board of directors whose terms were started in the course of the financial year.

10. Employee Costs

Description	Year ended June 30th 2022 Kshs	Year ended June 30th 2021 Kshs
Salaries and wages	54,823,364	51,814,235
Employer contribution to pension schemes	4,724,671	4,880,979
Gratuity	3,551,346	2,393,245
Employee costs	63,099,381	59,088,459

Increase in employee costs was because of recruitment of new staff members and filling of positions that were earlier vacated. Increase also resulted from annual inflation adjustments on staff salaries in line with the salary structure.

11. Board Expenses

Description	Year ended June 30th 2022 Kshs	Year ended June 30th2021 Kshs
Chairman/Directors' Honoraria	540,000	-
Sitting allowances	3,767,000	-
Induction and Training	898,865	-
Travel and accommodation	728,000	-
Hospitality	305,300	-
Total	6,239,165	-

PSASB had no constituted Board in the FY2020/2021 since the expiry of the term of the previous members of the previous board. The Board was fully constituted during the FY 2021/22 and fully operational.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Travel and subsistence cost

Description	Year ended June 30 th 2022	Year ended June 30 th 2021
	Kshs	Kshs
Travel cost	1,664,518	1,366,264
Daily Subsistence Allowance	13,166,991	16,960,176
Total travel and subsistence cost	14,831,509	18,326,440

The reduction in travel and subsistence costs were due to increased involvement of stakeholders in the external activities that requiring a lot of travels. Due to partnerships and collaborations with stakeholders some activities were co-funded.

13. Depreciation and Amortization Expense

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Kshs
Property, plant, and equipment	8,703,703	9,414,080
Intangible assets	3,241,084	1,619,296
Total depreciation and amortization	11,944,787	11,033,376

14. Dissemination, Monitoring and Evaluation Expenses

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Kshs
Evaluation expenses	10,877,100	11,079,000
Promoters' contributions	1,000,000	2,000,000
Dissemination Expenses	9,778,840	-
Total Standard Dissemination, Monitoring and Evaluation	21,655,940	13,079,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Repairs and Maintenance

Description	Year ended 30th June 2022	Year ended 30th June 2021
	Kshs	Kshs
Office Building Maintenance	674,689	398,945
Motor Vehicles	633,332	496,134
Equipment and machinery	110,508	-
Furniture and fittings	40,000	-
Computers and accessories	746,773	134,862
Total repairs and maintenance	2,205,302	1,029,941

The significant change in repairs and maintenance was due to office refurbishment that meant that some areas of the office building had to be repaired. Motor vehicle repair and maintenance cost also increased because of the increased activities and use as a result of the increased travels. Computer and accessories cost were up significantly due to the computer maintenance expenses resulting from increased use of computers by staff and Board members.

16. Contracted services

Description	Year ended 30th June 2022	Year ended 30th June 2021
	KShs	KShs
Security Cost	588,000	582,932
Contracted professional services	732,000	543,000
Accrued Audit fees	300,000	
Total contracted services	1,620,000	1,125,932

17. Taxation

Description	Year ended 30th June 2022	Year ended 30th June 2021
	KShs	KShs
Interest Income from Co-operative Bank of Kenya	908,238	1,479,867
Less: Bank charges	(181,363)	(194,329)
Net Interest Income before Tax	726,875	1,285,538
Taxation 30%	218,062	385,661

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Cash and Cash Equivalents

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	KShs	KShs
Current account	24,016,253	5,140,096
Staff pension & gratuity account	10,511,179	7,261,737
Total cash and cash equivalents	34,527,432	12,401,833

18 (a) Detailed analysis of the cash and cash equivalents

Description		Year ended 30 th June 2022	Year ended 30 th June 2021
Financial institution	Account number	Kshs	Kshs
a) Current account			
Cooperative Bank of Kenya	01141199471000	24,016,253	5,140,096
Sub- total		24,016,253	5,140,096
b) Others(specify)			
Staff pension & gratuity account	01141199471001	10,511,179	7,261,737
Sub- total		10,511,179	7,261,737
Grand total		34,527,432	12,401,833

18(b) Pensions and Gratuity account

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Kshs
At the beginning of the year	7,261,137	5,786,687
Additional contributions during the year	3,250,042	5,876,216
Transferred to CIC pension plan		(4,401,166)
Bank charges		(600)
Total cash and cash equivalents	10,511,179	7,261,137

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19.Receivables from Non-Exchange Transactions

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Kshs
Current receivables		
Receivables from Non exchange transactions	-	20,725,000
Total current receivables	-	20,725,000

The receivables from non-exchange transactions relates to the final disbursements for quarter 4 FY2020/2021 from the National Treasury that had not been made as at the close of the financial year. This was reported in the incomes of FY2020/2021. However, the cash transfer was done in quarter one FY2021/2022. There was no outstanding transfer from National treasury for the FY2021/22 as at the closing date.

20.Receivables from Exchange Transactions

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Kshs
Current receivables		
Staff debtors (Temporary imprest)	52,500	2,506,600
Salary advance	393,333	413,650
Total current receivables	445,833	2,920,250

21.Prepayment

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Kshs
Current payables		
Insurance prepaid	180,340	-
Newspaper	338,899	289,738
Medical Cover	5,379,437	5,407,027
Total	5,898,676	5,696,765

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Prepayments relate to the medical and motor vehicle insurance prepaid during the year. It also includes the prepayment towards daily newspaper and digital copy subscription prepaid during the FY2021/2022. The huge rise in this item is due to increased number of staff with board paying increased premiums for the medical and personal insurance.

22. Inventories

Description	Year ended 30th June 2022 Kshs	Year ended 30th June 2021 Kshs
Supplies & accessories for computers, printing, and communication	799,248	2,310,768
Office and General supplies & Hospitality expenses	2,062,665	2,445,786
Non-pharmaceutical supplies	82,180	411,188
Total inventories at the lower of cost and net realizable value	2,944,093	5,167,742

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23. Property, Plant and Equipment

Description	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 30th June 2020	23,751,000	23,296,989	6,316,422	5,119,112	58,483,523
Additions	-	1,779,540	4,525,000	11,036,344	17,340,884
As at 30th June 2021	23,751,000	25,076,529	10,841,422	16,155,456	75,824,407
Additions	-	-	-	-	-
As at 31st June 2022	23,751,000	25,076,529	10,841,422	16,155,456	75,824,407
Depreciation and impairment					
At 1st July 2019	(2,545,094)	(822,486)	(1,267,705)	(184,162)	(4,819,447)
Depreciation	(5,301,477)	(1,990,000)	(1,015,461)	(592,047)	(8,898,985)
As at 30th June 2020	(7,846,571)	(2,812,486)	(2,283,166)	(776,209)	(13,718,432)
Depreciation	(3,976,107)	(2,560,563)	(2,098,375)	(779,035)	(9,414,080)
As at 30th June 2021	(11,822,678)	(5,373,049)	(4,381,541)	(1,555,244)	(23,132,512)
Depreciation for the year	(2,713,977)	(2,349,871)	(1,898,608)	(1,741,247)	(8,703,703)
As at 30th June 2022	(14,536,655)	(7,722,920)	(6,280,149)	(3,296,491)	(31,836,215)
Net book values					
As at 31st June 2022	9,214,345	17,353,609	4,487,395	12,858,965	43,988,192
As at 30th June 2021	11,928,322	19,703,480	6,459,881	14,600,212	52,691,895

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Intangible Assets

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Ksh
Cost		
At beginning of the year	13,759,759	5,637,961
Additions	5,856,466	8,121,798
WIP		4,664,624
At end of the Year	19,616,225	18,424,383
Additions–internal development	-	-
At end of the Year	19,616,225	18,424,383
Amortization and impairment		
At beginning of the year	(1,868,044)	(248,748)
	(3,241,084)	(1,619,296)
At end of the year	(5,109,128)	(1,868,044)
Impairment loss	-	-
As at 30th June 2022	(5,109,128)	(1,868,044)
NBV as at 30th June 2022	14,507,097	16,556,339

The additional intangible assets include the Kshs, 4,664,624 worth of assets which were WIP last financial year that were capitalised in FY2021/22.

25. Trade and Other Payables

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Ksh
Current payables		
Unearned training fees	150,000	150,000
Electricity bill	51,629	51,588
Retention-Earth line Venture	647,556	647,556
Provision for audit fees FY2021/22	300,000	-
Other payables	2,308,073	10,048,386
Total current payables	3,457,258	10,897,530

Office partitioning retention monies relates to the payable amount to the supplier upon completion and inspection of work. Part of the money was paid to the supplier during the previous year. The training fee received in advance was received FY2019/2020 but the training has not been given by the board. Included in the payables is the final dues of staff who exited service at the Board.

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26. Tax Liability

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	Kshs	Ksh
At beginning of the year	163,681	-
Income tax charge for the year	218,062	385,661
WHT on Income deducted at source	(136,236)	(221,980)
Income tax paid during year	(163,681)	
Previous year IT unpaid	20,000	-
At end of the year	101,827	163,681

The income tax liability is the net tax from the interest income earned from the account balances at the Co-operative Bank of Kenya. The tax liability is net of Withholding tax at 15%. This is not the final tax.

27. Non-current employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Year ended 30 th June 2022	Year ended 30 th June 2021
	KShs	KShs	KShs	KShs	KShs
Non-current benefit obligation	10,511,179	-	-	10,511,179	7,261,737
Total employee benefits obligation	10,511,179	-	-	10,511,179	7,261,737

This relates to gratuity for Board's staff who are on contract terms. The amount is maintained in a separate bank account. The increase is due to normal employer contributions towards staff gratuity during the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Cash Generated from Operations

Description	Year ended 30 th June 2022	Year ended 30 th June 2021
	KShs	KShs
Surplus for the period before tax	(9,377,756)	25,193,042
Adjusted for:		
Depreciation	11,944,787	11,033,376
Non-cash grants received	(10,970,682)	(23,579,147)
Working Capital adjustments		
Decrease/(Increase) in inventory	2,223,649	(5,167,742)
Decrease in receivables	23,199,417	(25,987,752)
Increase in payables, in gratuity and Pension	12,646,200	3,978,276
Net cash flow from operating activities	29,665,615	(14,529,947)

29. Reconciliation Between Surplus as Per the Budget and Surplus as Per the Statement of Financial Performance

Description	Amount
Surplus under statement of financial performance	(9,595,818)
Less: Surplus under the statement of budgeted and actual amounts	27,265,696
Difference	(36,861,515)

Explained by:

Surplus under the statement of budgeted and actual amounts	27,265,696
Purchase of fixed assets included under the budget and capitalised	(7,540,015)
Prepayments for FY2020/2021 expensed in the FY2021/2022	5,696,765
Prepayments for FY2021/2022	(5,898,676)
Accruals for current year	(5,099,306)
Previous year payables paid during the FY2021/2022	(10,099,974)
Depreciation- Non cash item	11,944,787
Unspent balance b/f	(25,865,096)
Surplus under statement of financial performance	(9,595,818)

30. 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 in place policies to ensure that credit is only extended 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, and deposits with banks, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account 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.

ii) Financial Risk Management

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:

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Description	Total amount	Fully performing
	Kshs	Kshs
At 30 June 2022		
Receivables from - exchange transactions	5,898,676	5,898,676
Staff debtors	445,833	445,833
Bank balances	34,527,432	34,527,432
Total	40,871,942	40,871,942
At 30 June 2021		
Receivables from - exchange transactions	5,696,765	5,696,765
Receivables from non - exchange transactions	20,725,000	20,725,000
Staff debtors	2,920,250	2,920,250
Bank balances	12,401,833	12,401,833
Total	41,743,848	41,743,848

The fully performing category are active and realisable receivables. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Board has recognised 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 lays down parameters within which the various aspects of credit risk management are operated.

iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board's directors, who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30th June 2022				
Trade payables	-	3,559,085	-	3,559,085
Employee benefit obligation	-	2,639,130	7,872,049	10,511,179
Total	-	6,198,215	7,872,049	14,070,264
At 30th June 2021				
Trade payables	-	11,061,211	-	11,061,211
Employee benefit obligation	-	-	7,261,737	7,261,737
Total	-	11,061,211	7,261,737	18,322,948

iv) 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 Finance Department 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.

v) 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 from 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.

vi) 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.

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 the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs **9,082** (2021: KShs **14,799**). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs **54,948** (2021 – KShs **73,993**)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

vii) 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 th June 2022	Year ended 30 th June 2021
	KShs	KShs
Retained earnings	88,241,059	97,836,877
Total funds	88,241,059	97,836,877
Less: cash and bank balances	(34,445,432)	(12,401,833)
Excess cash and cash equivalents	34,445,432	12,401,833
Gearing	0%	0%

31. 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 th June 2022	Year ended 30 th June 2021
	KShs	KShs
Transactions with related parties		
a) Grants from the Government		
Grants from National Treasury & Planning	142,900,000	142,900,000
Grants from PFMR	10,970,682	23,579,147
Total	153,870,682	166,479,147
b) Key management compensation		
Board of Directors' emoluments	5,205,865	-
Payments for Board of Directors transport and accommodation expenses	1,033,300	-
Compensation to key management	19,303,337	20,121,793
Total	25,542,502	20,121,793

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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

32. Capital Commitments

Capital commitments	Year ended 30th June 2022 Kshs	Year ended 30th June 2021 Kshs
Authorised for	-	-
Authorised and contracted for	-	8,483,753
Total	-	8,483,753

There were no capital commitments for the Board within the financial year ended 30th June 2022.

33. Events after the Reporting Period

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

34. 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.

35. Currency

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

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19. APPENDIX

APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

The Board received unqualified audit report. However, the auditor raised the following issues which the management implement in the course of the financial year.

MANAGEMENT ACTIONS IN CONFORMANCE WITH AUDIT RECOMMENDATIONS FOR THE AUDIT PERFORMED ON PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 JUNE 2021		
No	Auditor recommendation	Implementation Status
1	Lack of a Functional Board of Directors Management of the Board should liaise with the appointing authority to ensure that a fully constituted Public Sector Accounting Standards Board is appointed in accordance with section 193 (1) of Public Finance Management Act, 2012.	<p>Management Action</p> <ul style="list-style-type: none"> The PSASB Board was reconstituted on 8th October 2021 in accordance with section 193 (1) of Public Finance Management Act, 2012, through a gazette notice No 10646 with the term of the five (5) members starting on 6th October 2021. Four additional members were appointed in April 2022. However, the Board had been operational upon its reconstitution with the five (5) members constituting a quorum. This therefore meant that both operational and governance structure of the Board were in place with the oversight committees of the Board set up.
2	Lack of an Updated Finance & Accounting Manual Management to ensure that Finance and Accounting Manual is reviewed and approved for implementation	<p>Implementation Status</p> <p>The Board is fully functional with full membership</p>
		<p>Management Action</p> <ul style="list-style-type: none"> Review of the Financial and Accounting Manual is an activity which was planned within PSASB workplan for the FY2021/2022 (domiciled in the Finance and Accounts Department workplan). The event took place between 13th to 19th Feb 2022. The final policy document was approved by the Board for operationalization on 4th March 2022
		<p>Implementation Status</p> <p>The revised manual was approved by the Board on 4th March 2022</p>

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MANAGEMENT ACTIONS IN CONFORMANCE WITH AUDIT RECOMMENDATIONS FOR THE AUDIT PERFORMED ON PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 JUNE 2021			
No	Auditor recommendation	Management Action	Implementation Status
4	<p>Lack of performance of Risk Assessment and Mitigation</p> <p>The management should ensure a comprehensive risk assessment for the Board is done to identify, qualify and manage all risk and opportunities that can affect achievement of its strategic and financial objectives and document such and develop mitigation measures</p>	<ul style="list-style-type: none"> • <i>PSASB appreciated the fact that risk assessment for the Board did not take place for the year under review. However, for the prior year the risk assessment was done. Similarly, the risk assessment and framework for the FY21/22 has been successfully carried out.</i> 	<p>The risk assessment was done, and the risk framework effectively implemented</p>

APPENDIX II: PROJECTS IMPLEMENTED BY THE BOARD

There were no projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government during FY2021/2022.

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APPENDIX III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Nature: Recurrent / Development/Other s	Date received as per bank statement	Total Amount - KES	Where Recorded/recognized			Deferred Income	Other s must be specific	Total Transfers during the Year
				Statement of Financial Performance	Statement of financial position	Statement of financial position			
Ministry of National Treasury and Planning	Recurrent	22nd July 2021	20,725,000	-	20,725,000	-	-	20,725,000	
		18th Aug 2021	35,725,000	35,725,000	-	-	-	35,725,000	
		5th Nov 2021	35,725,000	35,725,000	-	-	-	35,725,000	
		14th Feb 2022	35,725,000	35,725,000	-	-	-	35,725,000	
		6th May 2022	35,725,000	35,725,000	-	-	-	35,725,000	
Total			163,625,000	142,900,000	20,725,000	-	-	163,625,000	

APPENDIX V- INTER-ENTITY CONFIRMATION LETTER

The board did not have any inter-entity amounts disbursed to any other entity as at 30th June 2022

APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

The board did not incur any expenditures on any climate relevant activities for period ended 30th June 2022.

APPENDIX VII: DISASTER EXPENDITURE REPORTING TEMPLATE

The board did not incur any expenditures relating to any disasters within the period ended 30th June 2022.

