



SAFEGUARDING PUBLIC RESOURCES IN IPSAS

HILTON HOTEL– Nairobi

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OUTLINE OF THE SESSION



- 1) Background Information ;
- 2) Setting of Public Standard Board;
- 3) Accounting Standards ;
- 4) Objectives of IPSAS
- 5) Impacts of IPSAS
- 6) Challenges/Tailbacks
- 7) Process of Accounting for Assets & Liabilities
- 8) Future of IPSAS to Professionals
- 9) The End

BACKGROUND



- ❖ Kenya adopted International Accounting Standards (IAS) in 2000 through the Institute of Certified Public Accountants of Kenya (ICPAK).
- ❖ These standards were however largely used by the private sector. Public Sector relied largely on accounting principles which were not standard across the sector.
- ❖ In 2008, the then Minister of Local Government issued a directive that all Local Authorities to adopt International Public Sector Accounting Standards (IPSAS). However, there was no clear mechanism to implement the same.

BACKGROUND – CONT`



- ❖ Some public sector entities adopted IFRS while others summarised the Government Chart of Accounts.
- ❖ This non-uniformity made it difficult for the Auditor General to audit public sector entities as it was not clear what constituted annual financial statements.
- ❖ This necessitated the harmonisation of reporting in the public sector.

Setting up the Public Sector Accounting Standards Board



The Public Sector Accounting Standards Board (PSASB) was established as part of PFM reforms in Kenya following the promulgation of the new Constitution in 2010 and the subsequent enactment of the Public Finance Management (PFM) Act in 2012.

The PSASB is a statutory, standard setting body established under the Sections 192 to 195 of the Public Financial Management Act, 2012.

MANDATE OF THE PSASB



The Mandate of the Board is to:

- ✓ Set generally accepted accounting and financial system standards for the public sector.
- ✓ Develop and pronounce generally accepted internal auditing standards.
- ✓ Mainstreaming of best practices for good governance, internal controls and risk management in the public sector.

The Board is the only standard setter of Accounting and Auditing Standards for the Public Sector in Kenya.

Accounting and Auditing Standards for the Public sector.



The PSASB through a Gazette notice No. 1554 dated 8th August 2014, signed by the Cabinet Secretary on 8 July 2014, adopted IPSAS and IFRS for use by public sector entities.

Retrospective application for the year ended June 2014 was encouraged by PSASB.

The use of IFRS and IPSAS was therefore formally adopted and applied for the first year in the year ending 30 th June 2014.

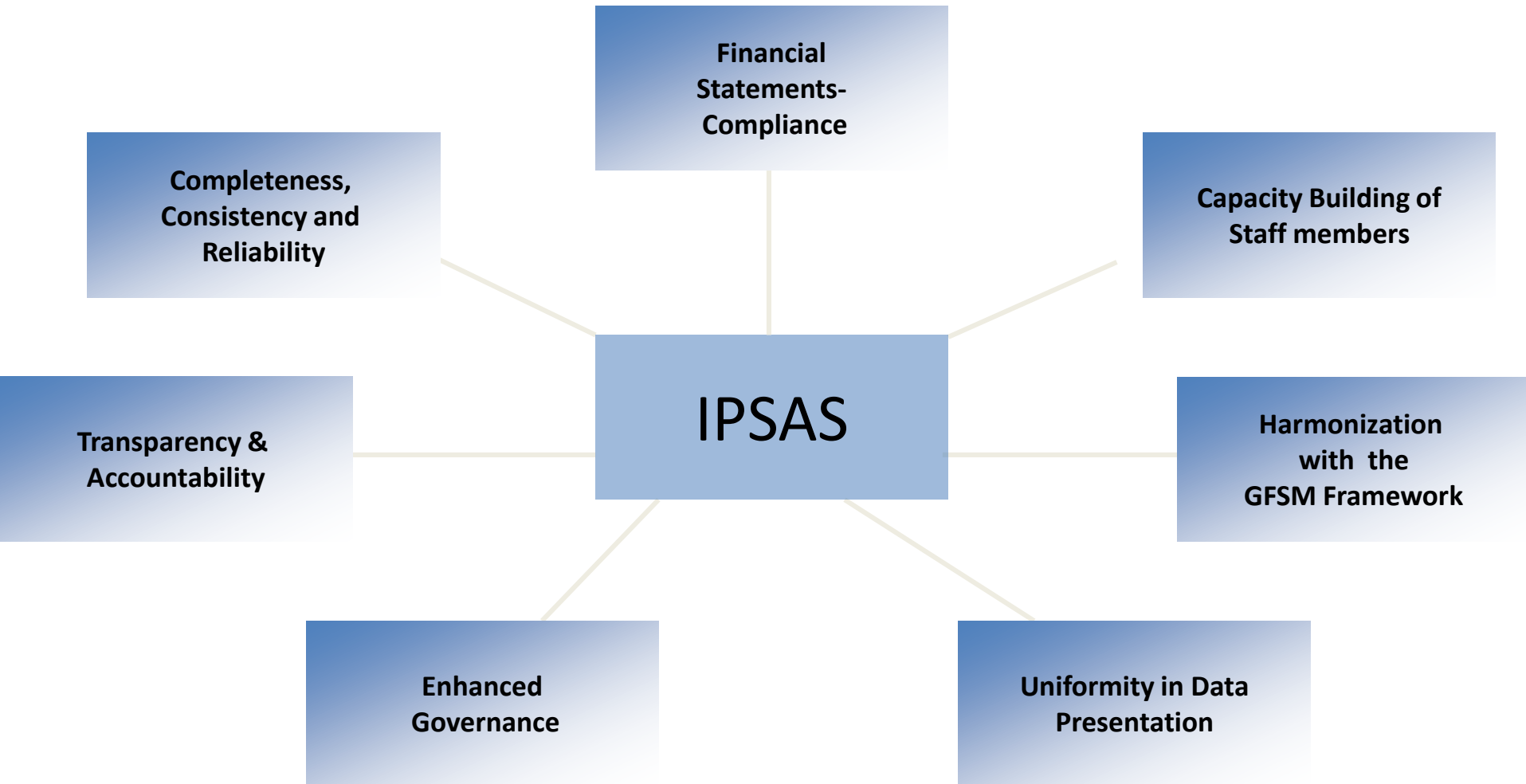
FY 2015/2016 is the third year of implementation of the standards that were gazetted by PSASB in 2014.

OBJECTIVES OF IPSAS



- There is need for increased transparency
- Need for Comparability;
- Uniformity of reporting formats;
- Enhance quality and consistency of data;
- Enhance understandability credibility of reports;
- Statutory compliance and ;
- Improved governance.

IMPACTS OF IPSAS



OTHER NOTABLE IMPACTS



- ✓ Annual audit sign-off & significant clean reports;
- ✓ Update of accounting policies (Policy Guidance Manual)
- ✓ Enhanced Internal processes – recording ,tracking fixed assets, recognizing expenses etc);
- ✓ Facilitate acquisition of compatible IT system;
- ✓ Staff training and awareness;
- ✓ Increased provision of information Stakeholders ;
- ✓ Facilitate quick decision making mechanisms and ;
- ✓ Enhance comparability within and beyond sectors

CHALLENGES/ TAILBACKS



- ✓ Historical background of significant challenges in quality and timeliness of reporting and internal audit.
- ✓ Technical capacity- IPSAS is a relatively new concept in Kenya. There is a shortage of technical expertise from public sector which is the implementer of IPSAS and private sector which largely uses IFRS.
- ✓ Varying levels of financial reporting capability and preparedness to prepare financial reports. Whereas some entities are struggling, others are far ahead.

CHALLENGES/ TAILBACKS- Cont`



- ✓ New Governance structure at the County level with corresponding new PFM requirements. Uptake of financial reporting standards has been hampered by challenges arising from teething problems under the devolved governments.
- ✓ Cost implications especially on cash based reporting entities
- ✓ Resistance to change
- ✓ Identification and valuation of assets
- ✓ Stakeholder engagement
- ✓ Complex legal framework ie PFMA 2012

ACCOUNTING FOR ASSETS & LIABILITIES



**Reporting
Assets & Liabilities**

**Pronouncement by the PSASB &
Implementation by NT**

Cabinet Approval

Establishment- NALM_D

Enhancing & Updating - SCOA

**Development of Road map to
IPSAS Accrual**

ACCOUNTING FOR ASSETS & LIABILITIES



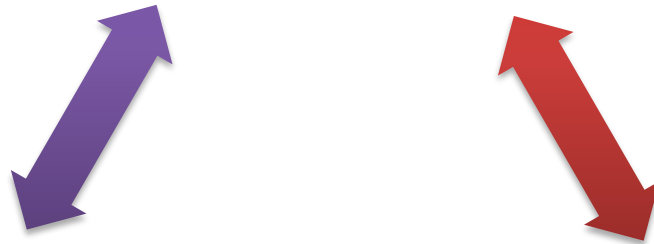
The following are the key strategies to facilitate reporting for assets & Liabilities in IPSAS;

- a) Establishment of National Assets & Liability Management department to develop Registers;
- b) Task force with mandate to revise SCOA
- c) Road map leading to migration to IPSAS accrual
- d) Provision of TAs on Financial Reporting & Internal Auditing by the National Treasury.

FUTURE OF IPSAS TO ACCOUNTING PROFESSIONALS



**Strengthening IPSAS
In Financial
Reporting**



**Continuous Capacity
Building**



**Practical
Application o**

THE END



Q & A

QUOTABLE QUOTES



"Success is not final; failure is not fatal: It is the courage to continue that counts."

(Winston S. Churchill)

Success usually comes to those who are too busy to be looking for it."

(Henry David Thoreau)

"The road to success and the road to failure are almost exactly the same." (Colin R. Davis)

