

**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2021	DAY: THURSDAY
TABLED BY:	LOM
CLERK-AT THE-TABLE:	

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL** Leah Wanyo

**ON**

**PUBLIC SECTOR ACCOUNTING  
STANDARDS BOARD**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
11 AUG 2020  
**RECEIVED**

**PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (PSASB)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**


*Revised*  
KENYA NATIONAL ASSEMBLY OFFICE  
P. O. Box 30084 - 00100  
NAIROBI  
*29/1/2020*

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

---

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

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 25 FEB 2021	DAY: <input type="text"/>
TABLED BY: <input type="text"/>	<input type="text"/>
CLERK AT TABLE: <input type="text"/>	<input type="text"/>

**RECEIVED**  
11 AUG 2020  
OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

**Table of Contents**

**Page**

I. KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
II. THE BOARD OF DIRECTORS .....	vi
III. MANAGEMENT TEAM .....	xi
IV. CHAIRMAN'S STATEMENT .....	xii
V. REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xiv
VI. REVIEW OF PSASB'S PERFORMANCE FOR FY 2018/2019.....	xv
VII. CORPORATE GOVERNANCE STATEMENT .....	xxvi
VIII. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxxix
IX. FINANCIAL STATEMENTS FOR PUBLIC SECTOR ACCOUNTING STANDARDS BOARD FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2019 .....	xxxiv
X. REPORT OF THE DIRECTORS.....	xxxv
XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xxxvi
XII. REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS .....	xxxvii
XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019 .....	1
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 .....	2
XV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019.....	3
XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....	4
XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019.....	5
XVIII. NOTES TO THE FINANCIAL STATEMENTS.....	6
XIX. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	28
XX. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY .....	29
XXI. APPENDIX III: INTER-ENTITY TRANSFERS .....	30
XXII. APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES .....	31

## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Public Sector Accounting Standards Board (PSASB) was established and constituted in accordance to sections 192 to 195 of the Public Finance Management (PFM) Act, 2012 on 28<sup>th</sup> 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**

**“Safeguarding public interest through setting reliable and quality financial and internal auditing standards”**

### **Mission Statement**

**To promote sound financial reporting and internal auditing standards for transparency and accountability in the Public Sector**

### **Core Values**

- 1. Integrity:** Honest, ethical, and forthright behaviour in relationships with all stakeholders.
- 2. Objectivity:** Impartial decisions informed by credible research and thorough deliberations, including due consideration of the views of all stakeholders and the work of other standards setters.
- 3. Transparency:** An open process that encourages and values public participation in setting Public Sector standards.
- 4. Thought leadership:** Centre of excellence in Public Sector standard setting
- 5. Consultative:** Inclusive and engage all stakeholders
- 6. Team work:** Our teams work in close collaboration with each other.
- 7. Professionalism:** Recognize that we must uphold professional accounting and internal audit conduct and ethics in all our activities.

**(b) Principal Activities**

The principal activities of the Board as provided by PFM Act, 2012 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.

**(c) Key Management**

PSASB's day-to-day management is under the following key organs:

- Board of Directors;
- Accounting Officer who is the Chief Executive Officer;
- Directors; and
- Seconded staff to the Secretariat from National Treasury.

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and up to the date of this report who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>	<b>Date of appointment</b>
1.	Chief Executive Officer	CPA Fredrick Riaga	01.08.2019
2.	Ag. Chief Executive Officer	CPA Patrick Abachi	01.06.2019
3.	Director, Accounting Standards	CPA Georgina Muchai	01.06.2019
4.	Director, Internal Audit Standards	CPA George Mang'oka	01.06.2019
5.	Ag. Head of Finance	CPA Billy Mathu	01.06.2019

**(e) Fiduciary Oversight Arrangements**

**The Governance and Strategic Committee of the Board**

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 Committee is also responsible to ensure that the organisation's budget and procurement plan are in line with the strategic plan and the Board's mandate as outlined in the law. This committee is also responsible for managing the organisation's risk, ensuring compliance to all applicable laws and regulations and spearheading good governance practices within the Board members and the Secretariat.

**Internal Audit Committee**

In addition to its main mandate which is to develop and promote internal audit standards and risk management for use in public sector, the Internal Audit Committee is responsible to monitor the Board's internal control environment and provide advice on areas of improvement. The Committee oversees the operations of the Board to ensure that set policies and procedures are adhered to.

**Internal Audit Function**

The Board's internal audit function is supported by seconded members of staff from the National Treasury. Periodic audit is done on the Board's operations ensuring that these operations are carried out in line with the organization's policies and procedures.

**KEY ENTITY INFORMATION AND MANAGEMENT (continued)**

**(f) Board Headquarters**

8<sup>th</sup> Floor  
CPA Centre  
Thika Road  
P.O Box 38831- 00100  
Nairobi

**(g) Board Contacts**

Telephone: (254) 020 2511557, 757924842  
E-mail: [info@psasb.go.ke](mailto:info@psasb.go.ke)  
Website: [www.psasb.go.ke](http://www.psasb.go.ke)

**(h) Board Bankers**

Cooperative Bank of Kenya  
Parliament Road  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

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

**II. THE BOARD OF DIRECTORS**

<b>BOARD MEMBER</b>	<b>PROFILE</b>
	<p><b>CPA Bernard Ndungu, MBS – Chairman</b> He represents the National Treasury in the Board. Bernard holds a Bachelor of Commerce degree (finance option) from the University of Nairobi and a Master’s degree in Public Finance Management at the University of London. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is the Director General – Accounting Services and Quality Assurance at the National Treasury and the Administrator of the Equalization Fund. He also represents the Cabinet Secretary/National Treasury in various boards of management.</p>
	<p><b>FCPA Comm. Anne Elizabeth Owuor, EBS</b> She represents the Institute of Certified Public Accountants of Kenya in the Board. She is a holder of Master’s degree in Business Administration (MBA) Finance from USA, Masters in Science in Audit Management &amp; Consultancy University of Central England Birmingham, a Post Graduate Diploma in Audit Management &amp; Consultancy – University of Central England Birmingham, Diploma in Board Competence &amp; Board Practice from Oslo and Akershus University College of Applied Sciences in Norway. She is also a Certified Internal Auditor, Certified Risk Management and Assurance. She is currently pursuing a Doctorate in Philosophy from University of South Africa (UNISA). Anne is the Chair to the National and County Governments (NCG) Committee of the Board.</p>
	<p><b>CPA Esther Maiyo</b> She represents the Capital Markets Authority in the Board. She holds a Master’s degree in Business Administration and a Bachelor of Commerce degree. Esther is a Certified Public Accountant and a Certified Public Secretary of Kenya. She also holds a Certified Information Systems Auditor (CISA) designation. She works for the Capital Markets Authority where she has held various management positions in Internal Audit, Market Supervision, Financial Analysis, Accounting and Risk Management. Esther is the Chair of the Internal Audit (IAC) Committee of the Board.</p>



**CPA Sophie Moturi**

She represented the Association of Professional Societies of East Africa (APSEA) in the Board up to October 2018. She holds a Master’s degree in Banking and Finance from Moi University and a Bachelor of Commerce degree (Accounting) from the University of Nairobi. She is also a Certified Public Accountant and a member of (ICPAK). Sophie was a Director at Bomo Ltd and a Governing Council Member at the International Leadership University. Sophie is the Chair of Government Owned Enterprises (GOE) Committee of the Board. Sophie resigned from the Board 31<sup>st</sup> October 2018 following her appointment as a commissioner with SRC.



**FCPA Dr. Nicholas Letting**

Dr. Nicholas Letting’, Ph.D, HSC, is the Chief Executive Officer /Secretary at Kenya Accountants and Secretaries National Examinations Board (KASNEB). He holds a Doctor of Philosophy (PhD) in Business Administration (Strategic Management), MBA and Bcom degrees from the University of Nairobi. He is a Certified Public Accountant (CPA), Certified Secretary (CS) and Certified Investments and Financial Analyst (CIFA) holding Final Examinations Certificates from KASNEB.

With over 20 years of work experience in various institutions including the Management University of Africa (MUA) and British American Tobacco (BAT), Kenya Institute of Management (KIM) among others.

He has served as a Board Member in various boards and currently sits on the Boards of the following organizations; National Commission for Science Technology and Innovations (NACOSTI), Institute of Certified Public Accountants in Kenya (ICPAK), institute of certified Secretaries (ICS) and the Kenya Institute of Management (KIM). Professionally, he is a member of the Institute of Directors (IoD), The Institute of Certified Investment and Financial Analysts (ICIFA) and institute of Human Resource Management (IHRM)

He represents the Association of Professional Societies of East Africa (APSEA) in the Board. He was appointed with effect from 1<sup>st</sup> April 2019 following Ms. Sophie resignation from the Board.

	<p><b>FCPA Lazarus Kimang'a, MBS,SS</b></p> <p>Lazarus Kimang'a represents the Institute of Certified Secretaries on the Board. He holds MCom from Strathmore University and MBA from the University of Nairobi. He also trained in Financial Management at Templeton College, University of Oxford. He is a Fellow Certified Public Accountant (FCPA) and Fellow Certified Secretary (FCS). He is also a Certified Investment and Financial Analyst (CIFA). He is Company Secretary of WAICA Re (Kenya). He has also become Vice Chairman ("Deputy Prior") of St John Kenya and is the Chairman of the Registration Committee of ICIFA. Lazarus is the Chair of the Governance and Strategy Committee (GSC) of the Board.</p> <p>He was awarded the Dignity of a Commander of the Order of St John by the Duke of Gloucester, UK.</p>
	<p><b>CPA Macklin A. Ogolla</b></p> <p>Mr. Ogolla represents the Office of the Controller of Budget (OCOB) in the Board. He holds an MBA degree from Moi University and a Bachelor of Science degree from the University of Nairobi. Mr. Ogolla is also a Certified Public Accountant and a member (ICPAK). He is the Director of Corporate Services at the office of the Controller of Budget (COB). He is a member of the Governance and Strategy (GSC) and National and County Governments (NCG) committees of the Board.</p>
	<p><b>CPA Charles Cheruiyot</b></p> <p>He represents the Institute of Internal Auditors (IIA) in the Board. He holds an MBA degree and a Bachelor of Commerce degree both of the University of Nairobi. He is also a Certified Public Accountant and a Certified Internal Auditor. He is a member of the Institute of Certified Public Accountants of Kenya, Institute of Internal Auditors –Kenya and Global Advocacy Committee at IIA-Global. He is the General Manager Internal Auditor at Kenya Power &amp; Lighting Company Ltd. He is a member of the Internal Audit (IAC) and Governance and Strategy (GSC) Committees of the Board.</p>



**CPA David Gichana**

He represents the Office of the Auditor General (OAG) in the Board with effect from 10th February 2016. He holds an MBA degree and a Bachelor of Commerce degree both from the University of Nairobi. He is also a Certified Public Accountant and a Certified Internal Auditor. He is a member of the Institute of Certified Public Accountants of Kenya. He is a Deputy Auditor General at the Office of the Auditor General.



**CPA Simon Mundu**

He represented the Inter- Governmental Budget and Economic Council in the Board with effect from 21<sup>st</sup> February 2017 to August 2018. He holds an MBA of the University of Nairobi and a Bachelor of Commerce from the same University. He has immense experience in accounting and audit. Simon was the County Executive Committee Member- Kitui County Government responsible for Finance until August 2017. He is a Certified Public Accountant and a member of ICPAK.





**CPA Mary Kimanzi**

CPA Mary Koki Kimanzi is the County Executive Committee Member (CECM) for Finance and Socio-Economic Planning and Head of County Treasury at the Government of Makueni County, serving a second term after reappointment in November 2017. Mary has over 20 years' experience in public finance management, having previously worked at Agricultural Finance Corporation (AFC) as the Chief Accountant.

She holds a Masters 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 Masters of 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.

**Public Sector Accounting Standards Board (PSASB)  
Annual Report and Financial Statements  
For the year ended June 30, 2019**

	<p><b>CPA Patrick Abachi- Ag. CEO</b></p> <p>Mr. Abachi was the Acting CEO and also the secretary to the Board up to 31<sup>st</sup> July 2019. He holds a Bachelor of Commerce degree and is currently pursuing an MBA degree at Kenyatta University. He is a Certified Public Accountant and a council member at the Cooperative University of Kenya. Mr. Abachi also chairs Boards of Management of various Secondary Schools. He is a career civil servant spanning over 30 years of service in various Ministries and State Departments.</p>
	<p><b>CPA Fredrick Riaga- Chief Executive Officer</b></p> <p>Fredrick Riaga holds an MBA in Finance, a Bachelor of Commerce degree with a major in Accounting and is a registered professional accountant. Prior to joining the Board, Mr. Riaga was the Chief Manager and Head of Public Policy and Governance the Institute of Certified Public Accountants (ICPAK). He has vast experience in public accounting having led ICPAK’s advocacy in the areas of governance and accountability. As a liaison officer with Government of Kenya, Mr. Riaga managed relationships with the National Treasury, Parliament of Kenya, and Constitutional Commissions with a mandate on public sector accountability. He is an expert in the national budget making process having spearheaded various such ventures in the past. He has a wide range of expertise drawn from engagement with both the public and private sector.</p>

In accordance with section 193(6) the PFM Act 2012, the Board have co-opted the following members to their various committees in order to provide technical advice to members in their areas of expertise and to provide seamless working relationship between the Board and the National Treasury:

<b>Name</b>	<b>Committee of the Board</b>	<b>Designation</b>
Mr. Jona Wala	National and County Government Committee	Ag. Director, Accounting Services, National Treasury
Mr. Kennedy Ondieki	Government Owned Enterprises Committee	Director, Government Investments and Public Enterprises, National Treasury
Mr. Alfayo Mogaka	Internal Audit Committee	Internal Auditor General
Mr. Patrick Abachi	Governance & Strategy Committee	Ag. Chief Executive Officer



Members of the Board and Ag. CEO during full Board meeting held at Utalii Hotel on April 2019. *Starting from the left:* Lazarus Kimang’ a, Simon Mundu, Bernard Ndungu, David Gichana, *At the back starting from the left:* Charles Cheruiyot, Esther Maiyo, Patrick Abachi, Anne Owuor, and Macklin Ogolla.

### **III. MANAGEMENT TEAM**

The Board is supported in its functions by a 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 in the execution of its mandate and functions. During the period from 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019, the Secretariat played an instrumental role to ensure implementation of the Board’s mandate. This was achieved through effective and efficient allocation of resources.

The composition of the Secretariat during the year was as follows:-

#### **Technical Staff**

<b>No.</b>	<b>Name</b>	<b>Department</b>
1	CPA Patrick Abachi – Ag. Chief Executive Officer	Directorate of Corporate and Training
2	CPA Georgina Muchai	Directorate of Accounting Standards
3	CPA George Mang’oka	Directorate of Internal Audit Standards
4	CPA Beatrice Gathirwa	Government Investments and Public Enterprises, National Treasury
5	CPA Cheryl Majiwa	Government Investments and Public Enterprises, National Treasury
6	CPA Daniel Nyaga	Internal Audit Department, National Treasury
7	Faith Waithera, IIA	Internal Audit Department, National Treasury
8	CPA Billy Mathu	Accounting Services Department, National Treasury

#### **IV. CHAIRMAN'S STATEMENT**



It is my privilege to present to you the Public Sector Accounting Standard Board's 5<sup>th</sup> Annual Report and Financial Statements. This is the second year for the Board to prepare and present financial statements for audit to the Office of the Auditor General as required by the PFM Act, 2012.

PSASB is delighted to have received two new Board members during the year, Dr. Nicholas Letting and Ms. Mary Kimanzi. These members represent the Association of Professionals of East Africa (APSEA) and the Intergovernmental Budget and Economic Council (IBEC). The Board looks forward to valuable contributions from these members.

Over the last two years, the Board has transitioned from being a department under the Office of the Director Accounting Services and Quality Assurance at the National Treasury to a fully-fledged Semi-Autonomous Government Agency. In the year under review, PSASB moved its physical location from the National Treasury to CPA Centre along Thika Road. The Board also hired staff for key management positions that include the Chief Executive Officer, Directors, Manager and two Principals. Some of the staff members reported between June and August 2019. It is my belief that this transition will enhance the board's skills and capacity to carry out its mandate effectively and efficiently.

Since the pronouncement of accounting and internal auditing frameworks in 2014, the Board has noted remarkable improvement in the quality of financial statements produced by public sector entities. This has been achieved through intensive capacity building, development and regular updates of financial reporting tools and templates and engagements with key stakeholders. One of the yardstick used by the Board to measure progress in financial reporting is through the nature of opinions given to the public sector entities by the Office of the Auditor General. Over the years, the nature of opinions have progressively improved and entities are now registering more unqualified opinions. In FY 2017/2018, five years after the onset of Devolution, two county executives, and one county assembly obtained unqualified audit opinions from the office of the auditor general. In addition, disclaimer of opinions decreased from 39 in FY 2013/2014 to 5 in FY 2017/2018 for under the County Executive category.

A diagnostic study on the status of internal audit, risk management and audit committees was conducted to identify gaps in implementation of recommended standards. The Board also visited a number of county assemblies and executives during the year to assess implementation of accounting and auditing standards. The study highlighted that there still remains a gap in implementation of the standards and the need for enhanced capacity building especially in the area of risk management which entities were yet to fully embrace.

Going forward, the Board's areas of focus are the migration from cash to accrual accounting for National and County Governments and strengthening of internal audit functions in the public sector.

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

---

The preparatory activities for migration to accrual accounting are progressing as planned with the National Assets and Liabilities policies almost in place and a draft revised Standard Chart of Accounts having been developed and validated with the users. The results of the internal audit diagnostic study will provide content for training and capacity building of public sector internal auditors and audit committees.

The Board continues to carry out its mandate as set out in the PFM Act, 2012, its strategic plan (2015/2016- 2020/2021) and its annual work plans. In FY 2019, the Board conducted a medium term review of the strategic plan to ensure that it stays on course in the five year strategic period.

It is my belief that the Board is fully resourced and capacitated to contribute to reforms in financial reporting and internal auditing in the public sector going forward.



**CPA Bernard Ndungu, MBS**  
**Chair: Public Sector Accounting Standards Board**

**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**



It's with great honour to present the Annual Report and Financial Statements for Public Sector Accounting Standards Board for the year ended 30<sup>th</sup> June 2019. Since its establishment, the PSASB has continued to execute its mandate of setting generally acceptable accounting and internal auditing standards for the Kenyan public sector.

The Board has a five year strategy (2015/2016- 2020/2021) from which it draws its annual work plans. During the financial year 2018/2019, PSASB was able to achieve the plans it had set in its work plan. This was achieved through the commitment of the Board and Secretariat members who showed great commitment towards achieving the Board's mandate.

During the period, PSASB hired staff members for key positions at the Board. This included the CEO and Directors for its three directorates. In the coming year, plans are underway to increase the members of staff by 16 to a total of 23 members of staff. It is the belief of the management and the Board that these increased numbers will provide the much required capacity for the organisation to carry out its mandate effectively.

The Board received a total of Kshs 110,175,000 as transfers from the National Treasury. These transfers were 100% of the Board's budget for the financial year ended 30<sup>th</sup> June 2019. As at the end of the period, Ksh. 8,825,330 was utilized in employees' costs for the newly recruited staff and seconded staff from a number of institutions including the National Treasury. The transfers from the National Treasury enabled the Board to carry out its mandate, including FiRe Award evaluation amongst other activities. Subsequently, the Board will inevitably require more funding from the National Treasury to enable it to cater for its staffing needs and the ever increasing requirements under its mandate. The Board and management are also exploring ways to mobilise for resources from the wider Public Finance Management Reform initiatives currently on- going in the country.

I have outlined below on page no. xv to xviii a detailed review of PSASB's performance for FY 2018/2019 against predetermined objectives as outlined in the Board's annual work plan for FY 2018/2019.

I thank the Board of Management for their leadership and guidance throughout the year and for the members of staff for their commitment towards achievement of the set targets despite limitations in resources experienced.

  
**CPA Fredrick Riaga**  
**Chief Executive Officer, PSASB**

**VI. REVIEW OF PSASB'S PERFORMANCE FOR FY 2018/2019**

**A. PERFORMANCE AGAINST THE STRATEGIC OBJECTIVES**

PSASB has four strategic pillars and objectives within its Strategic Plan for the FY 2015/16-2020/2021. These strategic pillars are as follows:

1. **Pillar 1:** Standard setting dissemination and monitoring
2. **Pillar 2:** Stakeholder Engagement
3. **Pillar 3:** Legal and institutional frameworks
4. **Pillar 4:** Capacity building

PSASB develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The PSASB achieved its performance targets set for the 2018/2019 period for its five strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>	<b>Activities</b>	<b>Output</b>
<b>Pillar 1:</b> Standard setting dissemination and monitoring	1. Transition from Cash to Accrual based reporting for National and County Governments	<ul style="list-style-type: none"> <li>- Prepared a draft roadmap to accrual basis of accounting for National and County Government Entities</li> <li>- Provided continuous input and monitored the consultancy on development of a National Assets and Liabilities Policy.</li> <li>- Provided continuous input and monitored the consultancy on the Standard Chart of Accounts.</li> </ul> <p>These two consultancies which are being managed at the National Treasury, provide key ingredients for the process of migrating from cash to accrual accounting.</p>
	2. Update financial recording tools and guidelines	<ul style="list-style-type: none"> <li>- Updated the financial reporting tools and templates used by MDAs, SCs and SAGAs and County Government Entities to cater for new and revised applicable accounting standards, best practice and comments from users and preparers of the financial statements.</li> <li>- Communicated the updates to preparers of financial statements through National Treasury</li> </ul>

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

Strategic Pillar	Activities	Output
		<ul style="list-style-type: none"> <li>- circular</li> <li>- Uploaded the financial reporting templates on the PSASB and National Treasury websites for access by preparers of financial statements.</li> </ul>
	<p>3. Develop a financial reporting template for technical and vocational training institutions</p>	<ul style="list-style-type: none"> <li>- Developed a financial reporting template for National Government Polytechnics and Technical and Vocational Training Institutes (TVETs) under the IPSAS accrual basis of accounting.</li> </ul>
	<p>4. Monitoring compliance with Accounting Standards</p>	<ul style="list-style-type: none"> <li>- Subjected financial statements prepared by public sector entities to Financial Reporting Excellence Award evaluation for FY 2018. 400 submissions were evaluated.</li> <li>- Provided feedback to each of the participating entities on areas of improvement noted from the evaluation</li> <li>- Provided written recommendations to public sector entities recognised and awarded for excellence in financial reporting in the various categories.</li> <li>- Conducted visits to 11 county governments to also assess the progress made in application of the accounting, internal auditing standards and reporting templates developed by the Board.</li> <li>- Applied the feedback obtained from the Counties in developing subsequent work plans and updating financial reporting templates, tools and guidelines.</li> </ul>
	<p>5. Strengthening Internal Audit Standards</p>	<ul style="list-style-type: none"> <li>- Provided continuous input and monitored the consultancy on strengthening internal audit in the public sector.</li> <li>- In collaboration with the</li> </ul>

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

Strategic Pillar	Activities	Output
		Internal Audit Department at the National Treasury, conducted induction training for already established audit committees for National and County Government entities.
	6. Promotion and dissemination of Financial Reporting Standards	<ul style="list-style-type: none"> <li>- Trained public sector accountants on new and revised accounting standards- IFRS and IPSAS</li> <li>- Carried out research and development to support best practice standard adoption, dissemination and monitoring</li> <li>- Contributed to the international standard setting process through submission of responses to Exposure Drafts and Consultation Papers issued by the International Standard setting bodies.</li> </ul>
<b>Pillar 2: Stakeholder Engagement</b>	1. Collaboration with key stakeholders	<ul style="list-style-type: none"> <li>- Conducted county visits to selected county visits</li> <li>- Implemented signed MoU tenets with IIA.</li> <li>- Continuously identified and engaged of stakeholders.</li> </ul>
	2. Develop a communication strategy for the Board	<ul style="list-style-type: none"> <li>- A communication strategy for the board was yet to be finalised at the end of the year.</li> </ul>
<b>Pillar 3: Legal and institutional frameworks</b>	1. Develop an annual work plan	<ul style="list-style-type: none"> <li>- Developed and approved the work plans for FY 2018/2019 and FY 2019/2020.</li> </ul>
	2. Strengthening the structure of the Board and the Secretariat	<ul style="list-style-type: none"> <li>- Advertised and recruited members of staff for key positions at PSASB by 30<sup>th</sup> June 2019. As at 30<sup>th</sup> June 2019, 3 of the 7 recruited staff members had reported in office.</li> </ul>
	3. Evaluation of Board and members	<ul style="list-style-type: none"> <li>- Board evaluation for FY 2018/2019 was yet to be completed by 30<sup>th</sup> June 2019.</li> </ul>
<b>Pillar 4: Capacity Building</b>	1. Training of Audit Committees	<ul style="list-style-type: none"> <li>- Conducted training for established audit committees for public sector entities.</li> </ul>
	2. Training and capacity building of	<ul style="list-style-type: none"> <li>- In collaboration with the National Treasury, held training</li> </ul>

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

Strategic Pillar	Activities	Output
	public sector accountants	forums for accountants from MDAs, SCs and SAGAs and County Governments in November 2018 and May 2019 respectively.
	3. Training and capacity building for Board and the secretariat	- Provided training opportunities for the Board members and Secretariat on technical subjects in their areas of specialisation.

## **B. RESULTS OF ACTIVITIES AND ACHIEVEMENTS**

### **1. Stakeholder Engagement**

#### **a) Directorate of Schools Audit- Ministry of Education**

During the period, the Board engaged Directorate of Schools Audit while developing the schools financial reporting template. The template seeks to assist schools improve on their disclosures on assets and liabilities.

#### **b) County Visits**

During the period, the Board made visits to County Governments of Kiambu, Kitui, Makeni, Machakos, Mombasa, Kwale and Kilifi. The meetings discussed on ways to improve accounting, internal auditing and financial reporting systems in the County Governments in order to ensure accountability of funds and quality of financial reports generated by the Counties. Feedback obtained from the visits was included in the Board's work plans for FY2019/2020. The Board also took into account comments when revising financial reporting templates for financial year 2018/2019.



### **2. Monitoring Compliance with Accounting Standards**

In order to ensure that the Board executes its mandate successfully, monitoring compliance to the prescribed accounting standards is a key activity of the Board each year. During the year, monitoring was done through the following activities:

#### **a) FiRe Award**

FiRe Award is a joint initiative of ICPAK, CMA, NSE and PSASB jointly referred to as promoters. These promoters commit both financial resources and technical expertise with the primary objective of promoting financial reporting excellence, sound corporate governance practices, corporate reporting and enhancing environmental reporting in both public and private entities within the East African region. The Award is an annual event where both public and private sector entities are evaluated against set criteria and awarded for financial reporting excellence within various categories. It is the most prestigious award for financial reporting in East Africa and draws participants from Kenya, Uganda, Tanzania and Rwanda.

During the 2018 FiRe award evaluation, a total of 405 public sector entities that included Ministries, Departments and Agencies, Development Projects, State Corporations, Semi-Autonomous Government Agencies and public funds participated in the FiRe Award Evaluation.

The Board uses the FiRe award as a monitoring tool where each participating public entity is advised through written feedback on areas that require improvement based on the evaluation done.

**Public Sector Accounting Standards Board (PSASB)  
Annual Report and Financial Statements  
For the year ended June 30, 2019**

---

This has enabled participating entities to improve their financial statements over the last four years that the public sector entities have participated in the award scheme under the stewardship of the Board.



*Ag. Chief Executive Officer (PSASB) briefing evaluators at Lukenya Gataway on 1<sup>st</sup> October 2018.*



*FiRe Award public sector evaluators who undertook the exercise at Lukenya Gataway from 1<sup>st</sup> to 5<sup>th</sup> October 2018.*



*Chairman (PSASB) presenting an award to one of the participants upon winning an award in one of the various categories.*

## **b) Quality Assurance**

During the financial year, the Board in collaboration with Internal Auditor General Department/National Treasury carried out training of audit committees at Kenya School of Government –Kabete Campus to provide technical support to the public sector entities on strengthening their internal audit function.



*Participants during the audit committee training held in October, 2018*

## **3. Updating financial reporting tools and guidelines**

One of the main mandates of the Board is to prescribe reporting tools and guidelines for use by the public sector entities. During the year, PSASB prepared a reporting template for use by the National Government TVETs and National Polytechnics. The template will be used by the Entities for the year ended 30<sup>th</sup> June 2019.

The Board also updated the existing annual and quarterly financial reporting templates which include IPSAS Cash, IPSAS Accrual and IFRS templates. Updating of these templates was done to cater for gaps noted during the FiRe Award Evaluation; weaknesses identified from regular review of quarterly and annual financial statements, consultation with preparers of financial statements and feedback from the FiRe award evaluation. The updated reporting templates are then uploaded on the National Treasury and the Board's websites for preparers of financial statements to access and use them as a benchmark while preparing their annual and quarterly financial statements. Preparers of financial statements were also trained on the use of the updated templates during the bi-annual training held in May and June at the Kenya School of Government.

## **4. Preparation of draft roadmap to accrual accounting for National and County Government entities**

In April 2019, PSASB in collaboration with the National Treasury and under the guidance of IMF East AFRITAC, prepared a roadmap to accrual accounting for National and County Government entities. The roadmap details step by step activities to be carried out to account for all government assets and liabilities and preparation of government wide consolidated financial statements over the transition period and beyond. In the coming year, the draft will be subjected to stakeholder

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

engagement and board approval in order to set the dates for migration and plans for sensitisation and capacity building for the affected entities.

**5. Contribution to the International Standard Setting Process and implementation of accounting standards**

**a) Standard setting process**

PSASB contributes by giving its views to Exposure Drafts and Consultation Papers issued by the International Standard setting bodies. PSASB views are given based on the local experience and the impact such standards would have on the Kenyan context. This is done to ensure that the standard setting process caters for African Countries most of which are in the process of adopting and adapting the international standards. During the year ended 30<sup>th</sup> June, 2019 the Board submitted its contributions to the following exposure draft. During the year, IPSASB issued two exposure drafts for comments by constituents. The Board responded to one as indicated below:

No.	Standard/Project	Details	Type	Date Due	Date Submitted
1	Collective and Individual Services and Emergency relief (Amendments to IPSAS 19)	The objective of this Exposure Draft (ED) is to propose amendments to IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets, to provide guidance on accounting for collective and individual services and emergency relief following the release of IPSAS 42 on Social Benefits which did not cover the outlined expenses	Exposure Draft	31 <sup>st</sup> May 2019	27 <sup>th</sup> May 2019.

**b) Implementation of new and revised accounting standards issues**

No.	Standard	Details	Applicable date	Progress
1	IPSAS 40: Public Sector Combinations	The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations	1 <sup>st</sup> Jan 2019- Effective	PSASB trained public sector accountants on the standard

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

No.	Standard	Details	Applicable date	Progress
2	IPSAS 41: Financial Instruments	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.	1 <sup>st</sup> Jan 2022- Not yet effective	Sensitised public sector accountants on the standard and the changes it proposes to IPSAS 29.
3	IPSAS 42: Social benefits	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	1 <sup>st</sup> Jan 2022- Not yet effective	Trained public sector accountants on the new standard and its impact especially to entities that transfer cash to provide social benefits to individuals and households.
4	IFRS 16: Leases	The standard introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	1 <sup>st</sup> Jan 2019- Effective	PSASB trained public sector accountants on the standard

**6. Strengthening the Board and the Secretariat**

The Board, has in the past two years transitioned to become a Semi- Autonomous Government Agency under the National Treasury. In order to achieve this autonomy, the following activities were carried out:

- a) **Relocation of the Board to CPA Centre, Thika Road-** the Board relocated its premises from the National Treasury in August 2018 to the CPA Centre along Thika, Road. The move was geared to provide space for the anticipated growth in work force.

- b) **Recruitment of staff for key positions at the Board-** Towards the end of the financial year, PSASB hired seven (7) members of staff for top management positions. As at year end, 3 of the staff members had reported to duty while the rest reported in the subsequent period. The positions filled are as follows:

<b>Position</b>	<b>Date reported</b>
Chief Executive Officer	1 <sup>st</sup> August 2019
Director, Internal Auditing Standards	1 <sup>st</sup> June 2019
Director, Training and Corporate Services	1 <sup>st</sup> June 2019
Director, Accounting Standards	1 <sup>st</sup> June 2019
Manager, Human Resource and Administration	1 <sup>st</sup> July 2019
Principal, Supply Chain Officer	1 <sup>st</sup> July 2019
Principal, Corporate Communications Officer	1 <sup>st</sup> July 2019

The Board has embarked on phase 2 recruitment that envisages to increase the members of staff to 23 in FY 2019/2020.

## **7. Training for Board and Secretariat Members**

The Board and the Secretariat members were sponsored to a number of training programs in order to enhance their skills and competencies in regards to financial reporting and internal auditing. Some of the courses and training seminars attended include Standard Setters Forum, ESAAG Conference, Internal auditing and Risk Management among others.

## **C. FUTURE OUTLOOK**

With the increased members of staff, the Board is well positioned to carry out its mandate effectively in the coming years. The Board seeks to focus on the following areas:

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

Accrual accounting allows an entity to record revenues and expenses when they are incurred irrespective of when cash is received or paid. However under cash accounting, receipts and expenses are only recognised or recorded when cash is exchanged.

The Public Sector Accounting Standards Board is proposing the migration to accrual accounting by National Government Ministries, Departments and Agencies as well as the County Government entities due to the following benefits that accrual accounting has over cash accounting.

- Complete recording of assets and liabilities
- Identification of existing liabilities and contingent liabilities
- Accrual accounting the impact of financing decisions on net assets
- Provides information on revenues and expenses as opposed to receipts and payments therefore providing a more holistic picture for an organisation
- Provide information on cash flows

**In order to successfully migrate to accrual accounting, the Board has embarked on some preparatory activities that include:**

- Formulation of policies for assets and liabilities in collaboration with the National Treasury;
- Review of the Integrated Financial Management Information System(IFMIS);
- Review of the existing legal and regulatory framework; and
- Stakeholder engagement

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

The board, in collaboration with the National Treasury contracted consultants to strengthen internal audit and risk management for public sector internal auditors. As at the end of the year, a gap analysis conducted by the auditor indicated the status of internal audit in the public sector and the measures that should be taken to strengthen the function. PSASB will use the analysis to provide technical assistance, training for the internal auditors and audit committees in order to bring them up to desired level.

## **VII. CORPORATE GOVERNANCE STATEMENT**

The Board was gazetted on 28<sup>th</sup> February 2014 pursuant to Sections 192 to 195 of the Public Finance Management Act, 2012. Various committees of the Board were constituted in May 2014.

### **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.

These members are nominated by their respective institutions and gazetted by the Cabinet Secretary, National Treasury. The chairman of the Board is appointed by the Cabinet Secretary from among the nominated members. A summary of the members and their nominating institutions is as follows:

<b>No.</b>	<b>Member</b>	<b>Nominating Institution</b>
1	CPA Bernard Ndungu, MBS- Chairman	The National Treasury
2	CPA Macklin Ogolla	Office of the Controller of Budget
3	CPA David Gichana	Office of the Auditor General
4	CPA Comm. Anne E Owuor, EBS	Institute of Certified Public Accountants of Kenya
5	CPA Sophie Moturi (up to 31 Oct.2018)	Association of Professional Societies of East Africa
6	CPA Dr. Nicholas Letting (w.e.f 1 <sup>st</sup> April 2019)	Association of Professional Societies of East Africa
7	CPA Esther Maiyo	Capital Markets Authority
8	CPA Charles Cheruiyot	Institute of Internal Auditors
9	CPA Lazarus Kimang'a , MBS,SS	Institute of Certified Secretaries
10	CPA Simon Mundu(up to 3 <sup>rd</sup> Aug 2018)	Intergovernmental Budget and Economic Council
11	CPA Mary Kimanzi(w.e.f 3 <sup>rd</sup> Aug 2018)	Intergovernmental Budget and Economic Council

### **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 biographies of the Board members are disclosed on pages **vi to ix** of this report. The Board has three female board members out of nine members and therefore meets the constitutional threshold since at least a third of all members are female. The Board also adheres to the tenets of regional balance.

### **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 (2015/2016-2020/2021), in the Board's annual work plans and in the Board Charter. New members, once appointed, are given these documents in order to familiarise themselves with the roles and responsibilities as outlined in the law.

**Board Composition and Committees**

The following table represents the Board composition and its committees. There are four committees of the Board and each member is appointed to two committees. Each committee has a total of four members. The table below shows the chairs and members of each committee of the Board.

Ref	Members	Full Board	Governance and Strategy Committee (GSC)	National and County Governments (NCG)	Government Owned Enterprises (GOE)	Internal Audit Committee (IAC)
1	CPA Bernard Ndungu, MBS	√*				
2	CPA Macklin Ogolla	√	√	√		
3	CPA Sophie Moturi**	√	√		√*	
4	CPA David Gichana	√		√	√*	
5	CPA Esther Maiyo	√			√	√*
6	CPA Lazarus Kimang'a, MBS	√	√*			√
7	CPA Comm. Anne Owour, EBS	√		√*		√
8	CPA Charles Cheruiyot	√	√			√
9	CPA Simon Mundu**	√		√	√	
10	CPA Mary Kimanzi	√		√	√	
11	CPA Dr. Nicholas Letting	√	√		√	

\*Chairman of the Board/Committee

\*\* Members who resigned/term lapsed

Note: David Gichana was appointed the Chair of GOE committee following Sophie's resignation from the Board.

**Board Attendance**

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. Below is an extract from the attendance register for the Board meetings held in the period from 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019:

No	Members	Number of eligible meetings during the year	Number of meetings attended	%
1	CPA Bernard Ndungu, MBS	4	4	100
2	CPA Macklin Ogolla	4	4	100
3	CPA Sophie Moturi**	1	1	100
4	CPA David Gichana	4	4	100
5	CPA Esther Maiyo	4	4	100
6	CPA Lazarus Kimang'a, MBS,SS	4	4	100
7	CPA Comm. Anne Owour, EBS	4	4	100
8	CPA Charles Cheruiyot	4	4	100
9	CPA Simon Mundu**	3	3	100
10	CPA Mary Kimanzi	1	1	100
11	CPA Dr. Nicholas Letting	N/A	N/A	N/A

\*\*Members who resigned/term lapsed

Dr. Nicholas Letting attended his first board meeting in August 2019 which falls under FY 2019/2020.

Below is a summary of the general functions and members' attendance of each of the committee of the Board:

- i. **Governance and Strategy Committee:** This Committee deals with promotion of good governance, enhancing capacity, and giving strategic direction to the Board and the Secretariat.

Members	Number of eligible meetings during the year	Number of meetings Attended	%
CPA Lazarus Kimang'a, MBS,SS*	10	10	100
CPA Sophie Moturi**	1	1	100
CPA Dr. Nicholas Letting	N/A	N/A	N/A
CPA Bernard Ndungu, MBS***	6	6	100
CPA Macklin Ogolla	10	10	100
CPA Charles Cheruiyot	10	10	100
CPA Patrick Abachi – Co-opted member	10	10	100

\*Chairperson to the committee

\*\* Members who resigned/term lapsed

\*\*\* Attended by invitation

- ii. **National and County Government Committee:** The NCG committee deals with financial reporting matters and capacity building for National Government Ministries Departments and Agencies (MDAs) and County Governments (CGs). Entities under the National and County Governments use the International Public Sector Accounting Standards (IPSAS) Cash Framework while in preparation and presentation of their financial statements.

<b>Members</b>	<b>Number of eligible meetings during the year</b>	<b>Number of meetings Attended</b>	<b>%</b>
CPA Comm. Anne E. Owuor, EBS*	4	4	<b>100</b>
CPA Macklin Ogolla	4	3	<b>75</b>
CPA David Gichana	4	3	<b>75</b>
CPA Simon Mundu**	3	2	<b>67</b>
CPA Mary Kimanzi	1	1	<b>100</b>
CPA Jona Wala- Co- opted	4	4	<b>100</b>

\*Chairperson to the committee.

\*\* Members who resigned/term lapsed

- iii. **Government Owned Enterprises Committee:** GOE deals with financial reporting matters and capacity building for State Corporations (SCs) and Semi-Autonomous Government Agencies (SAGAs) in public sector.

<b>Members</b>	<b>Number of eligible meetings during the year</b>	<b>Number of meetings Attended</b>	<b>%</b>
CPA Sophie Moturi**	1	1	<b>100</b>
CPA Dr. Nicholas Letting	N/A	N/A	N/A
CPA David Gichana *	2	2	<b>100</b>
CPA Esther Maiyo	2	2	<b>100</b>
CPA Simon Mundu	2	2	<b>100</b>
CPA Kennedy Ondieki-Co-opted	2	-	-

\*Chairperson to the committee

\*\* Members who resigned/term lapsed

- iv. **Internal Audit committee:** The IAC committee advises the Board on internal audit matters and capacity building within the area of internal audit in the public sector.

<b>Members</b>	<b>Number of eligible meetings during the year</b>	<b>Number of meetings Attended</b>	<b>%</b>
CPA Esther Maiyo*	3	3	<b>100</b>
CPA Comm. Anne E. Owuor ,EBS	3	3	<b>100</b>
CPA Charles Cheruiyot	3	2	<b>67</b>
CPA Lazarus Kimang'a, MBS,SS	3	2	<b>67</b>
Alfayo Mogaka –Co-opted	3	2	<b>67</b>

\*Chairperson to the committee

### **Term of Board Members**

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. During the financial year, Mrs Sophie Moturi resigned to join Salaries and Remuneration Commission as a full time commissioner. Mrs. Moturi was replaced with Dr. Nicholas Letting who is the current Chief Executive Officer (CEO) at KASNEB. Mr. Simon Mundu was also replaced with Mrs. Mary Kimanzi who is the current County Executive Committee (CEC) Member, Finance in Makueni County.

### **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.

### **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.

### **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.

### **Board Charter**

PSASB's Board Charter was approved on 20<sup>th</sup> June 2017. The 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.

### **Board Evaluation**

The performance of the Board and its members is evaluated on a regular basis. During the year Board evaluation was deferred to FY2019/2020 as most members' term will be coming to an end in January 2020.

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**Summary of financial results against the budget**

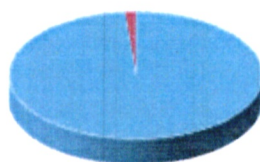
<b>Year ended 30<sup>th</sup> June</b>	<b>Budget FY 2018/19</b>	<b>Actual FY 2018/19</b>	<b>Utilisation FY 2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Revenue/Transfer	133,545,538	133,545,538	100%
Expenditure	133,545,538	99,224,296	74%

PSASB was able to raise 100% of the budgeted revenue. Actual revenue includes Kshs 110 m as transfers from the National Treasury for FY 2018/2019 and Kshs 21M balance brought forward from the previous year. PSASB utilised 74% of the received funds indicating an under absorption of 26%. This was largely attributed to acquisition of assets budget line where the Board had projected to incur partitioning costs for the new office premises, purchase of motor vehicles and ERP system and hire of staff before the year end. This however did not take place since the procurement and authorization process had not been finalised at the year end. All the other activities that the Board had planned for the year were carried out.

**Revenue**

The Board is supported by the National Government through the National Treasury by way of transfer of funds for operational use. These funds are channelled to the Board through its bank account and are thereafter budgeted for and approved by the Board of Directors. During the year, the National Treasury transferred a total of Kshs 110M. The Board also earned Kshs 1.5M as interest from bank deposits. The pie chart below shows income by categorisation;

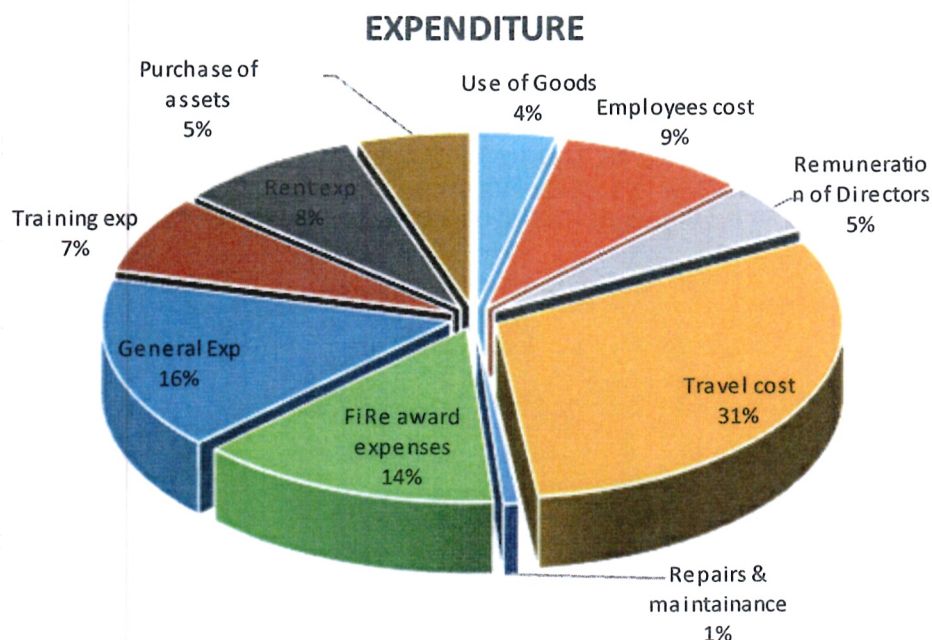
**RECEIPTS**



■ Transfer from National Treasury    
 ■ Interest Income

**Expenditure**

The Board incurred expenses on various line items.



Travel and subsistence costs accounted for 31%, General expenses accounted for 16% while Dissemination, monitoring and evaluation accounted for 14% of the total expenditure budget. Board allowances accounted for 5% of total expenses while training costs accounted for 7%. Travel costs accounted for a large proportion owing to the technical training courses and seminars attended by the Board members and the Secretariat. These workshops are geared at ensuring the members and members of staff are equipped with the requisite knowledge to ensure that the Board achieves its mandate.

**Surplus for the period**

The surplus for the year ended 30<sup>th</sup> June 2019, amounted to Kshs 12.4 Million. This surplus relates to funds that will be utilised towards payment of partitions for the new premises at CPA Centre along Thika Road, purchase of additional Motor Vehicles for office and ERP system.

**Other compliance and operational results**

**Entity's compliance with statutory requirements**

PSASB has complied with its establishing Act, that is, the PFM Act, 2012. It has also complied with other legal requirements such as 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.

**Key projects and investment decisions the entity is planning/implementing**

PSASB's five year strategic plan, sets out the key projects and investment decisions to be made in order to ensure that it meets its mandate. During the five year strategy the main focus is on migration from cash accounting to accrual accounting by National and County Government entities the strengthening of its structures with a focus on the Secretariat, and bringing more entities on board with regard to financial reporting.

To this end, the Board in collaboration with the National Treasury is overseeing various consultancies that are geared towards preparing public sector entities to move towards accrual accounting. These consultancies include revision of Standard Chart of Accounts, technical assistance to public sector entities on strengthening internal audit function and a consultancy on development of a policy for public sector assets and liabilities.

**IX. FINANCIAL STATEMENTS FOR PUBLIC SECTOR ACCOUNTING STANDARDS  
BOARD FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

## **X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Public Sector Accounting Standard Board (PSASB) affairs.

### **Principal activities**

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

### **Results**

The results of the entity for the year ended June 30, 2019 are set out on page 1 of these financial statements.

### **Directors**

The members of the Board of Directors who served during the year are shown on page vi to ix. During the year, one board member resigned following her appointment as a Commissioner with the Salaries and Remuneration Commission (SRC) while another Board member's term ended after not being re-appointment as a County Executive Committee Member for Finance. The two members were replaced during the year from the nominating institutions.

### **Auditors**

The Auditor General is responsible for the statutory audit of PSASB in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**CPA Bernard Ndungu, MBS**

Board Chairman

Nairobi

Date: ..... 29th January 2020

## **XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Public Sector Accounting Standards 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 June 30, 2019. 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 Public Finance Management 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 ended June 30, 2019, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for 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 Public Sector Accounting Standards Board will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The Public Sector Accounting Standards Board's financial statements were approved by the Board on 21<sup>st</sup> JANUARY 2020... and signed on its behalf by:



CPA Bernard Ndung'u, MBS  
**Chairman**



CPA Lazarus Kimang'a, MBS,SS  
**Chair, GSC**



CPA Fredrick Riaga  
**Chief Executive Officer**

**XII. REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**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, 2019**

---

### **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 28, which comprise the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget 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 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, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with 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 Standard 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain 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 liquidate 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 are responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how the 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 control 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 the 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.

  
**Nancy Gathungu**  
**AUDITOR GENERAL**

**Nairobi**

**03 February, 2021**

**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Transfers from the National Government- National Treasury	6	110,175,000	113,000,000
<b>Total Revenue from Non- Exchange transactions</b>		<b>110,175,000</b>	<b>113,000,000</b>
<b>Revenue from exchange transactions</b>			
Interest income	7	1,574,030	266,496
<b>Total revenue</b>		<b>111,749,030</b>	<b>113,266,496</b>
<b>Expenses</b>			
Use of Goods and Services	8	13,658,770	11,200
Employees cost	9	9,045,135	-
Remuneration of directors	10	4,642,084	7,469,910
Travel and subsistence costs	11	30,398,658	25,913,435
Depreciation and amortization expense	12	3,613,791	1,205,655
Repairs and maintenance	13	717,758	12,050
Dissemination, monitoring and evaluation of standards	14	13,859,820	12,757,500
General expenses	15	16,247,938	9,201,255
Training Expenses	16	7,142,794	8,795,502
<b>Total expenses</b>		<b>99,326,747</b>	<b>65,366,833</b>
<b>Surplus for the year</b>		<b>12,422,283</b>	<b>47,899,663</b>

The notes set out on pages 6 to 36 form an integral part of these Financial Statements

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	34,834,218	21,870,538
Receivables from exchange transactions	18	8,685,124	10,007,040
		<b>43,519,342</b>	<b>31,877,904</b>
<b>Non-current assets</b>			
Property, plant and equipment	19	17,572,099	16,022,085
<b>Total assets</b>		<b>61,091,441</b>	<b>47,899,663</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	20	549,690	-
<b>Non-Current liabilities</b>			
Gratuity provision	21	219,805	
<b>Total liabilities</b>		<b>769,495</b>	<b>-</b>
Accumulated surplus		60,321,946	47,899,663
<b>Total net assets and liabilities</b>		<b>61,091,441</b>	<b>47,899,663</b>

The Financial Statements set out on pages 1 to 31 were signed on behalf of the Board of Directors by:

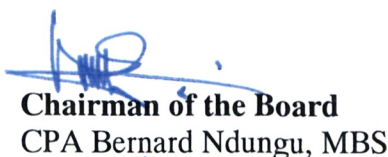
**Director, Training and Corporate Services**  
 CPA Patrick Abachi  
 ICPAK Member Number:

Date .....



**Chief Executive Officer**  
 CPA Fredrick Riaga

Date... 21<sup>st</sup> January 2020



**Chairman of the Board**  
 CPA Bernard Ndungu, MBS

Date... 29<sup>th</sup> Janry 2020

**7. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Retained earnings</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>At July 1, 2017</b>	-	-
Surplus for the year	47,899,663	47,899,663
<b>At June 30, 2018</b>	<b>47,899,663</b>	<b>47,899,663</b>
<b>At July 1, 2018</b>	<b>47,899,663</b>	<b>47,899,663</b>
Surplus for the year	12,422,283	12,422,283
<b>At June 30, 2019</b>	<b>60,321,946</b>	<b>60,321,946</b>

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the National Treasury	6	110,175,000	113,000,000
Interest income from bank deposits	7	1,574,030	266,496
<b>Total Receipts</b>		<b>111,749,030</b>	<b>113,266,496</b>
<b>Payments</b>			
Use of Goods and services		3,651,730	11,200
Employees cost		8,825,329	-
Remuneration of Directors		4,582,084	7,469,910
Travel, subsistence & other transportation cost		30,398,658	25,913,435
Repairs and maintenance		717,758	12,050
Dissemination, monitoring and evaluation		13,859,820	12,757,500
General expenses		<b>15,758,248</b>	9,201,255
Training cost		7,142,794	8,795,502
Prepayments	18	8,685,124	10,007,366
<b>Total Payments</b>		<b>93,621,545</b>	<b>74,168,218</b>
<b>Net cash flows from operating activities</b>		<b>18,127,485</b>	<b>39,098,278</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		(5,163,805)	(17,227,740)
<b>Net cash flows used in investing activities</b>		<b>(5,163,805)</b>	<b>(17,227,740)</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,963,680</b>	<b>21,870,538</b>
Cash and cash equivalents at 1 July	23	21,870,538	-
<b>Cash and cash equivalents at 30 June</b>		<b>34,834,218</b>	<b>21,870,538</b>

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization percentage	Notes
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
	Kshs	Kshs	Kshs	Kshs	Kshs		
<b>Revenue</b>							
Transfers from the National Treasury	113,000,000	(2,825,000)	110,175,000	110,175,000	-	100%	
Interest income	300,000	1,200,000	1,500,000	1,574,030	74,030	105%	
Balance b/f	21,870,538	-	21,870,538	21,870,538			
<b>Total income</b>	<b>135,170,538</b>	<b>(1,625,000)</b>	<b>133,545,538</b>	<b>133,619,568</b>	<b>74,030</b>		
<b>Expenses</b>							
Use of Goods and services	-	3,800,000	3,800,000	3,651,730	148,270	95%	
Employees cost	21,238,914	(9,301,973)	11,936,941	8,825,330	3,111,611	74%	a)
Remuneration of Directors	9,200,000	(4,550,000)	4,650,000	4,582,084	67,916	99%	
Travel Subsistence & other transportation cost	24,650,000	5,800,000	30,450,000	30,398,658	51,342	100%	
Repairs and maintenance	1,119,000	(369,000)	750,000	717,758	32,242	99%	
FiRe Award expenses	13,757,500	102,320	13,859,820	13,859,820	-	100%	
General Expenses	16,380,000	(380,000)	16,000,000	15,935,601	64,399	99%	
Training Expenses	9,130,000	(1,930,000)	7,200,000	7,142,794	57,206	99%	
Rent Expense	1,000,000	7,500,000	8,500,000	8,507,770	(7,770)	100%	
Purchase of Assets	38,695,124	(2,296,347)	36,398,777	5,163,805	31,234,972	14%	b)
Depreciation	-	-	-	-	-		
<b>Total expenditure</b>	<b>135,170,538</b>	<b>(1,625,000)</b>	<b>133,545,538</b>	<b>98,785,350</b>	<b>33,780,808</b>		
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,834,218</b>			

**Budget notes**

- a) Underutilization of ksh.3, 111,611 was due to the delay in recruitment of new staff members.
- b) Underutilization of KShs. 31,234,972 was as a result of late execution of works i.e. office partition works, motor vehicle, ERP contracts were awarded towards the end of FY.

**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

PSASB is established by and derives its authority and accountability from PFM Act 2012. The Board is wholly owned by the Government of Kenya through the National Treasury and is domiciled in Kenya. The board's principal activity is to set generally accepted accounting, financial and internal audit standards.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis. 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 entity's accounting policies. The areas involving a higher degree of judgment 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 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<p><b>Applicable: 1<sup>st</sup> January 2019</b></p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.</p> <p><i>PSASB is a Semi- Autonomous Government Agency established under Sections 192-195 of the PFM Act, 2012. Management have assessed the effect of IPSAS 40 on the operations of the Board. Since there were no combinations or amalgamations between PSASB and other public sector entities the Standard has no impact on the Board's activities for the year ended June 30, 2019.</i></p>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b>  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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between board's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>PSASB is in the process of assessing the impact of this standard on its financial instruments as it prepares to apply the standard at the applicable date.</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b>  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 information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol> <p><i>PSASB's mandate does not involve providing social benefits to individuals to community to alleviate social problems. The Board considers that this standard has no impact on its financial performance, financial position and cash flows.</i></p>

**iii. Early adoption of standards**

The Board did not early – adopt any new or amended standards in year 2019.

#### **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 entity and can be measured reliably. Recurrent grants are recognized in the statement of financial performance. Development/capital grants are recognized in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

###### **ii) Revenue from exchange transactions**

###### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

##### **b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly. PSASB Budget is consolidated together with the budget of its line Ministry which is the National Treasury. Once approved by the National Assembly, the Board of Management approves the organisation's budget in line with the approved estimates. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded a decrease in appropriations of Kshs 1,625,000 on the 2018-2019 budget following the National Assembly's approval.

The entity'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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**b) Budget information (continued)**

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.

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 23** of these financial statements.

**c) Taxes**

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) 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**

Depreciation on property plant and equipment is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates;

Motor Vehicle	25%
Furniture & fitting	12.5%
Computers	33.33%
Equipment	12.5%

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**e) Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Board. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**f) 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 useful life of the intangible assets is assessed as either finite or indefinite.

**g) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Board determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**g) Financial instruments (continued)**

***Impairment of financial assets***

The Board assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization;
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Board determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**h) 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.

***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.

***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.

**i) 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.

**j) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**k) 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 an entity pays fixed contributions into a separate entity (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.

**l) 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.

**m) 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.

**n) 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 at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**o) Comparative figures**

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

**p) 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, 2019.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity'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.

**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 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.

**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:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset Changes in the market in relation to the asset

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Provisions**

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.

**Provision for bad debts**

It's the Board policy to assess the impairment of individual debts on an annual basis and provide for each of them based on the prevailing circumstances.

**6 TRANSFERS FROM OTHER GOVERNMENTS**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Unconditional grants</b>		
Operational grant from National Treasury	110,175,000	113,000,000
<b>Total government grants and subsidies</b>	<b>110,175,000</b>	<b>113,000,000</b>

**6 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

<b>Name of the Entity sending the grant</b>	<b>Amount recognized to Statement of Comprehensive Income KShs</b>	<b>Amount deferred under deferred income KShs</b>	<b>Amount recognised in capital fund.</b>	<b>Total grant income during the year</b>	<b>2017-2018</b>
			<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
National Treasury	110,175,000	-	-	110,175,000	113,000,000
<b>Total</b>	<b>110,175,000</b>	<b>-</b>	<b>-</b>	<b>110,175,000</b>	<b>113,000,000</b>

**7 INTEREST INCOME – EXTERNAL INVESTMENTS**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from Co-operative Bank	1,574,030	266,496
<b>Total finance income – external investments</b>	<b>1,574,030</b>	<b>266,496</b>

The income relates to interest income accrued from the daily balances on account held at Co-operative Bank of Kenya. The interest rate was negotiated at 4% p.a. The amount is net of withholding tax.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Rent	10,007,040	-
Contracted professional services	3,454,834	-
Membership fees subscriptions to professional fees	153,977	11,200
Electricity	42,609	-
Parking fees	310	-
<b>Total good and services</b>	<b>13,658,770</b>	<b>11,200</b>

Contracted services include audit fees paid to the Office of the Auditor General (OAG), cost of moving premises from the National Treasury, security and recruitment services charges.

9 EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries for permanent employees	803,770	-
Wages for temporary employees	198,160	-
Extraneous allowance	7,821,000	-
Employee related costs – contributions to pensions (NSSF)	2,400	-
Provision for gratuity	219,805	-
<b>Employee costs</b>	<b>9,045,135</b>	<b>-</b>

PSASB hired members of Staff towards the end of the year. Extraneous allowance approved by the SRC was also paid to seconded staff from the National Treasury. The allowance was backdated to July 2017.

10 REMUNERATION OF DIRECTORS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	720,000	720,000
Directors emoluments	2,443,684	4,770,760
Other allowances	1,478,400	1,979,150
<b>Total director emoluments</b>	<b>4,642,084</b>	<b>7,469,910</b>

11 TRAVEL AND SUBSISTENCE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Travel cost	6,641,979	6,236,375
Daily subsistence costs	23,557,098	18,561,566
Other costs	199,581	1,115,494
<b>Total travel &amp; subsistence</b>	<b>30,398,658</b>	<b>25,913,435</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Motor Vehicle	1,512,302	1,032,792
Office Furniture	765,579	56,907
Office Computers	1,167,623	100,081
Office Equipment	168,287	15,875
<b>Total depreciation and amortization</b>	<b>3,613,791</b>	<b>1,205,655</b>

13 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Office property	666,738	-
Motor Vehicle	49,530	-
Equipment and machinery	-	1,250
Furniture and fittings	1,490	10,800
<b>Total repairs and maintenance</b>	<b>717,758</b>	<b>12,050</b>

14 DISSEMINATION, MONITORING AND EVALUATION OF STANDARDS

Description	2018-2019	2017-2018
	KShs	KShs
Promoters fees	2,000,000	2,000,000
Evaluation expenses	11,859,820	10,757,500
<b>Total grants and subsidies</b>	<b>13,859,820</b>	<b>12,757,500</b>

Dissemination, monitoring and evaluation relates to cost associated with the Financial Reporting Excellence (FiRe) award. Public sector entities have been participating in this event since 2015. Kshs 11.85M went towards funding the budget of evaluating over 500 public sector entities and Kshs 2M as support by PSASB as a promoter to the event. This amount is contributed by each of the four promoters of the award.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Advertising, printing & information supplies	2,036,548	1,842,680
Hospitality & catering cost	417,956	866,988
Board & committee expenses	2,898,120	1,437,960
Website development	-	348,000
Fuel, oil and lubricant costs	154,155	94,450
Insurance cost	500,794	527,324
Office and general supplies	7,936,077	1,878,513
Supplies & accessories for computers & printers	-	1,653,744
Bank charges and commissions	172,899	79,296
Library cost	-	120,000
Telephone & communication supplies	1,055,514	352,300
Networking & software expenses	1,075,875	-
<b>Total general expenses</b>	<b>16,247,938</b>	<b>9,201,255</b>

16 TRAINING COST

Description	2018-2019	2017-2018
	KShs	KShs
Hire of facility	448,300	1,657,621
Trainers allowance	-	45,000
Production of training materials	-	10,935
Trainee accommodation allowance	943,186	1,047,900
Tuition fees	5,751,308	6,034,046
<b>Total training cost</b>	<b>7,142,794</b>	<b>8,795,502</b>

17 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Current account	34,834,218	21,870,538
<b>Total cash and cash equivalents</b>	<b>34,834,218</b>	<b>21,870,538</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17(a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

		<b>2018-2019</b>	<b>2017-2018</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>Current account</b>			
Co-operative Bank of Kenya	01141199471000	34,834,218	21,870,538
<b>Grand total</b>		<b>34,834,218</b>	<b>21,870,538</b>

**18 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current receivables</b>		
Rent prepaid	7,859,650	9,756,480
Annual parking prepaid	501,120	250,560
Prepaid security expenses	147,000	-
Prepaid subscription to publications	177,354	-
<b>Total receivables</b>	<b>8,685,124</b>	<b>10,007,040</b>

The Board paid year rent, parking fees and first quarter cost of private security guards services to cushion it against such financial obligation as it plans to undertake phase two recruitment of staff as part of its cash flow planning for FY 2019/2020.

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 PROPERTY, PLANT AND EQUIPMENT**

	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computers</b>	<b>Plant and equipment</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
At 1 July 2017	-	-	-	-	-
Additions	7,082,000	5,463,040	3,603,300	1,079,400	17,227,740
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>7,082,000</b>	<b>5,463,040</b>	<b>3,603,300</b>	<b>1,079,400</b>	<b>17,227,740</b>
Additions	-	2,052,000	-	3,111,805	5,163,805
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>7,082,000</b>	<b>7,515,040</b>	<b>3,603,300</b>	<b>4,191,205</b>	<b>22,391,545</b>
<b>Depreciation and impairment</b>					
At 1 July 2017	-	-	-	-	-
Depreciation charge for the year	(1,032,792)	(56,907)	(100,082)	(15,875)	(1,205,656)
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>(1,032,792)</b>	<b>(56,907)</b>	<b>(100,082)</b>	<b>(15,875)</b>	<b>(1,205,656)</b>
Depreciation charge for the year	(1,512,302)	(765,579)	(1,167,623)	(168,287)	(3,613,791)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>(1,512,302)</b>	<b>(765,579)</b>	<b>(1,167,623)</b>	<b>(168,287)</b>	<b>(3,613,791)</b>
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2019</b>	<b>4,536,906</b>	<b>6,692,554</b>	<b>2,335,595</b>	<b>4,007,043</b>	<b>17,572,099</b>
<b>At 30<sup>th</sup> June 2018</b>	<b>6,049,208</b>	<b>5,406,134</b>	<b>3,503,218</b>	<b>1,063,525</b>	<b>16,022,085</b>

Public Sector Accounting Standards Board (PSASB)  
Annual Report and Financial Statements  
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	549,690	-
<b>Total trade and other payables</b>	<b>549,690</b>	<b>-</b>

21 GRATUITY PROVISION

Description	Bal b/f	Additional	Bal c/f
	KShs	Provision	KShs
Gratuity	-	219,805	219,805
<b>Total Provision</b>	<b>-</b>	<b>219,805</b>	<b>219,805</b>

Gratuity was provided for contracted staff who were hired and had reported to the PSASB for duty as at year end.

22 CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	KShs	KShs
<b>Surplus for the year before tax</b>	<b>12,422,283</b>	<b>47,899,663</b>
<b>Adjusted for:</b>		
Depreciation	3,613,791	1,205,655
<b>Working Capital adjustments</b>		
Decrease in receivables	1,321,916	(10,007,040)
Increase in payables	769,495	-
<b>Net cash flow from operating activities</b>	<b>18,127,485</b>	<b>39,098,278</b>

23 RECONCILIATION BETWEEN THE SURPLUS AS PER THE BUDGET AND AS PER STATEMENT OF FINANCIAL PERFORMANCE

DESCRIPTION	SURPLUS( Kshs)
Surplus as per the statement of financial performance	12,422,283
Surplus as per statement of budgeted and actual amounts (actual on comparable basis with the budget)	34,834,218
<b>Difference</b>	<b>(22,411,935)</b>

Explained by:

Purchase of fixed assets included in the statement of financial position	5,163,805
Prepayments for FY 19/20 included in the statement of financial position	8,685,124
Rent prepayment for FY 18/19 expensed in the year	(10,007,040)
Depreciation expense- Non cash item	(3,613,791)
Accruals expenses for FY 2018/2019	(769,495)
Cash balance for FY 17/18 carried forward	(21,870,538)
<b>Total</b>	<b>(22,411,935)</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(The difference between surplus as per statement of financial performance and statement of budget is a basis difference. The budget is prepared under cash basis while financial statements are prepared under the accrual basis of accounting)

24 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 and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account 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 entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	8,685,124	8,685,124	-	-
Bank balances	34,834,218	34,834,218	-	-
<b>Total</b>	<b>43,519,342</b>	<b>43,519,342</b>	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Bank balances	21,870,538	21,870,538	-	-
<b>Total</b>	<b>21,870,538</b>	<b>21,870,538</b>	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. FINANCIAL RISK MANAGEMENT (Continued)**

**i) Credit risk (Continued)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from the Institute of Certified Public Accountants of Kenya (ICPAK).

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

**(ii) Liquidity risk management**

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

The table below represents cash flows payable by the entity 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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2019</b>				
Trade payables	549,690	-	-	549,690
<b>Total</b>	<b>549,690</b>	<b>-</b>	<b>-</b>	<b>549,690</b>
<b>At 30 June 2018</b>				
Trade payables	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which may 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.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) 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.

As at the end of the year, the Board held no assets or liabilities in foreign denominated currencies

b) Interest rate risk

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

*Sensitivity analysis*

The entity 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 financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 15,740 (2018: KShs 2,664 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 78,702 (2018: KShs 13,325)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. FINANCIAL RISK MANAGEMENT (Continued)**

**iii) Capital Risk Management**

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

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Retained earnings	61,091,441	47,899,989
<b>Total funds</b>	<b>61,091,441</b>	<b>47,899,989</b>
Total borrowings		-
Less: cash and bank balances	(34,834,218)	(21,870,538)
Net debt/(excess cash and cash equivalents)	(34,834,218)	(21,870,538)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**25 RELATED PARTY BALANCES**

**Nature of related party relationships**

Entities and other parties related to the entity 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.

**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 Government;
- ii) The National Treasury;
- iii) Other State Corporations;
- iv) Other Ministries, Departments and Agencies;
- v) County Governments;
- vi) Semi- Autonomous Government Agencies and Public Funds;
- vii) Key management; and
- viii) Board of directors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RELATED PARTY BALANCES (Continued)

	2018-2019	2017-2018
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Government	110,175,000	113,000,000
<b>Total</b>	<b>110,175,000</b>	<b>113,000,000</b>
<b>b) Key management compensation</b>		
Allowances to directors	4,582,084	7,469,910
Medical cover for members	144,140	130,984
Travel and subsistence allowance	9,824,436	6,699,757
<b>Total</b>	<b>14,550,660</b>	<b>14,300,651</b>

26 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Board did not have any contingent liabilities or assets as at the end of the year 30<sup>th</sup> June 2019.

27 CAPITAL COMMITMENTS

Capital commitments	2018-2019	2017-2018
	Kshs	Kshs
Authorised for	10,000,000	7,000,000
Authorised and contracted for	21,234,972	-
<b>Total</b>	<b>31,234,972</b>	<b>7,000,000</b>

As at the end of the year, the Board had authorised a total of Kshs 10 million shillings to be used to purchase a motor vehicle. Authorised and contracted capital commitments relate to office partitioning, Enterprise Resource Planning (ERP) and E-Board Services software installation.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**28 EVENTS AFTER THE REPORTING PERIOD**

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

**29 ULTIMATE AND HOLDING ENTITY**

The entity is a Semi-Autonomous Government Agency under the Ministry of National Treasury. Its ultimate parent is the Government of Kenya.

**30 Currency**

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

**XIX. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The Board received unqualified report and no issues were raised for the audit on financial statements for FY 2017/2018.



**CPA Fredrick Riaga**  
**Chief Executive Officer**

Date...21<sup>st</sup> January 2020

**XX. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

There are no projects implemented under PSASB.

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

**XXI. APPENDIX III: INTER-ENTITY TRANSFERS**

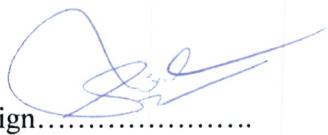
<b>ENTITY NAME:</b>		<b>PUBLIC SECTOR ACCOUNTING STANDARDS BOARD</b>		
<b>Break down of Transfers from the National Treasury</b>				
<b>FY 2018/2019</b>				
a.	Recurrent Grants			
		<b><u>Bank Statement Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>Indicate the FY to which the amounts relate</u></b>
		28.08.2018	28,250,000	FY2018/2019
		26.10.2018	25,990,000	FY2018/2019
		06.02.2019	27,685,000	FY2018/2019
		15/5/2019	28,250,000	FY2018/2019
		<b>Total</b>	<b>110,175,000</b>	

The above amounts have been communicated to and reconciled with the National Treasury

**Director, Training & Corporate Services**  
 CPA Patrick Abachi

Sign.....

**Head of Finance**  
 CPA Billy Mathu

Sign.....

**Public Sector Accounting Standards Board (PSASB)**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2019**

---

**XXII. APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount – KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
The National Treasury	110,175,000	Recurrent	110,175,000	110,175,000	-	-	-	-	110,175,000
<b>Total</b>			<b>110,175,000</b>	<b>110,175,000</b>	-	-	-	-	<b>110,175,000</b>

