



Republic of Kenya



Ref: PSASB 1/12 Vol. IV/ (78)

Date: 14th February 2024

Ross Smith
Program and Technical Director
IPSASB
277 Wellington Street
Toronto
Ontario M5V3H2

Dear *Ross,*

**RE: RESPONSE TO CONSULTATION PAPER ON STRATEGY AND WORK PROGRAM
2024-2028**

The Public Sector Accounting Standards Board (PSASB) is mandated by sections 194 of the Public Finance Management Act of Kenya, 2012 to prescribe frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities. The Board mainstreams best practices for good governance, internal controls, and risk management.

Reference is made to the Consultation Paper on Strategy and Work Program 2024-2028 appearing on your website www.ipsasb.org. The Public Sector Accounting Standards Board-Kenya would like to provide comments to the specific matters raised. The comments are provided as an attachment to this letter.

Thank you for your continued support.

Yours *Sincerely,*

**CPA GEORGINA MUCHAI
AG. CHIEF EXECUTIVE OFFICER**

Promoting Sound Financial Reporting and Internal Audit Standards in the Public Sector

CPA Centre, 8th Floor, Thika Road, Ruaraka. P.O Box 38831 - 00100, Nairobi, Kenya. Tel: 020 251 1557
www.pasb.go.ke. email: info@pasb.go.ke



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Consultation on strategy and Work Program 2024-2028.

IPSASB having completed the 2019-2023 strategy period needs to set a course to balance the below factors in the next cycle:

- 1) **Maturity of the IPSAS suite-** with the previous focus having been on the development of new standards, IPSASB can now shift towards the maintenance of an increasingly complete suite of standards. This is a welcome move for our jurisdiction as implementing entities will now have an avenue to provide post implementation reviews (PIRs) and have a mechanism to obtain clarity on other implementation challenges.
- 2) **Growing constituent base-** it is projected that by 2030 more than 70% of jurisdictions will apply accrual accounting in the public sector. These new users will increase the demands on the IPSASB's resources. Kenya is geared to complete its transition to accrual accounting for entities preparing financial statements under the cash basis IPSAS and therefore forms part of the 70% of jurisdictions expected to be on accrual basis of accounting in 2030.
- 3) **Inspiring implementation-** global outreach programs through partnerships with other organizations to support the adoption and implementation of IPSAS to meet the implementation needs of the expanding user base. In our view, IPSASB may continue to partner with regional and continental bodies to promote implementation of accrual accounting in jurisdictions especially in Africa where governments now seem to be opening up to greater accountability and transparency.
- 4) **Sustainability reporting standards-** With the increased global demand for sustainability reporting, it's PSASB's belief that the development of these standards in the 2024-2028 work program cycle will contribute to sustainable development and also provide constituents with a standardized mechanism to report on sustainability matters for decision making by users of the general-purpose financial reports.

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Specific Matter for Comment 1:

The IPSASB proposes to update its strategic objective to reflect the shift in the balance of public sector financial reporting needs towards the maintenance of IPSAS and the development of International Public Sector Sustainability Reporting Standards.

a) Do you agree with the strategic objective?

Strengthening Public Financial Management and sustainable development globally through increasing adoption and implementation of accrual IPSAS and International Public Sector Sustainability Reporting Standards.

Comment: PSASB agrees with the strategic objective.

b) Do you agree with the IPSASB's proposal to deliver its strategic objective through two main activities (Delivering Global Standards and Inspiring Implementation)?

Comment: PSASB agrees with the proposed activities by IPSASB to deliver its strategic objectives.

Specific Matter for Comment 2:

The IPSASB proposes to add maintenance activities to its Work Program including a process to assess IPSAS application challenges and to undertake post implementation reviews. Therefore, at this time, the IPSASB is not proposing to add new major financial reporting standard setting projects.

Do you agree with the proposal to add maintenance activities? If you do not agree please explain why including any proposed alternatives.

Comment: Yes, we agree. A proposed way to help address the different capacities of stakeholders at various levels of accrual adoption is for IPSASB to provide relevant public sector practical examples to simplify the various standards. This would also include clarifying principles in the existing standards arising from the PIRs and other implementation issues raised by the constituents.

Specific Matter for Comment 3:

The IPSASB's Potential Future Financial Reporting Projects, see Appendix A, include projects for the development of new IPSAS and the maintenance of existing IPSAS.

1. Are there other major financial reporting projects the IPSASB should consider adding to its Potential Future Financial Reporting Standard Setting Projects list?

***Comment:** PSASB agrees with the list on potential major financial reporting projects under appendix A of the ED. However, in our jurisdiction, the prioritization of IAS 34- interim financial reporting is of interest to us. The law requires public sector entities to provide quarterly reports for submission to relevant authorities. Currently, we are guided by IPSAS 34 and would like to benefit from a public sector standard for guidance on interim reporting. IAS 34 addresses listed companies where interim reporting is required whereas in public sector in some jurisdictions including Kenya requires all entities to prepare these statements as a matter of legal requirement.*

2. Are there other IPSAS that the IPSASB should consider as a potential project for its maintenance program?

Comment:

- a) *IPSAS 2- Cash Flow statements: The cash flow statement has been cited as one of the most difficult statements to prepare in the Kenyan jurisdiction. Whereas this could be brought about by a number of issues, the maintenance project may provide more clarity on its application.*
 - b) *IPSAS 24- More clarity and examples for entities preparing the budget under a different basis from the basis in the financial statements.*
3. If the IPSASB's proposal to implement a PIR process is supported, what IPSAS are of the highest priority in your jurisdiction?

***Comment:** Yes, IPSAS 32- Concessional Arrangements and IPSAS 41 Financial Instruments. These will provide an avenue for jurisdictions that are implementing these standards currently to understand challenges faced by others in the implementation journey and for clarification of principles.*

For each potential financial reporting project identified, please explain why you believe this has international relevance that requires a standard setting solution such that the IPSASB should consider it, and elaborate on the nature of the issue you think should be explored.

Comment: The comments above are backed by surveys conducted in our jurisdiction from time to time.

Specific Matter For Comment 4:

Upon completion of the three pre-committed sustainability reporting standard projects, what are the key public sector sustainability reporting issues the IPSASB should consider adding to its Work Program?

Comment: Some of the projects that the IPSASB may consider including in the sustainability standards development program include:

- a) Food security
- b) Clean water and sanitation
- c) Good health and well-being
- d) Quality education

When answering please provide your rationale as to why the IPSASB should undertake such a project(s).

Comment: These are key sustainability issues that affect most jurisdictions in Africa. We believe in reporting on these sustainability topics, jurisdictions will be able to make sound policies that promote sustainability. It's our belief that that which is not reported, cannot be actioned/ attended to.