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ROADMAP FOR ADOPTION OF THE INTERNATIONAL NON-PROFIT ACCOUNTING STANDARD (INPAS) IN KENYA

The Institute of Certified Public Accountants of Kenya (ICPAK), established in 1978 under the Accountants Act No.15 of 2008, serves as the statutory body responsible for setting accounting and auditing standards and regulating the accountancy profession in Kenya. As a member of the Pan African Federation of Accountants (PAFA) and the International Federation of Accountants (IFAC), ICPAK remains committed to strengthening transparency, accountability and comparability in financial reporting across all sectors of the Kenyan economy.

In line with its public interest mandate and recognising the growing importance of the non-profit and public benefit sector in advancing Kenya's socio-economic development and the aspirations of Vision 2030, ICPAK has resolved to spearhead the structured adoption and implementation of the International Non-Profit Accounting Standard (INPAS). The Standard provides a global framework designed to enhance financial reporting quality, donor confidence, governance and comparability across non-profit entities.

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Kenya's non-profit sector currently operates under diverse reporting expectations arising from donor frameworks, regulatory filings and sector-specific guidance. Existing reporting practices include:

- Financial reporting requirements under the Public Benefit Organisations (PBO) frameworks
- Donor-specific financial and programme reporting templates
- IPSAS-based reporting for government-funded programmes
- IFRS-based reporting applied by majority of the non-profit entities

While these mechanisms support accountability, the absence of a unified financial reporting framework has limited comparability and consistency across the sector. The adoption of INPAS is therefore intended to establish a harmonised reporting baseline aligned with global best practice while reflecting Kenya's regulatory and operational context.

A. Establishment of a National INPAS Technical Sub-committee

In its capacity as the Kenyan standard setter, ICPAK convened a Multi-Stakeholder INPAS Technical Sub-committee work under the Professionals Standard Committee (PSC) comprising regulators, development partners, non-profit umbrella bodies, audit practitioners and sector representatives. The Sub-committee will be responsible for:

- Developing the National INPAS Adoption Roadmap
- Ensuring alignment with Kenya's Public Financial Management (PFM) reforms and accountability frameworks
- Producing Kenya-specific implementation guidance and illustrative reporting templates
- Supporting stakeholder consultations and exposure processes
- Recommending transition timelines and readiness considerations

B. Principles Guiding the Adoption Approach

The adoption of INPAS in Kenya will be guided by core principles reflecting the accountability, stewardship and mission-driven nature of non-profit organisations:

i. **Public Interest and Accountability:** Strengthening transparency and accountability through high-quality financial reporting complemented by clear narrative disclosures on governance, performance and use of resources.
ii. **Integrated Financial and Narrative Reporting:** Encouraging reporting that combines financial statements with narrative disclosures explaining programme outcomes, organisational impact, risk management and stewardship.
iii. **Decision-Useful and Faithful Representation:** Promoting relevance, reliability and comparability of information to support informed decision-making by donors, beneficiaries, regulators and organisational leadership.
iv. **Proportional and Capacity-Driven Implementation:** Adopting a phased, capacity-focused transition model that recognises varying institutional maturity while ensuring progressive improvement in reporting quality.
v. **Alignment with Kenya's Governance and Accountability Frameworks:** Ensuring consistency with PFM reforms, national accountability expectations and Vision 2030 priorities, while maintaining interoperability with other applicable reporting frameworks.
vi. **Global Consistency with Local Applicability:** Maintaining alignment with international INPAS principles while issuing Kenya-specific implementation guidance reflecting local legal and operational realities.
vii. **Continuous Improvement and Stakeholder Collaboration:** Supporting adoption through ongoing consultation, technical support, exposure processes and post-implementation review.

C. Phased Approach to Adoption

ICPAK proposes a structured, sector-wide phased adoption of INPAS to enable progressive strengthening of both financial and narrative reporting practices. The phased approach emphasises capacity development and gradual institutionalization of reporting.

As guided by the INPAS Standard, an NPO's date of transition to INPAS is the beginning of the earliest period for which the NPO presents full comparative information in accordance with the financial statement requirements of the Standard in its first financial report. Full compliance with both financial statements and narrative reports is required from year three onwards.

From 1 January 2028, entities will be required to comply with the financial reporting requirements of the Standard and the full Standard requirement of both financial and narrative reporting from 1 January 2029. However, in order to build capacity for combining the two aspects, the phased adoption encourages entities to start including structured narrative reporting in anticipation of full compliance from 1 January 2029.

From 1 January 2028, entities will be required to comply with the financial reporting requirements of the Standard and the full Standard requirement of both financial and narrative reporting from 1 January 2029.

Phase	Indicative Timelines (Reporting Period Beginning on or after)	Focus Areas	Sector Application	Adoption Considerations
Phase 1 – Awareness, Capacity Building and Voluntary Early Adoption	1 January 2026	Sector sensitisation; voluntary alignment with INPAS principles; introduction of structured narrative reporting including governance disclosures, programme performance, resource utilisation and organisational impact; pilot implementations and development of Kenya-specific guidance.	Qualifying Non-Profit Organisations and Public Benefit Entities	Voluntary adoption permitted; ICPAK technical toolkits and advisory support. Illustrative financial statements and narrative reporting templates issued by ICPAK
Phase 2 – Structured Implementation and Enhanced Narrative Reporting	1 January 2027	Implementation of INPAS financial reporting alongside strengthened narrative reporting; integrated disclosures including management commentary, programme outcomes, funding sustainability and risk management; rollout of standardised templates and expanded CPD programmes.	Qualifying Non-Profit Organisations and Public Benefit Entities	Voluntary adoption permitted; allowance for gradual system upgrades
Phase 3 – Full Sector Integration of INPAS financial reporting requirements and Institutionalisation	1 January 2028	Full integration of financial reporting requirements of INPAS; Building capacity towards mandatory reporting beginning 1 January 2029; Post-implementation monitoring and refinement.	Qualifying Non-Profit Organisations and Public Benefit Entities	Mandatory adoption of financial reporting requirements of INPAS; Mandatory narrative reporting beginning 1 January 2029; Refined disclosure expectations; continued technical clarifications and CPD support from ICPAK.

D. Next Steps and Call to Action

ICPAK calls upon non-profit organisations, regulators, development partners and practitioners to begin preparations by:

- Assessing existing financial and narrative reporting practices against INPAS principles
- Strengthening governance and financial management systems
- Investing in staff training and professional capacity development
- Participating in ICPAK consultations, pilots and technical training programmes

ICPAK remains committed to supporting the Kenyan non-profit ecosystem through technical leadership, stakeholder collaboration and continuous capacity building. The adoption of INPAS will enhance transparency, strengthen public trust, and support the effective mobilisation and stewardship of resources toward Kenya's development priorities and national accountability objectives.

ADDENDUM – PROVISIONAL GUIDANCE ON NOT FOR PROFIT ENTITIES FALLING WITHIN THE SCOPE OF INPAS

DEFINITION OF NPO UNDER INPAS

Intended scope of INPAS (A1.1)
- INPAS is intended for use by entities that do not distribute any surpluses that they may generate to private individuals

Description of non-profit organizations (A1.2)
- For the purposes of INPAS, NPOs are entities that publish general purpose financial reports for external users and have both of the following broad characteristics:
  a. their primary objective is to provide a benefit to the public; and
  b. their surpluses are directed for the benefit of the public.

Summary – Indicators (A1.14)
When it is unclear whether an entity qualifies as a non-profit organization (NPO) under A1.2, the following additional indicators should be considered:

- No rights to financial returns: If individuals or entities do not have rights to share in surpluses, this suggests the entity is an NPO.
- Asset transfer on dissolution: If remaining net assets must be transferred to another entity with a similar public-benefit purpose, this supports NPO status.
- Voluntary funding: Receiving or providing voluntary funding (e.g., donations or grants) is an indicator of being an NPO.
- Public benefit use of assets: Holding and using assets for the benefit of the public indicates the entity is an NPO.

Overall: The more of these indicators that are present, the more likely the entity meets the broad characteristics of an NPO.

Membership organizations (A1.13)
- Where members receive direct and proportional economic or financial returns based on fees or ownership are not an NPO
- Entities providing benefits unrelated to members' contributions and serving public welfare e.g., co-operatives selling food at cost may qualify as NPOs under INPAS.

Qualifying entities - entities that meet the specified criteria for applying INPAS.

LEGAL FRAMEWORK	CURRENT REPORTING FRAMEWORK	PROPOSED FRAMEWORK
Entities registered under the PBO Act • The PBO Act describes "public benefit activity" as one that supports or promotes public benefit by enhancing or promoting the economic, environmental, social or cultural development or protecting the environment or lobbying or advocating on issues of general public interest or the interest or well-being of the general public or a category of individuals or organizations. • Public benefit organization deemed as a voluntary membership or non-membership grouping of organization, individuals or organizations, which is autonomous, nonpartisan, non-profit making and which is-organized and operated locally, nationally, or internationally, engages in public benefit activities and is registered as such by the Authority.	• Section 31 of PBO Act prescribes accounting framework as Standards of the Generally Acceptable Accounting Practice (Principles) applicable to non-profit organizations • ICPAK has issued Illustrative Financial Statements for the NPO sector • ICPAK formally adopted INPAS effective 1 January 2026, allowing entities to early adopt INPAS from that date and apply the transition provisions.	• Section 26 of the revised PBO Act Regulations states "Each PBO shall keep up to date records in respect of its annual financial statements prepared in accordance with the accounting standards specified by the Authority in consultation with ICPAK" • **ICPAK and PBO Authority are working together to embed INPAS as the required financial reporting standard for PBOs.**
Companies limited by guarantee • These entities generally qualify as NPOs because they have no owners or holders of beneficial interests.	• The Companies Act requires financial statements to be prepared in accordance with Prescribed Financial Accounting Standards issued by ICPAK, namely Full IFRS or the IFRS for SMEs framework. • ICPAK has issued Illustrative Financial Statements for the NPO sector, based on IFRS for SMEs, with references to Generally Acceptable Accounting Standards for NPOs in areas not adequately covered by existing IFRS and IPSAS frameworks. • ICPAK formally adopted INPAS effective 1 January 2026, allowing NPOs to early adopt INPAS from that date and apply the transition provisions.	• INPAS has been introduced by ICPAK as an alternative set of the Prescribed Financial Accounting Standards for qualifying entities, alongside Full IFRS and the IFRS for SMEs framework.

Entities under the Trustees (Perpetual Succession) Act -(Statute Laws (Miscellaneous Amendment) Act No. 3 of 2024) • **Family Trust:** A living or testamentary trust established by one or more individuals to plan or manage their personal estate. It may be partly charitable or entirely non-charitable. • **Charitable Trust:** A trust created exclusively for public-benefit purposes such as relieving poverty, advancing education or religion, promoting human rights and fundamental freedoms, protecting the environment, or other purposes beneficial to the public. • **Non-charitable Trust:** A trust formed for a specific lawful purpose that is not exclusively charitable, provided its objects are legal.	• There is no formal financial reporting framework prescribed by the Registrar of Trustees. • Financial reporting is typically guided by the provisions of the Trust's constitution. However, where general purpose financial statements are prepared, they are required to follow the prescribed framework issued by ICPAK, namely Full IFRS or the IFRS for SMEs framework.	• INPAS has been introduced by ICPAK as an alternative set of the Prescribed Financial Accounting Standards for qualifying entities—entities that meet the specified criteria for applying INPAS, typically organizations operating for public benefit without distributing profits to owners. Refer to the Introduction section of INPAS for detailed guidance on determining whether an entity qualifies. It is available alongside Full IFRS and the IFRS for SMEs framework. • All three categories require a case-by-case evaluation against the INPAS definition of a qualifying entity. Charitable trusts appear most likely to meet the definition of a qualifying entity under INPAS, as they generally display the key characteristics of non-profit organizations (NPOs).
Other forms of NPO include: - • **Community-based organizations (CBOs)** • **Societies under Societies Act** • **Trade Unions** The PBO Act excludes forms of NPO including a community-based organization whose objective include the **direct benefit of its members, Societies under Societies Act and Cooperative societies and unions.**	• These entities do not have a formally prescribed financial reporting framework under their respective governing Acts. Their financial reporting practices are generally driven by the provisions outlined in their constitutions. However, when general-purpose financial statements are prepared, they must comply with the financial reporting frameworks prescribed by ICPAK—namely Full IFRS or the IFRS for SMEs • Illustrative Financial Statement for the NPO's sector issued by ICPAK-Based on IFRS for SME	• INPAS has been introduced by ICPAK as an alternative set of the Prescribed Financial Accounting Standards for **qualifying entities**—entities that meet the specified criteria for applying INPAS, typically organizations operating for public benefit without distributing profits to owners. ***Refer to the Introduction section of INPAS for detailed guidance on determining whether an entity qualifies.*** It is available alongside Full IFRS and the IFRS for SMEs framework • They **may** meet the threshold for INPAS, but it is **not automatic**. Eligibility depends on whether each entity qualifies as a "qualifying entity" under INPAS (per the Introduction), meaning it operates primarily for public benefit and does not distribute profits to owners or members.

Bottom line:

All three categories ***require a case-by-case evaluation*** *against the INPAS definition of a qualifying entity; classification by legal form alone is insufficient*

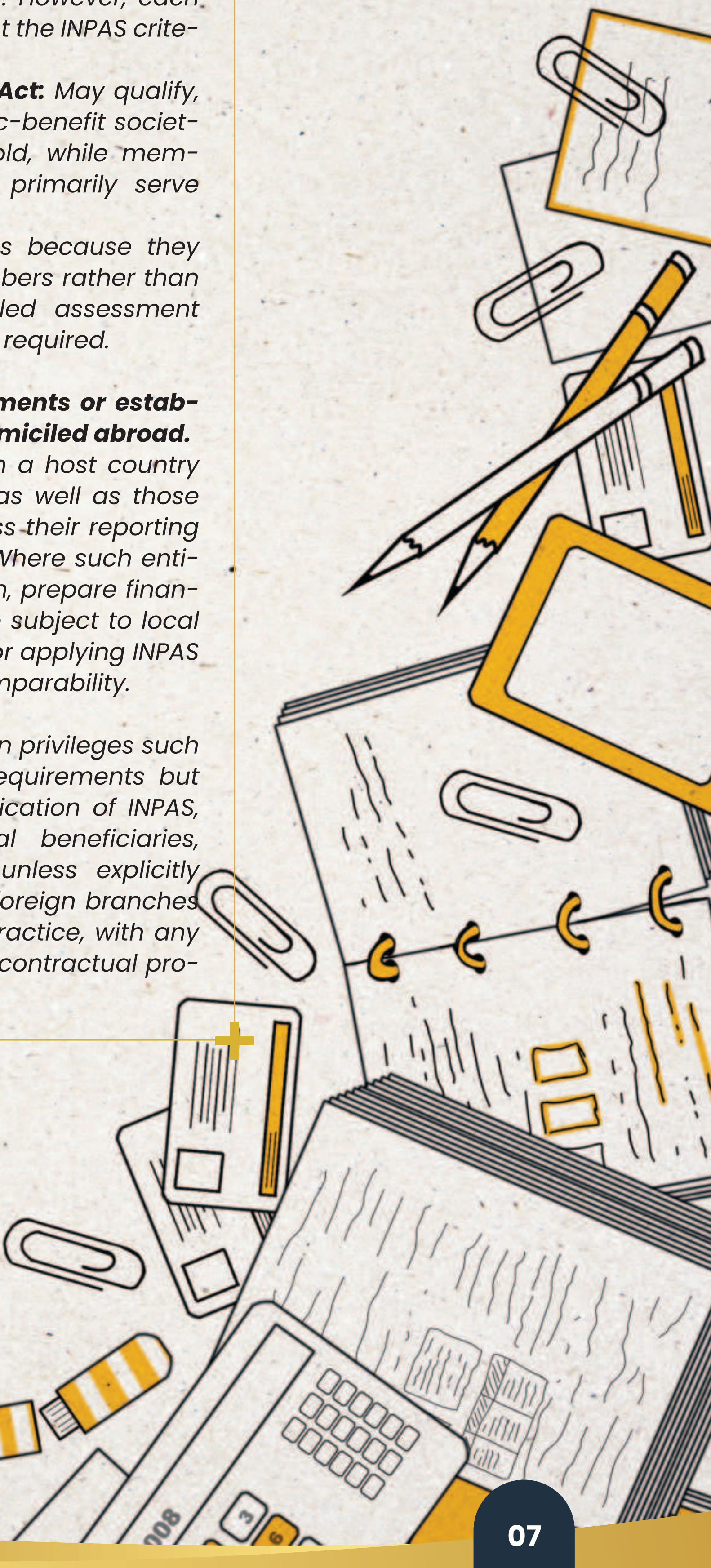
Assessment by entity type

- ***Community-based organizations (CBOs):*** *Often likely to qualify because many CBOs operate for community/public benefit and rely on voluntary funding. However, each CBO must be assessed individually against the INPAS criteria.*
- ***Societies registered under the Societies Act:*** *May qualify, but this varies widely. Charitable or public-benefit societies are more likely to meet the threshold, while member-benefit clubs or associations that primarily serve members may not.*
- ***Trade unions:*** *Less likely in many cases because they primarily serve the interests of their members rather than the public at large. However, a detailed assessment against the INPAS qualifying criteria is still required.*

NPOs operating under Host Country Agreements or established as foreign branches of Companies domiciled abroad.

Non-profit organizations (NPOs) operating in a host country under bilateral or multilateral agreements, as well as those registered as foreign branches, should assess their reporting obligations based on substance over form. Where such entities undertake activities within the jurisdiction, prepare financial statements for local stakeholders, or are subject to local regulatory oversight, there is a strong basis for applying INPAS to ensure consistency, transparency, and comparability.

Host country agreements may provide certain privileges such as tax exemptions or modified reporting requirements but these do not necessarily preclude the application of INPAS, particularly where accountability to local beneficiaries, donors, or regulators exists. Accordingly, unless explicitly exempted, both host-agreement NPOs and foreign branches are encouraged to adopt INPAS as a best practice, with any deviations clearly justified based on legal or contractual provisions.



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