

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**PUBLIC SECTOR ACCOUNTING STANDARDS
BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2023**

THE NATIONAL ASSEMBLY
PAPERS Laid

DATE: 27 SEP 2023

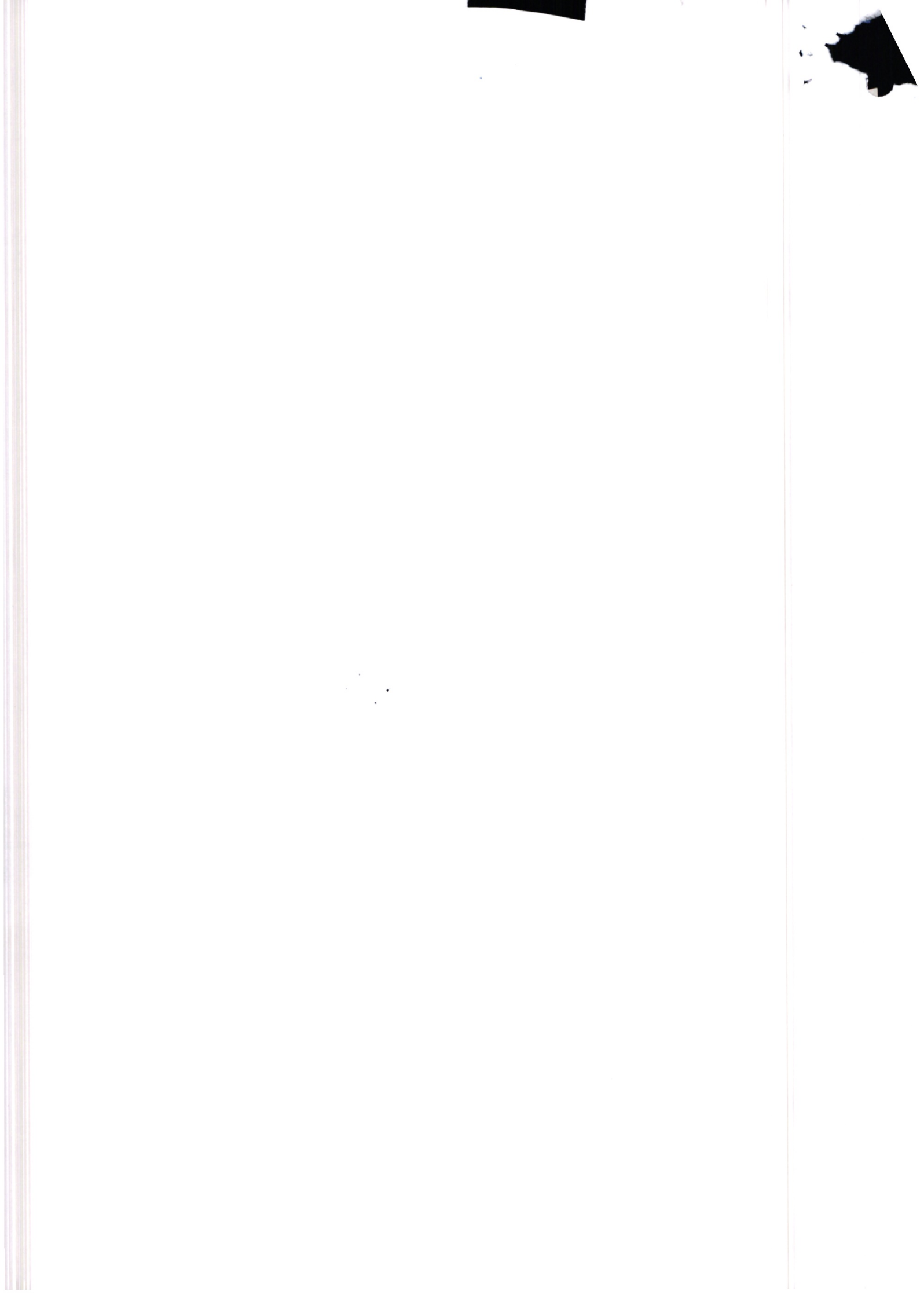
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BY:

Hon. Owen Baya (Leader of
the Majority Party)

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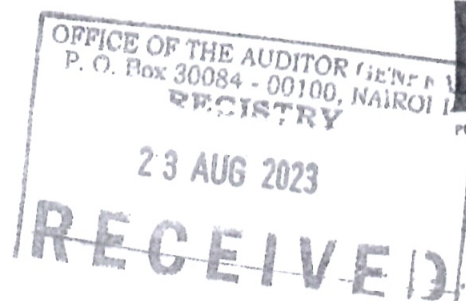
Anne Shibuko



PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Annual Reports and Financial Statements
For the year ended 30 June 2023



Republic of Kenya



PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
(PSASB)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023

Prepared in accordance with the Accrual Basis of Accounting Method under the
International Public Sector Accounting Standards (IPSAS)

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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

PSASB	Public Sector Accounting Standards Board
PFM	Public Finance Management
CPA	Certified Public Accountant
CS	Certified Secretary
KASNEB	Kenya Accountants & Secretaries National Examination Board
FCPA	Fellow Certified Public Accountant
IPSAS	International Public Sector Accounting Standards
IPPF	International Professional Practise Framework
ICPAK	Institute of Certified Public Accountants
IIA	Institute of Internal Auditors
ACCA	Association of Chartered Certified Accountants
ICIFA	Institute of Certified Investment and Financial Analysts

2. KEY BOARD INFORMATION AND MANAGEMENT

a) Background information

The Public Sector Accounting Standards Board (PSASB) was established and constituted in accordance with sections 192 and 193 of the PFM Act, 2012 on 28th February 2014. At the Cabinet level, the Board is represented by the Cabinet Secretary to the National Treasury. The Board is a representative organisation with nominees from the following institutions:

- i. The National Treasury
- ii. Office of the Controller of Budget
- iii. Intergovernmental Budget and Economic Council
- iv. Office of the Auditor-General
- v. Institute of Certified Public Accountants of Kenya
- vi. Association of Professional Societies of East Africa
- vii. Capital Markets Authority
- viii. Institute of Internal Auditors
- ix. Institute of Certified Secretaries

Vision Statement

Globally acceptable standards on public sector financial accountability.

Mission Statement

To prescribe and promote adoption of financial reporting, internal auditing, and risk management standards in the public sector.

Core Values

1	Integrity:	Honest, ethical, and forthright behavior in relationships with all stakeholders
2	Professionalism:	Recognizing that we must uphold professional accounting and internal audit conduct and ethics in all our activities
3	Responsiveness:	The Board is committed to participatory approach and remain customer-focused in delivery of its mandate
4	Teamwork and Collaboration:	Our teams work in close collaboration with each other
5	Transparency:	An open process that encourages and values public participation in setting Public Sector standards

Principal Activities

The principal activities of the Board as provided by PFM Act section 194 (1) are to:

- a) Set generally accepted accounting and financial system standards.
- b) Prescribe the minimum standards of maintenance of proper books of account for all levels of Government.
- c) Prescribe internal audit procedures which comply with the Act.
- d) Prescribe format for financial statements and reporting by all state organs and public entities.
- e) Publish and publicize the accounting and financial standards and any directives and guidelines prescribed by the Board.
- f) In consultation with the Cabinet Secretary on the effective dates of implementation of the standards, Gazette the dates for application of the standards and guidelines; and
- g) Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

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b) Key Management

The Board is supported in its functions by a full time Secretariat which has been set up pursuant to Section 193 (5) of the PFM Act, 2012. The Secretariat provides administrative and technical support to the Board and its committees in the execution of its mandate and functions. Senior Staff members who served in the Secretariat during the year are as follows:

No.	Name of the Staff	Responsibility
1.	FCPA Fredrick Riaga	Chief Executive Officer
2.	CPA Georgina Muchai	Director, Accounting Standards
3.	CPA Edwin Tito	Director, Internal Audit Standards
4.	CPA Jabes Odhiambo	Director, Training and Corporate Services
5.	CPA Linda Nyageng'o	Manager, Internal Audit Standards
6.	CPA Stanley Igati	Manager, Accounting Standards
7.	CS Angela Chege	Manager, Legal and Board Services
8	CPA Vincent Ayaya	Manager, Finance and Accounts

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	FCPA Fredrick Riaga
2.	Director, Accounting Services	CPA Georgina Muchai
3.	Director, Internal Audit Standards	CPA Edwin Tito
4.	Director, Training and Corporate Services	CPA Jabes Odhiambo
5.	Manager, Internal Audit Standards	CPA Linda Nyageng'o
6.	Manager, Accounting Standards	CPA Stanley Igati
7.	Manager, Legal and Board Services	CS Angela Chege
8.	Manager, Finance and Accounts	CPA Vincent Ayaya
9.	Head, Internal Audit	CPA Rose Sambu
10.	Head, Supply Chain Management Services	Mary Kariuki

d) Fiduciary Oversight Arrangements

THE BOARD OF DIRECTORS

The Board of Directors has the overall responsibility to ensure the achievement of the strategic objectives and mandate of the organisation as set out under the PFM Act. This responsibility is achieved through the various committees of the Board which are given specific terms of reference to carry out the Board's mandate. The Board also ensures that strategic direction is given to management who are responsible for the day-to-day operations of the organisation to achieve commonality of purpose. The Board has constituted the following committees to assist in the discharge of the mandate of the Board:

- i. Governance and Strategy Committee**
- ii. Accounting Standards Committee**
- iii. Internal Audit Standards Committee**
- iv. Audit and Risk Assurance Committee**

e) Other Board's Key details

i. Headquarters

P.O. Box 38831-00100
CPA Centre 8th Floor
Ruaraka, Thika Road
Nairobi, KENYA

ii. Contacts

Telephone: (254) 020 251 1557/0757924842
E-mail: info@PSASB.go.ke.
Website: www.PSASB.go.ke.
Facebook: <https://www.facebook.com/PSASB/254/>.
LinkedIn: <https://www.linkedin.com/company/PSASBkenya>.
Twitter: <https://twitter.com/PSASBKe>.

iii. Bankers

Co-operative Bank of Kenya
Parliament Road branch
P.O. Box 5772
City Square 00200
Nairobi, Kenya

iv. Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

v. Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. THE BOARD MEMBERS

Section 193 of the PFM Act stipulates the constitution of the Board as nine (9) members from representative Public Finance Management Institutions and Professional Bodies. The Board Members of the Public Sector Accounting Standards Board as constituted are as highlighted below:



**FCPA Pius M. Nduatih, OGW
Board Chairman**

FCPA Pius Nduatih is the immediate former Chief Executive Officer (CEO) of KASNEB. He had earlier joined KASNEB as Chief Officer Finance. Prior to that, he had served as Head of Finance with the Commission for Higher Education (now Commission for University Education), Finance Officer, Kenya Science Teachers College and as Accountant, Kenya Railways Corporation. He holds a BCom degree from the University of Nairobi and an MBA degree from the University of Leeds (UK) and is a trained Corporate Governance Trainer, Board Evaluator and accredited Governance Auditor. Currently, Pius is a Consultant with

Dorion Associates LLP and a facilitator for Women on Boards Network. He is the Chairperson of the Audit Committee of the Ministry of Public Service, Gender, Senior Citizens Affairs and Special Programmes. Pius is a Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries of Kenya (ICS) and the Institute of Certified Investment and Financial Analysts (ICIFA). He is a member of the Kenya Institute of Management (KIM). He has previously served on various Boards, including Kenya National Examinations Council (KNEC), Kenya Education Management Institute (KEMI), ICPAK, ICS, ICIFA, RCPSB and the Academic Board of Kenya Institute of Curriculum Development (KICD). Pius was a member of the team that developed *Mwongozo: The Code of Governance for State Corporations*. In recognition of his contribution to national building, Pius was awarded the Order of the Grand Warrior of Kenya (OGW) by His Excellency, The President of Kenya, in 2013.



CPA Stephen Masha, EBS,
Board Member

CPA Stephen Masha, EBS, is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Mr. Masha holds a Master of Science in Finance from Leicester University, a Bachelor's degree in Education from Kenyatta University and is a Certified Public Accountant. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), where he recently served as the convener of Public Finance Sub-committee and a member of the Devolution and Branches Work stream and the Public Policy and Governance Committee. Mr. Masha has over twenty five (25) years of experience in the finance and accounting sector, having worked as the director, County

Fiscal Affairs at the Commission on Revenue Allocation (CRA) before joining the Office of the Controller of Budget. Prior to joining CRA, he worked as the Regional Chief Fiscal Analyst at USAID, Audit Manager at Action Aid Kenya, Internal Auditor at Family Health Options Kenya (FHOK) and Auditor at Price Waterhouse, now Price Waterhouse Coopers. Mr. Masha is a member of the Geneva-based UNAIDS Advisory Group (UAG) on AIDS Response Financing. He has also served as an expert at the UN Expert Group Meeting on budgeting and planning to support effective institutions for the Sustainable Development Goals (SDGs) in 2019. At the Board, CPA Masha is a member of the Accounting Standards Committee and Audit and Risk Assurance Committee.



CPA Mary Kimanzi Koki
Board Member

CPA Mary Koki Kimanzi is the former County Executive Committee Member (CECM) for Finance and Socio-Economic Planning and Head of County Treasury at the Government of Makueni County. Mary has over twenty (20) years' experience in public finance management. She holds a Master of Business Administration in Finance from the University of Nairobi and a Bachelor of Business Administration (Finance and Accounting) from Kenya Methodist University. She is a Certified Public Accountant, CPA (K) and a Member of the Institute of Certified Public Accountants in Kenya (ICPAK). She is currently pursuing Master's degree in Public Policy and Management at the

Strathmore Business School. She represents the Inter- Governmental Budget and Economic Council in the Board with effect from 3rd August 2018. At the Board, CPA Mary is a member of the Governance & Strategy Committee and Accounting Standards Committee.



FCPA Nicholas Letting, Ph.D
Board Member

FCPA DR. Nicholas K. Letting, Ph.D., EBS, currently the Kenya Accountants and Secretaries National Examination Board (KASNEB) Secretary/Chief Executive Officer and is the immediate past Vice – Chancellor/Chief Executive Officer of the Management University of Africa (MUA). He joined KASNEB on 2nd May 2019. He is responsible for providing strategic leadership to KASNEB fraternity. He is a member of Public Sector Accounting Standards Board (PSASB) representing the Association of Professional Societies of Eastern Africa (APSEA).

He holds a Doctor of Philosophy (PhD) in Business Administration (Strategic Management), MBA and B. Com Degrees from the University of Nairobi. He is a holder Final Certificates from KASNEB as follows: Certified Public Accountant (CPA); Certified Public Secretary (CPS) and Certified Investments and Financial Analyst (CIFA). He holds several short – term Certificates from Kenya School of Government and Strathmore Business School. He has over twenty four (24) years' experience in industry and academia in both private and public sector organizations having worked with KASNEB, MUA, KIM and BAT Kenya. As an industry practitioner, he has been a CEO for over ten (10) years. As a scholar, he has taught in several Universities in Kenya and has facilitated in several international conferences, published widely in refereed Journals and supervised several PhD and Masters Students in both public and private Universities. He is External Examiner at the University of Nairobi and Honorary Treasurer at APSEA. He has travelled widely to over ten (10) countries globally on to attend seminars and workshops' and for exchange programmes. For his contribution to the development of the country, in 2020 he was awarded the Elder of the Order of the Burning Spear (EBS) and the Head of State of Commendation (HSC) in 2012. He is an active contributor in governance, Education and Training Sectors in University and Technical Training Institutions and occasionally presents on emerging issues on academia and corporate governance in both electronic and print media. He has

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been a Board/Council Member of several private and public sector organizations including the Kenya Institute of Curriculum Development (KICD) and the National Commission for Science Technology Innovations (NACOSTI). He was Chairman of the Institute of Certified Public Secretaries of Kenya (ICPSK) in 2014-2016. He is a Fellow of ICPAK, ICS and KIM and a Member in good standing of Institute of Certified Investments and Financial Analysts (ICIFA), Institute of Directors (IoD) and Institute of Human Resource Management (IHRM). He is a member of Council in ICPAK, ICS and ICIFA and chairs Audit, Risk and Compliance Committees. At the Board, FCPA Letting Chairs the Audit and Risk Assurance Committee and is a member of Internal Audit Standards Committee.



CPA Sylvester Kiini
Board Member

CPA Sylvester Ngei Kiini holds an MBA and B. Com in Accounting from the University of Nairobi and currently pursuing PhD from the same university. He`s a member in good standing of the Institute of Certified Public Accountants and often facilitates ICPAK WorkESops and Seminars. He boasts of thirty-two (32) solid years` experience in audit of which fifteen (15) years have been in private audit firms and seventeen (17) years at the Office of the Auditor General. He`s currently the Deputy Auditor General; Financial Audit Services at the OAG, a position he has held for the last eight (8) years. CPA Sylvester represents the Office of the Auditor General at

the Board. At the Board, CPA Sylvester is a member of the Accounting Standards and Internal Audit Committees of the Board.



CPA Edwin Njamura

Board Member

CPA Edwin Njamura holds an Executive MBA from Moi University and a Bachelor of Commerce from the University of Nairobi. He joined the Capital Markets Authority in July 2012 as Director, Corporate Services. With tremendous support of CMA colleagues and the Board through its various organs, he has been instrumental in the development of the institutional capacity of the Authority by leading transformational programs and maintaining high standards around Accounting & Finance, Human Capital & Administration, Information Technology, and Procurement operations. Prior to this he was the Chief Finance Officer of Deloitte Eastern Africa and Finance Manager of Deloitte Africa Board. His career spanning over twenty five(25) years has included working for other major brands such as Lonrho, Mitchell Cotts and Exxon (locally Esso). CPA Edwin sits on the Council of ICIFA – Kenya’s Institute of Certified Investment and Financial Analysts and is a pioneering committee member of the AIRC – Africa Integrated Reporting Council. He is also a member of the Institute of Certified Public Accountants of Kenya. CPA Edwin represents the Capital Markets Authority at the Board. At the Board, CPA Edwin Chairs the Governance & Strategy Committee and is a member of the Accounting Standards Committee.



CPA Risper Olick

Board Member

CPA Risper Olick is a resourceful and accomplished professional with over fifteen (15) years’ work experience in financial management, administration, operations, compliance checks, and project management. Currently a consultant in finance and tax matters and is also studying for a Doctor of Business Administration (DBA) at USIU-A intending to specialize in Leadership and organization change. Until December 2020, she was the Finance and Administration Manager at Amnesty International Kenya where she worked for ten years and was able to among other things set up an efficient accounting system for the organization from scratch and rolled out an e-system that enabled staff to work smoothly from home when Covid-19 struck. She was also the coordinator of

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the *Wapi Nduru* program that trained over 400 accountants on Safe whistle blowing in partnership with UNDP, Amnesty International Kenya and ICPAK among other partners. Previously she has also worked with World Vision Kenya in charge of Finance and Supply Chain in Nyanza, Western and part of the Rift Valley. CPA Risper currently serves ICPAK as a Council member and is the Chairperson of the Finance and Strategy Committee, a member of the Member Services Committee which she previously chaired, and also a member of Devolution work stream. She is the deputy chairperson Siaya County Assembly Audit committee. Previously she has also served in the board of Young Women Leadership Institute (YWLI) as a trustee and treasurer. CPA Risper represents ICPAK in the Board. At the Board, CPA Risper Chairs the Accounting Standards Committee and is a member of the Audit, Risk & Assurance Committee of the Board.



CPA Leonard Okoth Ouma
Board Member

CPA Leonard Okoth is an audit leader with over sixteen (16) years' experience in Assurance, Governance and Risk Management. He has extensive assurance and governance experience serving in various Boards and organisations across several sectors namely Telecommunication, Financial Services, Professional Audit Service and Public Sector. Leonard holds a Bachelor of Business Administration degree in Accounting from Maseno University and a master's degree in strategic management from United States International University. He is also a Certified Internal Auditor (CIA), Certified Public Accountant (CPA-K), Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE). He holds a certificate in Senior Management Leadership from Strathmore University and Nanyang Business School, Singapore. He is a member of the Institute of Internal Auditors Kenya (IIA), Institute of Certified Public Accountants of Kenya (ICPAK), Information Systems Audit and Control Association (ISACA), Association of Certified Fraud Examiners (ACFE) and Institute of Directors Kenya. Currently, he works at the Central Bank of Kenya in the Internal Audit Department and is also the Chairman of the Institute of Internal Auditors of Kenya. Previously he was an Internal Audit Leader at Safaricom PLC and Board Secretary of the Institute of Internal Auditors Kenya. At the Board, CPA Leonard Chairs the Internal Audit Standards Committee and is a member of the Audit, Risk & Compliance Committee.



CPA Rosemary Njogu
Board Member

CPA Rosemary Njogu represents the Institute of Certified Secretaries in the Board. She is a managing partner at Njogu Professional Consultants. She is a Certified Public Accountant-Kenya, Certified Public Secretary-Kenya, Chartered Global Management Accountant and Associates of Cost and Management Accountants (UK) professional. At the Board, CPA Rosemary is a member of the Governance & Strategy and Internal Audit Standards Committees.



FCPA Fredrick Riaga
Secretary of the Board

FCPA Fredrick Riaga is the Chief Executive Officer of the Public Sector Accounting Standards Board and Secretary to the Board. He maintains a keen interest in institutional sustainability by promoting good governance practices and work ethos founded on integrity and ethical behavior.

Prior to joining the Board, Fredrick was part of the leadership team at the Institute of Certified Public Accountants of Kenya. He was also the long-serving Head of the Secretariat of the East Africa Community Institute of Accountants, a platform for the regional Professional Accountancy Organizations to engage with the East Africa Community on policy matters touching on the general practice of accountancy in the region. Fredrick also worked at PricewaterhouseCoopers, and NIC Bank Limited.

Fredrick is a contributor to the standard setting agenda of the International Public Sector Accounting Standards Board – Toronto Canada. He is also currently serving as the Chairman of the Finance Committee of Newlife SDA Church and previously, the Church Treasurer. He served for six years, a member of the County Executive Audit Committee for the County Government of Makueni up to



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February 2023, the first general government institution to have obtained an unmodified audit opinion. He also chairs the Nominations Committee of Ufanisi SACCO Limited.



Fredrick previously advised the top tier-one deposit-taking savings and credit cooperative societies in Kenya - Mwalimu National SACCO Limited and Stima SACCO Limited, the leading SACCOs in Kenya with a joint asset base of about KES 100 billion on governance specifically in relation to board elections.

FCCA Fredrick Riaga holds an MBA in Finance and a Bachelor of Commerce in Accounting both from the School of Business of the University of Nairobi and a Certificate in IPSAS by ACCA. He is a fellow of the Institute of Certified Public Accountants of Kenya and an accountant of good standing. He is also a member of the Institute of Internal Auditors of Kenya and Institute of Certified Investments and Financial Analysts of Kenya.

4. KEY MANAGEMENT TEAM

Team Member	Member's Profile
	<p>FCPA Fredrick Riaga is the Chief Executive Officer of the Public Sector Accounting Standards Board and Secretary to the Board. He maintains a keen interest in institutional sustainability by promoting good governance practices and work ethos founded on integrity and ethical behavior. Fredrick creates and enables teams by entrenching the culture of collaboration and cooperation. By this, he has succeeded in creating a highly attractive working environment at the PSASB.</p>
	<p>CPA Georgina Muchai - Director, Accounting Standards CPA Georgina is the Director, Accounting Standards at the Public Sector Accounting Standards Board. She joined PSASB in 2016 as a technical services advisor and appointed as Director Accounting Standards in June 2019. Prior to joining the PSASB, she worked as an external auditor for eight years with Deloitte and Touche, PKF East Africa and KK&CO. Georgina has a master's degree in finance from the University of Nairobi and a Bachelor of Commerce Degree from Kenyatta University. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>



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Team Member	Member's Profile
	<p>CPA Jabes Kotieno- Director, Training and Corporate Services</p> <p>CPA Jabes is a Chartered Certified Accountant (ACCA) and a Certified Public Accountant (CPA) with a Master's degree in Business Administration (Finance) from the University of Nairobi. He has over sixteen (16) years accounting and finance experience having worked in and with different corporate firms and organizations including Oshwal Education and Relief Board, Kapa Oil Refinery, Shankar investment Ltd among others. He has experience in Financial and Management Accounting, Taxation, Investment and Risk evaluation. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Chartered Certified Accountant (ACCA)</p>
	<p>CPA Edwin Tito – Director, Internal Audit Standards</p> <p>CPA Tito is a member of the Institute of Internal Auditors (IIA) and Institute of Certified Public Accountants Kenya (ICPAK). He serves as a 2nd Vice Chair for the Institute of Internal Auditors Kenya whose role is to professionalize the internal audit function by promoting adoption of IPPF and growing the numbers of Certified Internal Auditors in the country. He holds a Master of Science in Project Management and a Bachelor of Commerce (Finance). He is a Certified Internal Auditor (CIA), Certified Public Accountant (CPA), An accredited Corporate Governance Trainer, Accredited Internal Audit Quality Assessor, Accredited Corporate Governance Trainer, and a Quality Management Systems Auditor. He has over 16 years' experience in Internal Audit, Risk Management, Compliance, and Quality Assurance obtained from a variety of international and local organizations drawn from the Private, Charity and Public Sectors.</p>

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Team Member	Member's Profile
	<p>CPA Linda Nyageng'o – Manager, Internal Auditing Standards</p> <p>CPA Linda holds MBA – Financial Management from University of Nairobi and B. Com (Accounting Option) from Kenyatta University. She also holds IPSAS Certification from ACCA. She is a Certified Public Accountant, Certified Public Secretary and is currently pursuing certification of internal audit (CIA). Previously, she has worked with the County Government of Kisii as the Head of Internal Audit. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and the Institute of Certified Secretaries of Kenya (ICS).</p>
	<p>CPA Stanley Igati – Manager, Accounting Standards</p> <p>CPA Stanley holds an MBA (Finance) from Kenyatta University and a Bachelor of Education (Arts) from the University of Nairobi. He is a Certified Public Accountant and is a member of the Institute of Certified Public Accountant of Kenya (ICPAK). Stanley also holds an IPSAS certification from ACCA. Stanley previously worked at the National Treasury and has over thirteen years in experience in the public sector.</p>

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Team Member	Member's Profile
	<p>CS Angela Chege – Manager, Legal Services</p> <p>CPA CS Njeri Chege is an Advocate of the High Court of Kenya and was entered in the Roll of Advocates on 13th October 2005. She has over eighteen (18) years' post admission experience as a Legal & Corporate Governance practitioner in the private and public sector. She holds a Bachelor of Laws (LLB) (Hons) from the University of Nairobi, Parklands Campus, a Post Graduate Diploma in Law from the Kenya School of Law and is awaiting the award of her Master of Laws (LLM) from the University in 2023. Additionally, she is a Certified Public Accountant of Kenya CPA(K), a Certified Public Secretary of Kenya CPS (K), as well as a Commissioner of Oaths, a Notary Public and a SCAC-listed Accredited Governance Auditor. She is a member of the Law Society of Kenya, the East Africa Law Society, the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Secretaries (ICS). She possesses solid experience in Public Sector Governance successfully championing Good Governance and Board Management, in addition, she is a seasoned legal advisor and Litigator.</p>
	<p>CPA Vincent Ayaya – Manager, Finance and Accounts</p> <p>CPA Ayaya holds a Master of Science (Finance) from University of Nairobi and Bachelor of Commerce (Finance Option) from the same university. He is a Certified Public Accountant and is currently pursuing PhD. in Business Administration. Previously, he worked with the Kenya Film Classification Board as Head of Finance and Accounts. He has thirteen (13) years of experience in Public Finance management, Public Procurement, Budgeting, Risk Management and Human Resource Management and Administration. He is a member of the Institute of Certified</p>

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Team Member	Member's Profile
	Public Accountants of Kenya (ICPAK). He is also a trainer in Corporate and Public Finance Management.

5. MESSAGE FROM THE BOARD CHAIRMAN

The Public Sector Accounting Standards Board is pleased to present the Annual Report and Financial Statements for the year ended June 30, 2023. During the period under review the Board registered significant growth in its operations.



The Board established structures to deliver its mandate and I am happy to note that we successfully launched the Strategic Plan 2021/22 – 2025/26 in July 2022 which aligns the policy goals, priority programmes and fiscal framework to support achievement of the objectives of the Third Medium Term Plan (MTP III) and ultimately the Vision 2030 and have attained most of the objectives set in our Strategic Plan and Annual Workplan in this financial year 2022/2023. This being the mid-year of the Strategic Plan, there will be a midterm review to ensure that the plan remains relevant, feasible and delivers outputs that contribute to achieving the Board’s mandate.

The Board is mandated under section 194 of the PFM Act, 2012 to prescribe frameworks and set generally accepted standards for the development and management of accounting and financial systems for all State organs and Public Entities. The Board also prescribes internal audit procedures and mainstreams best practices for good governance, internal controls, and risk management. The Board has taken this responsibility with utmost seriousness, giving our best to achieve set targets. Our hope, vision and purpose are to ensure globally acceptable standards on public sector financial accountability.

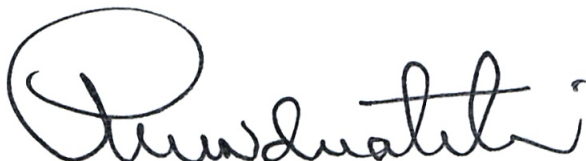
In seeking to create collaborations at the global standard setting arena, the Board successfully sought for representation in the International Public Sector Accounting Standards Board effective January 2023. Through this representation, we strive to make contributions to the technical standard making processes for the betterment of reporting in the Public Sector.

To ensure greater collaborations with various local stakeholders, the Board signed MOUs for mutual benefits. To this end the Board signed MOUs with the Office of Auditor General, IIIA, ICPAK, ICIFA and ACCA. These collaborations will ensure the Board benefits from the entities and further achieves its mandate.

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The Board acknowledges and recognizes the benefits of reporting under accrual basis by Ministries, Departments & Agencies as well as the ninety-four (94) County Executives and County Assemblies which are currently reporting under IPSAS cash basis. The Board has prioritized accrual accounting in MDAs. To this effect, the Board is working closely with the National Treasury to ensure that the transition process commences as of the initial plan. We developed and submitted a draft Cabinet Memo to the National Treasury, in this regard.

I take this opportunity to thank all our stakeholders for their continued support throughout the year. I recognise The National Treasury and Planning, The Public Finance Management Reforms (PFMR), Board Members, Management and Staff for their invaluable contribution towards the achievement of our planned activities during the year under review.



FCPA PIUS NDUATHI, OGW

BOARD CHAIRMAN

6. REPORT OF THE CHIEF EXECUTIVE OFFICER / BOARD SECRETARY



I am delighted to present the Annual Report and Financial Statements of the Public Sector Accounting Standards Board (PSASB) for the year ended 30th June 2023. Since its establishment, the Board has continued to play its transformative role in the accounting and auditing sector in the country as mandated in the PFM Act 2012.

During the financial year, the Board received 100% of the budget allocation from National Treasury (NT) to enable the execution of its activities in line with its Strategic Plan and workplan for the year. The allocation has increased from KES. 142.9 million in FY 2021/2022 to KES.172.90 million indicating an increase of 17%. In a bid to ensure great realization of its strategic objectives, the Board made progress in pursuing strategic partnerships and collaborations with key stakeholders in co-funding the endeavours of mutual interests. This saw a great boost in execution of the Board's mandate. The utilisation of funds received during the period is at 88% with a total expenditure of KES.184.81 million against the actual income of KES 209.30 million.

The Board framed its new Strategic Plan 2021/22 to 2025/26 which was launched in July 2022. It is worth noting that in this financial year, a mid-term review will be conducted on the plan to ensure that its objectives, strategies, activities, KPIs and KRAs are still relevant and being adjusted to reflect realities. The review will inform the expenditure plans for the final implementation period, including any adjustments on activities that take account of changes in the operating environment.

For the period under review, the Board made remarkable improvements in areas including, reviewing of service delivery systems, risk management, performance management, enhancing the capacity of human resources, providing conducive working environment, and strengthening ICT infrastructure. A new ERP system has been implemented which has automated all the staff activities thus improving efficiency as well as conserving the environment. Members of the staff were sensitized on the requirements of the system can now be able to use the various modules.

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In support of transitioning from cash to accrual basis of accounting, the Board held a consultative forum in October 2022 for the Independent Offices and Constitution Commissions in a bid to brainstorm on the prerequisite requirements of transitioning to accrual for entities operating in IFMIS. With the process of approving the Cabinet memo having been initiated, the Board aims to develop guidelines, templates, and tools to steer the transition process as well as sensitise, disseminate relevant standards and capacity build on the same.

Over the reporting period, the Board noted increased uptake of the prescribed templates, a fact which has contributed to increased quality of financial reporting. The total number of seven hundred and ninety-three (793) entries from the public sector in FiRe Award 2022 is higher compared to two hundred and eighty-nine (289) public sector entities received in the FiRe Award 2020 indicating the continued urge for public entities to improve the quality of their financial reporting. The Board's robust facilitative role has seen the quality of the financial statements by public sector institutions significantly improve in terms of presentation and information content. Moreover, there has been a steady decline in the number of public sector reports attracting modified audit opinions from the Office of the Auditor General based on non-compliance with accounting standards. These are indicators of Board's milestone we achieved during the year in line with its Strategic Plan and mandate.

The reported successes notwithstanding the Board experienced a few bottlenecks in execution of some of its planned activities. The budget has continued to be a limiting factor resulting in dismal realisation of strategic and operational objectives. Despite the delayed funding in Quarter three (3), the Board was able to carry out all the activities planned and funded in the financial year.

Finally, let me take this opportunity, on behalf of Board to appreciate the support it has received from the National Treasury and Planning, the Public Finance Management Reforms (PFMR) and all our stakeholders, not to forget strategic direction given by the Board of Directors, and support from Management and staff.



FCPA FREDRICK RIAGA
CHIEF EXECUTIVE OFFICER / BOARD SECRETARY

7. STATEMENT OF THE BOARD'S PERFORMANCE AGAINST ITS STRATEGIC OBJECTIVES FY 2022/23

The Board prepares its Financial Statements under the accrual basis as per the International Public Sector Accounting Standards (IPSAS).

PSASB has four strategic focus areas and objectives within its Strategic Plan for the FY 2021/2022-2025/2026. These strategic focus areas are as follows:

Key Result Area 1: Standards Setting and Research.

Key Result Area 2: Stakeholder Engagement and Capacity Building.

Key Result Area 3: Monitoring Compliance.

Key Result Area 4: Institutional strengthening and sustainability.

PSASB develops its annual work plans based on the above four key results areas of focus. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The performance is then reported continuously culminating into annual report. PSASB achieved its performance targets set for the FY 2022/2023 for its four strategic focus areas, as indicated in the table below:

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA'S	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
1. Standard Setting and Research	To enhance uniformity and quality of financial information	PSASB responded to Exposure Draft (ED) 82, 83 and 84 on retirement benefit plans, reporting sustainability programs and concessionary leases & right of use assets respectively and consultation papers on sustainability reporting and natural resources.	Kenya has received acknowledgment at the International Public Sector Accounting Standards Board for PSASB well documented submissions.
		Developed quarterly reporting templates for CROR, CRF, Water Companies, Level 4&5 Hospitals, Cities/Municipalities and Car loan and mortgage funds	On account of the six (6) new quarterly reporting templates, there is greater compliance with statutory requirements for enhanced in-year reporting. Information reported in the quarterly financial statements has contributed to better decision making.
		Developed accounting guidelines; three accounting standards implementation 2, 16,17) and a transition to IPSAS Accrual guideline guidelines (IPSAS for constitutional commissions and independent offices.	The guidelines especially on IPSAS 2 has contributed to quality presentation of Cash Flow Statement. Against the backdrop of prescribing direct method of cash flow presentation, consolidation has been made easier.
		Revised Annual and Quarterly financial Reporting Templates	Enhanced information content of the financial statements and consequently embedded within the statements, key information to better inform decision making.
		Participated in the IPSASB quarterly meeting in USA in March 2023 and Canada in June 2023	Technical contributions made towards development of standards for IPSAS 43 and 44.
	To conduct research on topical issues to inform policy and to support best practices as per the Board's mandate	Conducted surveys on sustainability reporting.	Survey report shall serve as a reliable reference material on sustainability reporting. It was equally essential on drafting PSASB's submissions to the IPSASB consultation paper on the same subject matter.

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		Participated in the survey and webinar undertaken by the IIA Global to review the IPPF standards	Report prepared and submitted to IIA Global for consideration. Public sector entities view would be incorporated in the new standards and this would promote acceptability among the public sector.
	To enhance professional excellence in internal audit across all public sectors for efficient, effective and economic use of resources	Review Internal Audit guidelines, Manual and templates for National and County Government entities	Reviewed Internal Audit Guidelines, Manuals and Templates. Internal control systems would be strengthened at the national and county governments.
		Finalization of internal audit manual and templates for state corporations	Aligned manual and templates to IPPF. Internal control systems would be strengthened at the state corporations.
	To promote effective risk management, internal control frameworks and governance processes	Developing guidelines for the public sector entities to establish risk management policy, risk management framework, and risk management registers.	Developed risk management guidelines for the public sector entities to improve compliance. This would ensure informed risk-based decision making, efficiency and effectiveness in resource utilization.
		Develop Heads of Internal Audit target setting and performance appraisal guidelines for the public sector.	Developed a standardized tool for target setting and appraisal for Heads of Internal Audit in Public Sector. This would promote a coordinated performance evaluation for Public sector Internal Auditors.

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		Develop Public Sector Internal Audit Quality Assurance Improvement Program Guidelines	Developed Public Sector Internal Audit Quality Assurance Improvement Program Guidelines to enhance compliance with legal requirements of undertaking internal and external assessments. This would result in improved efficiency and effectiveness of the public sector internal audit functions.
		Developed Internal Audit Manual for National Museums of Kenya	Enhanced understanding and conformance to IPPF in the professional practice of internal auditing. Internal control systems would be strengthened at the NMK.
		Undertook desktop review to update audit committee guidelines	Revised guidelines enhanced bridging governance gaps. This would inform the interventions that would be taken by the Board.
2. Stakeholder Engagement and Capacity Building	To establish effective relationships with key stakeholders	Held consultative meetings with Institute of Internal Auditors, Heads of Internal Audit in Commissions and Independent Offices, County Internal Auditors, Unclaimed Financial Assets Authority, PFMR and the PS National Treasury.	Established effective relationships with key stakeholders. The engagements enable the board to mobilize resources and come up with ways to jointly address stakeholder needs/ requirements.
		Developed a Collaboration Framework between Office of the Auditor General and Internal auditors.	Enhanced collaboration framework established. This would enhance combined assurance between Internal and external auditors by relying on the work of each other which would strengthen corporate governance and internal controls.

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		Reviewed Memorandum of Understanding between PSASB and the Institute of Internal Auditors-IIA (Kenyan Chapter)	MOU reviewed and subsequently guided collaboration in development and presentation of joint submissions the IIA Global process revise the IPPF. The two organizations held joint sensitization initiatives.
		Subjected IPPF proposed reviews and the draft public sector internal audit quality assurance improvement program for public participation	Participation of internal auditors across public sector on setting of standards and frameworks yielding informed directives in the local context. This would also enhance the acceptance of the standards by the public sector entities.
		Organise a consultative forum in readiness for transition from cash to accrual accounting	Held a Nineteen (19) entities attended the consultative forum on transition to accrual by Constitutional Commissions and Independent Offices. The forum unanimously adopted the resolution to pilot the transition process.
		Participated in domain caucus discussions to review International Professional Practices Framework. In collaboration with IIA Kenya, PSASB hosted the deliberations, and consolidated the feedback for submission to IIA Global.	Achieved collaboration between Institute of Internal Auditors and the PSASB in presenting a canvassed set of submissions. This would provide an avenue to mainstream the unique nature of the public sector in standard setting.
	To enhance skills and knowledge in financial reporting and internal auditing	Production of internal and external newsletter and print news stories in the local dailies	Enhanced brand visibility through timely update on various projects undertaken by the organization.
		Disseminated Internal Audit Standards to internal auditors across public sector to heighten awareness on the IPPF standards and facilitation of internal auditors to participate on the ongoing response to exposure drafts. .	Promoted knowledge on IPPF by distributing fifty (50) copies of IPPF to public sector entities. This heightened awareness on the IPPF among public sector entities which in turn would

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
			professionalize the practice of Internal Audit.
		Sensitized the Independent Policing Oversight Authority, Public Service Commission, Judiciary, the Office of the Controller of budget, The Kenyan Parliament, and Office of The Registrar of Political Parties on the requisites of transition to accrual in readiness for accrual accounting.	Promoted system readiness at the six (6) entities for accrual reporting.
		Organised virtual sensitization for Counties and other entities on financial reporting templates and new standard IPSAS 41.	Achieved better understanding of the architecture and rationale for templates amongst reporting accountants which is expected to enhance the quality of the resultant financial statements from national public secondary schools, TVETS & TTCs, Level 4 and 5 hospitals, cities & municipalities, Water Service providers, CRFs, CRORs and SCs and SAGAs.
		In collaboration with Unclaimed Financial Assets Authority developed audit programs.	Audit programs developed that aims to streamline a unified approach to auditing unclaimed financial assets. This will in the long-run secure uniformity in reporting and consequently enhance efficiency of the process.
		Developed training programmes for public sector internal auditors, risk practitioners, and audit committee members.	Enhanced understanding of the role of internal audit as well the oversight role of the audit committee. This will have an impact in entrenching effective governance systems.

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		In collaboration with Kenya School of Government, PSASB organised two training on Financial Reporting under IPSAS Accrual	Forty (40) accountants trained on IPSAS accrual standards.
		Trained Internal Auditors and Board Committees in Public sector on IPPF and Risk management.	Internal Auditors from 5 entities trained. Enhanced understanding of the role of internal audit as well the oversight role of the audit committee. This will have an impact in entrenching effective governance systems.
		In collaboration with the National Treasury PSASB sensitized on the changes to revised template and end of year closing procedures.	2200 Accountants were sensitized.
		Develop and review content for the online repository to facilitate E-learning.	Content developed for E-learning.
		Provided technical support to Kiambu county hospitals, Kiambu County water companies Accountants and Board of directors, NMC, EPRA, KEPHIS and Equalization fund Advisory Board.	Enhanced understanding of the prescribed standards and templates within the presenters of financial information in the six (6) entities.
3. Monitoring Compliance	To enhance conformance with internal auditing standards	Undertook baseline surveys for Counties and Water companies to report on implementation of internal audit standards.	One (1) baseline survey conducted. The board is able to identify gaps and interventions required and hence enhance the skills of internal auditors.j
		Monitored compliance with Internal Audit Standards across Public Universities and Independent Offices and Commissions using a monitoring check list	Governance and operational gaps report. The board is able to identify gaps and interventions required and hence enhance the skills of internal auditors.

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PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
	To enhance compliance with accounting and financial reporting standards	Monitoring Financial reports uptake by public secondary schools and level 4 and 5 hospitals in Kajiado County	Obtained valuable feedback that informed review of the reporting template and enhanced the capacity of the reporting accountants.
		Conducted a survey on application of IPSAS 1 and visual appearance of financial statements by Public Sector entities	Obtained valuable feedback to inform the training relevant programmes. There is potential for increased capacity which eventually yield better reporting.
		Monitored financial reporting through FiRe Award 2022	Evaluated Seven hundred and thirty-nine (739) entities.
		Monitored Compliance for NG-CDF with financial reporting template	Reviewed 290 constituencies
		Conducted field visits to assess implementation of CRF, CROR, Water companies, Level 4 & 5 hospitals and Municipalities and Cities reporting templates	Conducted visits to thirteen (13) counties.
4. Institutional Strengthening and Sustainability	To enhance employee productivity and efficiency	Reviewed and approval of Human Resource instruments	The instruments resubmitted to PSC for approval.
		Facilitated recruitment, induction, and onboarding of new staff.	New staff were onboarded, and induction undertaken.
		Placed all Employees on a Performance Appraisal System	Annual Performance Report to be provided by end of July 2023
	To entrench good corporate governance and leadership practices	Reviewed Board Charter for approval on 30 th September 2022	Approved Board Charter
		The Board and all its committees have transacted business as scheduled on the ALMANAC and Management is implementing the Board resolutions.	Attendance Registers signed and filed to support payments
		Ensure checks and balances are in place for effective governance.	Adherence to Mwongozo and attendant government rules & regulations
	Undertook a system audit report on Accounting Standard Directorate	An audit report presented to the Board on 30th September 2022	

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA's	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
		Undertook annual risk assessment for the institution	Institutional Risk Register developed
		Compliance with the treasury regulations and procedures	All treasury regulations are implemented in all finance operations
		Preparation, facilitating and coordination of Annual External Audit FY2021/2022	Unmodified audit opinion for FY 2021/2022
		Execution of the 2022/2023 internal audit annual work plan on: <ul style="list-style-type: none"> • System audit on Accounting Standards directorate • Systems audit on ICT • Financial Statements Review • Systems audit on Finance and Accounts • Human Resource • Public Relations and Communications • Procurement 	Seven (7) Completed audit engagements.
		Develop audit committee and internal audit charters	Internal Audit Charter Developed
		Ensure Departments update their risk registers	Updated Departmental Risk Registers
		Develop stakeholder engagement policy, an Anti-corruption and Bribery Policy, and Communications Strategy for implementation	Improved compliance to legal requirements
		Developed a Fraud and Corruption prevention policy	Zero tolerance to fraud and corruption
		Developed organization annual workplan, Budget, and procurement plan FY2023/24 in line with approved PSASB's Strategic Plan and	Annual work plan, Budget, and Procurement plan awaits Board approval for implementation.

PERFORMANCE OF OBJECTIVES AND RESPECTIVE OUTCOMES			
KRA'S	OBJECTIVES	ACTIVITIES UNDERTAKEN	ACHIEVEMENTS/OUTCOMES
	Leverage on technology to improve operational efficiency of the board	Use of Microsoft Teams in Stakeholder engagements and carrying out surveys.	Improved efficiency in staff operations
		Implementation of E-learning Platform, EDMS, and Biometric Access Service Level Agreement e.g. Well-maintained CCTV cameras and biometric devices can provide more accurate and reliable data, leading to better security outcomes. For instance, a clean lens can produce clearer images, which can make it easier to identify potential security threats.	Improved work environment and enhanced security.

8. CORPORATE GOVERNANCE STATEMENT

The Board is fully constituted pursuant to Sections 192 to 195 of the Public Finance Management Act, 2012.

7.1 Composition of the Board

The PSASB consists of representatives from nine institutions who serve on a part time basis. These institutions are: The National Treasury, Office of the Controller of Budget, Intergovernmental Budget, and Economic Council, the Auditor General, Institute of Certified Public Accountants of Kenya, the Association of Professional Societies of East Africa, Capital Markets Authority, Institute of Internal Auditors, and the Institute of Certified Secretaries of Kenya.

7.2 Appointment to the Board

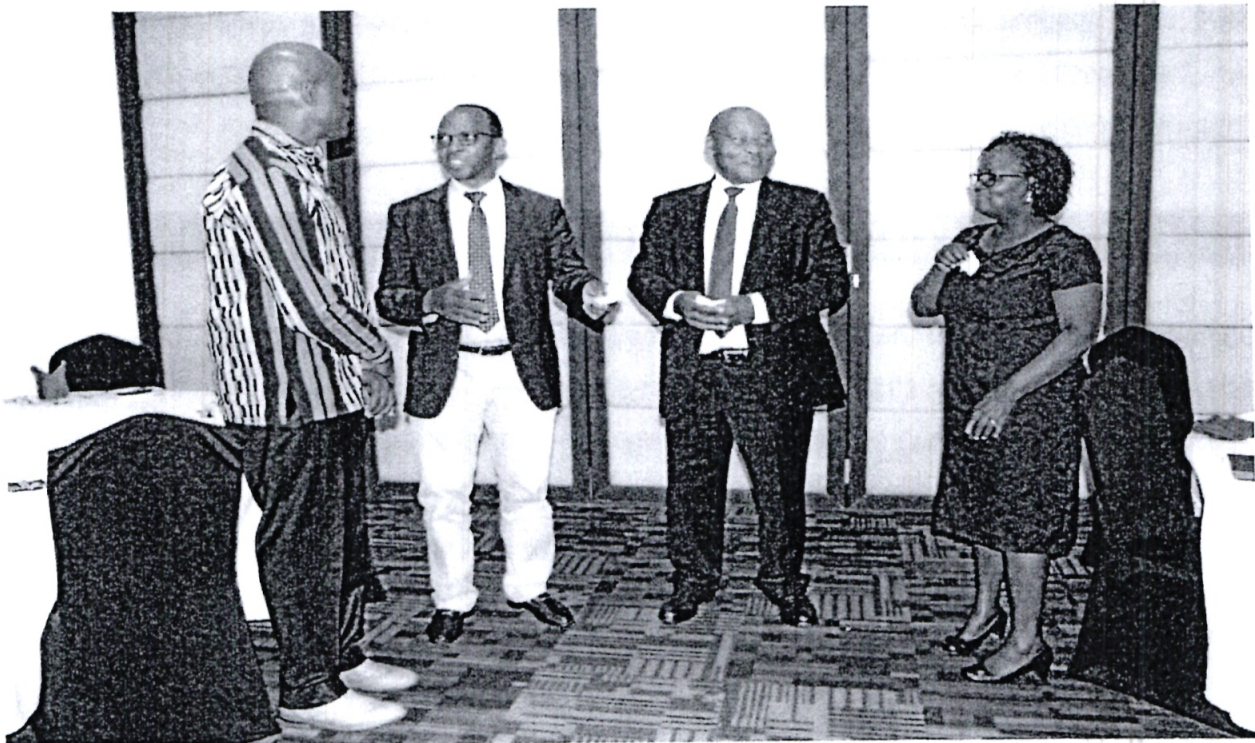
Appointment of members to the Board commences with nomination of members from institutions listed under PFM Act section 193. The nominees are then vetted to ensure they have the requisite capabilities to carry out their responsibilities. They are then gazetted by the Cabinet Secretary, National Treasury. The chairman of the Board is appointed by the Cabinet Secretary from among the nominated members. The current Board was appointed during the FY2021/2022.

7.3 Board diversity

The Board is constituted by members who have experience in accountancy, auditing, corporate governance, public finance management, financial analysis, investment, and management. The Board's mandate is to prescribe accounting and internal audit standards for all state organs and public entities and therefore the members are required to have technical knowledge in accountancy and /or audit. The diversity of the Board members also encapsulates the gender distribution, and ethnicity depicting the face of Kenya. The biographies of the Board members are disclosed on pages **viii to xv** of this report.

7.4 Roles and Responsibilities of directors

The roles and responsibilities of members are outlined in section 194 of the PFM Act, 2012. These roles and responsibilities are also detailed in the Board's five-year strategic plan, in the Board's annual work plans and in the Board Charter. New members, once appointed, are given these documents to familiarise themselves with the roles and responsibilities as outlined in the law. An induction training is also held for new Board members. The Public Sector Accounting Standards Board is comprised of the following committees with the respective term of reference.



(From left) PSASB CEO FCPA Fredrick Riaga, with CPA Edwin Njamura, FCPA Pius Mungai Nduatih and CPA Mary Koki Kimanzi during a staff retreat program on 22nd December 2022.

i. Governance and Strategy Committee

The Governance and Strategy Committee of the Board is responsible for the Board's achievement of its strategic objectives and ensures that annual work plans are implemented. The Terms of Reference for the Governance and Strategy Committee shall include but not limited to:

- a. Promote good governance practices in the operations of the Board and Secretariat.
- b. Advise the Board on strategy matters.
- c. Enhance corporate image of the Board.
- d. Oversee development and monitoring of Enterprise Risk Management (ERM) for PSASB.
- e. Enhance capacity of the Board.
- f. Overseeing the operations of the Secretariat.
- g. Carry out the nominating and remuneration function.
- h. Spearhead Board induction, evaluation, and governance audits.
- i. Ensure the Secretariat is compliant in all matters.
- j. Ensure compliance of PSASB to all applicable laws and regulations.
- k. Oversee management of the Financial Reporting Excellence Award; and
- l. Any other functions that the Board may delegate.

ii. Accounting Standards Committee

The Terms of Reference for the Accounting Standards Committee shall include but not limited to:

- a. Oversee development, adoption and implementation of standards and guidance.
- b. Oversee preparation of technical guides/financial recording tools for implementing financial reporting standards.
- c. Oversee research and provide thought leadership on financial reporting.
- d. Monitor education and awareness programs with stakeholders through public participation.

- e. Monitor adherence to the standards.
- f. Monitor consultative meetings with constituents from the Government Owned Enterprises, and National and County Governments.
- g. Any other functions that the Board may delegate.

iii. Internal Audit Standards Committee

The Terms of Reference for the Internal Audit Standards Committee shall include but not limited to:

- a. Oversee development and promotion of implementation of internal audit standards and internal auditing procedures for use in public sector.
- b. Oversee development of due processes and guidelines for enforcing internal audit standards.
- c. Review and assess the adequacy of Management research and recommend best practice frameworks and standards for internal audit in public sector.
- d. Review technical guides/templates for implementing internal audit standards and risk management in public sector entities (Government Owned Enterprises; National Government; County Governments etc.).
- e. Promote best practice guidance for audit Committees.
- f. Monitor adherence to Internal Audit Standards, guidelines and procedures.
- g. Monitor education programs on internal audit standards issued.
- h. Oversee consultative meetings with constituents in the Public Sector on Internal Audit standards; and
- i. Any other functions that the Board may delegate.

iv. Audit and Risk Assurance Committee

The Terms of Reference for the Audit and Risk Assurance Committee shall include but not limited to:

- a. Evaluating whether processes are in place to address key roles and responsibilities in relation to PSASB risk management.
- b. Evaluating the adequacy of PSASB's control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
- c. Performing an independent review of PSASB's financial statements to ensure the integrity and transparency of the financial reporting process.
- d. Monitoring the effectiveness of PSASB 's performance information and compliance with the performance management framework and performance reporting requirements.
- e. Evaluating the quality of PSASB's internal audit function, particularly in the areas of planning, monitoring and reporting.
- f. Engaging with external audit and assessing the adequacy of management response to issues identified by audit.
- g. Reviewing the effectiveness of how PSASB monitors compliance with relevant legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior.
- h. Any other functions that the Board may delegate.

7.5 Board Transactions/Attendance in the Financial Year

(i) Full Board meeting and Special Meetings for the period ended 30th June 2023

During the year, the Board held **ten (10)** meeting as summarised in the annual attendance summary as shown below.

Full Board and Special Meetings Summary FY 2022-2023						
No	Name	Q1	Q2	Q3	Q4	TOTAL
1	FCPA Pius Nduatih	2	5	2	1	10/10
2	CPA Stephen Masha	0	3	2	1	6/10
3	FCPA Nicholas Letting	2	3	0	1	6/10
4	CPA Risper Olick	2	4	2	1	9/10
5	CPA Rosemary Njogu	2	4	2	0	8/10
6	CPA Edwin Njamura	2	4	2	1	9/10
7	CPA Mary Kimanzi	2	4	2	1	9/10
8	CPA Silvester Kiini	1	3	2	1	7/10
9	CPA Leonard Okoth	2	5	2	0	9/10
10	FCPA Fredrick Riaga	2	5	2	1	10/10

(ii) Board Committee Meetings for the period ended 30th June 2023

During the Quarter, the committees attended meetings as shown below.

a. Governance and Strategy Committee

The Governance and Strategy Committee held **four (4)** meetings during the year as summarised below.

Board Committee Attendance Summary FY 2022-2023						
No	Name	Governance & Strategy Committee				TOTAL
		Q1	Q2	Q3	Q4	
1	CPA Rosemary Njogu	1	1	1	1	4/4
2	CPA Edwin Njamura	1	1	1	1	4/4
3	CPA Mary Kimanzi	1	1	1	1	4/4
4	FCPA Fredrick Riaga	1	1	1	1	4/4

b. Accounting Standards Committee

The Accounting Standards committee held **four (4)** meetings during the year as summarised below.

Board Committee Attendance Summary FY 2022-2023						
No	Name	Accounting Standards Committee				TOTAL
		Q1	Q2	Q3	Q4	
1	CPA Stephen Masha	1	1	1	1	4/4
2	CPA Risper Olick	1	1	1	1	4/4
3	CPA Edwin Njamura	1	1	1	1	4/4
4	CPA Mary Kimanzi	1	1	1	1	4/4
5	CPA Silvester Kiini	1	1	1	1	4/4
6	FCPA Fredrick Riaga	1	0	0	0	1/4

c. Internal Audit Standards Committee

The Internal Audit Standards committee held **four (4)** meetings during the year as summarised below.

Board Committee Attendance Summary FY 2022-2023						
No	Name	Internal Audit Standards Committee				TOTAL
		Q1	Q2	Q3	Q4	
1	FCPA Dr. Nicholas Letting	1	1	1	1	4/4
2	CPA Rosemary Njogu	1	0	1	1	3/4
3	CPA Silvester Kiini	1	1	1	1	4/4
4	CPA Leonard Okoth	1	1	1	1	4/4
5	FCPA Fredrick Riaga	1	0	0	0	1/4

d. Audit and Risk Assurance Committee

The Audit and Risk Assurance committee held **four (4)** meetings during the year as summarised below.

Board Committee Attendance Summary FY 2022-2023						
No	Name	Audit & Risk Assurance Committee				
		Q1	Q2	Q3	Q4	TOTAL
1	CPA Stephen Masha	1	0	1	1	3/4
2	FCPA Dr. Nicholas Letting	1	1	1	1	4/4
3	CPA Risper Olick	1	1	1	1	4/4
4	CPA Leonard Okoth	1	1	1	1	4/4

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Further analysis of attendance of the Board meetings was as indicated in the table below:

BOARD MEETING/ACTIVITY		FCPA PIUS NDUATHI	CPA STEPHEN MASHA	FCPA DR NICHOLAS LETTING	CPA RISPER OLICK	CPA ROSEMARY NJOGU	CPA EDWIN NJAMURA	CPA MARY KIMANZI	CPA SILVESTER KIINI	CPA LEONARD OKOTH	FCPA FREDRICK RIAGA
1ST QUARTER FY 2022/2023-FULL BOARD MEETINGS											
Q1 Full Board Regular Meeting	30.09.2022	√	-	√	√	√	√	√	√	√	√
SPECIAL FULL BOARD MEETINGS/ACTIVITIES											
Launch of the Strategic Plan	07.07.2022	√	√	√	√	√	√	√	-	√	√
BOARD COMMITTEE MEETINGS											
Q1 Governance & Strategy Committee	15.07.2022	-	-	-	-	√	√	√	-	-	√
Q1 Internal Audit Standards Committee	14.09.2022	-	-	√	-	√	-	-	√	√	√
Q1 Accounting Standards Committee	16.09.2022	-	√	-	√	-	√	√	√	-	√
Q1 Audit & Risk Assurance Committee	15.09.2022	-	√	√	√	-	-	-	-	√	-
INTERVIEWS - GOVERNANCE & STRATEGY COMMITTEE											
Director, IA Standards	26.09.2022	-	-	-	-	√	√	√	-	-	√
Manager, Legal Services	27.09.2022	-	-	-	-	√	√	√	-	-	√
Director, Training & Corporate Services	28.09.2022	-	-	-	-	√	√	√	-	-	√

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Special Meeting to Discuss Report on Interviews	29.09.2022	-	-	-	-	√	√	√	-	-	√
2ND QUARTER FY 2022/2023-FULL BOARD MEETINGS/ACTIVITIES											
Q2 Quarter Full Board Meeting	15.12.2022	√	√	√	√	√	√	√	√	√	√
SPECIAL FULL BOARD MEETINGS/ACTIVITIES											
Consideration of Recommendations by the Governance & Strategy Committee on recruitment of DIAS, DTCS & BS/MLS	13.10.2022	√	-	√	√	√	-	√	-	√	√
Consideration of the PSASB HR Instruments	07.11.2022	√	√	√	√	√	√	√	√	√	√
FiRe Awards Gala 2022	16.12.2022	√	√	-	√	√	√	√	√	√	√
PSASB Board & Staff End-Year Luncheon	22.12.2022	√	-	-	-	-	√	√	-	√	√
BOARD COMMITTEE MEETINGS											
Special Governance & Strategy Committee	12.10.2022	-	-	-	-	√	√	√	-	-	√
Q2 Governance & Strategy Committee	04.11.2022	-	-	-	-	√	√	√	-	-	√
Q2 Accounting Standards Committee	29.11.2022	-	√	-	√	-	√	√	√	-	-
Q2 Internal Audit Standards Committee	30.11.2022	-	-	√	-	-	-	-	√	√	-
Q2 Audit & Risk Assurance Committee	30.11.2022	-	-	√	√	-	-	-	-	√	-

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3RD QUARTER FY 2022/2023-FULL BOARD MEETINGS											
Q3 Quarter Full Board Meeting	26.01.2023	√	√	0	√	√	√	√	√	√	√
SPECIAL FULL BOARD MEETING											
Special Full Board Meeting to consider the HR instruments	10.03.2023	√	√	√	√	√	√	√	√	√	√
BOARD COMMITTEE MEETINGS											
Q3 Governance & Strategy Committee	12.01.2023	-	-	-	-	√	√	√	-	-	√
Special Meeting of the Audit & Risk Assurance Board Committee	08.02.2023	-	√	√	√	-	-	-	-	√	n/a
BOARD RETREAT TO CONSIDER THE HUMAN REOSURCE INSTRUMENTS											
Day One	28.02.2023	√	√	√	√	-	√	√	√	-	√
Day Two	01.03.2023	√	√	√	√	-	√	√	√	-	√
Day Three	02.03.2023	√	√	√	√	-	√	√	-	-	√
4TH QUARTER FY 2022/2023-FULL BOARD MEETINGS											
Q4 Quarter Full Board Meeting	27.04.2023	√	√	√	√	-	√	√	√	-	√
SPECIAL FULL BOARD MEETINGS/ACTIVITIES											
No Special Meetings were held in Q4		-	-	-	-	-	-	-	-	-	-

BOARD COMMITTEE MEETINGS											
Q4 Governance & Strategy Committee	11.04.2023	-	-	-	-	√	√	√	-	-	-
Q4 Internal Audit Standards Committee	12.04.2023	-	-	√	-	√	-	-	√	√	-
Q4 Accounting Standards Committee	13.04.2023	-	√	-	√	-	√	√	√	-	-
Q4 Audit & Risk Assurance Committee	30.11.2022	-	√	√	√	-	-	-	-	√	-
BOARD RETREAT TO CONSIDER THE REVIEWED FINANCIAL STATEMENT TEMPLATES											
Day One	25.04.2023	√	√	√	√	-	√	√	√	-	√
Day Two	26.04.2023	√	√	√	√	-	√	√	√	-	√

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (PSASB)

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The term of the Board is outlined under the amended provision of PFM Act, 2012 section 193(4). Members except ex- officio members shall be appointed by the Cabinet Secretary National Treasury and serve for a term of not more than three (3) years renewable once for a further term of three years.

7.6 Compliance to Laws and other Legal Requirements

PSASB as a responsible corporate citizen is alive to the tenets of the Constitution of Kenya and is fully compliant with the provisions of the PFM Act, 2012 under which the Board is established. The Board also ensures compliance to the PFM Act, 2012 by public sector entities through sensitization and training.

7.7 Board Remuneration

As per PFM Act, 2012 Section 195(2), the remuneration payable allowances to the members of the Board are determined by the Salaries and Remuneration Commission. Details of Board and committee allowances are included in these financial statements.

7.8 Conflict of Interest and Declaration of Interest

The Board members have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Board. All transactions with all parties, directors or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether direct or indirect. During every Board meeting, an agenda item exists which requires members to make a declaration of any conflict of interest they may have in the business to be discussed.

7.9 Board Charter

The Board's Charter outlines powers and responsibilities of the Board and its members, appointment, remuneration, term of the Board members, conduct of meetings, committee's terms of reference, conflict of interest among others. The Charter is premised on the Mwongozo Code and best Corporate Governance Practices. The revised Board charter was approved on 30th June 2022.

7.10 Board trainings and development

The Board supports the members and the Secretariat to attend training and seminars relating to financial reporting and internal auditing within the public sector context to improve the technical expertise of the Board.

7.11 Board Evaluation

The performance of the Board and its members is evaluated on a regular basis. A Board evaluation exercise is scheduled for FY 2023/2024.

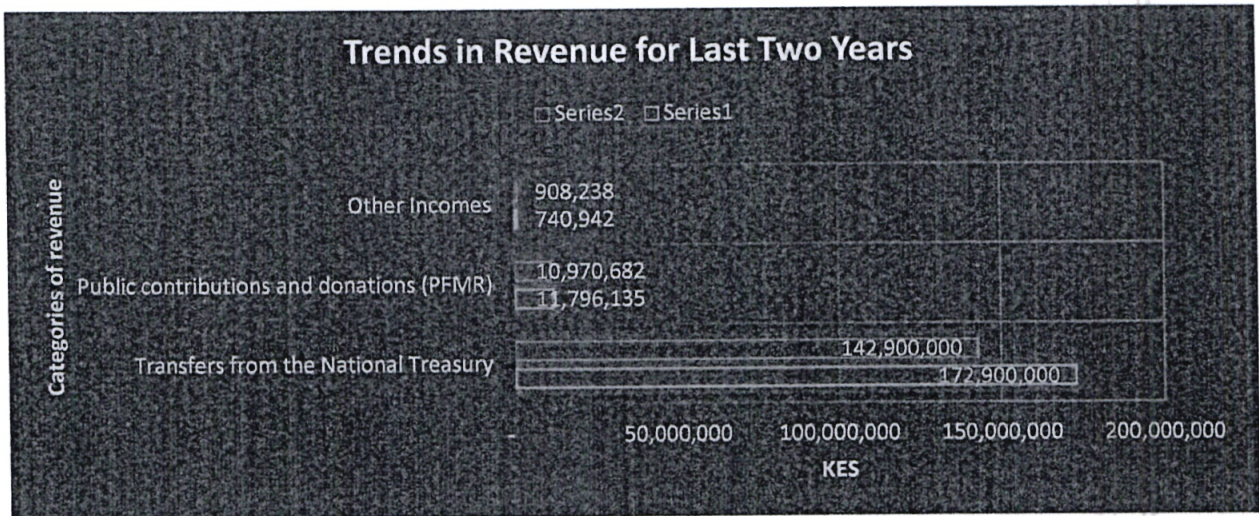
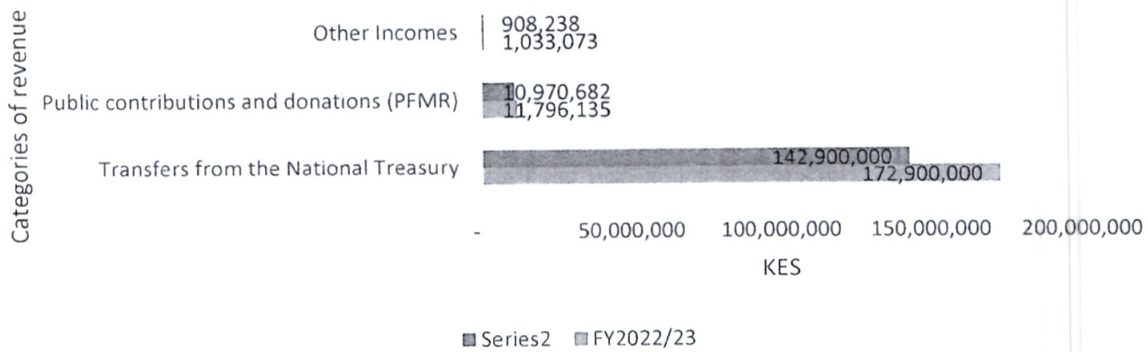
9. MANAGEMENT DISCUSSION AND ANALYSIS

8.1 Board's Financial Performance Highlights

a) Trends in Revenue

The graph below indicates the categories of revenue that the board has depended on to finance its activities and the corresponding level of achievements.

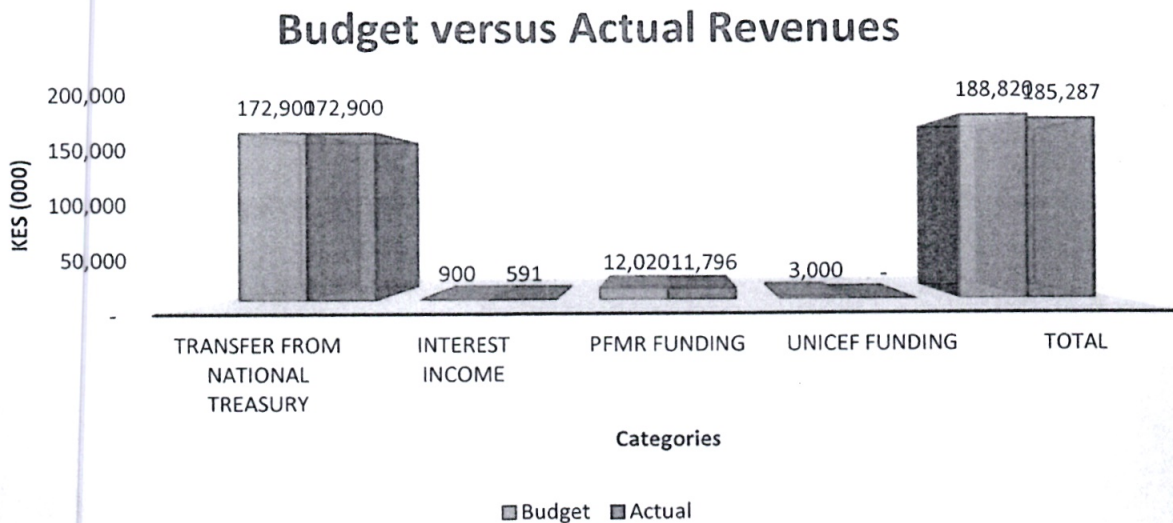
Trends in Revenue for Last Two Years



As an entity that entirely depends on National Exchequer for funding, the chart above provides a comparison of final budgets over the last two years. From the chart, F2022/2023 had anticipated

additional funding comparative to FY2021/2022. While Government grants improving by 22% during the two financial periods, PFMR funding increased by 7% in actual terms. Interest income went deep by 19% in actual terms.

b) Actual and Budgeted Revenue

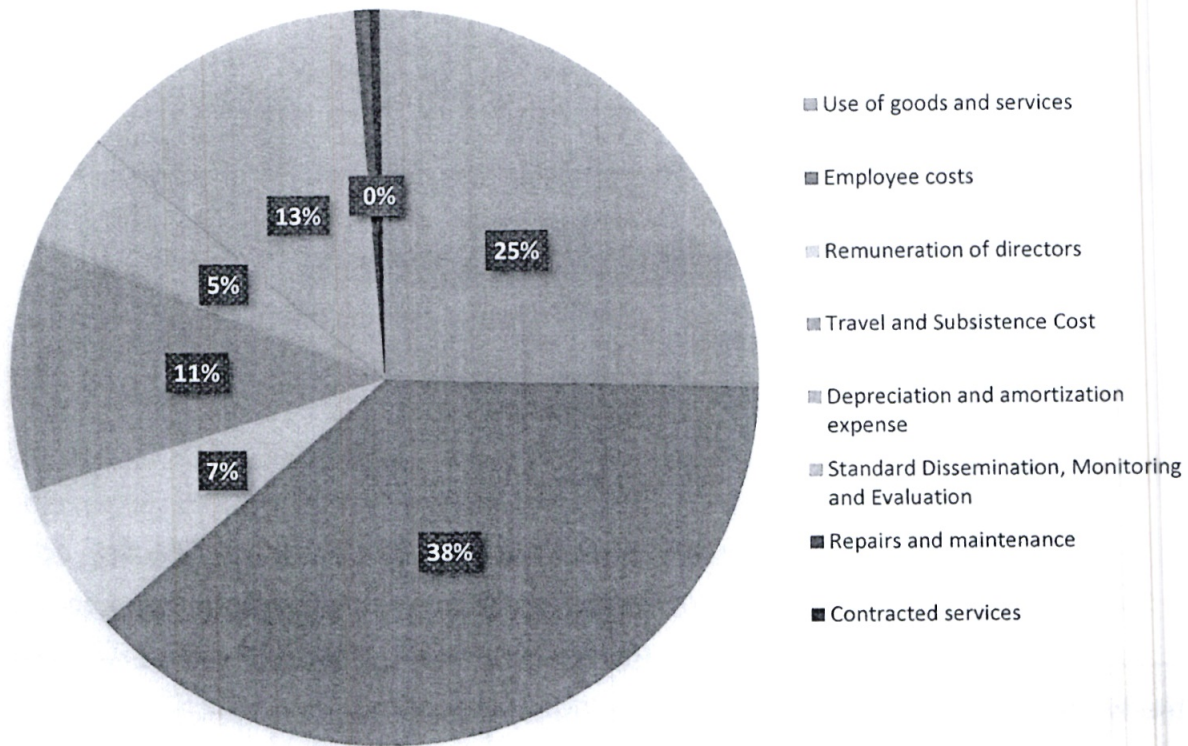


The chart above shows that the Board’s actual revenue was slightly below target, (2% dip), actual total revenue for FY2022/2023 being 98% of target. The decrease predominantly being because of failure to realize the UNICEF funding. The actual revenue includes KES 172.9 million as transfer from the National Treasury for FY2021/2022, other incomes specifically from bank interest income amounting to only KES 0.5million. This performance was an improvement from the previous financial year in revenue terms. PSASB utilized 88% of the received funds indicating an under absorption of 12% against 16% of the previous year.

c) Actual Expenditures

The board incurred expenses on various line items. Analysis of different budget lines is outlined in the chart below.

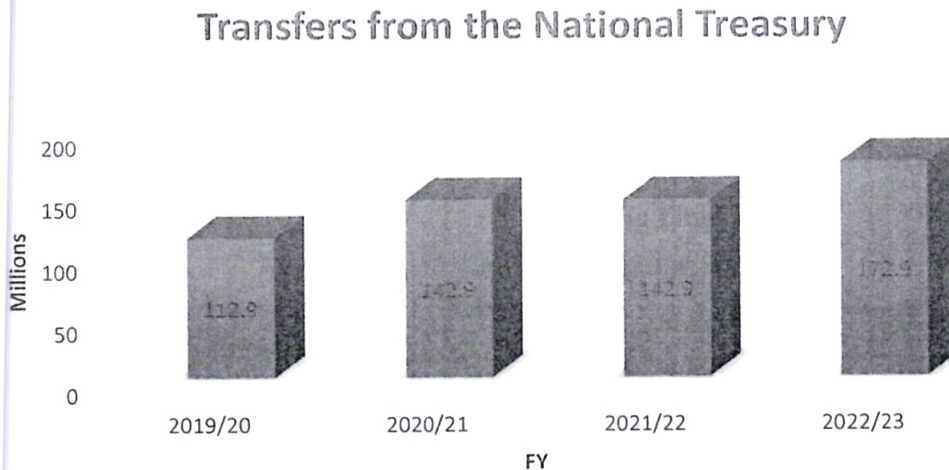
Distribution of FY2022/23 Expenses



The chart above shows that of the total expenditures for the FY2021/2022 was heavily constituted by employee costs and use of goods and services, at 38% and 25% respectively. Comparatively, FY2021/2022 employees cost constituted 38% of the total expenditure while use of goods and services took 36% of the budget. The increase in employee costs in the reporting period was due to the additional number of staff to increase the Board's operational efficiency amidst its ever-increasing operational activities in pursuit of the humongous mandate.

Travel and subsistence cost was 11% of the total compared to 9% FY2021/2022. Standard dissemination, monitoring and evaluation expenses constituted 13% of the budget. This was financed significantly by the PFMR funding.

d) Trends in NT transfers



e) Surplus for the Financial Year

The deficit for the year ended 30th June 2023 amounted to KES 9.64 million compared to the KES 9.59 million. This was significantly because the non-cash grant from partners (PFMR) booked in revenue for FY2022/23 thus hitting revenue without corresponding expense. For FY2022/23, the non-cash grant from PFMR was expensed in standard dissemination, monitoring, and evaluation expenses line.

8.2 Summary of the Board’s Operational Performance

a) A Summary of Submissions in Response to IPSASB Exposure Drafts for FY 2022/23

The IPSASB issues Consultation Papers and exposure drafts from time to time. It is PSASB’s commitment in its work plan to respond to 100% of Exposure Drafts from IPSASB as one of the key result areas in the strategic planning of on Standard Setting and Research. In responding to these exposure drafts, the Secretariat seeks views from the constituents, especially from entities that apply the IPSAS Accrual framework of accounting. During the FY 2022/23, the Secretariat responded to all the EDs that were issued by IPSASB as shown in the table below:

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
Exposure Draft (ED) 82, Retirement Benefit Plans	1 st April, 2022.	The objective of this ED is to propose the accounting, presentation, and disclosure requirements for the financial statements of a retirement benefit plan. This should increase the transparency and accountability of public sector entities regarding obligations owed to public sector employees and other eligible participants who are members of the retirement benefit plan, and of any deficit in the plan.	NSSF	Comments due by August 1, 2022.	Comments submitted on 1 st August 2022
Consultation Paper, Advancing Public Sector	9 th May, 2022	This objective of this public consultation is to evaluate the demand from stakeholders for	FiRe award evaluators and PAFA technical team	Comments due by September 9, 2022.	Comments submitted on 9 th September 2022

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
Sustainability Reporting		sustainability reporting guidance, as well as the degree of support for the IPSASB's involvement in the process, the priority areas for guidance, and how this might be approached.			
Consultation Paper on Natural Resources.	9 th May, 2022	The objective of the Natural Resources project is to develop guidance to address the issues relating to the recognition, measurement, presentation, and disclosure of natural resources.	<ul style="list-style-type: none"> • Kenya Wildlife services • Kenya Marine and fisheries Institute • KWS Training Institute • Water Resources Authority • Office of the Auditor General 	Comments due by 17 th October 2022.	Comments submitted on 17 th October 2022

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
			<ul style="list-style-type: none"> • Oshwal College • Kenya Film Commission • The National Treasury • ICPAK <p>PSASB organized a virtual consultation forum on the 14th of October 2022 and the above entities were represented.</p>		
Exposure Draft 83 on Reporting sustainability program information- RPG 1 and 3: additional non - authoritative guidance.	3 rd November 2022	The objective of the ED is to provide additional guidance for RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances and RPG 3, Reporting Service Performance Information to facilitate the reporting of	<p>KRA</p> <p>NTSA</p> <p>Kenyatta University</p> <p>KETRACO</p> <p>State Corporations</p>	Comments due by 16th January 2023	Comments submitted on 12th January 2023

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
		<p>sustainability program information.</p> <p>This additional guidance will enhance awareness about the applicability of and help in applying the existing guidance in RPG 1 and 3.</p> <p>For example: disclosures on how to disclose the impact of financing a project through a green bond or using tax expenditure to run a sustainability program e.g climate change.</p> <p>How to report the input, output, outcome, efficiency and effectiveness</p>	<p>Appeals Tribunal</p> <p>Kenya National Library.</p> <p>Kabianga University</p> <p>Enable Youth Program</p> <p>National Council for Nomadic Education</p> <p>National Museums</p>		
Exposure Draft 84: Concessionary	17 th January 2023	The objective of this Exposure Draft (ED) was to propose	FiRe Award	17 th May 2023	Comments were submitted on

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
Leases and Right of Use Assets in Kind (Amendments to IPSAS 43 and IPSAS 23)		<p>amendments to IPSAS 43, Leases on accounting for concessionary leases and consequential amendments to IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers), as well as proposing amendments to IPSAS 23 for new accounting for right-of-use assets in-kind.</p> <p><u>Concessionary leases</u></p> <p>Concessionary leases are those that are given below market rate and it's a common practice in government. For these kinds of leases,</p>	Evaluators		<p>16th May 2023.</p> <p>IPSASB will start reviewing the comment letters in its meeting in September.</p>

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
		<p>the lessee will determine the right of use of the asset at market terms and recognize an asset called right of use and a liability called lease liability. (Computed using contractual payments) and credit revenue with the difference as a non-exchange revenue. (To recognize the grant in form of al lease below market rate)</p> <p><u>Right of use of assets in Kind</u></p> <p>Sometimes a government agency can give another government organisation a premises or an asset</p>			

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
		<p>for use for a particular period of time without consideration in return.</p> <p>In these leases the entity measures the right of use of asset at market terms and recognizes a non-exchange revenue immediately when there are no conditions attached and as a liability when conditions to the lease are attached and subsequently recognize revenue once those conditions are satisfied.</p> <p>Right of use of assets are measured in line with IPSAS 17</p>			

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Exposure Draft/ Consultation paper	Issue date	Objective of the ED/ CP	Input by other entities	Due date	PSASB Action- Responded/ not / scheduled
		including depreciation.			

b) A Summary of FiRe Award Performance

i. Participating Entities

The Table below shows entries received for evaluation under Financial Reporting excellence award for 2022:

Category	No of entries
MDAs	37
SAGAs reporting under IPSAS Accrual	93
State Corporations and SAGAs reporting under IFRS	43
Commissions and Independent offices	20
County Assemblies and Executives	69
National Government-Constituency Development Funds	186
Funds	106
Receivers of Revenue Statements	6
Projects	8
County Corporations	12
Municipalities	10
Car and Mortgage funds	63
Universities	26
Water Companies	43
TVETs	71
Total	793

Compared to 2021 which had a total number of two hundred and eighty-nine (289) entries, the entries for 2022 were seven hundred and ninety-three (793) entries. The high number of entries is attributed to the clearance of the backlog in issuing audit opinions by the Auditor General. The backlog was largely attributed to the delay in filling up the position of the Auditor General after it fell vacant owing to the term lapse of the previous office bearer and the Covid-19 Outbreak.

ii. Overview of Opinions by Participating Entities

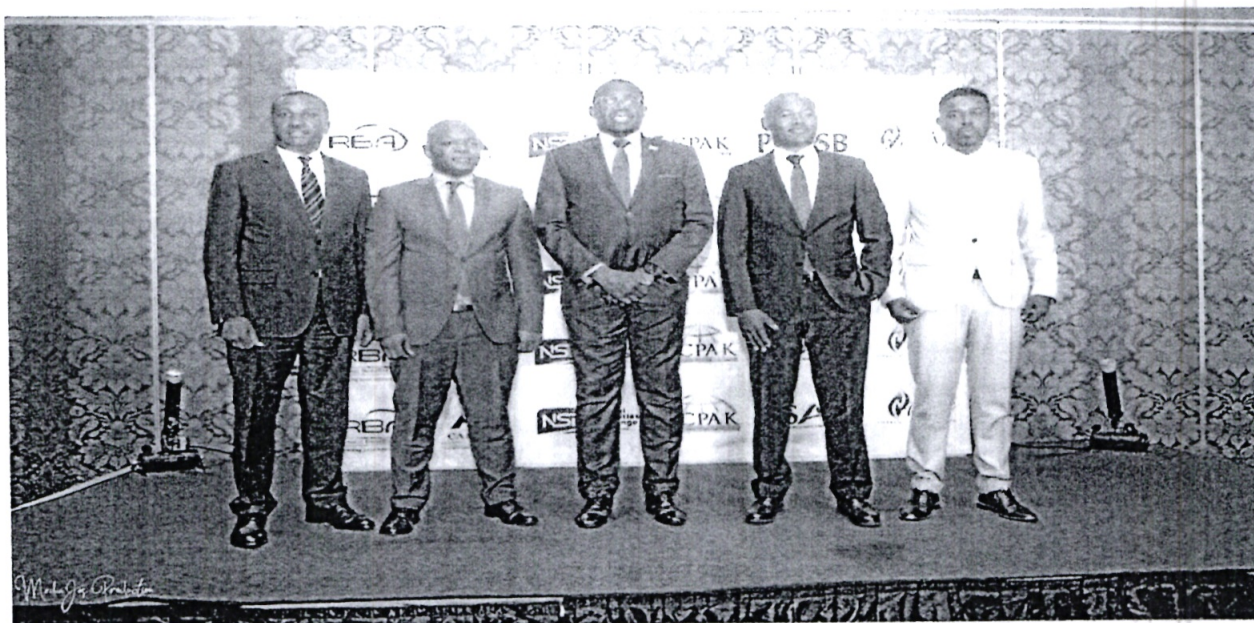
Category	Unqualified	Unqualified Other matter	Unqualified Excepted	Qualified	Adverse	Disclaim	Missing	Total entries
MDAs	2	6	1	27	0	0	1	37
SAGAs under Accrual	18	8	7	53	4	0	3	93
State Corporations under IFRS	1	4	1	32	0	3	2	43
Commissions and Independent offices	1	6	8	3	0	0	2	20

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Category	Unqualified	Unqualified Other matter	Unqualified Except	Qualified	Adverse	Disclaim	Missing	Total entries
County Assemblies and Executives	1	2	0	43	9	1	13	69
NG-CDFS	1	24	0	151	0	0	10	186
Funds	4	15	3	74	4	2	4	106
Revenue Statements	1	1	0	2	0	0	2	6
Projects	1	4	0	3	0	0	0	8
County Corporations	0	1	1	7	1	0	2	12
Municipalities	4	1	0	4	0	1	0	10
Car and Mortgage funds	3	4	2	33	7	6	8	63
Universities	0	2	0	18	5	0	1	26
Water Companies	0	0	0	36	5	2	0	43
TVETs	0	1	0	56	11	2	1	71
Total	37	79	23	542	46	17	49	793

In this year's edition a total of one hundred and thirty-nine (139) entities out of the seven hundred and ninety-three (793) entities received had clean audit opinions representing 17% of the total population. The numbers increased marginally from one hundred and fourteen (114) entities with clean audit opinion in the FiRe award 2021 representing 39% of the total population. Though the numbers increased, there is a reduction in the percentage of the entities with a clean audit opinion.

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The Promoters of the Financial Reporting (FiRe) Award - Public Sector Accounting Standards Board (PSASB), the Institute of Certified Public Accountants of Kenya (ICPAK), the Nairobi Securities Exchange (NSE), the Capital Markets Authority (CMA) and the Retirement Benefits Authority (RBA) - during the launch of the 20th FiRe Award (2022). The Award invited private and public entities to submit their financial reports for assessment between 5 October 2022 to 21 October 2022.

iii. Entities Awarded

No.	Award category	Entities Awarded in Ascending order
1.	Commissions and Independent Offices under IPSAS Cash	<ol style="list-style-type: none"> 1. Office of the Controller of Budget 2. Salaries and Remuneration Commission 3. Office of the Registrar of Political Parties
2.	SAGAs under IPSAS Accrual	<ol style="list-style-type: none"> 1. Kenya Urban Roads Authority 2. Kenya Universities and College Central Placement Service (KUCCPS) 3. Financial Reporting Centre
3.	Ministries, Departments and Agencies (MDAs) under IPSAS Cash	<ol style="list-style-type: none"> 1. State Department for East Africa Community 2. State Department for Infrastructure 3. State Department for Shipping and Maritime
4.	Regulatory Authorities under IPSAS Accrual	<ol style="list-style-type: none"> 1. Kenya Medical Practitioners and Dentist Council 2. Nursing Council of Kenya 3. Scrap Metal Council

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No.	Award category	Entities Awarded in Ascending order
5.	State Corporations under IFRS	1. Kenya Deposit Insurance Corporation 2. Central Bank of Kenya
6.	Promoters Recognition-County Assembly and Executive	1. County Executive of Kisii 2. County Assembly of Elgeyo Marakwet 3. County Assembly of Nyamira
7.	Promoters Recognition-Public Universities	1. Tom Mboya University College 2. University of Kabianga
8.	Promoters Recognition-NGCDF	1. Kasipul Constituency 2. Mukurwe-ini Constituency 3. Wajir West Constituency

iv. General Areas of Noncompliance Noted

a) IPSAS Issued but not yet Effective

Disclosures on whether an entity has not applied a new IPSAS that has been issued but is not yet effective, some entities didn't disclose this fact and also the known or reasonably estimable information relevant to assessing the possible impact that application of the new IPSAS will have on the entity's financial statements in the period of initial application.

b) Early Application of IPSASs

Some entities failed to make disclosures on whether they adopted early application of the IPSAS issued but not yet effective.

c) Disclosure of Accounting Policies

Inadequate disclosures on all Key financial statement accounting policies that are relevant to an understanding of the financial statements. e.g., lease, biological asset, foreign exchange transactions. Other entities copy pasted policies from the template.

d) Structure

Few entities were unable to cross reference each item on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement to any related information in the notes.

e) Risk disclosure

Failure to disclose Credit risk, Liquidity risk, Market risk or any other relevant risk, the methods and assumptions used in preparing the risk analysis and changes from the previous period in the methods and assumptions used.

f) Comparison of Budget & Actual

Few entities failed to make disclosures on explanation of changes between the budget and actual budget been presented in the notes, or in a report issued before, at the same time as, or in conjunction with the financial statements, with a cross-reference to the report in the notes.

g) Authorization Date and Going Concern

Few entities failed to disclose the date when the financial statements were authorized for issue and assessment of the entity's ability to continue as a going concern.

h) Key Management Personnel

Disclosures on the aggregate remuneration of key management personnel, showing separately major classes of key management personnel and including a description of each class is still minimal.

i) Biological assets disclosures

Where the entity has biological assets, below disclosures should be provided on the notes.

- i. A description of biological assets that distinguishes between consumable and bearer biological assets.
- ii. The nature of its activities involving each group of biological assets.
- iii. Non-financial measures or estimates of the physical quantities of:
- iv. Each group of biological assets at the end of the period?
- v. Output of agricultural produce during the period?
- vi. Disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.

Most of these disclosures were omitted where entities had biological assets.

j) Sub-Classifications of the Line Items

Inadequate disclosures on further sub-classifications of the line items, classified in a manner appropriate to the entity's operations either on the face of the statement of financial position or in the notes especially where the items are material in amounts.

k) Borrowing Cost Disclosures

Where borrowing costs featured the disclosures on following issues regarding borrowing cost using the alternative method were poorly disclosed

- i. the accounting policy adopted for borrowing costs.
- ii. the amount of borrowing costs capitalized during the period.
- iii. the capitalization rate used to calculate capitalized borrowing costs.

l) Disclosures on provision -The nature and expected timing of outflows of provisions should have been disclosed.

m) Level of Rounding in the Financial Statements -The entities should include information on the level of rounding used in the financial statements for a proper understanding of the information presented. some entities failed to disclose this fact.

n) Related Party Disclosures

Some entities failed to disclose the nature and type of transactions that have occurred with related party relationships.

o) Public Finance Management Act 2012

The PFM Act 2012 is applicable to all public sector entities and seeks to ensure effective management of public finances by the national and county governments as well as state corporations. The act lays down some of the disclosures that are to be provided by entities. During the evaluation the main non-compliance issues included: -

- i. Failure to include the name and signature of the accounting officer who signed the annual report and audited financial statements.

- ii. The disclosures of assets and liabilities require significant improvement to facilitate inventory of assets.

p) Pending Bills

Analysis of pending bills, outstanding Imprest, and other payables – several entities simply provided a listing as opposed to including aged analysis.

q) Entity's Performance against Predetermined Objectives

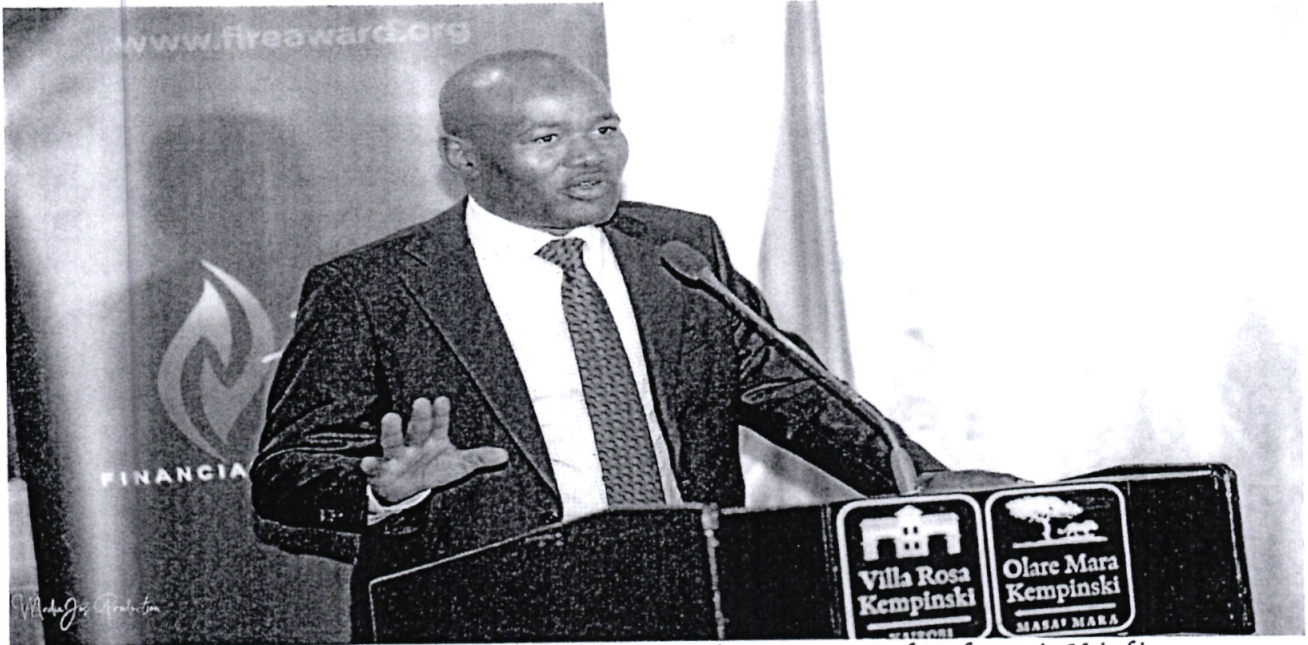
Very few entities presented a statement of the entity's performance against predetermined objectives – This can be achieved by providing a detailed performance reports template for MDAs and other entities to populate which links the strategies of the entities to its performance and budget(s). PSASB has included in the reporting templates a statement of performance against predetermined objectives which cures this finding.

r) Environmental Sustainability Reporting

Majority of public sector entities did not make adequate disclosures under this area on the importance of sustainability and how it is integrated within their core activities. Entities should strive to report not only on achievements but also the challenges and failures as this enhances credibility and gives a balanced view on the situation.

s) Governance Reporting

The issue of governance reporting has continued to gain prominence and attention at the high echelons of various organizations. The same can be stated for most of the entities that participated in this year's award. Valuable lessons on governance can be learnt from the various corporate governance failures of the past. The number of entities dedicating a page(s) to report on governance related matters is increasing. This is an encouraging development since it does not only enhance the degree of information disclosed in the report but also sends a signal on the importance attached to this aspect.

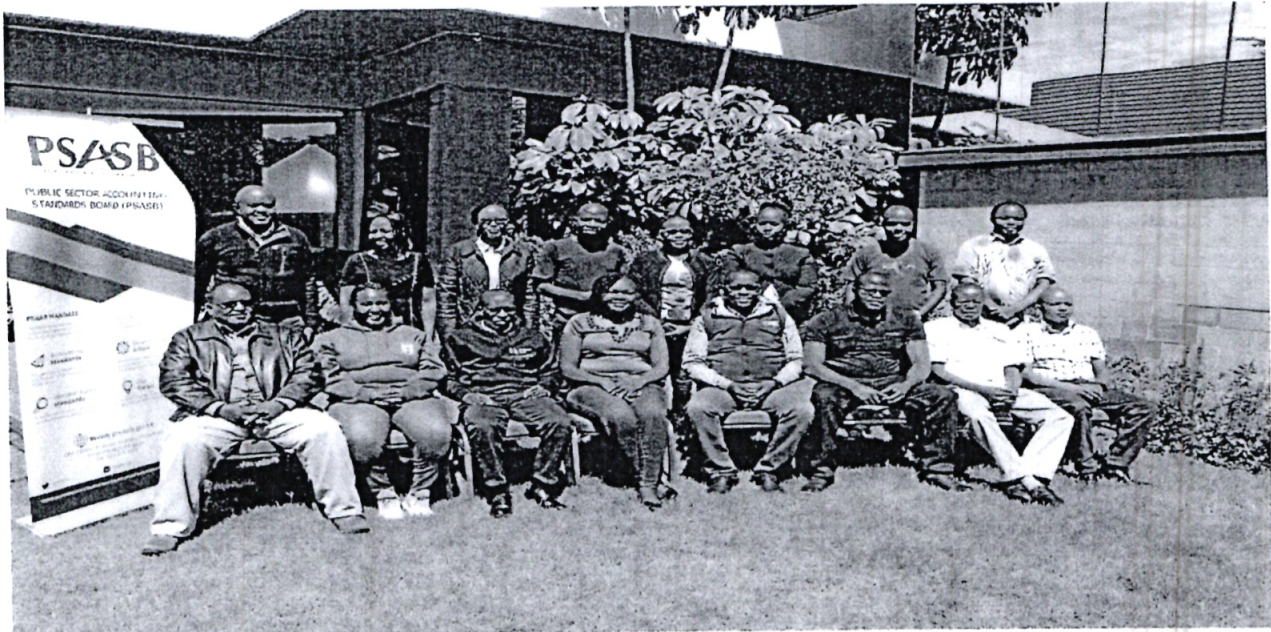


PSASB CEO FCPA Fredrick Riaga addresses stakeholders during the Pre FiRe Award Conference in Nairobi.

8.3 Board's Compliance with Statutory Requirements

PSASB has complied with its establishing Act, the PFM Act, 2012. The Board's procurement is also undertaken in accordance with the provisions of the Public Procurement and Assets Disposal Act, 2015. It has also complied with other legal requirements on submission of statutory deductions to KRA and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss.

8.4 Key Projects and Investment Decisions the Board is Implementing



Public Sector Accounting Standards Board officials, together with those from other organizations -public and private- pose for a group photo during the validation of the Public Sector Risk Management Guidelines in Naivasha on 18th November 2022. The event was facilitated by PFMR.

The Board seeks to focus on the following key areas:

a) **Migration from cash to accrual accounting for National and County Government Entities**

To facilitate the migration to accrual accounting by National and County Government entities, the Board is looking to ensure the following activities/ projects are carried out in the next financial year:

- i. **Approval of the cabinet memo for the transition from cash to accrual accounting for national and county governments-** PSASB is working closely with the National Treasury to secure approval from cabinet on the transition from cash to accrual accounting by the Government Ministries, Departments and Agencies and County governments and their entities. This approval will pave way for the commencement of the transition process and is also geared to unlock funding and give guidance on the date of transition and the transition period among other issues.

- ii. **Gazettement of the transition date and appointment of a steering committee**– Upon cabinet approval, the PSASB in consultation with the Cabinet Secretary will gazette the effective dates of the transition as required by the PFM Act. The approval will also pave way for the appointment of the steering committee. Accrual accounting is a multi- stakeholder project that requires support and input from the standard setters, the policy makers, implementers, users of the financial statements amongst others. This therefore calls for a joint approach to the project that includes all the key players and decision makers. A steering committee will offer overall direction of the project to ensure that the milestones envisioned in the roadmap to accrual accounting are achieved. The committee will also coordinate the activities of the technical working groups towards the realisation of a seamless transition. PSASB is working closely with the National Treasury to ensure that this committee is appointed and resourced.

- iii. **Standard Chart of Accounts (SCOA)**– This is the systematic coding of transactions in the financial management system. The progress of setting up a chart of accounts that can support accrual reporting and programme reporting is near completion by the National Treasury. The Board is keen on the development of the chart of accounts and is actively involved in the review and consultation of the progress. The SCOA is a key component to accrual migration since it will include economic items relating to Assets and Liabilities that will support accrual accounting in the Government Accounting System IFMIS.

- iv. **The adoption of accrual accounting will lead to changes in information systems**- A systemic capability review of IFMIS has been undertaken and it has been demonstrated that for the system to support implementation of the project on transition to accrual accounting, the system would need to be re-coded taking into account, the new Standard Chart of Accounts highlighted above, specifically targeting assets and liabilities related modules within broader IFMIS system. This process will include development of specifications to translate the assets and liabilities policies as

detailed in the documents into accounting information that can be coded in the system. This process may be time and resource consuming and should therefore be prioritised and well managed. This will be achieved through a detailed work plan within the IFMIS department to ensure that the specifications are developed, the system is updated and tested, and the users are trained, and capacity built.

- v. **Development of guidelines, templates, and tools to steer the transition process-** The Board has included in its immediate and short-term plans to develop accrual based financial reporting templates for the national and county government entities, prepare transition guidelines, update the guidelines on recognition of assets and liabilities and the transition roadmap along other tools. This will aid the transitioning organisations to conduct a smooth transition and in their financial reporting.
- vi. **Sensitisation, dissemination of standards and capacity building-** The Board in collaboration with key stakeholders will continue to sensitise, disseminate and capacity build public sector accountants and players within the PFM cycle on the accrual accounting standards and the requirements of the transition process. The capacity building will done in the transition period and beyond.

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PSASB conducts a field visit in Narok County to monitor the implementation of the following additional financial reporting templates issued in 2022: County Revenue Fund (CRF), County Receivers of Revenue (CROR), Water Companies, Level 4 & 5 Hospitals and Cities/Municipalities. The templates are aimed at enhancing accountability and ensuring completeness in the reporting of how public resources are used.

b) Strengthening internal audit and risk management functions in the public sector.

Board has instituted the following programmes in a bid to enhance internal audit function of public entities;

- i. Training of Audit committees and internal audit staff in the public sector:** The Board has continued to provide training and guidance to Audit committees and internal auditors in the public sector. During the year a number of internal auditors and audit committees were trained. Going forward, the Board will continue training the audit committees, to advocate for their establishment, right placement in the organisational structure, funding and implementation of matters arising from the audit processes.

- ii. Piloting of Guidelines on risk management for National and County Governments-** PSASB in collaboration with the Internal Auditor General's Department developed Government-wide Integrated Risk Management Policy, Public Sector Risk

Management guidelines with attendant templates to guide public sector entities in establishing and implementing policy frameworks on risk management. During the year the Board undertook piloting of the Public Sector Risk Management guidelines in various state corporations. Going forward the Board will continue piloting the Guidelines in County Governments and State corporations. The board would further champion the piloting of the Government-wide integrated risk management policy to promote effective risk governance in the country by ensuring that national critical risks are managed through an integrated approach, and mechanisms that support the achievement of national interests and Government objectives as enshrined in the Constitution of Kenya 2010. The policy will facilitate the development of a national risk profile.



In a bid to disseminate Internal Audit Standards across the public sector, Director Internal Audit Standards, Mr. Edwin Tito (left), on behalf of PSASB, issues IPPF Books to Internal Auditors from various public sector entities during the 20th Internal Audit Annual Seminar in Mombasa. The seminar aimed at enabling public sector internal auditors to learn new skills, explore new technologies and provide networking opportunities to enable them to respond effectively to shifting business, assurance, and risk landscapes.

- iii. Development of manuals, templates and tools-** The Board will embark on the revision of the internal audit manual and its attendant templates in terms of internal audit charters, audit committee charters and annual work plans for State corporations. Revision and implementation of the manual will enhance the quality and effectiveness of internal

auditors in conforming with the Global Internal Audit Standards that would come into effect in January 2024. The Board will also revise the county internal audit programs manual as a source of reference in carrying out various types of audits such as value for money audit, procurement audit, financial audit, Human resource audit among others.

c) Enhance implementation of prescribed standards to various categories of entities and increase the coverage of entities reporting using prescribed accounting standards in the public sector.

The board seeks to improve the uptake of Prescribed standards for different sub-sectors within the public sector with a view to improve accountability and transparency through financial reporting.

- i. Public Secondary Schools-** The Board will continue to collaborate with the National Treasury, the Ministry of Education and the Office of the Auditor General to promote implementation of financial reporting by public secondary schools. To promote implementation, the Board will continue to update and provide financial reporting templates for the schools, conduct training and sensitisation programmes, monitoring and evaluation as well as issuing reports with recommendations for the entities to consider and improve. In the coming year, the Board plans to prepare a simplified online course for the school bursars in relation to accounting and financial reporting for schools.

- ii. Public Hospitals-** PSASB is focused on the health sector to ensure there is improved accountability for public resources. PSASB issued a financial reporting template for level 4 and 5 hospitals under the IPSAS Accrual basis of accounting for application on the year ended 30th June 2022. In order to improve implementation, the Board has continued conduct sensitisation forums both virtually and physically for the accountants working in these hospitals. The Board plans to upscale sensitisation and training for the hospitals. In addition, PSASB will collaborate with key stakeholders to provide policy decisions on some of the challenges hampering these institutions from reporting. Monitoring compliance of reporting by hospitals will also be a key activity for PSASB in order to inform

other activities that will promote implementation of accrual basis of accounting by these institutions across the country.

- iii. Public Primary Schools-** PSASB plans to develop and issue a simplified financial reporting template for Public Primary Schools. This will facilitate transparency and accountability of funds given as capitation by Government towards the Free Primary Education Programme in Kenya. The reporting template will also standardize reporting by close to 33,000 public primary schools in Kenya. This project is expected to commence in the FY 23/24 by conducting a gap analysis to assess the level of reporting currently for primary schools with a view to issue a financial reporting template for this cluster of entities.
- iv. Financial reporting for selected National Government and County Government Funds-** PSASB plans to prepare financial reporting templates for government money lending funds as well for the bursary and emergency fund under the county governments. This will assist in the preparation of more transparent financial statements by the concerned entities.

New Accounting Standards in Issue

The Secretariat is working to conduct the following activities in view of the implementation and application of the new standards.

- i. Sensitization of the preparers of financial statements of the changes and how they will be affected.
- ii. Training and capacity building of affected entities
- iii. Formation of a technical team to advise the Board on challenges especially for **IPSAS 43** and **IPSAS 44**.

The new standards are as listed below:

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	Standard	Objective	Entities expected to be affected	Applicable date
1.	IPSAS 43- Leases	The standard proposes a right of use model for lessees (leased assets will now come in the balance sheet under an asset called the right of use an example is rent on a leased building) The standard seeks to eliminate off balance sheet financing which the current case under operating leases. There will no longer be distinction between finance and operating leases (under the current IPSAS 13) and the standard will now be aligned to IFRS 16 that came into effect in 2018.	All entities that have leasing arrangements	1 st January 2025
2	IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Objective is to standardize accounting for assets that meet the criteria to be classified as held for sale and have them to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease. The assets will be presented separately in the statement of financial position and the results of discontinued	All entities holding assets for sale	1 st January 2025

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	Standard	Objective	Entities expected to be affected	Applicable date
		operations to be presented separately in the statement of financial performance.		

8.5 Major risks facing the Board

Strategic risk– PSASB’s strategy may become less effective in facilitating achievement of its mandate due to changes in the operating environment. PSASB regularly monitors its strategic plan with the aim of advising the Board on mitigation strategies. The Board has approved the strategic plan 2021/22 to 2025/26 for implementation which was launched on 7th July 2022.

Compliance risk- PSASB as a Government institution is expected to comply to provisions of various laws and circulars. The Board complies with all relevant laws and circulars issued from time to time.

Financial risk- PSASB is fully funded by the National Treasury through transfers from the exchequer. Although the operations of the Board have increased over the years, the budgetary allocation has remained static. As highlighted above, the Board has approved training and capacity building as possible sources of funding to supplement the transfers from the National Treasury in order to deliver effectively on its mandate.

Operational risk- Covid 19 pandemic has brought many challenges in the workplace. Staff members have been impacted in different ways. This has occasioned instances where staff members’ operational efficiency is affected. Moreover, the occasional government directives on the protocols aimed at curtailing the spread of the virus including has meant for instance, staff working in shifts or from home. In a bid to comply with the ministry of health protocol, the Board conducted occasional fumigations that meant all members of staff working from home. The staff effectiveness in some operational activities that require individual’s physical engagement was compromised. With the pandemic still not over, these operational exposures are still present. The staff, however,

will be inducted to familiarize with the new circumstance and execute the board's mandate within new circumstances.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Below is an outline of PSASB's policies and activities that promote sustainability.

7.1 Sustainability Strategy and Profile

The Board plays a critical role in enhancing accountability through its standards and tools. The Board promotes value for money and effective use of resources by Government entities. To facilitate effective operations in realizing its mandate, the Board requires higher budget allocation than it is currently. Meanwhile, the Board strives to control its expenditures by complying with the National Treasury's cost-containment measures. It also collaborates with its stakeholders on areas of mutual interest in order to deliver its mandate within the constrained environment. The Board plays a critical role in promoting employability by providing internship programs to students. The Board has developed a new strategic plan for the next five years (2021/22- 2025/26). This strategic plan seeks to take the Board to the next level beyond the initial establishment and consolidate the gains achieved since 2014.



PSASB FCPA Fredrick Riaga addresses the staff during an operational meeting at PSASB Boardroom.

7.2 Environmental Performance

The strategy of the Board is to collaborate with like-minded institutions to conserve the environment through tree planting and other measures. The Board participated in the 7th edition of the Kaptagat Forest Annual Tree Planting where they made a donation of 3,000 tree seedlings. In addition, The Board seeks to conserve, water, and electricity through effective use of these resources to conserve the environment and its elements. During the year, the Board undertook ERP implementation which has improved efficiency in the Board operations. Staff are able to do store requisitions and purchase requisitions on the staff portal thus reducing usage of printing papers. The Board also enhanced the supply chain module to include a robust e-procurement platform where suppliers interact with the Board online. This has eliminated the paper-based tendering process.

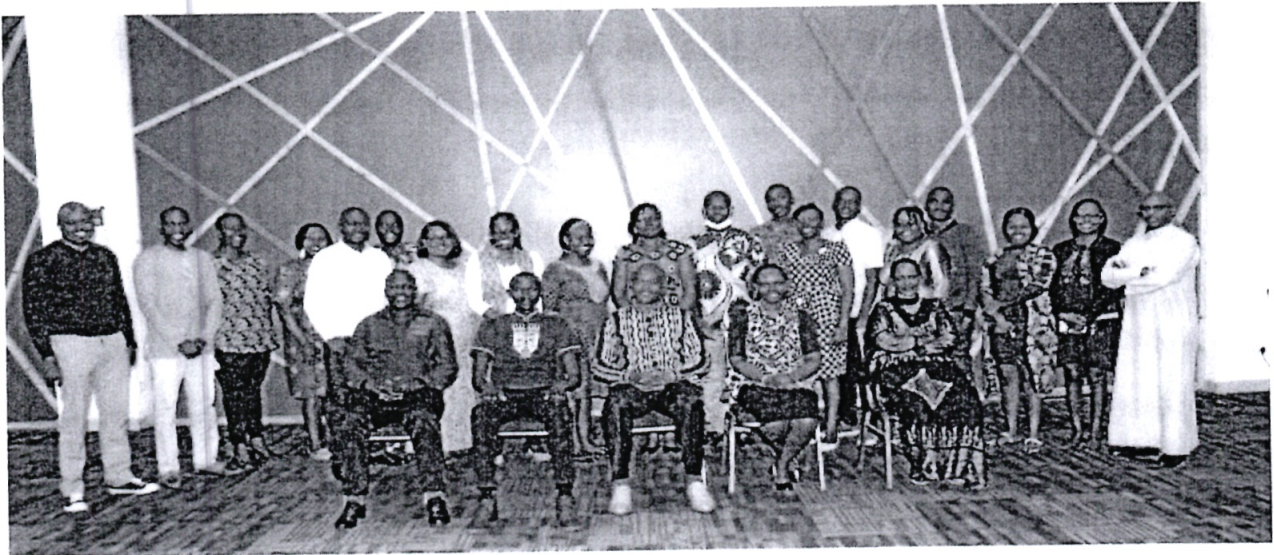
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7.3 Employee welfare

Employees are the most important asset of the Board. The Board endeavours to create a conducive work environment where each of our employees feels valued as a member of the team. The Board sensitized the staff on the ERP system. Staff can now account for imprest via the staff portal thus improving compliance of Imprest accounting and also access HR-related modules such as leave application and payslips therefore, increasing staff productivity and efficiency. The Board facilitated all staff to attend CPDs in the financial year. COVID- 19 essential supplies sanitizers were provided for the staff. The office was also cleaned regularly in line with the Ministry of Health guidelines. All members of staff have medical insurance to cater to the well-being of themselves and their families.



PSASB staff during a staff retreat program on 22nd December 2022. Prudent personal finance management is critical to prosperity and wealth creation.

7.4 Market place practices-

PSASB has put in the following practices with respect to:

(a) Responsible Competition practices

The Board has a Stakeholder Engagement Policy, an Anti-corruption and Bribery Policy, and Communications Strategy to all its stakeholders.

There is also a Fraud and Corruption prevention policy in place.

(b) Suppliers

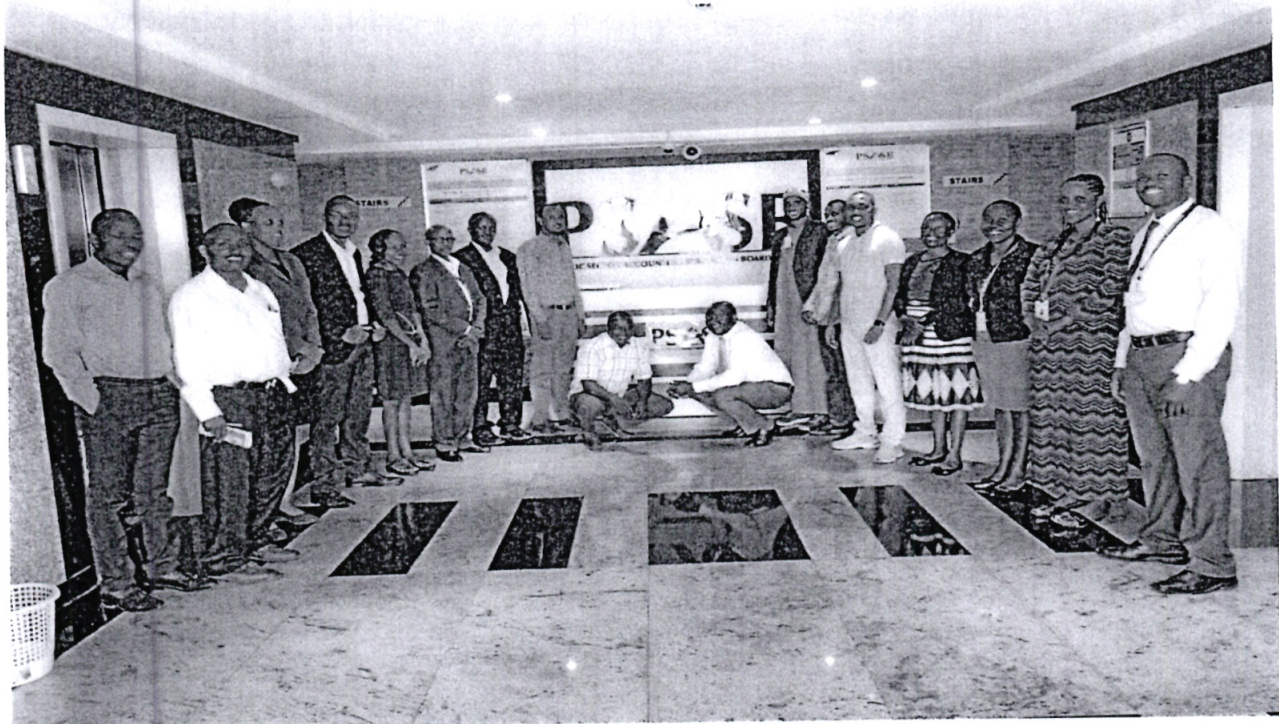
The Board's procurement process is guided by the provisions of the Public Procurement and Asset Disposal Act, 2015. During the year the Board implemented the following strategies.

- a) Developed clear requirements, and TORs to discourage any misinterpretation by the supplier.
- b) Advertised for registration of suppliers to develop a pool of suppliers to enhance competition.
- c) Advertised all its open tender opportunities through its website to ensure interested suppliers access similar information.
- d) Ensured that pending bills were maintained at their lowest at any given period.

(c) Customers/ constituents

The Board's key stakeholders who can also be termed as its customers are the public sector accountants and internal auditors. The following strategies were applied to ensure customer satisfaction:

- e) Ensured public participation in the development of reporting templates and tools.
- f) Responded to all technical queries from constituents on financial reporting and internal auditing within 14 days.
- g) Ensured all reports, developed tools, templates, and resources are availed for use by our constituents through various forums including the PSASB website.
- h) Ensured constant communication to our key stakeholders on any areas of development.



Stakeholder Engagement: PSASB officials pose for a photo with representatives from Isiolo County Government when they paid the Board a courtesy call.

(d) Stakeholders

The Board's mandate requires key stakeholder engagement and management. The following strategies were implemented by the Board to ensure seamless operations with key stakeholders:

- i) Stakeholder mapping and reaching out to introduce the mandate of PSASB.
- j) Regular meetings with the stakeholders.
- k) Assisted Counties, National Government entities, State Corporations, and SAGAs in the application of standards and the use of financial reporting.
- l) Presentations during stakeholders organised events.
- m) Partnership in areas of mutual interest.

7.5 Community Engagements

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The Board participated in a tree planting exercise in a bid to conserve Kaptagat Forest in Elgeyo Marakwet County to battle climate change. The Board also assisted the needy students undertaking KASNEB examinations.



Dr Chris K. Kiptoo, CBS, Principal Secretary, National Treasury (Second left) share a light moment with PSASB Chief Executive Officer, FCPA Fredrick Riaga (Second right) in Kessup forest during the 7th edition of Kaptagat forest annual tree planting.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Board's affairs.

i) Principal activities

The principal activities of the Board are to set generally accepted accounting and internal auditing standards for public sector entities in Kenya.

ii) Results

The results of the Board for the year ended June 30, 2023, are set on page 1 to 42 of these Annual report and financial statements.

iii) Directors

The members of the Board of Directors who served during the year are shown on page viii

iv) Auditors

The Auditor General is responsible for the statutory audit of the Board for the year ended June 30, 2023, in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board.


Chief Executive Officer/Secretary to the Board

Date.....27.07.2023.....

12. STATEMENT OF DIRECTORS' RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012 requires the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on 30th June 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

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Approval of the financial statements

The Public Sector Accounting Standards Board 's Annual report and financial statements were approved by the Board on **27th July 2023** and signed on its behalf by:

Signed:

FCPA Pius Nduatih

Chairman

Sign.....


Date: 27th July, 2023

CPA Edwin Njamura

Convener, GSC

Sign.....


Date: 27th July, 2023

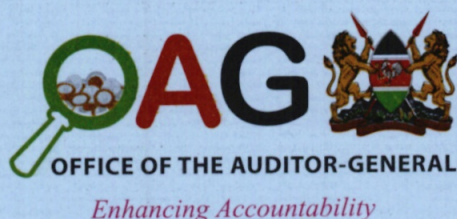
FCPA Fredrick Riaga

CEO/Secretary to the Board

Sign.....


Date: 27th July, 2023

REPUBLIC OF KENYA



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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Public Sector Accounting Standards Board set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget

Report of the Auditor-General on Public Sector Accounting Standards Board for the year ended 30 June, 2023

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Sector Accounting Standards Board as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Sector Accounting Standards Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components, does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 August, 2023

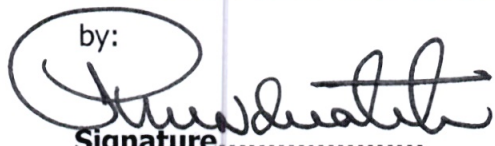
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14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Period ended June 30 23	Period ended June 30 22
		KES	KES
Revenue from non-exchange transactions			
Transfers from the National Treasury	6	172,900,000	142,900,000
Public contributions and donations (PFMR)	7	11,796,135	10,970,682
Revenue from exchange transactions			
Other Incomes	8	1,033,073	908,238
Total revenue		185,729,208	154,778,920
Expenses			
Use of goods and services	9	50,091,038	42,560,591
Employee costs	10	74,294,801	63,099,381
Board Expenses	11	12,854,049	6,239,165
Travel and Subsistence Cost	12	21,717,317	14,831,509
Depreciation and amortization expense	13	9,731,256	11,944,787
Standard Dissemination, Monitoring and Evaluation	14	24,392,495	21,655,940
Repairs and maintenance	15	1,366,228	2,205,302
Contracted services	16	814,400	1,620,000
Total expenses		195,261,584	164,156,675
Surplus before tax		(9,532,377)	(9,377,755)
Taxation	17	(106,909)	(218,063)
Net Surplus/(deficit) for the period		(9,639,286)	(9,595,818)

The financial statements set out on pages 1 to 38 were signed on behalf of the Board of Directors

by:

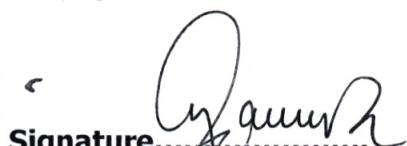


Signature.....

Name: FCPA Pius Nduatih

Chairman of the Board

Date: 27th July 2023



Signature.....

Name: CPA Edwin Njamura

Convener – GSC

Date: 27th July 2023



Signature.....

Name: FCPA Fredrick Riaga

Chief Executive Officer

Date: 27th July 2023

ICPAK M/No 5763

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		Period as at 30th June 2023	Audited Prior Year
	Note	KES	KES
Assets			
Current assets			
Cash and cash equivalents	18	27,136,154	34,527,432
Receivables from exchange transactions	19	1,027,055	445,833
Prepayments	20	6,540,156	5,898,676
Inventories	21	1,480,012	2,944,093
Total current assets		36,183,377	43,816,034
Non-current assets			
Property, plant, and equipment	22	37,765,412	43,988,192
Intangible Assets	23	11,816,122	14,507,098
Total Non-Current Assets		49,581,534	58,495,289
Total Assets		85,764,911	102,311,323
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	24	4,304,402	3,457,259
Tax Liabilities	25	18,268	101,827
Non-Current liabilities			
Non-Current employee benefit obligation	26	2,840,468	10,511,179
Total liabilities		7,163,138	14,070,265
Net assets			
Net deficit for the period		(9,639,286)	(9,595,818)
Accumulated surplus		88,241,059	97,836,877
Total net assets		78,601,773	88,241,059
Total net assets and liabilities		85,764,911	102,311,323

The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Directors by:

Signature.....

Name: FCPA Pius Nduatih

Chairman of the Board

Date: 27th July 2023

Signature.....

Name: CPA Edwin Njamura

Convener – GSC

Date: 27th July 2023

Signature.....

Name: FCPA Fredrick Riaga

Chief Executive Officer

Date: 27th July 2023

ICPAK M/No 5763

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
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For the year ended 30 June 2023

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

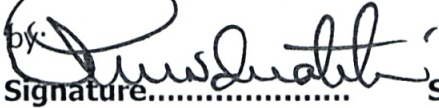
Period	Retained earnings KES	Total KES
At July 1, 2021	97,836,877	97,836,877
Deficit for the year	(9,595,818)	(9,595,818)
At June 30, 2022	88,241,059	88,241,059
At July 1, 2022	88,241,059	88,241,059
Deficit for the year	(9,639,286)	(9,639,286)
At June 30, 2023	78,601,773	78,601,773

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Period ended June 2023	Prior year Audited
	KES	KES
Receipts		
Government grants and subsidies- Transfers from National Treasury	172,900,000	163,625,000
Interest income	590,942	908,238
Total Receipts	173,490,942	164,533,238
Payments		
Board Expenses	13,097,474	6,239,165
Employee costs	83,633,628	61,395,855
Travel and Subsistence Cost	21,697,792	12,377,409
Use of goods and services	46,203,407	39,452,791
Repairs and maintenance	1,366,228	2,205,302
Standard Dissemination, Monitoring and Evaluation	12,604,235	11,877,100
Contracted services	814,400	1,320,000
Total payments	179,417,164	134,867,622
Net cash flows used in operating activities	(5,926,222)	29,665,616
Cash flows from investing activities		
Purchase of property, plant, equipment, and intangible assets	(1,465,056)	(7,540,015)
Net cash flows used in investing activities	(1,465,056)	(7,540,015)
Net (decrease)/increase in cash and cash equivalents	(7,391,278)	22,125,601
Cash and cash equivalents at beginning of the year	34,527,432	12,401,833
Cash and cash equivalents at end of the year	27,136,154	34,527,432


The Financial Statements set out on pages 1 to 38 were signed on behalf of the Board of Directors

by: 
 Signature.....

Name: FCPA Pius Nduatih
Chairman of the Board
Date: 27th July 2022


 Signature.....

Name: CPA Edwin Njamura
Convener – GSC
Date: 27th July 2022


 Signature.....

Name: FCPA Fredrick Riaga
Chief Executive Officer
Date: 27th July 2022
ICPAK M/No 5763

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original Annual Budget	Adjustments	Final Annual Budget	Actual Cumulative to date	% Utilization	Notes
	A	B	C=a+b	d	E=d/c%	
Revenue	KES	KES	KES	KES		
Transfer from National Treasury	142,900,000	30,000,000	172,900,000	172,900,000	100%	a
Balance blf from FY2021/22	24,016,253	-	24,016,253	24,016,253	100%	
Interest income	1,000,000	(100,000)	900,000	590,942	66%	b
PFMR Funding	162,000,000	(149,980,000)	12,020,000	11,796,135	98%	c
UNICEF Funding	10,000,000	(7,000,000)	3,000,000	-	0%	d
Training fees transferred from KSG	10,000,000	(10,000,000)	-	-		
Total income	349,916,253	(127,080,000)	212,836,253	209,303,330		
Expenses						
Board Expenses	16,110,210	-	16,110,210	13,097,474	81%	e
Employee Cost	83,812,640	(6,550,000)	77,262,640	73,122,446	95%	f
Use Goods and services	82,452,121	14,786,384	97,238,505	80,505,437	83%	g
Repair and Maintenance	1,544,250	200,000	1,744,250	1,366,228	78%	h
Contracted Services	1,579,500	(100,000)	1,479,500	814,400	55%	i
Purchase of Assets	2,417,532	4,563,616	6,981,148	1,465,056	21%	j
PFMR Funded activities	162,000,000	(149,980,000)	12,020,000	11,796,135	98%	
Total expenditure	349,916,253	(137,080,000)	212,836,253	182,167,176		
Surplus for the period	-	10,000,000	-	27,136,154		

Budget notes: Explanation of differences between actual and budgeted amounts

- a) The Board received full disbursement for the first four quarters from National Treasury according to the budget as of the close of the financial year. The Board received a supplementary budget of KES 30 million for its operations which was also fully disbursed and reported.
- b) The interest income for the year was below the projections. The Board reviewed the interest income budget downwards in the supplementary budget. Further delays in disbursements from National Treasury would not improve the account balance hence low interest income performance.
- c) By the close of FY 98% of the PFMR funding was received towards payment of the PFMR funded activities of mutual objectives. The budget was reviewed downwards following the reviewed and agreed workplan between PFMR and PSASB.
- d) The UNICEF funding was approved for implementation. The KES 10 million was to be disbursed over a period of three (3) years hence the review of the budget to KES 3 million. However, the funds had not been disbursed by the close of FY2022/23. The funds are expected and budgeted for FY2023/24.
- e) The new Board was appointed on October 8th, 2021, with the rest of the members being Gazetted effective 1st April 2022 to complete the full constitution of the PSASB Board. The Board expenses are incurred towards the Board's activities.
- f) The employee remuneration for the Year was within the budget. The review in the budget was due to new staff who were supposed to be recruited earlier in the year but joined the Board in quarter four.
- g) Use of goods and services was due to high uptake of activities undertaken by the Board during the year in line with its mandates. The improved budget resulted from availability of funds occasioned by the supplementary budget that allowed execution of activities in the workplan for the FY.
- h) The absorption of repair and maintenance was at 78% of the budget. The Board will continue to effectively administer its assets to guarantee efficient usage and to derive economic value.
- i) The contracted services cost relates to security guards contracted by the Board as well as the professional services engaged by the Board. Most of the latter have been consumed and accrued in this year hence reflecting 55% of the budget.
- j) The budget on fixed asset was improved during budget review to cater for the needs of the Board in improving the working environment for efficient service delivery. However, due to delays in exchequer release, the related budget for these works and service will be carried into the next FY.

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19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Public Sector Accounting Standards Board (PSASB) Board is established by and derives its authority and accountability from the Public Finance Management Act 2012. The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The Board's principal activity is to set generally acceptable accounting and internal auditing standards for the Kenyan Public Sector.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The Board did not have items of property, plant, and equipment for which to measure at re-valued amount. There were no marketable securities and financial instruments to be measured at fair value, nor impaired assets to be measured at their estimated recoverable amounts and actuarially determined liabilities measured at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in **Note 5** of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The management has assessed the expected effects of IPSAS 41 on its financial statements. It is expected that when adopted, impairment of receivables by the Board may be affected. However, these receivables are not material in nature and the collectability is certain and therefore the impact from its adoption may not be significant.</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The</p>

PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Annual Reports and Financial Statements
For the year ended 30 June, 2023.

Standard	Effective date and impact:
	<p>information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>The management has assessed the impact of IPSAS 42 on Social Benefits as insignificant since it is not involved in alleviating social problems through transfers.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>These changes have been assessed and have no effect on the operations of the Board.</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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Standard	Effective date and impact:
	<i>These changes have been assessed and have no effect on the operations of the Board.</i>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>These changes have been assessed and the Board's leased assets will be impacted upon application of this standard. The Board is in the process of assigning the standard for implementation.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>These changes have been assessed and at the moment they have no effect on the operations of the Board. Where the Board identifies assets for sale, they shall be classified separately from PPE in the year such decision is made.</i></p>

iii. Early adoption of standards

The Board did not early – adopt any new or amended standards in year 2022/2023.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Board and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income.

ii) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget.

The Board's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Note **31** of these financial statements.

b. Taxes

i. Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Board operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c. Property, plant, and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on property, plant and equipment is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life. Depreciation is done quarterly with assets acquired in the course the quarter being depreciated from the subsequent quarter using the following annual rates;

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Summary of Significant Accounting Policies (Continued)

Asset	Rate (%)
Computers, Computer Accessories and Infrastructure	33.33
Motor Vehicles	25
Furniture, Fittings and equipment	12.5

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The value of intangible asset is amortized over its useful life at a rate of 20% per annum using reducing balance method.

The useful life of the intangible assets is assessed as either finite or indefinite.

e. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. PSASB does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is

Summary of Significant Accounting Policies (Continued)

held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Summary of Significant Accounting Policies (Continued)

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

2. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

f. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Board.

Summary of Significant Accounting Policies (Continued)

g. Provisions

Provisions are recognized when the Board has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h. Contingent liabilities

The Board does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

i. Contingent assets

The Board does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Board in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j. Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. Currently, the board retained earnings comprise of surplus relating to prior periods.

k. Changes in accounting policies and estimates

The Board recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Summary of Significant Accounting Policies (Continued)

l. Employee benefits

Retirement benefit plans

The Board provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Board pays fixed contributions into a separate Board (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

m. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n. Related parties

The Board regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

o. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held in various commercial banks at the end of the financial year.

Summary of Significant Accounting Policies (Continued)

p. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

q. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Board's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made such as:

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i)** The condition of the asset based on the assessment of experts employed by the Board.
- ii)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii)** The nature of the processes in which the asset is deployed.
- iv)** Availability of funding to replace the asset.
- v)** Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Significant Judgments and Sources of Estimation Uncertainty (continued)

d) Provision for bad debts

It is the boards policy to assess the impairment of individual debts on an annual basis and provide for each of them on the prevailing circumstance.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from the National Treasury

a) Transfer from the National Treasury

Description	Year ended 30 th June 2023 KES	Year ended 30 th June 2022 KES
Unconditional Grant		
Quarter 1	35,725,000	35,725,000
Quarter 2	35,725,000	35,725,000
Quarter 3	35,725,000	35,725,000
Quarter 4	65,725,000	35,725,000
Total Grants Received	172,900,000	142,900,000

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KES	Amount deferred under deferred income KES	Amount recognised in capital fund. KES	Total transfers 2022/23 KES	Prior year 2021/2022 KES
The National Treasury and Planning	172,900,000	-	-	172,900,000	142,900,000
Total	172,900,000	-	-	172,900,000	142,900,000

7. Public Contributions and Donations

Description	Year ended 30 th June 2023 KES	Year ended 30 th June 2022 KES
Grants from PFMR	11,796,135	10,970,682
Total	11,796,135	10,970,682

During the year, the board prepared a work plan to the Public Finance Management Reforms (PFMR) on areas of reform as per their strategic plan. The approved work plan had activities costed at KES. 12.02 million out of which KES. 11.79 million was funded. The balance of 0.23 million was not funded despite being in the approved work plan due to the reduced budgets for the same period.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
Interest Income from Co-operative Bank of Kenya	590,942	908,238
Training Income	150,000	-
Recognized decrease in provisions	292,131	-
Total interest income	1,033,073	908,238

Interest income relates to income earned during the year from the monthly bank balances on the account held at the Co-operative Bank of Kenya. These are gross amounts before withholding tax.

The deferred income is as a result of training fee paid by Kilifi County and was realised within the FY2022/23 and dully expensed

The decrease in provisions resulting from prior year over provision of staff final dues is shown below.

Description	KES
Prior year provision of staff dues payable	1,591,210
Staff dues paid current year	(1,299,079)
Recognized decrease in provision 2022/2023	292,131

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Use of Goods and Services

	Year ended 30 June 2023	Year ended 30 June 2022
	KES	KES
Rent	9,756,804	9,756,804
Membership fees subscriptions to professional fees	389,244	194,537
Electricity	727,210	682,932
Hospitality & Catering costs	5,076,979	3,873,126
Internet connections	534,528	534,528
Bank charges & commission	234,578	181,363
Parking fee	936,186	780,440
General supplies, Accessories for computers and printers	1,715,698	1,979,022
Specialised materials (Library and non- Pharmaceutical)	11,320	415,008
Fuel & Oil	1,643,192	1,192,003
Insurance	11,393,036	9,765,968
Printing & stationery	2,113,977	2,247,526
Advertising and Publicity	4,394,032	-
Training	4,601,087	6,109,785
Telecommunication and postage	1,512,986	1,158,425
Software licenses	5,050,183	3,689,124
Total	50,091,038	42,560,590

The significant increase in the use of goods expenditures were majorly contributed by the increase in items including hospitality and catering expenses, advertising and publicity, insurance, training, fuel and oil, software licenses which resulted from activities undertaken in line with the organizational work plan for the year. Moreover, there was a significant increase in insurance costs due to additional staff and dependants leading increased premium.

The board recruited additional staff members to its team to facilitate its increased operations and activities implying increased expenditures on these items.

The expensed general supplies, accessories for computers and printers were significantly because of the expensed inventories rather than acquisitions in the financial year.

Software costs increased due to license renewals and acquisition of new licenses for new Board of directors whose terms begun in the financial year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Employee Costs

Description	Year ended June 30th, 2023 KES	Year ended June 30th, 2022 KES
Salaries and wages	65,152,655	54,823,364
Employer contribution to pension schemes	5,798,443	4,724,671
Gratuity	3,343,703	3,551,346
Employee costs	74,294,801	63,099,381

Increase in employee costs was because of recruitment of new staff members and filling of positions that were earlier vacated. Increase also resulted from annual salary increments on staff salaries in line with the remuneration structure.

11. Board Expenses

Description	Year ended June 30th, 2023 KES	Year ended June 30th, 2022 KES
Chairman/Directors' Honoraria	720,000	540,000
Sitting allowances	5,932,320	3,767,000
Board Member's Medical Insurance	147,475	
Induction and Training	417,080	898,865
Travel and accommodation	3,956,714	728,000
Hospitality	1,680,460	305,300
Total	12,854,049	6,239,165

PSASB Board was fully constituted in the middle of FY2021/2022 because of expiry of the term of the previous members. During the FY 2022/2023, the fully conducted all their activities in the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Travel and subsistence cost

Description	Year ended June 30 th 2023	Year ended June 30 th 2022
	KES	KES
Travel cost	3,546,916	1,664,518
Daily Subsistence Allowance	18,170,401	13,166,991
Total travel and subsistence cost	21,717,317	14,831,509

The increase in travel and subsistence costs were due to increased involvement of stakeholders in the external activities that requiring a lot of travels. Due to partnerships and collaborations with stakeholders some activities were co-funded.

13. Depreciation and Amortization Expense

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
Property, plant, and equipment	7,040,280	8,703,703
Intangible assets	2,690,976	3,241,084
Total depreciation and amortization	9,731,256	11,944,787

14. Dissemination, Monitoring and Evaluation Expenses

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
Dissemination Expenses	11,796,135	10,877,100
Promoters' contributions	1,090,000	1,000,000
Evaluation expenses	11,506,360	9,778,840
Total Standard Dissemination, Monitoring and Evaluation	24,392,495	21,655,940

Dissemination costs relate to activities funded by PFMR while promoters' contribution and Evaluation costs relate to Financial Reporting Excellence Award (FireAward) activity. The total number of entities evaluated was seven hundred and ninety-three (793) entries from the public.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

sector. This number is higher compared to two hundred and eighty-nine (289) previous year indicating improvement in the quality of their financial reporting.

15. Repairs and Maintenance

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
Office Building Maintenance	-	674,689
Motor Vehicles	1,074,783	633,332
Equipment and machinery	-	110,508
Furniture and fittings	11,500	40,000
Computers and accessories	279,945	746,773
Total repairs and maintenance	1,366,228	2,205,302

Motor vehicle repair and maintenance cost increased due to number of activities undertaken during the year.

Computer and accessories, furniture and fittings experienced significant reduction in repair costs due to adequate repairs undertaken in the previous year. There was no expenditure regarding repair of office buildings and equipment.

16. Contracted Services

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
Security Cost	396,000	588,000
Contracted professional services	118,400	732,000
Accrued Audit fees	300,000	300,000
Total contracted services	814,400	1,620,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Taxation

Description	Period ended June 2023	Comparative Period
	KES	KES
Interest Income from Co-operative Bank of Kenya	590,942	908,238
Less: Bank charges	(234,578)	(181,363)
Net Interest Income before Tax	356,364	726,875
Taxation 30%	(106,909)	(218,063)

18. Cash and Cash Equivalents

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
Current account	24,295,692	24,016,253
Staff pension & gratuity account	2,840,462	10,511,179
Total cash and cash equivalents	27,136,154	34,527,432

18 (a) Detailed analysis of the cash and cash equivalents

Description		Year ended 30 th June 2023	Year ended 30 th June 2022
		KES	KES
Financial institution	Account number		
a) Current account			
Cooperative Bank of Kenya	01141199471000	24,295,692	24,016,253
Sub- total		24,295,692	24,016,253
b) Others(specify)			
Staff pension & gratuity account	01141199471001	2,840,462	10,511,179
Sub- total		2,840,462	10,511,179
Grand total		27,136,154	34,527,432

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 (b) Pensions and Gratuity account

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
At the beginning of the year	10,511,179	7,261,137
Additional contributions during the year	3,343,698	3,250,042
Gratuity paid during the year	(11,014,415)	-
Total cash and cash equivalents	2,840,462	10,511,179

19. Receivables from Exchange Transactions

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
Current receivables		
Staff debtors (Temporary imprest)	63,800	52,500
Salary advance	963,255	393,333
Total current receivables	1,027,055	445,833

20. Prepayment

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
Current payables		
Insurance prepaid	240,417	180,340
Newspaper	311,004	338,899
Medical Cover	5,988,735	5,379,437
Total	6,540,156	5,898,676

Prepayments relate to the medical and motor vehicle insurance prepaid during the year. It also includes the prepayment towards daily newspaper and digital copy subscription prepaid during the FY2022/2023. The huge rise in this item is due to increased number of staff with board paying increased premiums for the medical and personal insurance including the board medical cover.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Inventories

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
Supplies & accessories for computers, printing, and communication	362,270	799,248
Office and General supplies & Hospitality expenses	1,007,282	2,062,665
Non-pharmaceutical supplies	110,460	82,180
Total inventories at the lower of cost and net realizable value	1,480,012	2,944,093

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Property, Plant and Equipment

Description	Motor vehicles	Furniture and fittings	Computer	Office Equipment	Total
	KES	KES	KES	KES	KES
As at 30th June 2022	23,751,000	25,076,529	10,841,422	16,155,456	75,824,407
Additions	-	-	817,500	-	817,500
As at 30th June 2023	23,751,000	25,076,529	11,658,922	16,155,456	76,641,907
Depreciation and impairment					
As at 30th June 2022	(14,536,656)	(7,722,920)	(6,280,149)	(3,296,491)	(31,836,215)
Depreciation	(2,096,483)	(2,069,622)	(1,340,593)	(1,533,583)	(7,040,280)
As at 30th June 2023	(16,633,139)	(9,792,542)	(7,620,742)	(4,830,073)	(38,876,495)
Net book values					
As at 30th June 2023	7,117,861	15,283,987	4,038,180	11,325,383	37,765,412
As at 30th June 2022	9,214,344	17,353,609	4,561,273	12,858,965	43,988,192

The additional tangible assets are laptops for the new staffs for the Board which were acquired and subsequently recognised in the fixed assets.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Intangible Assets

Description	2022-2023	2021-2022
Cost		
At beginning of the year	19,616,226	13,759,759
Additions	-	5,856,467
WIP	-	-
At end of the Year	19,616,226	19,616,226
At end of the year	19,616,226	19,616,226
Amortization and impairment		
At beginning of the Year	(5,109,128)	(1,868,044)
Amortization Q1	(725,355)	(827,817)
Amortization Q2	(689,087)	(846,018)
Amortization Q3	(654,633)	(803,717)
Amortization Q4	(621,901)	(763,531)
At end of the year	(7,800,104)	(5,109,128)
Impairment loss		
At end of Year	(7,800,104)	(5,109,128)
NBV as at 30th June 2023	11,816,122	14,507,098

24. Trade and Other Payables

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
Current payables		
Unearned training fees	-	150,000
Electricity bill	64,200	51,629
Retention-Earth line Venture	-	647,556
Provision for audit fees FY2021/22	300,000	300,000
Other payables	3,940,202	2,308,073
Total current payables	4,304,402	3,457,258

Other payable include trade payable from supply of goods and services and Board expenses of KES. 1.22 million, VAT Payable of KES. 0.046 million and PAYE payable of KES. 2.72 million for the month of June 2023.

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ANNUAL REPORT ON THE FINANCIAL STATEMENTS (CONDENSED)

25. Tax Liability

Description	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES
At beginning of the year	101,827	163,681
Income tax charge for the year	106,909	218,062
WHT on Income deducted at source	(88,641)	(136,236)
Income tax paid during year	(101,827)	(163,681)
Previous year IT unpaid	-	20,000
At end of the year	18,268	101,827

The income tax liability is the net tax as a result of the interest income earned from the monthly account balances held at the Co-operative Bank of Kenya. The tax liability is net of Withholding tax at 15%.

26. Non-current employee benefit obligations

Description	Defined benefit plan	Post- employment medical benefits	Other Provisi ons	Year ended 30 th June 2023	Year ended 30 th June 2022
	KES	KES	KES	KES	KES
Non-current benefit obligation	2,840,468	-	-	2,840,468	10,511,179
Total employee benefits obligation	2,840,468	-	-	2,840,468	10,511,179

This relates to gratuity for Board's staff who are on contract terms. The amount is maintained in a separate bank account. The decrease is as a result of payments made to staff during the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Cash Generated from Operations

Description	Year ended	Year ended 30 th
	30 th June 2023	June 2022
	KES	KES
Surplus for the period before tax	(9,532,377)	(9,377,756)
Adjusted for:		
Depreciation	9,731,256	11,944,787
Non-cash grants received	(11,796,135)	(10,970,682)
Working Capital adjustments		
Decrease in inventory	1,464,081	2,223,649
Increase/Decrease in receivables	(581,222)	23,199,417
Increase in payables, in gratuity and Pension	4,788,175	12,646,200
Net cash flow from operating activities	(5,926,222)	29,665,615

28. Reconciliation Between Surplus as Per the Budget and Surplus as Per the Statement of Financial Performance

Description	Amount
Surplus under statement of financial performance	(9,639,286)
Less: Surplus under the statement of budgeted and actual amounts	27,136,154
Difference	(36,861,515)

Explained by:

Surplus under the statement of budgeted and actual amounts	27,136,154
Purchase of fixed assets included under the budget and capitalized	1,465,056
Prepayments for FY2021/2022 expensed in the FY2022/2023	(5,898,676)
Prepayments for FY2022/2023	6,540,156
Accruals for current year	(1,677,208)
Previous year payables paid during the FY2021/2022	(3,457,259)
Depreciation- Noncash item	(9,731,256)
Unspent balance b/f	(24,016,253)
Surplus under statement of financial performance	(9,639,286)

29. Financial Risk Management

The Board's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Board does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Board's financial risk management objectives and policies are detailed below:

i) Credit risk

The Board has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Board's management based on prior experience and their assessment of the current economic environment.

ii) Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Board's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	Total amount	Fully performing
	KES	KES
At 30 June 2023		
Receivables from - exchange transactions	6,540,156	6,540,156
Staff debtors	1,027,055	1,027,055
Bank balances	27,136,154	26,324,392
Total	34,703,365	33,891,603
At 30 June 2022		
Receivables from - exchange transactions	5,898,676	5,898,676
Receivables from non - exchange transactions	-	-
Staff debtors	445,833	445,833
Bank balances	34,527,432	34,527,432
Total	40,871,941	40,871,941

The fully performing category are active and realisable receivables. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Board has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors through the risk management framework sets the Board's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board's directors, who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Board under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KES	KES	KES	KES
At 30th June 2023				
Trade payables	1,115,472	-	-	1,115,472
Employee benefit obligation	-	-	-	-
Total	1,115,472	-	-	1,115,472
At 30th June 2022				
Trade payables	502,572	-	797,556	1,300,318
Employee benefit obligation	-	-	-	-
Total	502,572	-	797,556	1,300,318

iv) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Board on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, and foreign exchange rates which will affect the Board's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Board's Finance Department is responsible for the development of detailed risk management policy and for the day-to-day implementation of those policies. There has been no change to the Board's exposure to market risks or the manner in which it manages and measures the risk.

v) Foreign currency risk

The Board has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Board manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The Board did not have foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

vi) Interest rate risk

Interest rate risk is the risk that the Board's financial condition may be adversely affected as a result of changes in interest rate levels. The Board's interest rate risk arises from bank deposits. This exposes the Board to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Board's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates on its deposits.

Sensitivity analysis

The Board analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by 1% percentage point as a decrease/increase of KES **7,409** (2022: KES **9,082**). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KES **37,047** (2022 – KES **54,948**)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

vii) Capital Risk Management

The objective of the Board's capital risk management is to safeguard the Board's ability to continue as a going concern. The Board capital structure comprises of the following funds:

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
Retained earnings	78,601,773	88,241,059
Total funds	78,601,773	88,241,059
Less: cash and bank balances	(27,136,154)	(34,527,432)
Excess cash and cash equivalents	27,136,154	34,527,432
Gearing	0%	0%

30. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Board include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Description	Year ended 30th June 2023	Year ended 30th June 2022
	KES	KES
Transactions with related parties		
a) Grants from the Government		
Grants from National Treasury & Planning	172,900,000	142,900,000
Grants from PFMR	11,796,135	10,970,682
Total	184,696,135	153,870,68
b) Key management compensation		
Board of Directors' emoluments	6,453,320	5,205,865
Payments for Board of Directors transport and other expenses	6,201,729	1,033,300
Compensation to key management	15,658,802	19,303,337
Total	28,313,851	25,542,502

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Government of Kenya

The Government of Kenya is the principal shareholder of the *Board*, holding 100% of the *Board's* equity interest.

Other related parties include:

- i) The National Treasury and Planning
- ii) National Government State Corporations
- iii) Other Ministries, Departments and Agencies
- iv) County Governments
- v) Semi-Autonomous Government Agencies
- vi) Key management; and
- vii) Board of Directors

31. Capital Commitments

Capital commitments	Year ended	Year ended
	30 th June	30 th June
	2023	2022
	KES	KES
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

There were no capital commitments for the Board within the financial year ended 30th June 2022.

32. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

33. Ultimate And Holding Entity

The Public Sector Accounting Standards Board is a Semi- Autonomous Government Agency under the Ministry of National Treasury and Planning. Its ultimate parent is the Government of Kenya.

34. Currency

The financial statements are presented in Kenya Shillings (KES).

20. APPENDIX

APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

The Board received clean audit report. However, the auditor raised the following issue which the management implemented in the course of the financial year.

MANAGEMENT ACTIONS IN CONFORMANCE WITH AUDIT RECOMMENDATIONS FOR THE AUDIT PERFORMED ON PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 JUNE 2022			
No	Auditor recommendation	Management Action	Implementation Status
1	<p>Lack of Clarity on Entity Organization Structure Management should strive to fill in the positions of Internal Audit Department as per the approved staff establishment for prudent checks and balances within the entity's internal controls.</p>	<p><i>Management ensures prudent internal checks and balances within the Board's internal controls. This is done based on the expertise and advantage of the internal audit standards staff being employees of the Board. The recruitment of the substantive head of internal auditor is budgeted for in FY2023/24.</i> <i>The internal auditor was appointed by the Board from among the internal audit standards staff to perform the internal audit function.</i></p>	Completed.

There were no other audit recommendations for implementation in the audit report.

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APPENDIX II: PROJECTS IMPLEMENTED BY THE BOARD

There were no projects implemented by the PSASB Funded by development partners and/ or the Government during FY2022/2023.

APPENDIX III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Nature: Recurrent / Development/Others	Date received as per bank statement	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Statement of financial position	Deferred Income	Others - must be specific	
				-				
Ministry of National Treasury and Planning	Recurrent	29th August 2022	35,725,000	35,725,000	-	-	-	35,725,000
		28th November 2022	35,725,000	35,725,000	-	-	-	35,725,000
		8th February 2023	35,725,000	35,725,000	-	-	-	35,725,000
		25th May 2023	65,725,000	65,725,000	-	-	-	65,725,000
Total			172,900,000	172,900,000	-	-	-	172,900,000



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APPENDIX V- INTER-ENTITY CONFIRMATION LETTER

The board did not have any inter-entity amounts disbursed to any other entity as at 30th June 2023.

APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

The board did not incur any expenditures on any climate relevant activities for period ended 30th June 2023.

APPENDIX VII: DISASTER EXPENDITURE REPORTING TEMPLATE

The board did not incur any expenditures relating to any disasters within the period ended 30th June 2023.

