



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

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All Accounting Officers: -

Ministries, Departments and Agencies;

State Corporations, Semi-Autonomous Government Agencies, TVETs, TTC's,

Public Funds, and Public Secondary Schools; and

County Governments and County Government Entities

Dear

**NEW AND REVISED QUARTERLY AND ANNUAL FINANCIAL REPORTING
TEMPLATES FOR NATIONAL AND COUNTY GOVERNMENT ENTITIES – FY
2023/2024**

1.0 INTRODUCTION

Section 12 (1) (e) of the Public Finance Management Act, 2012 mandates the National Treasury to –

(e) design and prescribe an efficient financial management system for the National and County Governments to ensure transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution in Kenya.'

Sections 194 (1) (f) of the Public Finance Management Act, 2012 mandates the Public Sector Accounting Standard Board (PSASB) to provide, with the concurrence of the Cabinet Secretary National Treasury and Economic Planning, frameworks and set generally accepted accounting standards for the development and management of accounting and financial systems by all state organs and public entities –

(f) in consultation with the Cabinet Secretary on the effective dates of implementation of these standards, Gazette the dates for application of the standards and guidelines.

The PSASB has now prescribed, and the National Treasury concurred with, new and revised financial reporting templates (see below) for reporting by all Accounting Officers of public sector entities as required by Sections 68 (2) (k) and 149 (2) (k) of the Public Finance Management Act, 2012.

1.1 Purpose

The purpose of this Circular, therefore, is to provide guidance on new and revised annual and quarterly financial reporting templates for National and County Governments entities to enable Accounting Officers to comply with statutory financial reporting requirements for FY 2023/2024 and PSASB.

The Cabinet on 7th March, 2024, approved transition to accrual accounting by all National and County Governments entities. The National Treasury and PSASB will be issuing guidelines and revised templates on transition on accrual basis of accounting for use for FY 2024/2025 in due course.

1.2 Reporting Requirements

1.2.1 National Government Entities

In accordance with Section 81 of the Public Finance Management 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:

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

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 the National Treasury, Controller of Budget, and Commission on Revenue Allocation.

Section 80 (4) of the Public Finance Management Act, 2012 also requires the National Treasury to consolidate the financial statements of National 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 Controller of Budget and the Commission on Revenue Allocation.

1.2.2 County Government Entities

In accordance with Section 164 of the Public Finance Management 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 section requires the Accounting Officer of a county government entity to ensure that the annual report:

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

The section also requires 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 the County Treasury, Controller of Budget, and the Commission on Revenue Allocation.

Section 163 of the Public Finance Management 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 on Revenue Allocation.

2.0 GENERAL GUIDELINES

2.1 NEW ANNUAL AND QUARTERLY FINANCIAL REPORTING TEMPLATES FOR NATIONAL GOVT ENTITIES

2.1.1 Annual Financial Reporting Template for Self-Reporting Development Projects prepared under the IPSAS Cash Basis of Accounting

Section 194 (1) (d) of the Public Finance Management Act mandates the Public Sector Accounting Standards Board to prescribe formats for financial statements and reporting by all state organs and public entities. In line with this mandate, the PSASB has prescribed a financial reporting template under the IPSAS Cash Basis of Accounting, that has been applied by the national government self-reporting development projects. This template has now been extended to include county government Self-Reporting Development Projects.

Financial Reporting for Performance for Results Projects

Entities implementing Performance for Results (PforR) are guided to adhere to financial reporting requirements as set out in the financing agreements with the respective development partners and provide disclosures for such arrangements within the project financial statements.

2.1.2 Applicability of the New Annual Financial Reporting Templates for Self-Reporting Development Projects

This financial reporting template applies to National and County Governments Development Projects which are self-reporting.

2.1.3 Annual and Quarterly Financial Reporting Templates for Money Lending Entities prepared under the IPSAS Accrual Basis of Accounting

PSASB has prescribed this financial reporting template under the IPSAS Accrual Basis of accounting. The Board has also prescribed quarterly financial reporting templates as required under Sections covers all Funds as well.

2.1.4 Applicability of the New Annual and Quarterly Financial Reporting Templates for Money Lending Entities

This financial reporting template is for application by all Funds that carry out money lending activities as their core mandate. These Funds must be established under the National and County Governments through the Constitution, an Act of Parliament or a County legislation.

2.1.5 Annual and Quarterly Financial Reporting Templates for County Equalization Fund prepared under the IPSAS Accrual Basis of Accounting

This template will enhance compliance with the Public Finance Management (Equalization Fund Administration) Regulations, 2021, which operationalizes the Equalization Fund as established by Article 204 of the Constitution. Regulation 20 (b) of the Public Finance Management (Equalization Fund Administration) Regulations requires the CEC Member of Finance of a particular county to prepare financial statements for the Fund in a format prescribed by the Accounting Standards Board. The PSASB has prescribed this financial reporting template under the IPSAS Accrual Basis of Accounting in line with this mandate.

2.1.6 Applicability of the New Annual and Quarterly Financial Reporting Templates for County Equalization Fund

This financial reporting template applies to all the thirty-four (34) county governments indicated in the CRA Second Policy for Identifying Marginalized Areas and Sharing of the Equalization Fund.

2.1.7 Annual and Quarterly Financial Reporting Templates for County Bursary Funds/Schemes prepared under the IPSAS Accrual Basis of Accounting

Sections 84 and 167 of the Public Finance Management Act, 2012 require the administrator of a national or county government Fund established by the Constitution or an Act of Parliament or county legislation to prepare annual financial statements for each year in a form prescribed by the Accounting Standards Board. PSASB has prescribed this financial reporting template under the IPSAS Accrual Basis of Accounting in line with this mandate. PSASB has also prescribed a quarterly financial reporting template, as required under Sections 85 and 168 of the Public Finance Management Act, 2012, for the National and County Governments respectively.

2.1.8 Applicability of the new Annual and Quarterly Financial Reporting Templates for County Bursary Funds/Schemes.

This financial reporting template applies to all Funds in the county governments that handle bursary and scholarship funds as established by county government legislation.

2.1.9 Annual and Quarterly Financial Reporting Templates for County Corporations/Semi-autonomous Government Agencies (SAGAs) prepared under the IPSAS Accrual Basis of Accounting

Section 164 of the Public Finance Management Act, 2012, requires an accounting officer for a county government entity to prepare annual financial statements in formats prescribed by the Accounting Standards Board. PSASB has prescribed this financial reporting template under the IPSAS Accrual Basis of Accounting. A quarterly reporting template has also been developed as per Section 166 of the Public Finance Management Act, 2012.

2.1.10 Applicability of the new Annual and Quarterly Financial Reporting Templates for County Corporations/Semi-Autonomous Government Agencies (SAGAs).

This financial reporting template applies to all non-commercial County Corporations and SAGAs established by the county governments.

2.2.11 Annual and Quarterly Financial Reporting Templates for County TVETs prepared under the IPSAS Accrual Basis of Accounting

Section 164 of the Public Finance Management Act, 2012, requires an Accounting Officer for a county government entity to prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board. PSASB has prescribed this financial reporting template under the IPSAS Accrual Basis of Accounting. A quarterly reporting template has also been developed as per Section 166 of the Public Finance Management Act, 2012.

2.1.12 Applicability of the New Annual and Quarterly Financial Reporting Templates for County TVETs.

This financial reporting template applies to all county government Technical and Vocational Education Training Institutes (TVETs).

2.2.13 Annual and Quarterly Financial Reporting Templates for County Emergency Fund prepared under the IPSAS Accrual Basis of Accounting

Section 115 (1) of the Public Finance Management Act, 2012 requires that the County Treasury of the County Emergency Fund, prepare financial statements in respect to the Fund not later than three months after the end of each financial year. PSASB has prescribed this template under the IPSAS Accrual Basis of Accounting.

2.1.14 Applicability of the new Annual and Quarterly Financial Reporting Template for County Emergency Fund

This financial reporting template applies to all County Emergency Funds as established by the respective County Governments through County Government Legislation in line with Section 110 of the Public Finance Management Act, 2012.

3.0 REVISED ANNUAL AND QUARTERLY FINANCIAL REPORTING TEMPLATES

The following annual financial reporting templates that have been applied in the past, have been subjected to minor revisions to reflect changes arising from new standards, best practices, and comments from implementers and oversight bodies. These templates are now re-issued as revised and uploaded on the National Treasury and PSASB's websites for the 2023/2024 financial reporting year.

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

1. Annual Financial Reporting Template for National Government MDAs under IPSAS Cash;
2. Annual Financial Reporting Template for Receivers of Revenue under IPSAS Cash; and
3. Financial Reporting Template for Car Loan and Mortgage Schemes/ Funds under IPSAS Accrual.

3.2 Annual Financial Reporting Templates for County Governments

1. Annual Financial Reporting Template for County Executive under IPSAS Cash;
2. Annual Financial Reporting Template for County Assembly under IPSAS Cash;
3. Annual Financial Reporting Template for County Consolidated Financial Statements under IPSAS Cash;
4. Annual Financial Reporting Template for County Funds and Schemes under IPSAS Accrual;
5. Annual Financial Reporting Template for the County Receivers of Revenue under IPSAS Cash;

6. Annual Financial Reporting Template for the County Revenue Fund under IPSAS Cash;
7. Annual Financial Reporting Template for the Level 4 and Level 5 Hospitals under the IPSAS Accrual;
8. Annual Financial Reporting Template for the County Water Service Providers under the IFRS; and
9. Annual Financial Reporting Template for the Cities and Municipal Boards under the IPSAS Accrual.

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

1. Annual Financial Reporting Template for State Corporations under IFRS;
2. Annual Financial Reporting Template for SAGAs under IPSAS Accrual;
3. Annual Financial Reporting Template for TVETs and TTCs under IPSAS Accrual; and
4. Financial Reporting Template for Car Loan and Mortgage Schemes/ Funds under IPSAS Accrual.

3.4 Annual Financial Reporting Template for Public Secondary Schools

1. Annual Financial Reporting Template for Public Secondary Schools under Cash Basis.

4.0 Effective Date

Entities shall apply the new and revised Financial Reporting Templates for annual reporting for the financial year ending 30th June 2024. All financial statements submitted for audit to the Office of the Auditor-General shall be prepared as per the above-prescribed templates.

4.1 Access to the New and Revised Annual Financial Reporting Templates

The new and existing annual financial reporting templates, as prescribed by the PSASB, can be downloaded from the National Treasury and the Public Sector Accounting Standards Board (PSASB) websites on (www.treasury.go.ke, [Accountant Generals Desk](http://Accountant_Generals_Desk)) and (www.pasb.go.ke). Please use the right reporting template for your entity as per this Circular.

5.0 RECENTLY ISSUED FINANCIAL REPORTING STANDARDS BY IPSASB AND IASB FOR APPLICATION IN SUBSEQUENT PERIODS

PSASB, vide gazette no 5440 of 8th August 2014, adopted the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) issued by the International Public Sector Accounting Standards Board (IPSASB) and the International Accounting Standards Board (IASB) respectively. These standards are progressively updated regularly. This Circular seeks to notify preparers of public sector entities' financial statements of the recent changes to accounting standards and their applicable dates.

5.1 IPSASB Updates to the Conceptual Framework

The International Public Sector Accounting Standard Board (IPSASB) updated the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. The updates are on Chapters 3, 5, and 7.

5.1.1 Chapter 3: Update on Qualitative Characteristics

Chapter 3 was amended to provide clarity on the role of Prudence:

- i) Neutrality is supported by the exercise of prudence;
- ii) Prudence is the exercise of caution when making judgments under conditions of uncertainty;
- iii) The exercise of prudence means that assets, liabilities, revenue, and expenses are neither overstated nor understated;
- iv) The exercise of prudence does not imply a need for asymmetry; and
- v) Individual standards may include asymmetric requirements on a case-by-case basis.

Guidance has also been provided on Materiality. Materiality is a concept that determines whether the omission or misstatement of information in a financial report would influence a reasonable user's decision-making. Obscuring material information is acknowledged as a factor that can have a negative impact on users of financial information.

5.1.2 Chapter 5: Elements in Financial Statements.

The below updates have been effected:

- i) A revised definition of a liability that adopts the phrase 'a transfer of resources', rather than 'an outflow of resources';
- ii) A rights-based approach in the description of assets; and
- iii) Accounting treatment of binding arrangements that are equally unperformed by both parties has also been provided.

5.1.3 Chapter 7: Measurement of Assets and Liabilities in the Financial Statements.

Introduction of Current Operational Value and Cost of Fulfilment as additional measurement bases for assets and liabilities, respectively.

5.2 Standards (IPSAS) Issued but not yet effective.

The International Public Sector Accounting Standards Board has issued the standards below, which are not yet effective as of 30th June 2024.

5.2.1 IPSAS 43 – Leases. Effective for periods on or after January 1st 2025

This Standard supersedes IPSAS 13 and sets out the principles for recognition, measurement, presentation, and disclosure of leases and right-of-use assets. The objective is to ensure that lessees and lessors provide relevant information faithfully representing those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on an entity's financial position, financial performance, and cash flows. PSASB has provided a guideline on IPSAS 43 that can be accessed from its website.

5.2.2 IPSAS 44; Non-Current Assets Held for Sale and Discontinued Operations Effective for periods on or after January 1st 2025

This Standard requires assets that meet the criteria to be classified as assets held for sale. These assets must be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease. Assets that meet the criteria are to be classified as held for sale and presented separately in the statement of financial position. The results of discontinued operations will now be presented separately in the statement of financial performance. PSASB has provided a guideline on IPSAS 43 that can be accessed from its website.

5.2.3 IPSAS 45; Property, Plant, and Equipment. Effective for periods on or after January 1st 2025

This Standard supersedes IPSAS 17 on Property, Plant and Equipment (PPE). IPSAS 45 has additional guidance/new guidance for heritage assets, infrastructure assets, and measurement. Heritage assets were previously excluded from the scope of IPSAS 17. Heritage assets that satisfy the definition of PPE shall now be recognized as assets if they meet the criteria in the Standard. IPSAS 45 has additional application guidance for infrastructure assets. You will also find additional implementation guidance and illustrative examples. The Standard has clarified existing principles for instance on the valuation of land over or under infrastructure assets, under-maintenance of assets, and distinguishing significant parts of infrastructure assets. PSASB has provided a guideline on IPSAS 45 that can be accessed from its website.

5.2.4 IPSAS 46; Measurement. Effective for periods on or after January 1st 2025

The objective of this standard is to improve measurement guidance across IPSAS by:

- i. Providing further detailed guidance on implementation of commonly used measurement bases and the circumstances under which they should be used;
- ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; and
- iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement, and measurement-related disclosures.

This Standard also introduces a public sector-specific measurement base called the current operational value (COV).

5.2.5 IPSAS 47; Revenue. Effective for periods on or after January 1st 2026

This Standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts, and IPSAS 23 Revenue from non-exchange transactions. This Standard brings all the guidance of accounting for revenue under one standard. The objective of the Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flow arising from revenue transactions.

5.2.6 IPSAS 48; Transfer Expenses. Effective for periods on or after January 1st 2026

The objective of this Standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new public sector-specific standard geared to guide entities that provide transfers on accounting for such transfers.

5.2.7 IPSAS 49; Retirement Benefit Plans. Effective for periods on or after January 1st 2026

The objective this Standard is to prescribe the accounting and reporting requirements for public-sector retirement benefit plans, which provide retirement to public-sector employees and other eligible participants.

5.3 International Financial Reporting Standards (IFRS) issued but not yet effective

The International Accounting Standards Board has issued the below Standard which is not yet effective.

5.3.1 IFRS 18; Presentation and Disclosure in Financial Statements. Effective for periods on or after 1st January 2027

The objective of IFRS 18 is to set out requirements for presentation and disclosure of information in general-purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The presentation of Statement of Profit or Loss will change significantly arising from the new standard. IFRS 18 replaces IAS 1 - Presentation of Financial Statements.

5.4 Sustainability Standards

The International Sustainability Standards Board (ISSB) which is a Board established under the IFRS Foundation, issued two Sustainability Standards effective for annual reporting periods beginning on or after 1 January 2024. These standards are to be applied by entities reporting under the IFRS framework. In light of this, PSASB has approved that State Corporations listed in the NSE should comply with the Sustainability Standards.

5.4.1 IFRS S1; General Requirements for Disclosure of Sustainability-related Financial Information

Its objective is to disclose all information about sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects. It provides the basic requirements for sustainability disclosures.

5.4.2 IFRS S2; Climate-related Disclosures

The Standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance, or the cost of capital over the short, medium, or long term.

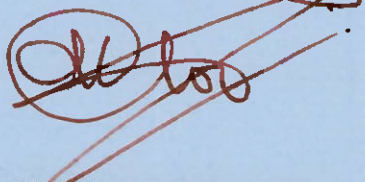
6.0 Guidelines on the new standards

PSASB in collaboration with the National Treasury will continue to prepare guidelines on the newly issued standards by the IPSASB and IASB to enable entities to comply with the standards as they become effective.

6.1 Clarifications and Technical Support

For further clarification, contact the Director of Accounting Services National Treasury at jona.wala@treasury.go.ke or the Public Sector Accounting Standards Board at acctstandards@psasb.go.ke.

Yours

Sincerely


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PRINCIPAL SECRETARY/THE NATIONAL TREASURY

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