

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD UPDATES

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Presentation Outline



1. The PFM Act, 2012
2. Legal Framework of the Public Sector Accounting Standards Board (PSASB)
3. PSASB's strategic direction and IPSAS roadmap
4. Key Achievements and Challenges
5. Feedback from pilot phase and way forward

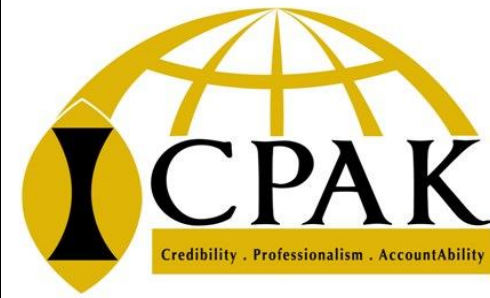
The PFM Act, 2012



An **ACT** of Parliament to provide for the effective mgt. of public finances by the National & County Govts; the oversight responsibility of Parliament & County Assemblies; the different responsibilities of Govt. entities & other bodies, and for connected purposes.

Sec. 192 - 195 – Establishment of the PSASB, its composition, functions, vacation of office & remuneration.

Legal Framework of the PSASB



Section 192 of PFM Act establishment a Public Sector Accounting standards Board which shall perform the functions set out in this part.

Section 193(1) The Composition of the Board. The Accounting Standards Board consist of a representative of each of the following bodies who shall serve on a part-time basis

- (a) The National Treasury
- (b) The Controller of Budget
- (c) The Intergovernmental Budget and Economic Council
- (d) The Auditor General
- (e) The Institute of Certified Public Accountants of Kenya;

Legal Framework of the PSASB cont'd



- (f) The Association of Professional Societies of East Africa;
- (g) The Capital Markets Authority
- (h) The Institute of Internal Auditors; and
- (f) The Institute of Certified Public Secretaries of Kenya

Functions of the PSASB



Section 194 (1) of PFM Act provide that the Public Sector Accounting Standard Board shall provide the frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities and shall particularly perform the following functions:-

Functions of the PSASB cont'd



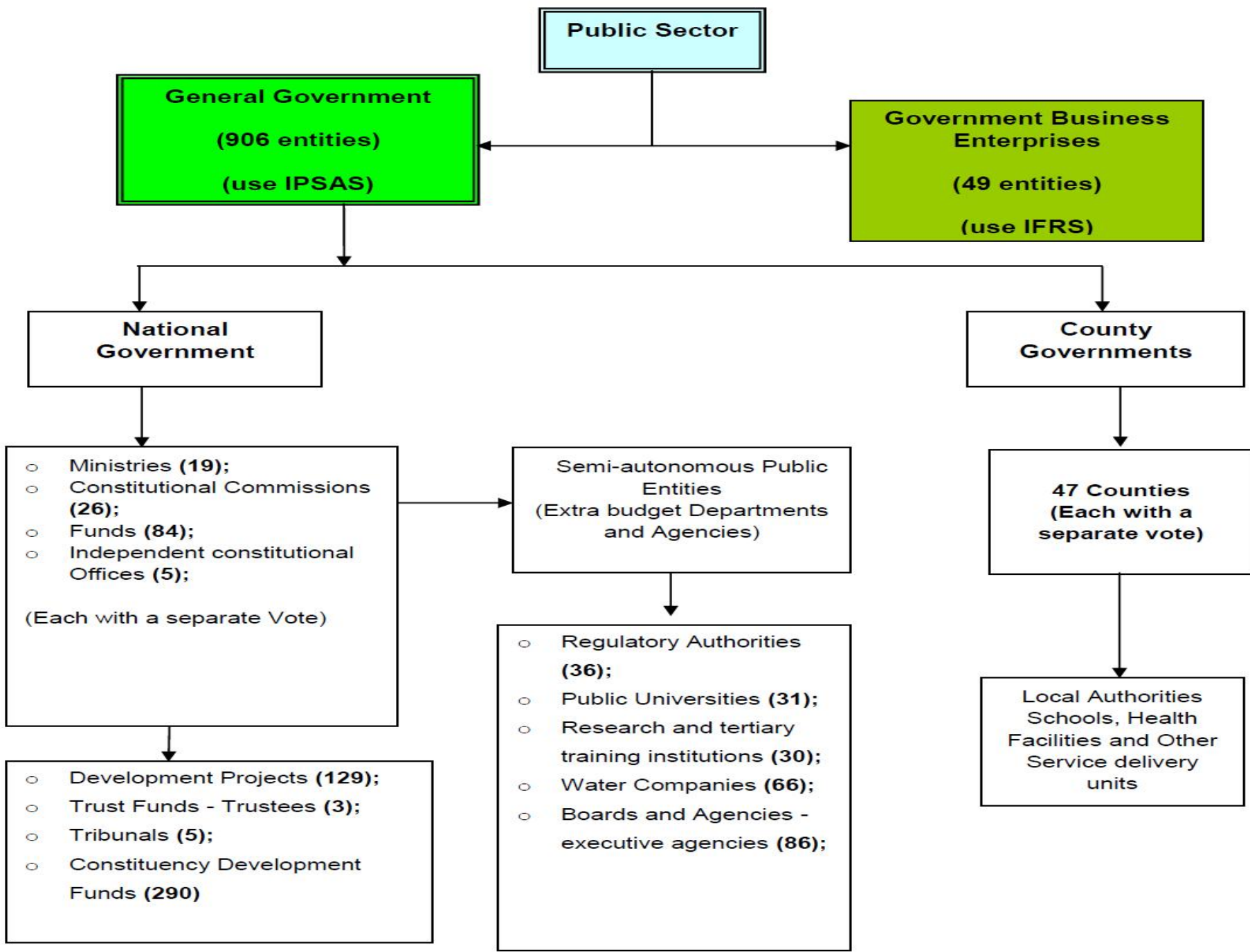
- a) Set generally accepted accounting and financial standards;
- b) Prescribe the minimum standards of maintenance of proper books of accounts for all levels of Government;
- c) Prescribe internal audit procedures which comply with this Act;
- d) Prescribe formats for financial statements and reporting by all state organs and public entities
- e) Publish and publicize the accounting and financial standards and any directives and guidelines prescribed by the Board;
- f) In consultation with the Cabinet Secretary on the effective dates of implementation of these standards, Gazette the dates for application of the standards and guidelines; and
- g) Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

PSASB's strategic direction & IPSAS roadmap



- ❖ The PSASB **ADOPTED** the financial reporting standards applicable to public sector entities as follows:
 - ▶ National & County Governments – IPSAS Cash basis of accounting;
 - ▶ Semi Autonomous Government Agencies (SAGAs) – IPSAS accrual; and
 - ▶ State Corporations (Commercial) – IFRS.

- ❖ The Standards became effective on 1st July 2014 and were communicated to the entities via Treasury Circular dated 1st July 2014 and subsequently gazetted on 1st August 2014.



Implementation of pronounced standards



- ❖ All entities were required to prepare their 2013/2014 Financial Statements based on the issued standards and guidelines
- ❖ Initial training on the new standards carried out in Aug/Sep 2014
- ❖ Technical Assistance provided by the National Treasury in the preparation of FS for the year 2013/2014
- ❖ Consolidation of the FS for the entire public sector carried out in Oct. 2014 by the National Treasury
- ❖ Audit of submitted FS for all public sector entities to be concluded soon and reports released

Why IPSAS?



- ❖ High quality, credible, internationally recognised standards
- ❖ Users have relevant, transparent information to make decisions and hold officials to account
- ❖ Ease of audit
- ❖ Deal with public sector specific issues, e.g. concepts level, compliance with budget, non-exchange transactions
- ❖ Credible basis for reporting statistics
- ❖ Facilitate government wide consolidation of FS

Key achievements



- Consolidation carried out for the first time. The report provides a broad picture of the National Government financial position
- Entities are using the standards pronounced by the PSASB
- Initial training exercise already carried out
- TA sought from leading accountancy firms for capacity building and quality review of the reports
- Financial statements including consolidated FS for the entire public sector were submitted to Auditor General within statutory deadline

Key Challenges



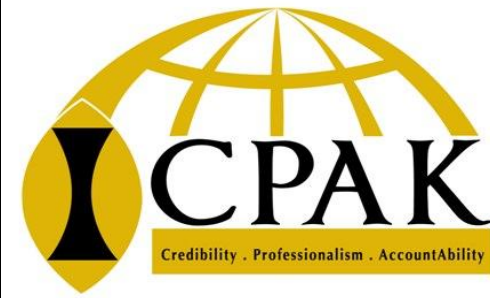
- First time in consolidating GoK financial position
- As expected, entities had difficulties in complying with international standards adopted by the PSASB
- Human resource capacity constraints– comprehensive change management, training and capacity building programme required
- Financial statements for National Government entities exclude liabilities and physical assets
- Suspense accounts, misstated and unsupported balances in the FS. Clean up on-going and taskforce appointed by PAC to spearhead this
- Progressively closing the gaps in Cash Based IPSAS

Next steps!



- Gap analysis on the current status of IPSAS compliance
- Improvements to the reporting templates including their automation in IFMIS and other accounting systems
- Intensified trainings to enhance compliance
- Emphasis is on comprehensive disclosures in readiness for adoption of IPSAS accrual
- Drawing of a roadmap towards a progressive adoption of IPSAS accrual for MDAs and County Governments
- **Quarterly government consolidation** as per the requirement of the PFM Act - scheduled for FY 2015/16

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Thank You!

