Issue No. 4 (31st July 2026)

Governance, Transparency & Accountability

QUARTERLY NEWSLETTER

PSASB

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (KENYA)

Promoting Accountability

PSASB Board Members and senior management during a retreat program

PSASB Invites Entities to Submit Financial Reports for Evaluation (page 4)

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PSASB Releases New Financial Reporting Templates to Boost Accountability

Public Sector Accounting Standards Board (PSASB) has unveiled new and revised annual financial reporting templates for the 2025/2026 financial year, a move aimed at strengthening accountability, transparency and consistency in public sector financial reporting.

PSASB, working in collaboration with the National Treasury, announced the rollout as part of Kenya's ongoing transition from cash-based to accrual-based accounting.

In a circular dated **15th June 2026**, Principal Secretary for the National Treasury, Dr. Chris Kiptoo, directed all Accounting Officers in national and county governments, constitutional commissions, independent offices, state corporations, semi-autonomous government agencies, Technical and Vocational Education and Training (TVET) institutions, Teachers Training Colleges (TTCs), public funds, government-owned enterprises, and public senior schools to adopt the prescribed templates when preparing annual financial statements for the year ended **30th June 2026**.

PSASB Chief Executive Officer,

Continued (page 3)

From PSASB's Chief Executive Office, FCPA Georgina Muchai

"We have successfully completed the first two years of transitioning the public sector entities from IPSAS Cash Basis of Accounting to IPSAS Accrual Basis of Accounting, and have now entered the third and final year of transition."

Welcome to the fourth edition of our Quarterly Newsletter publication.

The first quarter marks another significant milestone in our journey towards strengthening accountability, transparency and good governance in Kenya's public sector.

This financial year, we have rolled out revised financial reporting templates that support the Government's transition to accrual accounting and align public sector reporting with evolving International Public Sector Accounting Standards (IPSAS).

The reforms will improve the quality, comparability and credibility of financial information, enabling better decision-making and enhancing public confidence in the management of public resources.

We have also continued to champion excellence in financial reporting through the launch of the 2026 Financial Reporting Excellence (FiRe) Award, while engaging Government-Owned Enterprises on the implementation of the Government-Owned Enterprises Act, 2025, IFRS 18 and sustainability disclosure standards.

These initiatives reinforce our commitment to building institutions that are transparent, accountable and responsive to the changing reporting landscape.

We have successfully completed the first two years of transitioning the public sector entities from the IPSAS Cash Basis of Accounting to the IPSAS Accrual Basis of Accounting, and have now entered the third and final year of transition.

This final year represents the climax of a journey that has demanded commitment, resilience and collaboration from all stakeholders. It is expected that all assets and liabilities within the public sector will be captured in the balance sheet.

At the same time, this edition explores emerging issues such as artificial intelligence governance and digital transformation, highlighting the opportunities and responsibilities that accompany technological advancement.

I extend my sincere appreciation to our partners, public sector entities and stakeholders, including university students, for their continued collaboration and support.

Together, we are laying a strong foundation for a transparent and accountable public sector that supports sustainable economic growth and delivers greater value to the citizens of Kenya.

PSASB accepts articles from readers for publication considerations. However, such articles shall bear the names of the author and the views expressed therein are expressly those of the authors and not PSASB. Submit your article for reviews to benuel.bosire@psasb.go.ke. Next issue to be released in **September, 2026.**

(From Page 1) FCPA Georgina Muchai, said the new templates mark a major milestone in Kenya's financial reporting reforms.
"Among the key developments is

the introduction of four new reporting templates covering the consolidation of National Government Ministries, Departments and Agencies (MDAs), accountability reporting for the Receiver of Foreign Loans and Grants, Kenya Revenue Authority's Revenue Accountability Report, and the Government Digital Payments (e-Citizen) Revenue Accountability Report," she explained.

The revised templates also incorporate requirements arising from the second year of implementing the cash-to-accrual transition roadmap. Public sector entities will now be required to report inventory as a mandatory element alongside financial assets and liabilities.

"Additionally, the reporting formats have been updated to align with newly effective International Public Sector Accounting Standards (IPSAS), including IPSAS 43 (Leases), IPSAS 44 (Non-Current Assets Held for Sale), IPSAS 45 (Property, Plant and Equipment) and IPSAS 46 (Measurement). The existing IPSAS and IFRS financial reporting templates have also been revised to reflect the new standards and stakeholder feedback," Muchai said.

Public senior schools, which began using a financial reporting template in 2021, will continue with the revised version. The update now requires reporting on inventories, non-current assets, and statements of changes in net assets to support their gradual migration to accrual accounting.

The circular reiterated that all Accounting Officers must prepare annual financial reports that comply with PSASB standards and submit them to the Office of the Auditor-General within statutory timelines.

A team from PSASB and other state agencies reviewing financial reporting templates

To facilitate implementation, the National Treasury and PSASB have made the templates available on their websites and pledged continued technical guidance, training, and support to ensure compliance.

Muchai emphasised that the adoption of the revised templates will enhance the credibility of public sector financial statements. "The adoption of the revised reporting templates is expected to improve the quality, comparability and credibility of public sector financial statements to enhance transparency, informed decision-making and public confidence in the management of public resources," she said.

The rollout is part of Kenya's broader reforms under the Public Finance Management (PFM) Act, 2012, which requires standardised reporting across the public sector. By moving towards accrual-based accounting, the Government aims to provide a clearer picture of assets, liabilities, and resource utilisation, thereby strengthening oversight and accountability.

The reforms are expected to have far-reaching implications for how public institutions manage and report finances, particularly in ensuring that public resources are used effectively and transparently.

"The adoption of the revised reporting templates is expected to improve the quality, comparability and credibility of public sector financial statements to enhance transparency, informed decision-making and public confidence in the management of public resources," FCPA Georgina said.

News

PSASB Invites Public Sector Entities to Submit their Annual Financial Reports for 2026 FiRe Award Evaluation

PSASB CEO, FCPA Georgina Muchai, giving a speech during the launch of Financial Reporting (FiRe) Award 2026 in Nairobi.

The Public Sector Accounting Standards Board (PSASB) is inviting public sector entities to submit their annual financial reports for evaluation under the annual Financial Reporting Excellence (FiRe) Awards, which will be held later this year.

The call comes after the promoters of the Financial Reporting Excellence (FiRe) Award launched the 2026 FiRe Award themed ''Advancing High-Quality Financial and Sustainability Reporting for Sustainable Growth" on **July 16th 2026**.

The Award promotes excellence in financial reporting by recognising and rewarding organisations that demonstrate high standards of transparency, accountability and compliance with financial reporting frameworks.

The Award is organized by PSASB, the Institute of Certified Public Accountants of Kenya (ICPAK), Nairobi Securities Exchange (NSE), Capital Markets Authority (CMA), and the Retirement Benefits Authority (RBA).

"While we continue strengthening financial reporting, the global reporting landscape is evolving rapidly. Across the world, citizens are increasingly demanding greater transparency not only on how public money is spent but

also on how governments create sustainable economic, social and environmental value. Sustainability reporting is therefore emerging as the next frontier of public sector accountability. Recognising this global shift, the International Public Sector Accounting Standards Board recently issued IPSASB Sustainability Reporting Standard (SRS) 1 – Climate-related Disclosures, which becomes effective globally on 1st January 2028, and for Kenya 1st July 2028. For this reason, we are asking public sector entities to submit the entries for this year's Award," FCPA Georgina Muchai, PSASB CEO, said.

The submission can be made on the FiRe Award website: www.fireaward.org, with a copy sent to fireaward@psasb.go.ke.

News

State-Owned Enterprises Enter New Era of Governance, Transparency Following the Enactment of GOE Act, 2025

The Government-Owned Enterprises (GOEs) are stepping into a transformative phase of corporate governance and financial accountability, following the enactment of the Government-Owned Enterprises (GOE) Act, 2025.

This landmark legislation is expected to fundamentally reshape how commercial state entities are managed, aligning them more closely with international best practices.

The implications of the new Act, alongside the implementation of International Financial Reporting Standards (IFRS) 18 and the newly issued IFRS Sustainability Disclosure Standards S1 and S2, is set to drastically change the operations of GOEs, enhancing efficiency and effectiveness.

This was disclosed during a joint forum led by the Public Sector Accounting Standards Board (PSASB) in collaboration with the National Treasury, the Capital Markets Authority (CMA) and the State Department for Public Investments and Assets Management last month.

During the forum, it was noted that one of the most transformative provisions of the GOE Act is the requirement that public service obligations be separately accounted for. Historically, state enterprises have combined commercial and social obligations within a single reporting framework, making it difficult to assess their true operational performance.

"The new approach is expected to improve transparency by enabling investors and policymakers to distinguish between commercial activities and government-funded public service mandates," PSASB CEO, FCPA Georgina Muchai said.

She added that IFRS 18 introduces new requirements for the presentation of financial performance, including revised categories within statements of profit or loss, enhanced disclosure requirements and improved comparability between entities.

"We are also examining the readiness of Government-Owned Enterprises to adopt IFRS 18, the new international standard governing presentation and disclosure in financial statements."

"IFRS 18 introduces significant changes to the structure of financial statements, requiring greater **(continued in page 6)**

(from page 5) consistency in reporting financial performance, enhanced disclosures and improved transparency around management-defined performance measures," FCPA Muchai added.

She said that across the wider GOE sector, experts have identified common challenges including limited technical under-standing of IFRS 18 among non-finance executives, gaps in reporting systems and the need for stronger audit committee oversight of financial reporting reforms.

Expert Reviews

Experts evaluated the preparedness for IFRS Sustainability Disclosure Standards S1 and S2, which require entities to disclose sustainability-related and climate-related risks and opportunities that may affect enterprise value.

She noted that environmental, social and governance (ESG) issues have increased significantly, with a number of Government-Owned Enterprises only beginning their sustainability reporting journey.

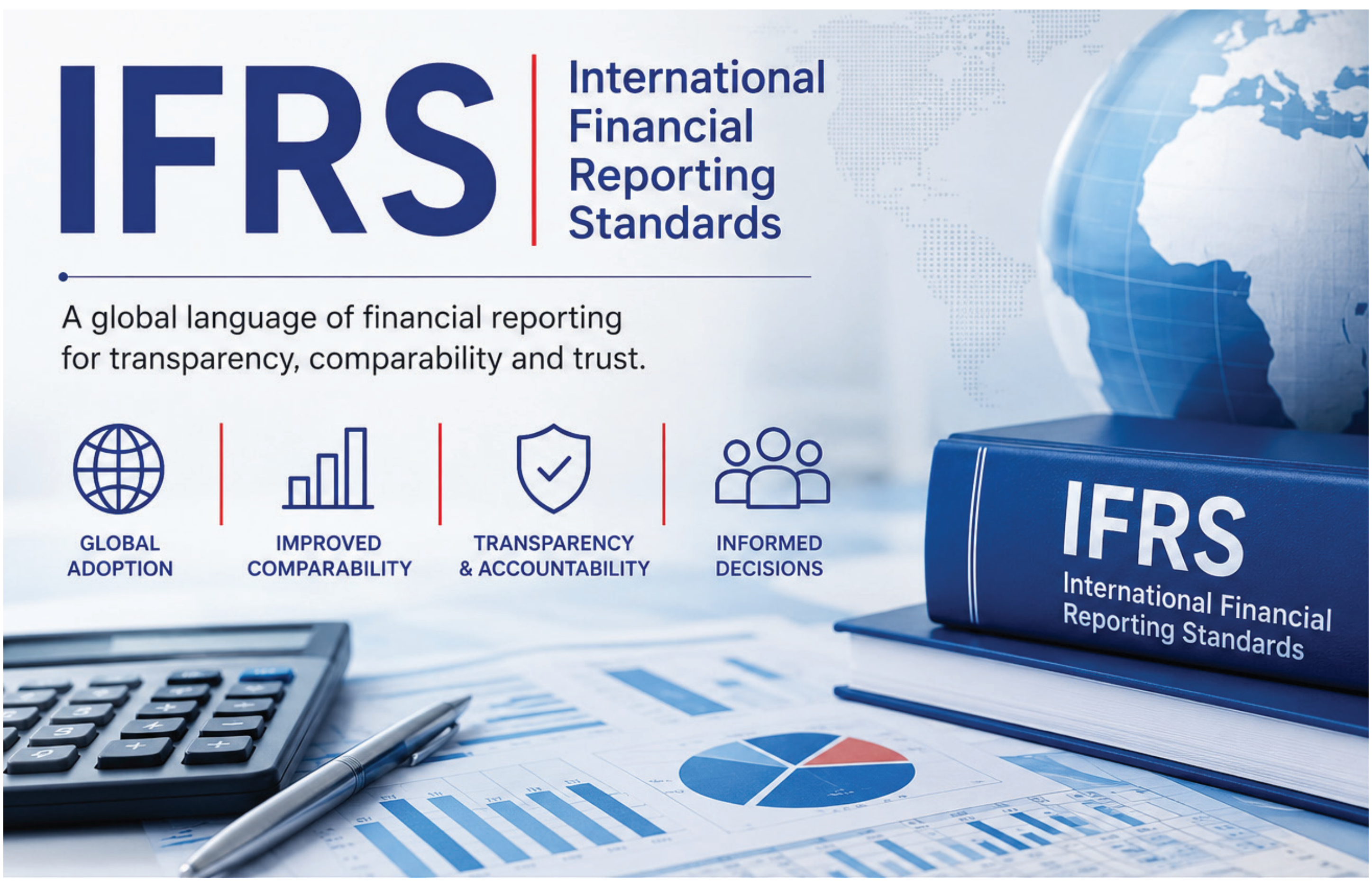
The GOE Act

The GOE Act itself, FCPA Muchai said, provides for strengthening board accountability, risk management oversight, performance evaluation systems, transparency requirements and audit committee functions.

"While Kenya's largest and most commercially mature Government-Owned Enterprises are well placed to lead implementation of IFRS 18 and the sustainability disclosure standards, substantial work remains across the wider sector."

"Capacity building, stronger governance systems, and sustained support from PSASB, the National Treasury, and CMA will be critical for Government-Owned Enterprises to achieve full compliance with international reporting standards," FCPA Muchai said.

In line with the requirements of the GOE Act 2025, the governance architecture being introduced, particularly independent boards, audit committees, performance contracting, risk governance, and enhanced disclosure, creates a strong institutional foundation for the successful adoption of IFRS 18, IFRS S1, and IFRS S2 across Kenya's Government-Owned Enterprise sector.



AI Governance: A New Era for Public Sector Accountability

BY CPA HESBORN OMONDI ONGUDI

As Kenya's public sector embraces digital transformation under the National AI Strategy 2025-2030, Artificial intelligence is fundamentally reshaping governance, accountability, and service delivery. For Accounting Officers, State Corporation boards, and audit committees, AI governance is a constitutional and fiduciary duty under the Public Finance Management Act and Leadership and Integrity Act.

The rapid evolution of AI presents both unprecedented opportunities and significant risks for Kenya's public sector. Inaction or delayed implementation of robust AI governance frameworks can lead to severe financial, reputational, and constitutional consequences.

According to the Capgemini Research Institute, 64% of public sector organisations worldwide are already exploring or actively working on generative AI initiatives, underscoring the rapid pace of AI adoption that Kenya's public sector must match with robust governance and oversight. Another report, Value in Motion, from PwC', indicates that AI adoption could boost Africa's GDP by an additional 4.9 percentage points by 2035, provided AI is deployed responsibly and at scale.

Without doubt, AI strengthens governance through real-time risk monitoring, automated compliance tracking, and predictive analytics. The US Treasury recovered $375 million using AI fraud detection, demonstrating technology's defensive potential.

Despite its transformative potential, AI requires robust governance to ensure it delivers sustainable economic and social benefits. At the same time, the growing use of AI has heightened cybersecurity concerns. The Organisation for Economic Co-operation and Development reports that the share of media-reported AI incidents and hazards linked to cyberattacks and fraud has nearly tripled since 2022, underscoring the need for stronger safeguards to protect critical public infrastructure and sensitive citizen data. Deepfake fraud attempts surged 3,000% globally in 2023, reflecting the growing misuse of generative AI in identity and financial fraud, where publicly available images and voices of officers are manipulated to support fraud schemes.

In Australia, Deloitte agreed to partially refund the government after a report valued at approximately AU$440,000 was found to contain fabricated references and an invented court quotation, highlighting the risks of relying on AI-generated content without rigorous human verification.

The incident underscores the importance of robust AI governance and quality assurance, an important lesson for Kenya's public sector as it expands the use of artificial intelligence.

As AI becomes increasingly embedded in public administration, experts say effective governance is essential to ensure the technology delivers public value while safeguarding constitutional rights.

Public sector entities are therefore urged to establish governance frameworks that align with the Public Finance Management (PFM) Act, the Data Protection Act and the Mwongozo Code of Governance to promote accountability, transparency and ethical use of AI.

The experts recommend that public institutions should strengthen board oversight of AI systems, particularly those supporting high-risk functions such as procurement, financial reporting and service delivery.

They also emphasise that AI should complement human judgement, with critical decisions involving public resources or citizens remaining subject to human review and approval.

In addition, organisations should regularly assess AI systems for bias and discrimination, strengthen safeguards against AI-enabled fraud such as deepfakes, protect citizen data through full compliance with the Data Protection Act, and maintain comprehensive audit trails documenting how AI systems generate decisions.

Greater transparency through public disclosure of AI use, governance controls and compliance measures is also expected to strengthen public confidence in government services.

With AI expected to play a growing role in public service delivery, public sector leaders are being encouraged to view AI governance not simply as a technology issue, but as a leadership and governance responsibility.

Students' Corner

Beyond the Numbers, the Digits: the True Meaning of Finance

When I was joining university for my degree programme, I thought finance was about numbers, balance the books, prepare the accounts and ensure every debit has its matching credit. Success, I thought, lay in mastering accounting standards, passing examinations and producing flawless financial statements.

Experience is proving otherwise. The deeper I venture into the career, the clearer it is becoming to me that finance is not confined to ledgers or spreadsheets. It is the discipline that shapes decisions, measures risk, allocates resources and earns the confidence of investors, regulators and the public. Numbers are merely the evidence. The real story lies behind them.

Every figure in a financial statement reflects a choice. Revenue speaks of customers win or loss. Costs expose efficiency or waste, and cash flow reveals resilience. Financial statements do not simply record the past; they reveal how an organisation is being managed and where it may be heading to.

That understanding is changing the way I view International Financial Reporting Standards (IFRS). The standards are not rules designed to satisfy auditors or examinations. They are the common language of global business, allowing investors, regulators and markets to compare organisations with confidence. Consistent reporting builds credibility, and credibility builds trust.

I am also discovering that finance is as much about judgment as it is about calculation. The best finance professionals rely not only on technical competence but also on ethics, critical thinking and the ability to explain complex issues in simple terms. They recognise that every major financial decision carries consequences for employees, investors, governments and society.

Looking back, I realise how narrow my first impression of finance was. It is not simply about balancing figures. It is about balancing opportunity with risk, transparency with responsibility and performance with accountability.

As I continue my journey in accountancy, my ambition has changed. I no longer seek only to understand the numbers. I want to understand the decisions they reveal, the trust they inspire and the impact they have in organisations, economies and people's lives.

By Lawrence Olukunga, Organizing Secretary, Accounting Students Association of Kenyatta University

The New Accountant's Ledger Is Digital

The accountant's world has changed significantly. The era of paper ledgers, manual journals and endless calculations is giving way to digital platforms.

While mastering accounting principles remains essential, today's profession demands proficiency in Enterprise Resource Planning (ERP) systems and software such as SAP, Oracle, Odoo and QuickBooks, which provide real-time financial information.

Artificial Intelligence (AI) is also accelerating this transformation. AI can help in automating routine tasks, analysing data and improving decision-making.

This shift is creating demand for systems auditors, IT auditors, data analysts and internal auditors who evaluate digital controls and ensure systems operate with integrity. These professionals must learn AI for them to survive in future. As I conclude, I want to tell my fellow accounting students that technical knowledge alone is no longer enough. Your success will depend on your digital literacy, accounting information systems knowledge and your ability to harness and leverage AI.

By JoeMark Mutwiri,
Kenyatta University

Our Mission:

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

Our Vision:

A Transparent and Accountable Public Sector

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