

PSASB Unveils Strategic Plan to Promote Transparency, Accountability in Public Sector



Mr Jonah Wala (centre), the Director of Accounting Standards at the National Treasury with the PSASB Board Chairman Pius Nduati and the Acting CEO Ms Georgina Muchai during the launch of the PSASB 2023-2027 Strategic Plan in Nairobi.

The Public Sector Accounting Standards Board (PSASB) unveiled its third-generation Strategic Plan for the period 2023/24–2027/28 in November 2024, setting the stage for enhanced

transparency, accountability, and financial governance across Kenya's public sector. Building on the achievements of its previous plans, the new framework aligns with the Kenya Vision 2030, the Fourth

Medium Term Plan (MTP IV), and the Bottom-up Transformational Agenda (BETA), reaffirming PSASB's commitment to driving the country's development goals.

Collaboration

In collaboration with the National Treasury, PSASB has made significant progress in prescribing globally recognized accounting and internal audit standards. These include the International Public Sector Accounting Standards (IPSAS) issued by the IPSAS (Board), the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the International Professional Practices Framework (IPPF) standards from the Institute of Internal Auditors Global.

“These standards have been widely adopted by public sector entities, resulting in consistent and comparable financial reporting, which in turn has enhanced the effectiveness of audits conducted by the Office of the Auditor-General. The progress has fostered trust with development partners, improved asset and liability management, and cultivated a culture of accountability across government institutions,” PSASB Chairman, FCPA Pius Nduatih said during the launch.

The Public Sector Accounting Standards Board (PSASB) is playing a critical role in supporting Kenya’s Bottom-Up Economic Transformation Agenda (BETA) by ensuring robust fiscal management and accountability in the public sector.

Anchored on the five key pillars of agriculture, MSMEs, housing and settlement, healthcare, and the digital and creative economy, the BETA plan aims to lower the cost of living, eradicate

hunger, reduce unemployment, improve fiscal performance, stabilize foreign exchange, and promote inclusive economic growth. To align with these priorities, PSASB continues to prescribe and promote Accounting Standards, implement Internal Audit Standards, develop Risk Management Frameworks and Issue Guidelines. These efforts collectively enhance fiscal discipline, accountability, and the strategic use of public resources, ensuring that the objectives of BETA are achieved efficiently and sustainably.

Critical Areas for Reform

The Strategic Plan identifies four critical areas for reform: enhancing the quality and uniformity of financial and audit reporting, capacity development in financial reporting and internal auditing, monitoring compliance with prescribed standards, and building institutional capacity. Central to these reforms is the transition from cash-based to accrual-based accounting by public entities, which took effect from 1st July 2024.

“PSASB continues to prescribe and promote Accounting Standards, Internal Audit Standards, Risk Management Frameworks and Guidelines in the Public Sector”

Cabinet Approval

This followed the Cabinet’s approval of March 7, 2024, and

the eventual gazette of the transition vide gazette notice number 11033 dated 30th August 2024. For the next five years, PSASB will see to it that all public sector entities fully transition from cash to accrual accounting.

Additionally, during the five strategic year period, PSASB will ensure the public sector entities adopt, as from January 9, 2025, the Global Internal Audit Standards (GIAS), the IPPF’s main component released by the Global Internal Audit Standards. PSASB supports and advocates for early adoption.

The shift to accrual accounting and global internal audit standards are expected to revolutionize financial management and internal audit, enabling better decision-making, international comparability, and comprehensive financial reporting. The adoption of accrual accounting will also promote effective management of public resources and strengthen transparency and accountability in government operations.

“To achieve this feat, PSASB will need to adopt an enhance and innovative approach to capacity building to ensure that no public sector entity is left behind. PSASB renewed mission - prescribe and promote the adoption of accounting, internal audit, and risk management standards in the public sector - resonates well with the Kenyan Constitution 2010 and the Public Finance Act 2012 of the need for public sector to remain accountable and transparent to the citizens that it serves,” FCPA Nduatih added.

Major Milestones in the Shift to IPSAS Accrual Accounting

The Steering Committee and Technical Committees will play a crucial role



PSASB Acting CEO Ms Georgina Muchai during the IPSAS Training of Trainers Forum for Office of the Auditor General (OAG) and Ministries, County Governments, State Departments and Agencies in Naivasha on 10th February 2025. The program seeks to develop PSASB ambassadors in IPSAS Standards.

The transition from cash to accrual accounting basis by the Government of Kenya marks a significant milestone in the country's public financial management reform agenda. This shift from the traditional cash-based accounting system to the more comprehensive accrual-based approach is expected to enhance transparency, accountability, and the overall efficiency of the government's financial reporting.

Cabinet Approval

The journey began on March 7th, 2024, when the Cabinet of Kenya approved the implementation of the IPSAS accrual ba-

sis. This decision was a crucial step, as it provided the necessary political backing and commitment to drive the transition forward. The Cabinet's approval set the stage for the subsequent milestones that would shape the implementation process.

On July 1st, 2024, the implementation of the accrual basis migration of accounting officially commenced across all government entities that had been on cash accounting. This marked a significant shift in the way the government's financial information was recorded, analyzed, and reported. The transition calls for extensive training,

capacity building, and the development of new systems and processes to ensure a seamless integration of the accrual-based approach.

The Cabinet Secretary

The Cabinet Secretary, recognizing the complexity and importance of this transition, appointed a sixteen-member Steering Committee on August 30th, 2024. The Committee is Chaired by the PS National Treasury Dr. Chris Kiptoo. This committee is tasked with providing strategic guidance, oversight, and coordination throughout the implementation process. The Steering Commit-

tee's composition included representatives from various government agencies, ensuring a collaborative and inclusive approach to the transition.

Steering Committee

The inaugural meeting of the Steering Committee took place on October 3rd, 2024. This meeting provided a platform for the committee members to discuss the preparatory steps made, address any challenges, and chart the way forward. The committee's discussions and decisions would play a pivotal role in shaping the subsequent steps of the transition.

On November 12th, 2024, the Steering Committee approved the roadmap for the full implementation of the IPSAS accrual basis. This Roadmap outlined the key milestones, timelines,

and responsibilities for each stage of the transition, ensuring a structured and coordinated approach.

The Steering Committee appointed the Technical Committees on December 3rd, 2024. The Technical Committees was tasked with providing specialized expertise and guidance on the technical aspects of the IPSAS implementation, such as the development of accounting policies, the design of financial reporting systems, and the training of personnel.

Improve transparency

The impact of this transition is expected to be far-reaching, as it will enhance the government's financial management practices, improve transparency and accountability, and ultimately contribute to the efficient allo-

cation and utilization of public resources. The transition will also align Kenya's public sector accounting standards with international best practices, facilitating greater integration and collaboration with global financial institutions and partners.

As the transition progresses, it is essential to monitor and evaluate the implementation process, address any challenges that arise, and continuously refine the approach to ensure the long-term sustainability of the IPSAS accrual basis. The Steering Committee and the Technical Committees will play a crucial role in this ongoing process, providing the necessary guidance and support to government entities as they adapt to the new accounting framework.



Public Sector Embarks on Implementation of Global Internal Audit Standards (GIAS)



PSASB Senior Management, top officials from the National Treasury and Tharaka University during a sensitization program for Governing Bodies, Audit Committee Members, and Secretaries to Audit Committees in Naivasha that took place from February 3rd, to 7th February, 2025.

The public sector has officially begun implementing the Global Internal Audit Standards (GIAS), which came into effect on January 9, 2025. This significant milestone is set to improve the quality of internal auditing and enhance public finance management (PFM) in the country. These standards aim to address the growing complexity of the public sector environment and ensure the relevance of internal audit functions in managing emerging risks.

The GIAS are expected to have a transformative impact on the public sector. By addressing

real-world challenges, internal auditors will be better equipped to provide independent, objective, efficient, and impactful assurance and advice. These standards emphasize elevating the quality of internal auditing across government institutions.

Five Domains

“The GIAS group the standards into five domains and provide implementation guidance. The standards also ensure internal audit functions align with organizational goals and require internal auditors to act ethically and in the best interest of stakeholders,” said Georgina

Muchai, Acting CEO of the Public Sector Accounting Standards Board (PSASB).

Initially developed in 2017 under the name “International Professional Practice Framework” (IPPF), the GIAS comprise 52 standards broadly categorized into five key domains. These domains are further divided into 15 guiding principles designed to enhance the quality and effectiveness of internal audit functions.

The standards are expected to address emerging risks effectively, align internal audit functions with organizational goals, foster ethical practices and ac-

countability among internal auditors and provide comprehensive implementation guidance for public sector entities.

Over the past few months, PSASB has been actively preparing for the implementation of GIAS by developing an implementation roadmap. Key resources include:

- Model Internal Audit Charter Template
- Model Audit Committee Charter Template
- Internal Audit Strategic Plan
- Internal Audit Plan

These resources are tailored to support public sector entities in adopting and operationalizing the new standards effectively.

Capacity Building

PSASB has organized a series of sensitization workshops to equip public sector internal auditors with the necessary skills and knowledge for successful adoption of the GIAS. A notable event will be held in Naivasha from February 3 to February 7, 2025, focusing on sensitizing Audit Committees and Heads of Internal Audit on the prescribed standards, guidelines, and frameworks.

“PSASB will carry out a number of sensitization programs aimed at upscaling the skills of internal audit professionals in the public sector. I urge senior management and board members to support internal auditors in implementing the new standards,” said Ms. Muchai.

Workshops will continue until June 2025, ensuring a broad understanding and uptake of the standards across all levels of government.

Once the sensitization phase concludes, PSASB will embark on monitoring compliance with the GIAS. This will involve visiting public sector entities at both national and county government levels to evaluate their progress in implementing the standards.

Monitoring Compliance

“After carrying out sensitization workshops, PSASB will monitor compliance with GIAS by visiting county governments and MDAs to find out how they are implementing the new standards,” Ms. Muchai added.

The implementation of GIAS is anticipated to revolutionize public sector internal auditing by fostering higher levels of transparency, accountability, and efficiency in public finance management. The standards are also expected to bolster the credibility of internal audit functions, ensuring they provide valuable insights that drive organizational improvements and safeguard stakeholder interests.

With PSASB’s strategic guidance and robust capacity-building initiatives, the adoption of GIAS promises to elevate the public sector’s internal audit practices to international benchmarks. The move underscores the government’s commitment to good governance and effective public service delivery.



PSASB Sets Record as the First Public Entity to Be Audited by the OAG

The Public Sector Accounting Standards Board (PSASB) has set a remarkable precedent by becoming the first public sector entity to be audited by the Office of the Auditor-General (OAG) and to receive an unqualified opinion for the year ended 30th June 2024.

This landmark achievement establishes PSASB as a trailblazer in public financial management, showcasing exemplary standards of accountability, transparency, and adherence to best practices, while setting a high benchmark for other public sector entities to follow. The OAG noted that Annual Report and Financial Statements presented, in all material respects, the financial position of PSASB as at 30th June 2024, as well as its financial performance and cash flows for the year then ended.

IPSAS on Accrual

The audit confirmed that these were prepared in accordance with International Public Sector Accounting Standards (IPSAS) on an accrual basis and the Public Finance Management Act (PFMA) of 2012. While examining the PSASB report, the OAG evaluated whether the financial state-

ments were fairly presented in accordance with applicable financial reporting frameworks, accounting standards, and laws directly affecting the financial statements. The scrutiny also assessed the lawfulness and effectiveness of public resource utilization, alongside the robustness of internal controls, risk management systems, and governance structures within PSASB.

No Key Audit Matters

The Auditor-General's report stated: "There were no key audit matters to report in the year under review. In line with Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Additionally, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management, and overall governance were not effective." Article 229 of the Constitution mandates that all public sector entities submit their Annual Reports and Financial Statements annually for scrutiny by the OAG. The rigorous audit

process is integral to fostering accountability, transparency, and good governance in the management of public resources.

By detecting irregularities, preventing mismanagement, and identifying fraudulent activities, the OAG's oversight enhances public trust in government institutions. Furthermore, verifying the accuracy and reliability of financial reports provides critical assurance to stakeholders—including policymakers, the general public and international partners—that public funds are managed responsibly and for the intended purposes.

PSASB Commitment

PSASB's achievement in receiving a clean audit report underscores its commitment to excellence and accountability. It sets a benchmark for other public sector entities to emulate, reinforcing the importance of robust financial management, accurate and timely Financial Reporting and governance practices in the public sector. This is a testimony that other public sector entities can achieve the feat with dedication and proper coordination.

Private Sector Perspective on the Transformation of Public Sector Financial Reporting in Kenya

When I first began evaluating public sector financial reports for the FiRe Awards, I was met with a reality that was, to put it mildly, eye-opening. As a seasoned accountant from the private sector, I was accustomed to a certain level of rigor and precision. Every figure, every note, every line item was scrutinized with a critical eye, ensuring accuracy and adherence to accounting standards. However, the public sector landscape was a different story.

The initial reports I encountered were a far cry from the standards I was used to. Errors abounded, notes were often copied and pasted without substance, and many reports were significantly delayed. It seemed as if the fundamental principles of accounting had been overlooked, replaced by a culture of complacency.

But what truly surprised me was the resilience and dedication of the Public Sector Accounting Standards Board (PSASB) and the FiRe Awards team. Their unwavering commitment to improving public sector financial reporting has been instrumental in driving positive change.

The FiRe Award, in particular, has played a pivotal role in elevating the standards of public sector financial reporting. By recognizing and rewarding

excellence, the award has incentivized entities to strive for higher levels of accuracy, transparency, and timeliness.

Through rigorous evaluation and constructive feedback, the FiRe Award has provided public sector entities with a roadmap for improvement. By highlighting specific areas for development, the award has empowered entities to identify and address certain weaknesses.

The Shift Towards Impact Based Reporting

As public sector entities continue to evolve, there is a growing need to shift the focus towards impact-based reporting. By incorporating sustainability reporting, entities can showcase their contributions to societal and environmental goals.

This not only enhances transparency and accountability but also strengthens public trust. Impact-based reporting offers numerous benefits to both the public and those who prepare the reports:

For the Public:

Enhanced Transparency: By providing clear and concise information about how public funds are being utilized, impact-based reporting empowers citizens to hold public offi-

cials accountable.

Improved Decision-Making: By understanding the impact of public sector initiatives, citizens can make informed decisions about policy priorities.

Increased Trust: By demonstrating a commitment to social and environmental responsibility, public sector entities can build trust with the public.

For Report Preparers:

Improved Efficiency: By streamlining reporting processes and utilizing standardized frameworks, report preparers can save time and resources.

Enhanced Skills: By engaging in impact-based reporting, report preparers can develop valuable skills in data analysis, storytelling, and strategic thinking.

Career Advancement: By demonstrating expertise in impact-based reporting, report preparers can advance their careers and gain recognition within the public sector.

The Future of Public Sector Financial Reporting

I believe that continued training and guidance are essential to maintain and further elevate the standards of public sector financial reporting. By investing in capacity building

and providing ongoing support, we can empower public sector accountants to produce high-quality reports that meet the needs of all stakeholders.

The future of public sector financial reporting is bright. By embracing innovation, leveraging technology, and prioritizing

impact, we can create a more transparent, accountable, and sustainable public sector.

As a private sector accountant, I'm proud to have been part of this journey. It's been a privilege to witness the transformation of public sector financial reporting and to contribute to a

more transparent and accountable public sector.

CPA Hesborn Ongudi is a seasoned financial strategist and fundraising expert

PSASB accepts articles or opinions from readers for publication considerations. However, such articles or opinions shall bear the names of the author and the views expressed therein are those of the writers and not those of PSASB. Kindly submit your article to benuel.bosire@psasb.go.ke



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Our Mission:

To prescribe and promote the adoption of accounting, internal audit, and risk management standards in the public sector.

Our Vision:

A Transparent and Accountable Public Sector