



Republic of Kenya



Compliance Monitoring Report on The Public Secondary Schools' Reporting Template

June 2024

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1. Executive Summary

The Public Sector Accounting Standards Board (PSASB) was established in 2014 under Sections 192 and 193 of the Public Finance Management Act 2012. The PFM Act confers PSASB a distinct mandate to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities. In particular, the Board is required to set generally accepted accounting and financial standards as well as prescribe formats for financial statements and reporting, among other functions.

The Board regularly monitors the application and adherence to the set standards and prescribed financial reporting formats to take corrective measures. In quarter four of FY 2024/25, the Board conducted a survey on the application of the public schools' template. The survey attracted 1284 respondents working as finance officers/bursars in various public schools in Kenya. The table below illustrates the demographic distribution of the respondents across five categories of schools.

No	Category of Schools	No of Respondents	% Per Category
1	National	39	3.04%
2	Extra County	211	16.43%
3	County	241	18.77%
4	Sub - County	788	61.37%
5	Other	5	0.39%
	Total	1284	100%

Below are the top 6 findings of the Survey.

1. The finance section predominantly prepares the school's annual reports and financial statements without the support of other departments.
2. Over 78% of finance officers have not completed the CPA certification.
3. The rate of submission of annual reports and financial statements to the Office of the Auditor General is decreasing over time.
4. The statement of Budgets is the most challenging to prepare, followed by the statement of cash flows and the non-financial information section.
5. Schools have updated financial assets and liabilities records but have faced challenges with property plant and equipment records.
6. Most schools currently use manual systems.

In partnership with the key stakeholders, PSASB will implement interventions within its mandate to resolve schools' challenges. This includes providing a model financial statement and developing an MS Excel template, as well as building capacity in the Schools Auditors unit, which will cascade the knowledge further.

2. Background

The Public Sector Accounting Standards Board (PSASB) is established under section 192 of the Public Finance Management (PFM) Act 2012. The Board is a Semi-Autonomous Government Agency under the National Treasury.

PFM Act Section 194 (1) (d) requires PSASB to prescribe financial statements and reporting formats by all state organs and public entities. In line with PFM Act Section 194 (4), PSASB monitors the application and adherence of all state organs and public entities to accounting standards and prescribed reporting formats. This is done through, among other modalities, field visits, surveys, and reviewing financial statements. As part of its principal activities, the Board conducted a survey on the implementation of the Secondary schools' template.

3. The objective of the Survey

On 7th March 2024, the Cabinet approved the migration from cash to the accrual basis of accounting. This migration applies to national government ministries, county government entities, development projects, and public schools. On this premise, the Board sought to conduct the survey to collect feedback on the existing template and assess the capacity of public schools as the country gears towards accrual accounting.

The specific objectives of the survey:

1. To establish the financial reporting arrangements in public secondary schools.
2. To Assess public schools' human and system capacity with respect to financial reporting.
3. To assess schools' compliance with the preparation and submission of annual reports to the office of the Auditor General.
4. To receive users' feedback on the existing financial reporting template.
5. Assess migration to accrual awareness by public schools.

4. Methodology

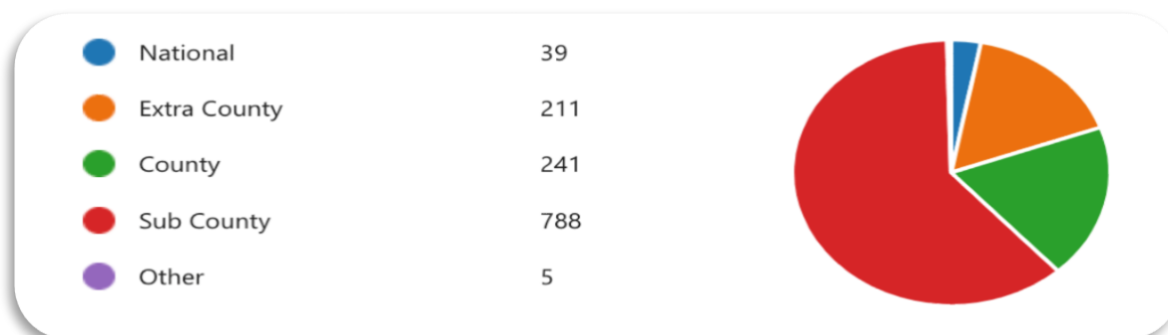
The Board developed a questionnaire with the schools' bursars as the target respondents. The questionnaire was designed to capture the category of school, respondents' professional qualifications, and financial arrangements at the school level, among other vital aspects. The tool was administered through Google Forms and shared by the schools' audit team to various schools nationwide.

5. Findings

Below is a summary of the findings from the survey.

5.1 Category of Schools

The survey received 1284 responses. The highest number of respondents were drawn from Sub-County schools at 61.37%, followed by County schools and Extra County schools County at 18.76% and 16.43%, respectively.



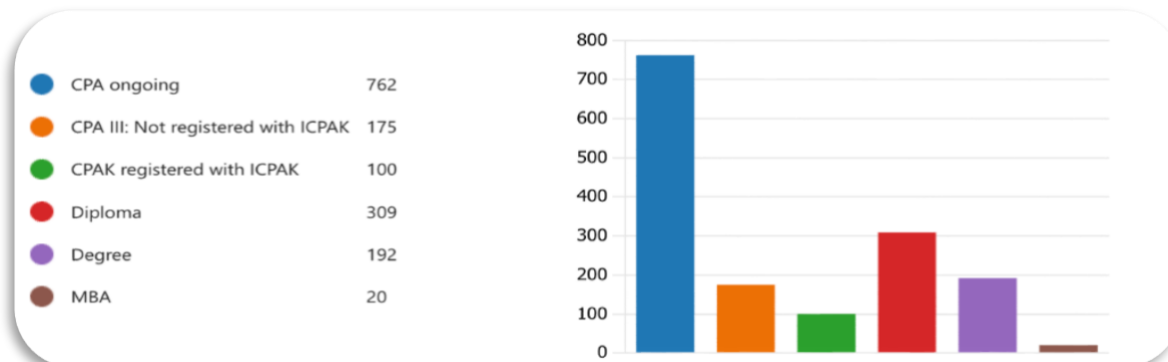
5.2 Preparers of Financial Statements

98.67% of the respondents indicated the bursars predominantly prepared annual reports without the support of other departments. 1% of respondents indicated they sought support from private firms and consultants.



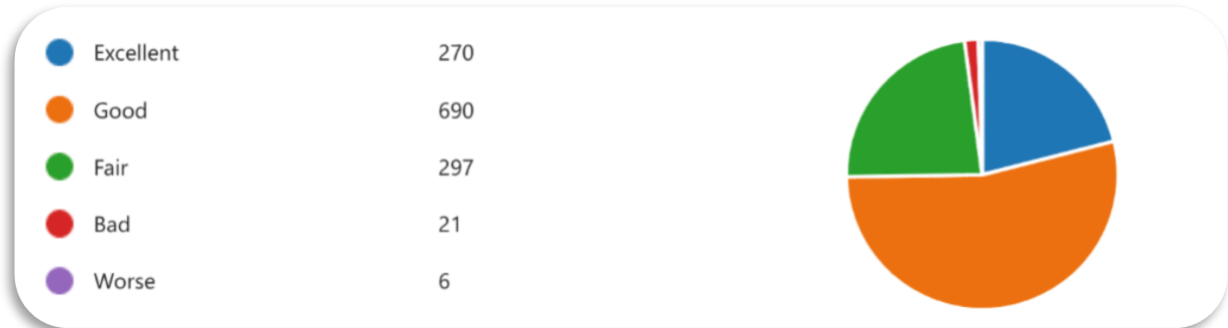
5.3 Professional Qualification

59.34% of respondents indicated they were pursuing CPA, and Only 7.79% indicated they were registered with ICPAK.



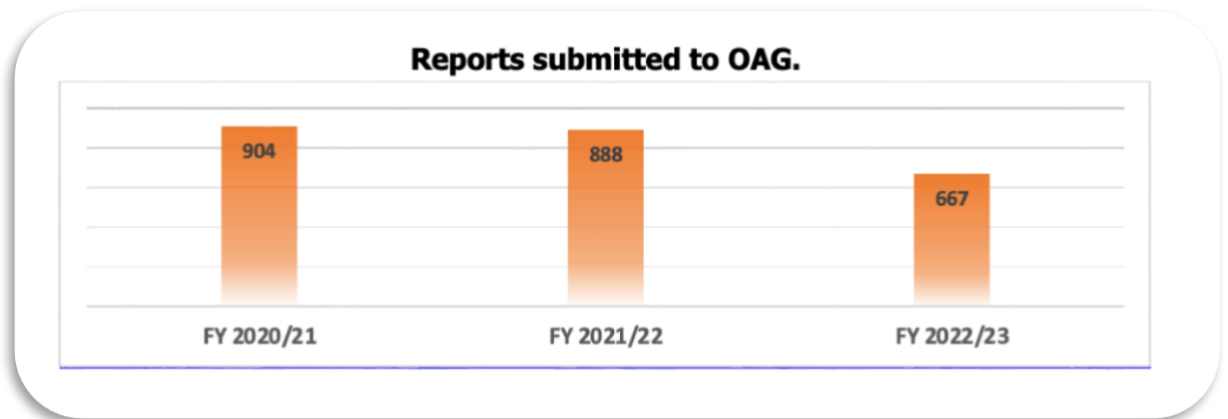
5.4 Reporting Under IPSAS

97.89% of the respondents agreed they have a better experience reporting under IPSAS cash than the previous accounting basis.



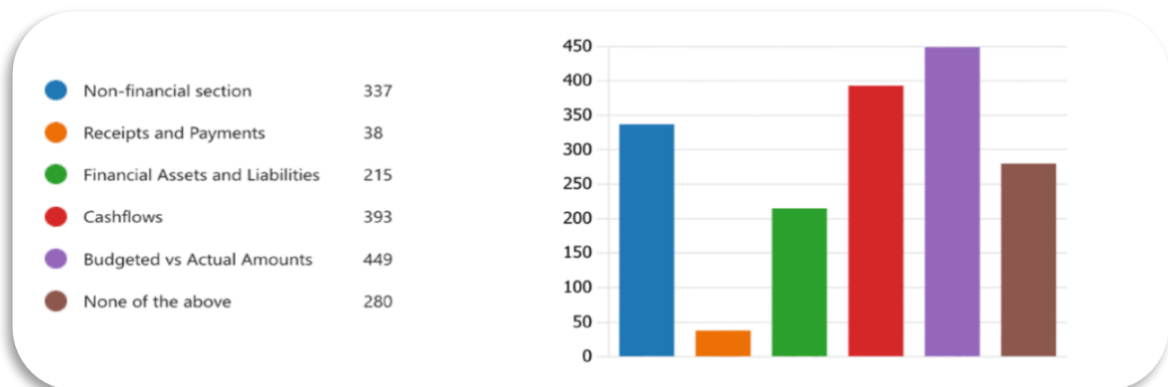
5.5 Submission of Financial statement to OAG

The findings indicate that the submission rate has consistently dropped in the last three financial years, as shown below.



5.6 Most challenging sections of the template

The Statement of Budget versus actual Amounts was pointed out as the most challenging section of the template. This was followed by the statement of cash flows and the non-financial sections.



5.7 Availability of Assets and Liabilities records

The survey findings indicated that over 80% of the schools had updated records on inventory, financial assets, and liabilities. However, 45.56% of Schools indicated they did not have updated Property, plant, and Equipment records.



5.8 Application of Accounting Software.

The survey found that 56.85% of schools operate on manual systems.



5.9 Accrual Migration awareness

75.16% of the respondents said they are aware of the Cabinet's approval for the country to migrate from cash to accrual accounting.



5.10 Highlights of Challenges collated

The most common challenges faced by respondents were:

- a) The Bursars indicated that the non-financial section was difficult to prepare.
- b) Schools with manual systems are facing more challenges.
- c) The mismatch between the calendar year and the financial year complicates reporting.
- d) Bursars indicated that they had challenges with Ms. Word Template
- e) The bursars faced difficulties preparing the statement of budget information.

5.11 Suggested solutions by the Users

The most common proposals given by the respondents were:

- a) Provision MS Excel Template to supplement the Ms. Word template.
- b) Automation of finance processes.
- c) Requested to have the budget statement simplified
- d) Capacity building to enhance their understanding of IPSAS.

6. Recommended interventions by PSASB.

The Board recommends the following interventions to resolve the current challenges faced by schools.

1. Development of an MS Excel template to supplement the Ms. Word Format
2. Development of a model - Annual report and financial statements.
3. Build the capacity of the school audit team, which will serve as trainers for the bursars.
4. Sensitize the Ministry of Education to expand financial reporting roles beyond the finance unit.
5. Sensitize principals to prepare and submit the financial statement to the Office of the Auditor General.

7. Appendix: Questionnaire

Survey on The Public Secondary Schools Financial Reporting Template in Kenya

The Public Sector Accounting Standards Board (PSASB) was established under sections 192 to 195 of the Public Finance Management (PFM) Act 2012. The Board is mandated to provide frameworks and set generally accepted accounting standards for the development and management of accounting and financial systems and internal audit procedures by state organs and public entities. The Board has been operationalized as a Semi-Autonomous Government Agency under the National Treasury.

The Board issued a financial reporting template for use by all public secondary schools in June 2021 and is conducting a survey to assess the user experience. Kindly take a few minutes to respond to the survey.

1. Please select the cluster of your Public Secondary School.
 - National
 - Extra County
 - County
 - Sub-county
 - Others

2. Who is involved in preparing financial reports for the school?
 - Bursar/Accountant/Finance Officer
 - Other departments in the school.
 - Private audit firms/ consultants.
 - MOE – Schools Auditors

3. What academic and professional qualifications do you hold?
 - CPA III finalist and not registered with ICPAK
 - CPA ongoing
 - Degree
 - MBA
 - Diploma
 - CPAK registered with ICPAK

4. What has been your experience with the IPSAS school template compared to the former accounting methods?
 - Excellent
 - Good
 - Fair
 - Bad
 - Worse

5. Please select the year (s) you prepared and submitted annual financial statements to the Office of the Auditor General (OAG).

- | | | |
|----------------------------------|-----|----|
| <input type="radio"/> FY 2020/21 | YES | No |
| <input type="radio"/> FY2021/22. | Yes | No |
| <input type="radio"/> FY2022/23 | Yes | No |

6. Which is the most challenging financial statement(s) to prepare?

- Non-financial section
- Receipts and Payments
- Financial Assets and Liabilities
- Cashflows
- Statement of Budgeted vs Actual Amounts
- None of the above

7. Describe the specific challenges that you are facing.....

8. Does the school have updated records on the following:

- | | | |
|---|-----|----|
| <input type="radio"/> Stock/Inventory - books, foodstuff, laboratory elements | Yes | No |
| <input type="radio"/> Assets (PPE) Land, Buildings, furniture, | Yes | No |
| <input type="radio"/> Receivables | Yes | No |
| <input type="radio"/> Payables (money owed to suppliers etc.) | Yes | No |
| <input type="radio"/> Biological Assets like Cows, Trees | Yes | No |

9. Does your school have an ERP/ financial system/Accounting software?

- Yes
- No

10. Are you aware of the Cabinet directive on transitioning all Public Sector entities from a modified cash reporting basis to an accrual accounting basis?

- Yes
- No

11. What changes would you propose in the current template?

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12. Make any other comment regarding financial reporting for schools.....