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All Accounting Officers

Ministries, Departments and Agencies,

State Corporations Semi-Autonomous Government Agencies and Public Funds,

County Governments and County Government Entities

**REVISED ANNUAL FINANCIAL REPORTING TEMPLATES FOR NATIONAL AND
COUNTY GOVERNMENT ENTITIES**

1.0 INTRODUCTION

The Public Sector Accounting Standards Board (PSASB) was established under Sections 192 to 195 of the Public Finance Management (PFM) Act 2012. The Board is mandated to provide frameworks and set general accepted accounting standards for the development and management of accounting and financial systems and internal audit procedures by state organs and public entities as spelt out under Section 194 of the PFM Act.

1.1 Purpose

The purpose of this Circular, therefore, is to provide revised reporting templates for the Annual and Quarterly Financial Statements as prescribed by the Public Sector Accounting Standards Board (PSASB) to enable entities comply with the statutory requirements for end of year and in-year reporting in accordance with the PFM Act, 2012.

1.2 Reporting Requirements

1.2.1 Annual Reporting by National Government Entities

In accordance with Section 81 of the PFM Act, 2012, an Accounting Officer for a National Government entity, shall prepare a report for each financial year in respect of the entity.

Further, the section requires the Accounting Officer of a National Government entity, to ensure that the annual report: -

- contains information on the financial and non-financial performance of the entity; and
- is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board from time to time.

The Section also requires that not later than three months after the end of each financial year, the Accounting Officer shall submit the Annual Report to the Auditor General with a copy to National Treasury, Controller of Budget and Commission on Revenue Allocation.

1.2.2 Quarterly Reporting by National Government Entities

In accordance with Section 83 of the PFM Act, 2012, an Accounting Officer for a National Government entity, prepare a report for each quarter of the financial year in respect of the entity.

In preparing a quarterly report for a national government entity, the accounting officer shall ensure that the report—

- contains information on the financial and non-financial performance of the entity; and
- is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board from time to time.

Not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the Cabinet Secretary responsible for the entity and the National Treasury.

In the case of an entity that is a State Corporation, the Accounting Officer for the corporation shall submit the quarterly report to the Cabinet Secretary responsible for the corporation who shall, upon approving it, forward a copy to the Cabinet Secretary of the National Treasury.

1.2.3 Annual Reporting by County Government Entities

In accordance with Section 164 of the PFM Act, 2012, an Accounting Officer for a County Government entity shall prepare a report for each financial year in respect of the entity.

Further, the Accounting Officer of County Government entity, is required to ensure that the annual and quarterly report: -

- contains information on the financial and non-financial performance of the entity; and
- is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board from time to time.

The Section also stipulates that not later than three months after the end of each financial year, the Accounting Officer shall submit an annual report to the Auditor General with copies to County Treasury, Controller of Budget and the Commission on Revenue Allocation.

Section 163 of the PFM Act 2012 also requires the County Treasury to consolidate the financial statements of County Government Entities within four months following the end of the year and to submit the consolidated financial statements to the Auditor General with a copy to the National Treasury, Controller of Budget and the Commission of Revenue Allocation.

1.2.4 Quarterly reporting by County Government Entities

In accordance with Section 166 of the PFM Act, 2012, an Accounting Officer of a County Government entity shall prepare quarterly reports in respect County Government entity.

In preparing a quarterly report for a County Government entity, the Accounting Officer shall ensure that the report—

- contains information on the financial and non-financial performance of the entity; and
- is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board from time to time.

The Section also stipulates that not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the County Treasury.

Further the section stipulates that not later than one month after the end of each quarter, the County Treasury consolidate the quarterly reports and submit them to the County Assembly deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and publish and publicize the consolidated financial statements.

2.0 GENERAL GUIDELINES

2.1 Revision of Annual Financial Reporting Templates

The Public Sector Accounting Standards Board, in consultation with the National Treasury, preparers of the financial statements and other stakeholders has revised the annual and quarterly financial reporting templates in line with amendments to applicable international reporting standards, suggested areas for improvement by the preparers and users of the financial statements, legal reporting requirements and best practice.

2.2 Key Amendments

2.2.1 National Government Financial Reporting Templates

2.2.1.1 National Government Ministries, Departments and Agencies Annual Financial Reporting Template

The following amendments were made:

- i. Section 2 on Foreword by the responsible Cabinet Secretary will now include a paragraph outlining the entity's strategies on risk management.
- ii. In the Statement of Performance against Predetermined Objectives under Section 3 of the report a column on strategic objectives has been included.
- iii. A Policy on Contingent Liabilities has been included under the Significant Accounting Policies.
- iv. Notes to financial statements have been harmonized with SCoA as presented in IFMIS and therefore some lines have been added, and others deleted. This is to ensure that the financial reporting template is harmonized to IFMIS reports as closely as possible.
- v. Note 14 on Subsidies clarified to include grants to entities that are not self-reporting and not to mean exchequer transfers which is included under note 15 of the MDA financial reporting template.
- vi. Notes 27 and 28 which relate to changes in accounts receivables and changes in accounts payable respectively have been revised to ensure that they tie to the changes as shown in the Statement of Cash Flows.
- vii. Under Other Important Disclosures a note to disclose Contingent Liabilities has been included to tie to the register on Contingent Liabilities under Annex 7.

2.2.1.2 Development Projects Annual Financial Reporting Template

The following amendments were made:

- i. Under Section 1.7 on Project Funding, a table has been inserted to indicate the application of funds to date alongside the table on disbursement of funds. This information will assist in understanding the linkage between financial and non- financial information.
- ii. The Statement of Receipts and Payments also includes a column for totals which accumulates columns on funds controlled by the entity and third-party payments for better linkage with the notes to the financial statements.
- iii. Under the Statement of Receipts and Payments, the column on cumulative to date will be tied to the table on application of funds on section 1.7 of the reporting template.
- iv. The template now introduces an Annex on Summary of Non- Current Assets Register to enable projects to report on the assets that they control.
- v. Under the appendices, GOK Trial Balance has been included as a requirement for projects.
- vi. Projects are required to reconcile funds transferred by the implementing Ministry or State Department annually. In this regard an annex on reconciliation of fund transfers from Ministry/ state Department to Projects has been included as Annex 2.

2.2.1.3 Receivers of Revenue Annual Financial Reporting Template

The following amendments were made:

- i. A statement of Assets has been included in the template showing bank balances and amounts to exchequer at each given reporting period.
- ii. Revenue from tax and non-tax receipts have been harmonized to the revenue book on revenue grant and loans of the Government of Kenya that shows revenue estimates each year.
- iii. Note 16 b on transfer of cash to exchequer has been included indicating whether cash has been transferred to exchequer after year end and if not explanation to be provided for the non- transfer.

2.2.1.4 Semi- Autonomous Government Agencies (SAGAs) and Public Funds reporting under the IPSAS Accrual basis Annual Financial Reporting Template

- i. The Corporate Social Responsibility Statement has been renamed to Environmental and Sustainability Reporting which is wider and covers CSR.
- ii. Under the Statement of Financial Performance note 11 has been changed from sale of water to sale of goods.
- iii. A column for notes under the Statement of Changes in Net Assets has been included.
- iv. Under the Significant Accounting Policies, amendments have been made to cater for new and revised standards effective for the year as issued by the International Public Sector Accounting Standards Board (IPSASB) for adoption by PSASB-Kenya.
- v. Notes to the financial statements supporting the Statement of Financial Performance has been rearranged to begin with transfers and levies instead of public donations and taxes due to the significance/ materiality of the revenue.
- vi. A new note number 10 has been included to cater for on licenses and fees under non- exchange transactions classification.
- vii. Note 13 on Rental Revenue from Facilities enhanced to include staff houses and explanation of contingent rent expounded.
- viii. Note 17 on Employee Costs now includes a line for gratuity.
- ix. Note 28 on taxes now provides explanation of treatment of tax from rent and interest income.
- x. An additional note included under receivables to cater for movement of impairment allowance / provision for debtors.
- xi. Employee benefit obligations enhanced in line with IPSAS 39. Disclosures enhanced for entities that operate defined benefit schemes.
- xii. Disclosure on contingent assets and liabilities separated into assets and liabilities for better understandability.
- xiii. Related party disclosures have been enhanced to include disclosure of sales and purchases from other government agencies. This will improve elimination process at the consolidation level.

2.2.1.5 State Corporations reporting under IFRSs Annual Financial Reporting Template

The following amendments were made:

- i. The Statement on Corporate Social Responsibility has been renamed to Environmental and Sustainability Reporting which is wider and covers CSR.

- ii. Under the Statement of Financial Position and Notes to the financial Statements, note 40 has been changed from leave pay to provisions and now includes gratuity and other provisions.
- iii. Notes to the Cashflow Statement harmonized with respect to numbering for better linkage.
- iv. Under the Significant Accounting Policies, amendments have been made to cater for new and revised standards effective for the year as issued by the International Accounting Standards Board (IASB).
- v. Note 41 on dividends payable changed into a movement format instead of showing the years the dividends were declared.
- vi. Disclosure on contingent assets and liabilities now separated into assets and liabilities.
- vii. Related party disclosures have been enhanced to include disclosure of sales and purchases from other government agencies. This will improve elimination process at the consolidation level.

2.2.1.6 Technical and Vocational Institutes (TVETs) and Teacher Training Colleges (TTCs) under IPSAS Accrual basis Annual Financial Reporting Template

The following amendments were made:

- i. Section (d) on Key Information and Management related to fiduciary management has been amended. This section has been extended to include deputy principal, student dean and registrar.
- ii. Section (e) on Fiduciary oversight arrangements included finance and academic committees.
- iii. The format of the Statement of Directors' /Council Responsibilities has been changed to include name and signature of approving directors/ council members.
- iv. Amendments made under the accounting policies to accommodate new and revised standards effective for the year as issued by the International Public Sector Accounting Standards Board (IPSASB) and adopted by PSASB-Kenya.
- v. Notes to the Financial Statements have been amended to include user specific requirements such as Capitation grants included under note 6 on transfers, in kind donations included in note 7 on grants, Note 11 on sale of goods enhanced to include cafeteria and Note 15 on use of goods and services enhanced with lines on teaching materials, industrial attachment costs, examination fees and internet expenses that are unique to the TVETs and TTCs.
- vi. An additional note included under receivables to cater for movement of impairment allowance on receivables/impairment.
- vii. Note 28 on Receivable from non- exchange transactions now includes a line for capitation receivables which have not yet been received but received subsequently.

2.2.2 County Governments Reporting Templates

2.2.2.1 County Executive, County Assembly and County Consolidated Annual Financial Reporting Templates

The following changes have been made:

- i. Under fiduciary management section 1(c) of the template all accounting officers that is, chief officers will now be included.
- ii. Section 1(d) on oversight arrangements now includes the County Assembly.
- iii. Report by the CECM Finance and Economic Planning /Clerk of the County Assembly section 2 of the reporting template will now include key risk management strategies put in place by the County Government or County Government entity. The format of this report has been harmonized for the County Executive and County Assembly both in content and presentation.
- iv. A table has been introduced under the Statement of Performance against Predetermined Objectives indicating achievements of the strategic objectives outlined in the CIDP to date. Further, the earlier table formatted to take care of annual development plans to enable linkage of this non- financial information to financial information under the programmatic budgets.
- v. Note 1 on Exchequer Releases has been reorganized to include equitable share and level 4 and 5 hospital allocations. Note 2 on Proceeds from Domestic and Foreign Grants now includes grants received through the exchequer which were previously reported under Note 1 for better linkage to primary financial statements.
- vi. To cater for Covid -19 funds transferred to the County Governments, a sub-line item on Covid 19 funds included under notes 2 and 3 of the financial statements. A disclosure Note on the same has been included in the financial statements indicating the amount of Covid-19 funds received and the utilization.
- vii. Notes to financial reporting templates were harmonized with SCoA as presented in IFMIS and therefore some lines have been added, and others deleted. This is to ensure that the financial reporting template is harmonized to IFMIS reports as closely as possible.
- viii. The note on "Return to CRF issues" has been reviewed to cover funds returns to the CRF by County Assemblies. The note ceases to include returns to CRF for County Executives since these funds are included in the CRF bank account under the County Executive.
- ix. Note 22 on receivables has been revised to include salary advances and a note 22A. introduced to cater for disclosure of imprests per Department.

- x. Notes 26 and 27 on Changes in Receivables and Payables respectively has been amended to tie to the Statement of Cashflows.
- xi. Under the section on Other Important Disclosures, Note 9 has been included to disclose information on leased medical equipment and Note 10 to cater for disclosure on Contingent Liabilities.
- xii. Annex 1 relating to exchequer transfers has been re-arranged for better understanding of the presented information.
- xiii. Annex 2,3,4 on Pending Bills improved to include the date Pending Bills were contracted and brief explanation for reasons why the bills are yet to be settled.
- xiv. A note on prior year adjustments has been included in the County Assembly's financial reporting template in the Statement of Assets and Liabilities to cater for any adjustments in the opening balances.

2.2.2.2 County Governments Funds and Schemes Reporting Under IPSAS Accrual Basis Annual Financial Reporting Template

The following changes have been made to this reporting template:

- i. Section 2 of the report on Board of Trustees/ Fund Administration Committee now includes the Fund Administrator as member of board or trustees.
- ii. Report of Fund Administrator under section 6 now requires the Administrator to report on risk management strategies of the Fund.
- iii. Section 13 .6 on Significant Accounting Policies, revisions have been made to cater for accounting standards and amendments applicable in FY 2021.
- iv. The Statement of Cashflows now adopts the direct method of cashflow presentation as encouraged under IPSAS 2 on Cash Flow Statement. This removes the hybrid format that had been presented before and harmonizes this statement with other IPSAS Accrual Templates.

2.2.3. Reporting by Public Secondary Schools

2.2.3.1 Public Secondary Schools Annual Financial Reporting Template

PSASB approved the reporting template for Public Secondary Schools on 22nd September 2017 for implementation of FY 2018/2019 and issued for implementation on 8th January 2018. Implementation of the template has been noted to be very low.

The Public Secondary Schools Reporting Template has been prepared under the IPSAS Cash reporting framework with modifications for debtors and creditors. The template caters for the unique operations of the schools in line with the relevant laws governing them, the PFM Act and the applicable Accounting Standards.

The objective of the template is to standardize reporting by Schools, enhance transparency and assist in oversight of funds transmitted to these institutions.

2.2.4 Quarterly Financial Reporting Templates

The quarterly financial reporting templates have been harmonized to the annual financial reporting templates. However, significant changes have been made on the presentation format of the reports as explained below:

- i. The columnar format of presentation has been dropped in the primary financial statements and in the notes to the financial statements.
- ii. Information will now be presented cumulatively for each quarter instead of quarters as previously presented.
- iii. The presentation of the Statement of Budget and Actual Amounts has been amended. The new presentation shall require entities to show their annual budgets and compute utilization percentages to date for each quarter. This means that the budget will not now be divided in quarters for comparison purposes.
- iv. An appendix in the columnar format for the Statement of Receipts and Payments / Statement of Financial Performance/ Statement for Profit or Loss has been included to cater for management required information.
- v. Changes made to the annual financial reporting templates have been harmonized and adopted for quarterly reporting templates.

3 FINANCIAL REPORTING TEMPLATES

The following templates are uploaded on the National Treasury and PSASB's websites.

3.1 Annual Financial Reporting Templates for National Government MDAs and Development Projects

1. Annual Financial Reporting Template for National Government MDAs
2. Annual Financial Reporting Template for Development Partners
3. Annual Financial Reporting Template for Receivers of Revenue

3.2 Quarterly Financial Reporting Templates for National Government MDAs and Development Projects

1. Quarterly Financial Reporting Template for National Government MDAs
2. Quarterly Financial Reporting Template for Development Partners
3. Quarterly Financial Reporting Template for Receivers of Revenue

3.3 Annual Financial Reporting Templates for County Governments

1. Annual Financial Reporting Template for County Executive
2. Annual Financial Reporting Template for County Assembly
3. Annual Financial Reporting Template for County Consolidated Financial Statements
4. Annual Financial Reporting Template for County Funds and Schemes under IPSAS Accrual

3.4 Quarterly Financial Reporting Templates for County Governments

1. Quarterly Financial Reporting Template for County Executive
2. Quarterly Financial Reporting Template for County Assembly
3. Quarterly Financial Reporting Template for County Funds and Schemes under IPSAS Accrual

3.5 Annual Financial Reporting Templates for State Corporations and Semi-Autonomous Government Agencies

1. Annual Financial Reporting Template for State Corporations under IFRS reporting framework.
2. Annual Financial Reporting Template for SAGAs under the IPSAS Accrual reporting framework

3. Annual Financial Reporting Template for TVETs and TTCs under the IPSAS Accrual reporting framework.

3.5 Quarterly Financial Reporting Templates for State Corporations and Semi- Autonomous Government Agencies

1. Quarterly Financial Reporting Template for State Corporations under IFRS reporting framework.
2. Quarterly Financial Reporting Template for SAGAs under the IPSAS Accrual reporting framework
3. Quarterly Financial Reporting Template for TVETs and TTCs under the IPSAS Accrual reporting framework.

3.6 Annual Financial Reporting Template for Public Secondary Schools

1. Annual Financial Reporting Template for Public Secondary Schools.

4 EFFECTIVE DATE

4.1 Annual Financial Reporting Templates

Entities shall apply the revised templates for annual reporting for Financial Year 2020/21 ending 30th June 2021. It is expected that the financial statements submitted for audit to the office of Auditor General shall be prepared in accordance with the revised templates.

4.1 Quarterly Financial Reporting Templates

Entities shall apply the revised templates for in year reporting beginning financial year 2021/22. It is expected that the first quarterly financial statements due 15th October 2021 and subsequent quarters will take the new format.

5. ACCESS TO THE REVISED ANNUAL FINANCIAL REPORTING TEMPLATES

The revised annual Financial Reporting Templates can be accessed and downloaded from the National Treasury and the Public Sector Accounting Standards Board (PSASB) websites on (www.treasury.go.ke) and (www.psasb.go.ke).

Should you require any clarification, you may contact the Director Accounting Services on jona.wala@treasury.go.ke or the Public Sector Accounting Standards Board on acctstandards@psasb.go.ke .

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