

REVISITING THE STATE OF IPSAS IMPLEMENTATION IN COUNTIES

Presentation by:

CPA Fitzgerald Oyoo
Financial Consultant
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Presentation agenda



- ❑ Adoption of IPSAS in the Counties
- ❑ Implementation of IPSAS in the Counties
- ❑ Challenges/Emerging issues



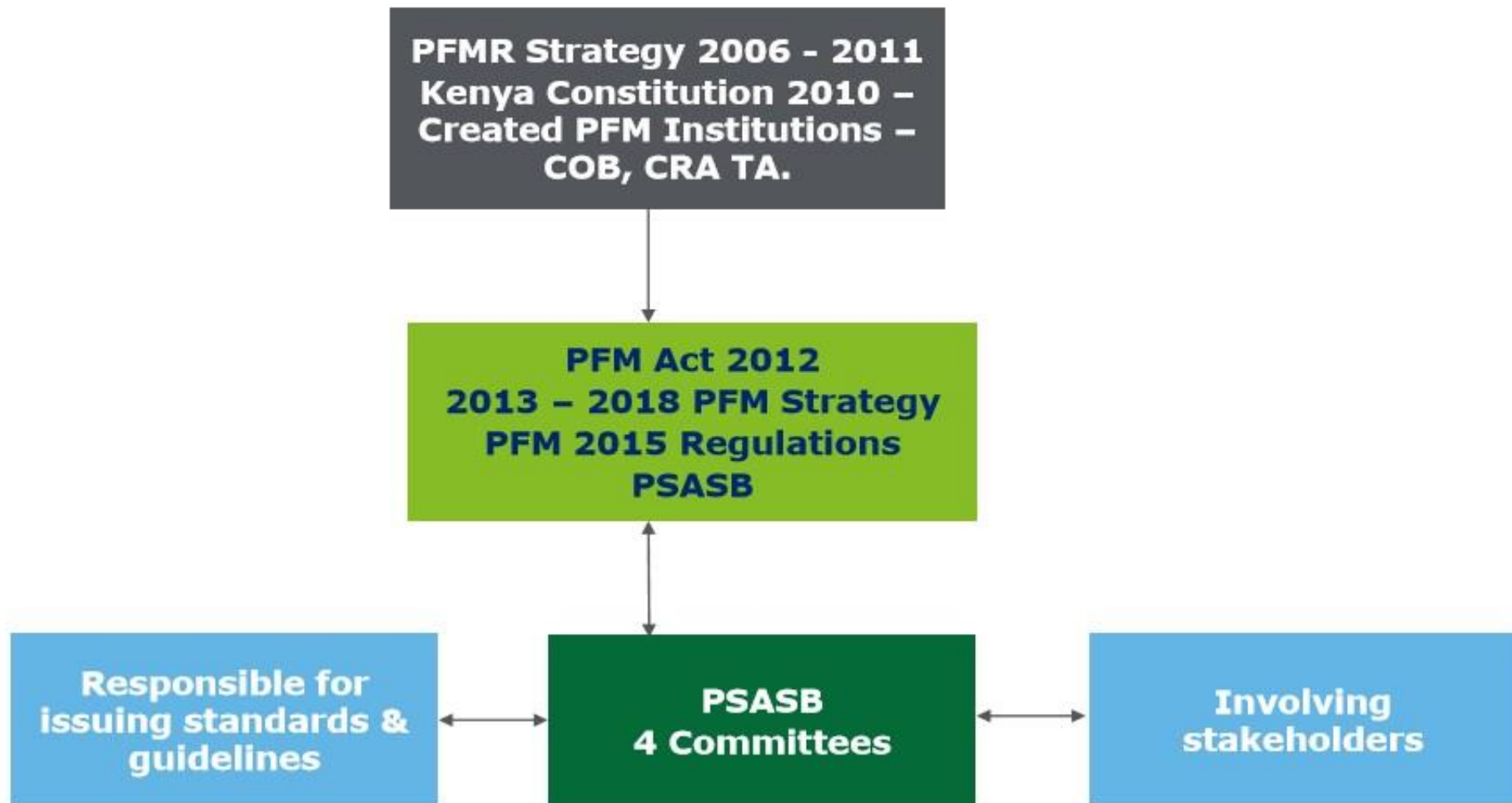
Introduction



GOK has embraced and implemented developments in Public Financial Management. Such changes have been witnessed in:

- ✓ Treasury Management & Budget Execution;
- ✓ Budgeting;
- ✓ Macro-Fiscal Policy making; and
- ✓ Accounting, Reporting and Oversight institutions.

Adoption of IPSAS in the Counties



Adoption of IPSAS in the Counties (cont..)



PFM Act, 2012

The Public Sector Accounting Standards Board

Adoption of IPSAS

Implementation

Adoption of IPSAS in the Counties (cont..)



The PFM Act, 2012

- ❑ Section 192 – Establishment of the Public Sector Accounting Standards Board;
- ❑ Section 193 – Composition of the Board; and
- ❑ Section 194 – Functions of the Board

Adoption of IPSAS in the Counties (cont..)



PSASB

- ❑ 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 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.
- ❑ The PSASB through a Gazette notice No. 1554 dated 8th August 2014, signed by the Cabinet

Adoption of IPSAS in the Counties (cont..)



Secretary on 8 July 2014, adopted IPSAS & IFRS for use by public sector entities; and

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

Adoption of IPSAS in the Counties (cont..)



- ❑ The PSASB adopted the financial reporting standards applicable to public sector entities as follows:
 - ✓ National Government and County Governments;
 - ✓ Semi Autonomous Government Agencies (SAGAS) – IPSAS accrual; and
 - ✓ State Corporations – IFRS.
- ❑ The PSASB adopted 1st July 2014 as the effective date; and

Adoption of IPSAS in the Counties (cont..)



❑ The PSASB adopted International Professional Practice Framework (IPPF) for Internal Auditing Standards.

Adoption of IPSAS in the Counties (cont..)



The Board constitutes representatives from different stakeholders as follows:

- ☐ Chair representing the National Treasury;
- ☐ Representative from the Controller of Budget;
- ☐ Representative from the Office of Auditor ;
- ☐ Representative from (ICPAK);
- ☐ Representative from the Association of Professional Societies of East Africa (APSEA);
- ☐ Representative from the Capital Markets Authority (CMA);

Adoption of IPSAS in the Counties (cont..)



- ❑ Representative from the Institute of Internal Auditors; and
- ❑ Representative from the Institute of Certified Public Secretaries of Kenya.

Adoption of IPSAS in the Counties (cont..)



Purpose of adopting IPSAS

- ❑ To conform to high quality, credible, internationally recognized standards;
- ❑ To provide users public sector financial reports with relevant and transparent information to make decisions and hold officials to account;
- ❑ To standardize financial reporting to ease of audit;
- ❑ To provide a consistent and objective approach to deal with public sector specific issues, e.g. concepts level, compliance with budget, non-exchange

Adoption of IPSAS in the Counties (cont..)



transactions;

- ❑ Offers a platform for credible basis for reporting statistics; and
- ❑ Facilitates government wide consolidation of Financial Statements.

Implementation of IPSAS in the Counties (cont..)



- ❑ PSASB identified the IPSAS Cash as the accounting basis for the Counties;
- ❑ PSASB issued Implementation Guidelines;
- ❑ Training programs on the preparation of financial statements for the Counties were carried out;
- ❑ Hands on Trainings were carried out;
- ❑ Financial Reporting Excellence (FiRE) Awards for the Public Sector – mandatory – encourage compliance and quality reporting; and

Implementation of IPSAS in the Counties (cont..)

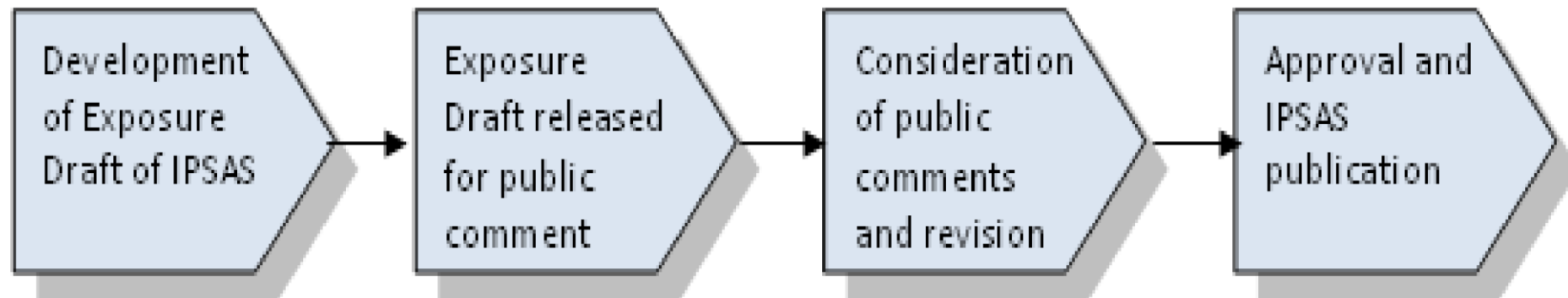


- ❑ To comply with IPSAS Cash, the PSASB has provided that all public sector entities provide the information in their financial reports in the standard formats/templates provided;
- ❑ PSASB provided for a transparent development process in the implementation of IPSAS in the Counties;

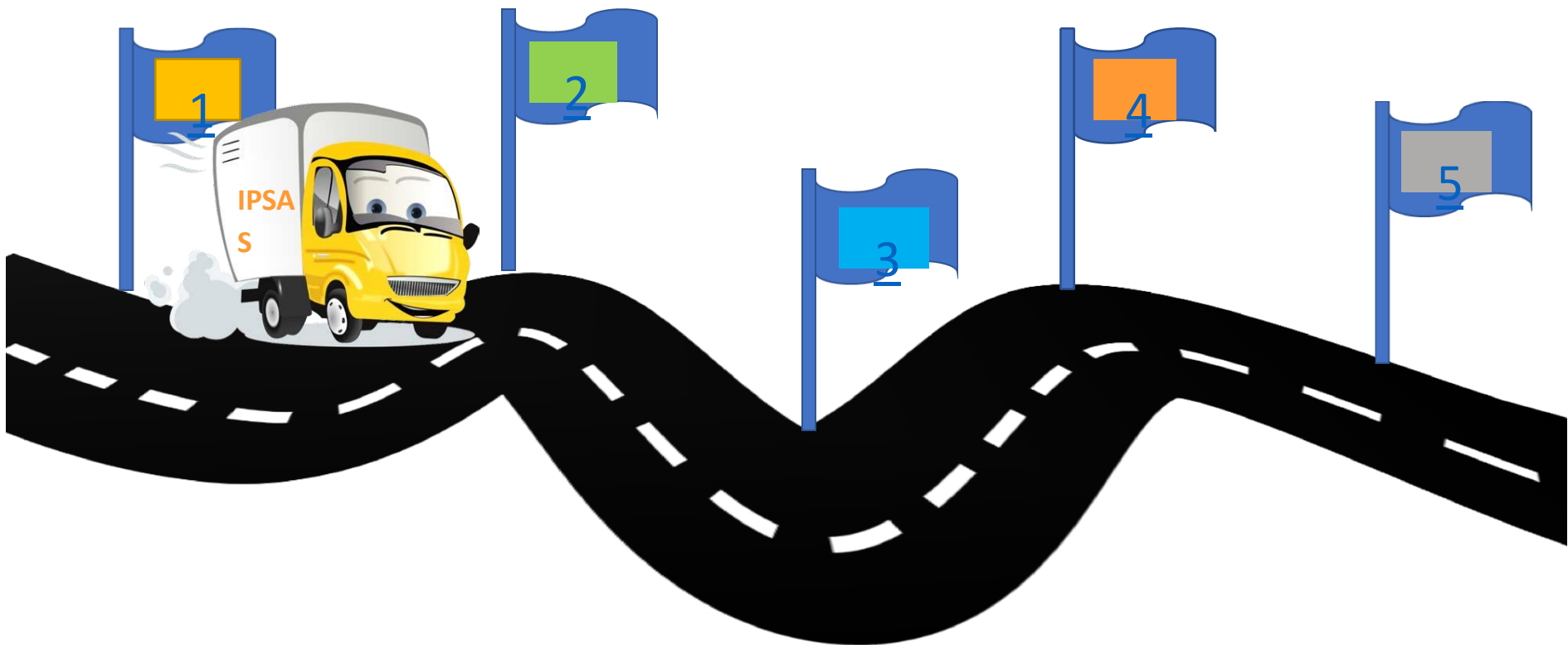
Implementation of IPSAS in the Counties (cont..)



- ❑ PSASB provided for a transparent development process in the implementation of IPSAS in the Counties;



Challenges in Adoption & Implementation of IPSAS in the Counties



Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- ❑ Lack of legislation had hampered previous attempts to adopt IPSAS –
Now PFM Act 2012 is in place
- ❑ Lack of skills in IPSAS implementation
The National Treasury engaged professional accountancy firms to provide the necessary skills
- ❑ Lack of financial capacity by the Counties.
This has been helped by support from:

Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- National Government support;
- World Bank; and
- Support from the Public Financial Management Reforms (PFMR) program in Kenya – donor funded.

Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- ❑ The Counties recruited some accounting staff without previous public sector experience
The NT tried to alleviate this by:
 - ✓ Secondment of staff to the Counties; and
 - ✓ Trainings

- ❑ Resistance to change. To alleviate this:
 - ✓ PFM Act 2012 was enacted; and
 - ✓ Trainings were organised.

Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- ❑ Suspense accounts, misstated and unsupported balances in previous financial statements
- To tackle this, taskforces were formed in the Counties to look into clearing the outstanding balances.

Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- ❑ Lack of understanding by the Management of the key value chains within the Counties due to instability at some of the key positions;
- ❑ Lack of comprehensive understanding by the Management of some of the requirements of the adopted financial reporting framework;
- ❑ Lack of implementation of certain daily and monthly processing and reconciling of transactions;

Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- ❑ Failure to prepare separate or submit financial statements for other County Government entities as per Sections 164 & 167 of the PFM Act;
- ❑ Not using the prescribed financial reporting templates as prescribed by the;

Not adhering to:

- ❑ Section 81(3) and 83(2)(b) that requires Accounting officers of National Government entities to prepare annual and quarterly financial reports according to

Challenges in Adoption & Implementation of IPSAS in the Counties (cont..)



- ❑ standards prescribed by PSASB;
- ❑ Section 164(1) and 166(1) of the PFM Act that require Accounting officers of County Government entities to prepare annual and quarterly financial reports according to standards prescribed by PSASB;
- ❑ Sections 82 and 165 of the PFM Act that provide for similar requirements for receivers of revenues for both National and County Government entities respectively.

And Finally.....



Contacts

+254 722 634700; fitzgerald.oyoo@gmail.com