



PUBLIC SECTOR ACCOUNTING DEVELOPMENTS

Credibility

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Professionalism

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AccountAbility

Session Objectives



- Legal framework of public sector accounting standards – PSASB (K) and ICPAK
- PSASB's strategic direction and IPSAS roadmap
- Feedback from OAG and OCOB
- IFMIS and IPSAS

International Public Sector Accounting Standards (IPSASs)



- ❑ The IPSASs are accounting reporting guidelines for the preparation and presentation of general purpose financial reports of public entities.
- ❑ The IPSASs prescribe the manner in which general purpose financial statements should be presented to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other public entities.
- ❑ To achieve this objective, the IPSASs set out overall considerations for the presentation (structure) and minimum requirements (content) of financial statements, and provide guidance on the recognition, measurement, and disclosure of other specific transactions and events.

Scope and Authority of IPSASs



- ❑ IPSAS are designed to guide the preparation and presentation of general purpose financial statements of public sector entities.
- ❑ Public sector entities include national (central), regional and local governments, and their component entities such as departments, agencies, boards, commissions et cetera.
- ❑ IPSAS do not apply to Government Business Enterprises (GBE).

The PFM Act, 2012



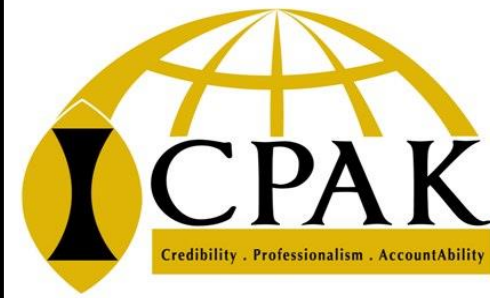
- An **ACT** of Parliament to provide for the effective mgt. of public finances by the National & County Governments; the oversight responsibility of Parliament & County Assemblies; the different responsibilities of Government entities & other bodies, and for connected purposes.
- **Sec. 192 -195** –Establishment 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...



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

Legal Framework of the ICPAK



The Accountants Act No. 15, 2008 prescribes the following as the functions of the Institute among others:

- **To promote standards of professional competence and practice amongst members of the Institute**
- To promote research into the subject of accountancy and finance and related matters, and the publication of books, periodicals, journals and articles in connection therewith;
- To promote the international recognition of the Institute.
- **To advise the Minister on matters relating to financial accountability in all sectors of the economy;**
- To carry out any other functions prescribed for it under any of the other provisions of this Act or any other written law

Functions of the PSASB



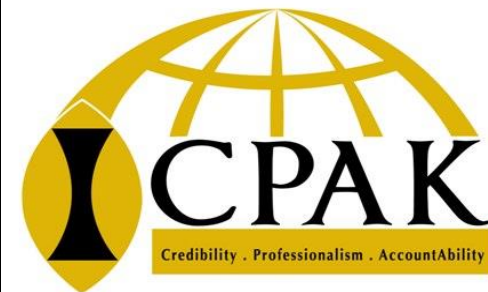
- Section 194 (1) of PFM Act provide that the Public Sector Accounting Standard Board shall provide the frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities and shall particularly perform the following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

Functions of the PSASB cont..



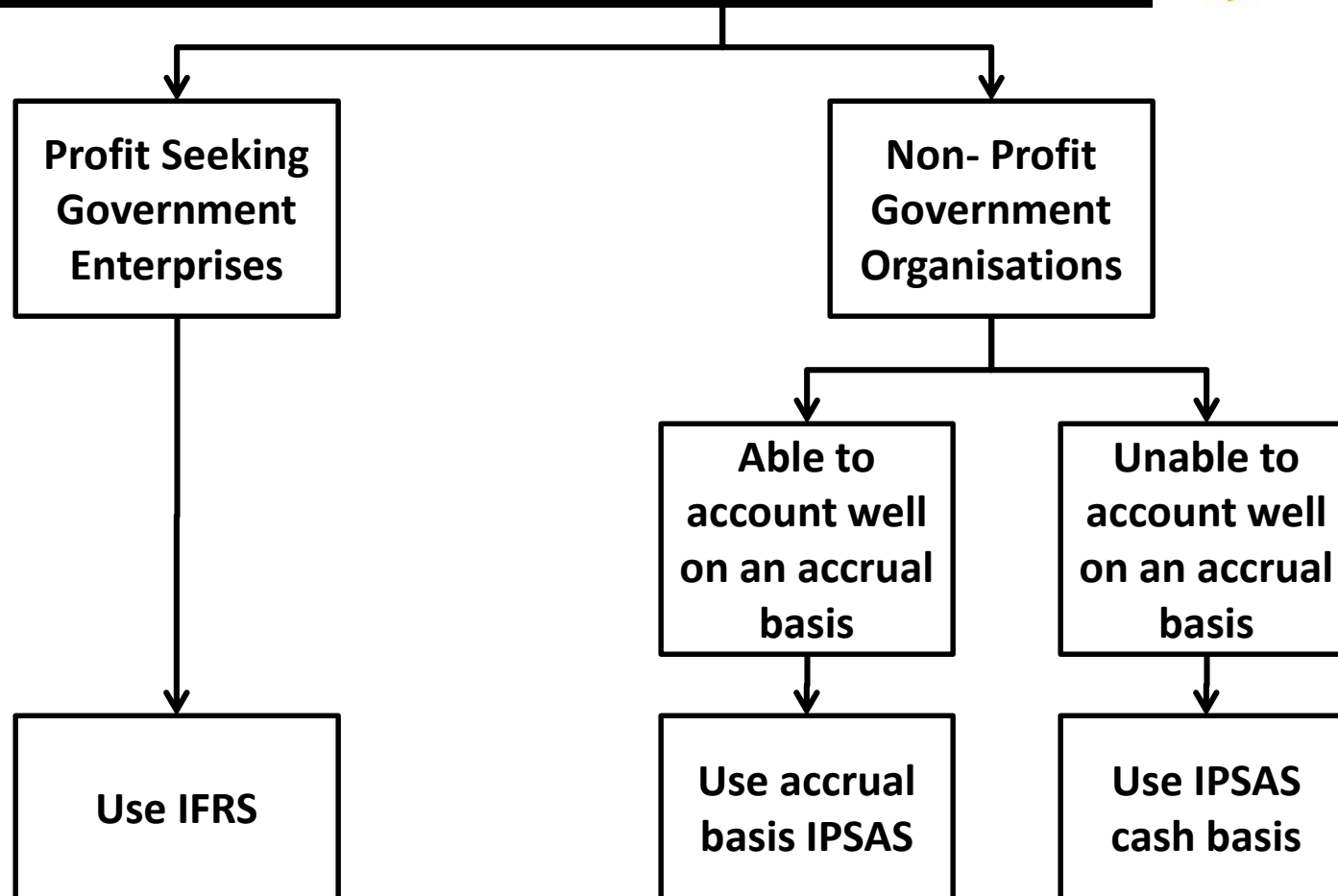
- a) Set generally accepted accounting and financial standards;
- b) Prescribe the minimum standards of maintenance of proper books of accounts for all levels of Government;
- c) Prescribe internal audit procedures which comply with this Act;
- d) Prescribe formats for financial statements and reporting 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.

Accrual & Cash Accounting IPSAS

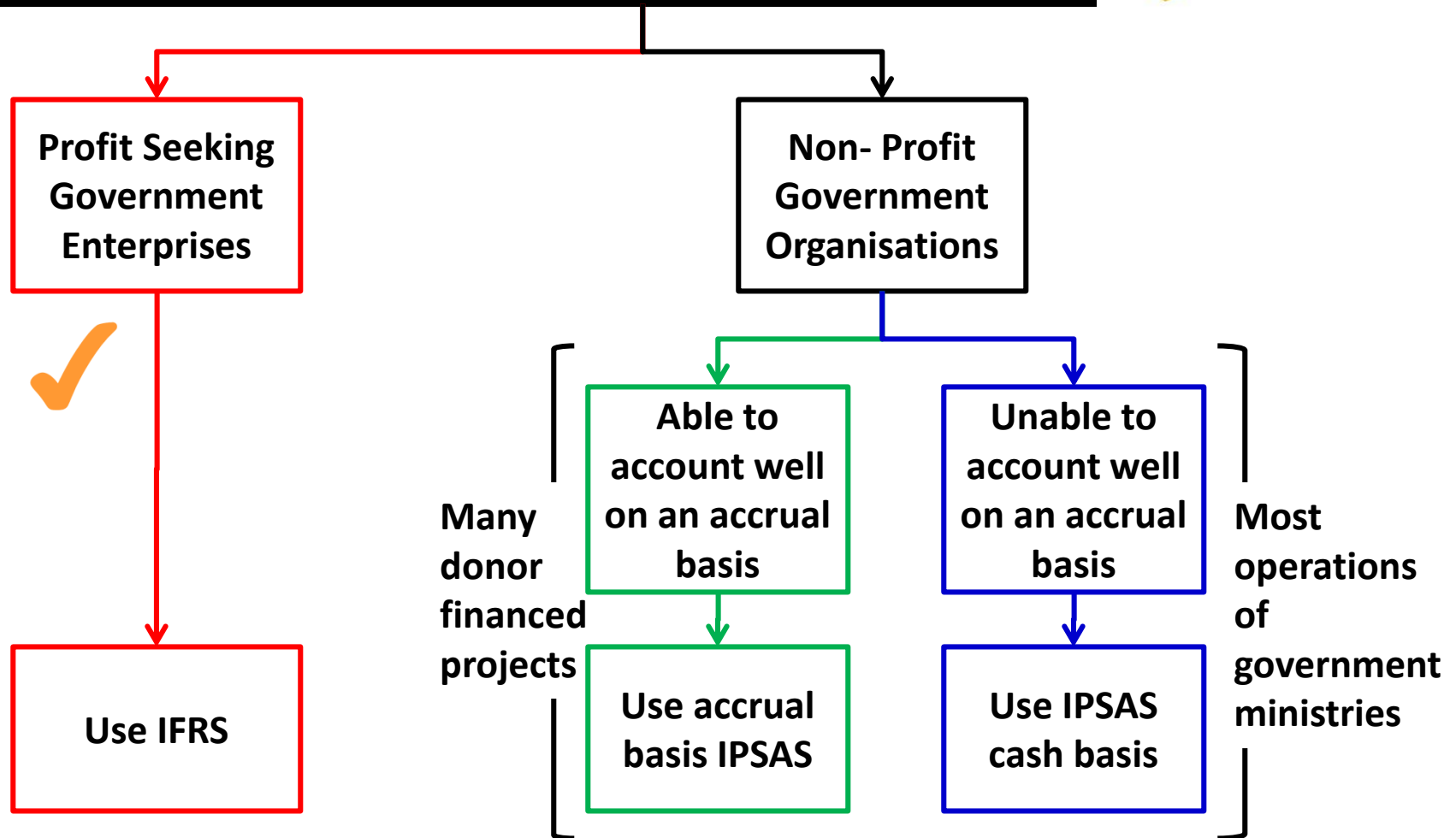


- ❑ There are two sets of IPSAS. Under accrual based IPSAS transactions and events are recorded in the accounting records and recognized as assets, liabilities, net assets/equity, revenue, or expenses in the financial statements of the periods in which they occur.
- ❑ Under cash based IPSAS, transactions and events are recorded and recognized in the financial statements only when cash or its equivalent is received or paid.
- ❑ Public entities are encouraged to adopt the accrual IPSAS. It facilitates correct reports, resource allocation between periods and enhances transparency on total resource costs and impact on the economy.

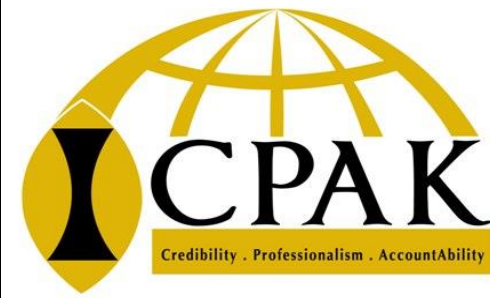
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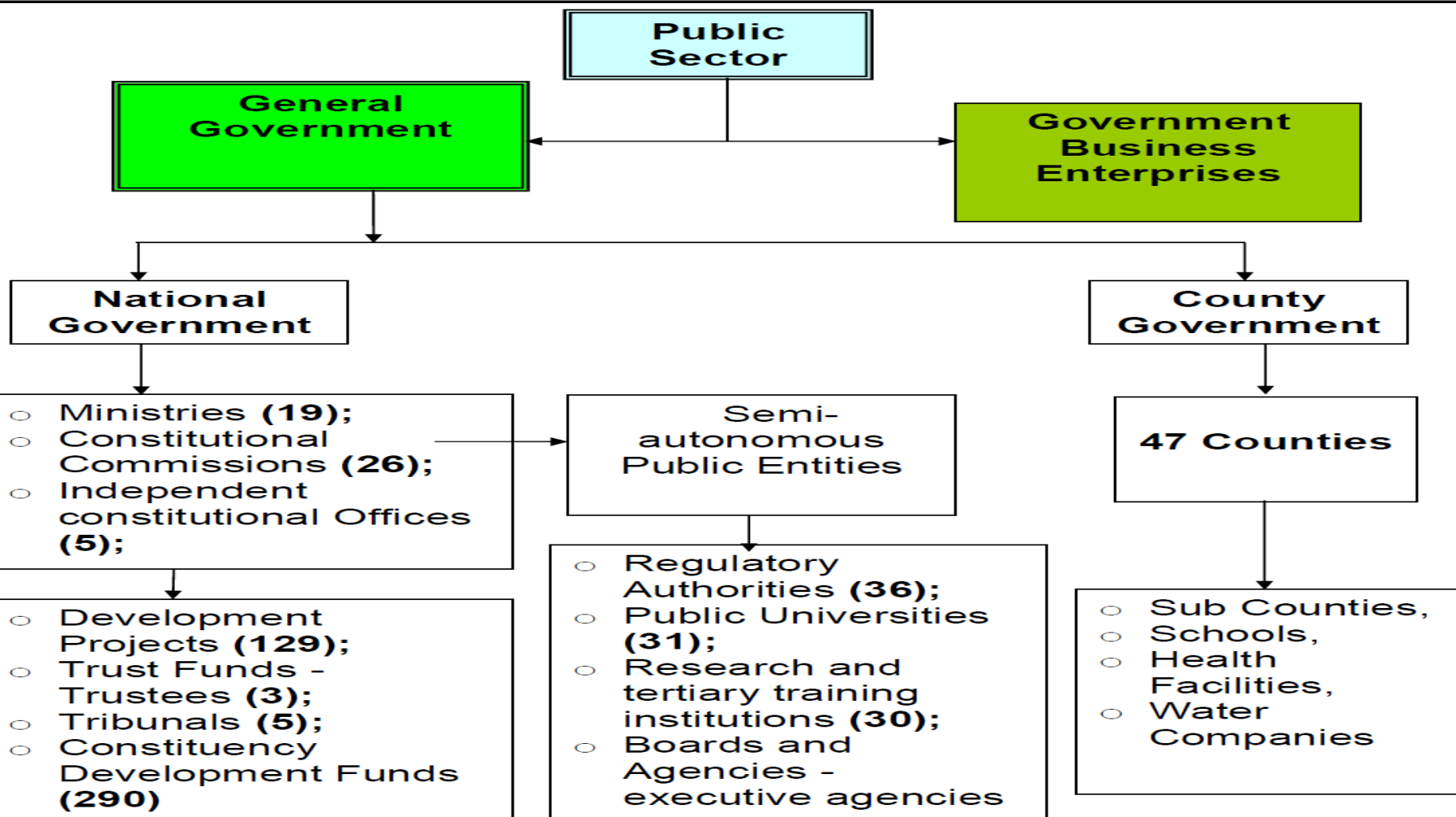


PSASB's strategic direction & IPSAS roadmap



- The PSASB ADOPTED the financial reporting standards applicable to public sector entities as follows:
 - National & County Governments –IPSAS Cash basis of accounting; 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 gazette notice 5440 on 1st August 2014.

PUBLIC SECTOR AT A GLANCE



Implementation of pronounced standards

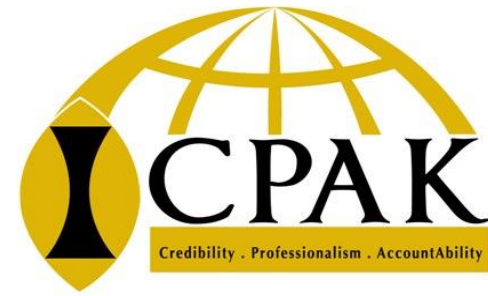


- All entities were required to prepare their 2013/2014 Financial Statements based on the issued standards and guidelines
- Training on the new standards carried out in Aug/Sep 2014
- Technical Assistance provided by the National Treasury in the preparation of FS for the year 2013/2014
- Consolidation 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 2014/2015 to be concluded

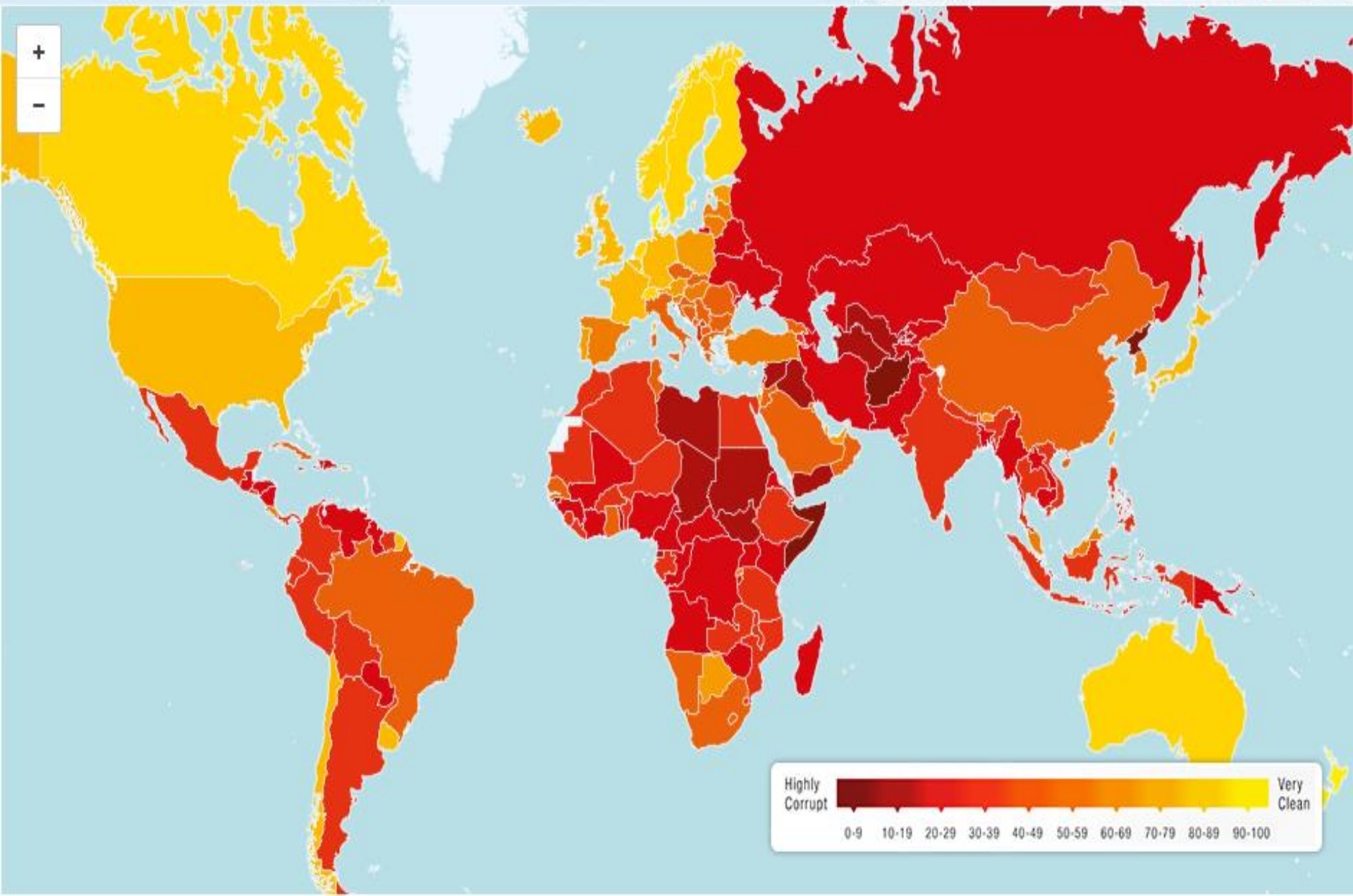
Extent of IPSAS application in Government - Africa



Extent of IPSAS application by governments



- Countries that are already applying full accrual accounting standards and applying accounting standards that are broadly consistent with IPSAS requirements include:
 - Australia
 - Canada
 - New Zealand
 - United Kingdom
 - United States of America



Why IPSAS?...Accrual based accounting



- ▶ Improved reporting framework - comparability;
- ▶ Transparency in the financial dealings of public institutions - disclosure;
- ▶ Improved interpretation of financial and non financial reports – Context & decision making;
- ▶ Consistency in reporting of information;
- ▶ Enhanced scrutiny – better systems, better audits;
- ▶ A basis for evaluating performance – budgets vs actual – financial, outputs and outcomes.

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
- 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
- Progressively closing the gaps in Cash Based IPSAS

Key issues noted from implementation reports



- ❖ **Challenges in expenditure management**
- ❖ **Procurement management issues**
- ❖ **Non compliance with SRC guidelines – excess allowances**
- ❖ **Challenges in revenue management**
- ❖ **Non compliance with PFM Act**
- ❖ **Issues with bank and cash management**
- ❖ **Weakness in management of Imprest**
- ❖ **Tax management issues**
- ❖ **Budget management issues**
- ❖ **Poor maintenance of accounting records**
- ❖ **Weak internal audit arrangement**
- ❖ **IT challenges and poor utilization IFMIS system**

Conclusion



- Discussion
- Questions?

